



Multnomah County Oregon

Board of Commissioners & Agenda

connecting citizens with information and services

BOARD OF COMMISSIONERS

Diane Linn, Chair

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214
Phone: (503) 988-3308 FAX (503) 988-3093
Email: mult.chair@co.multnomah.or.us

Maria Rojo de Steffey, Commission Dist. 1

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214
Phone: (503) 988-5220 FAX (503) 988-5440
Email: district1@co.multnomah.or.us

Serena Cruz, Commission Dist. 2

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214
Phone: (503) 988-5219 FAX (503) 988-5440
Email: serena@co.multnomah.or.us

Lisa Naito, Commission Dist. 3

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214
Phone: (503) 988-5217 FAX (503) 988-5262
Email: lisa.h.naito@co.multnomah.or.us

Lonnie Roberts, Commission Dist. 4

501 SE Hawthorne Boulevard, Suite 600
Portland, Or 97214
Phone: (503) 988-5213 FAX (503) 988-5262
Email: lonnie.j.roberts@co.multnomah.or.us

On-line Streaming Media, View Board Meetings

<http://www.co.multnomah.or.us/cc/board.html>

On-line Agendas & Agenda Packet Material

<http://www.co.multnomah.or.us/cc/agenda.html>

Americans with Disabilities Act Notice: If you need this agenda in an alternate format, or wish to participate in a Board Meeting, please call the Board Clerk (503) 988-3277, or Multnomah County TDD Phone (503) 988-5040, for information on available services and accessibility.

FEBRUARY 18 & 20, 2003

BOARD MEETINGS

FASTLOOK AGENDA ITEMS OF INTEREST

Pg 2	9:00 a.m. Tuesday Food Policy Council
Pg 2	9:20 a.m. Tuesday Blue Ribbon Courthouse Steering Committee Update
Pg 2	10:45 a.m. Tuesday Briefing on Community Partnership Agreement – Business Income Tax Reform: Process and Proposals
Pg 3	9:35 a.m. Thursday SB 1145 Wapato Lease
Pg 4	10:00 a.m. Thursday Bridge ORDINANCE
Pg 4	10:45 a.m. Thursday Overview of Proposals to Provide Funding for County School Districts and Other Services
Pg 4	1:15 p.m. Thursday Continuation of Briefing on Surcharge to Provide Funding for Services

Thursday meetings of the Multnomah County Board of Commissioners are cable-cast live and taped and may be seen by Cable subscribers in Multnomah County at the following times:

Thursday, 9:30 AM, (LIVE) Channel 30

Friday, 11:00 PM, Channel 30

Saturday, 10:00 AM, Channel 30

Sunday, 11:00 AM, Channel 30

Produced through Multnomah Community Television

(503) 491-7636, ext. 333 for further info

or: <http://www.mctv.org>

Tuesday, February 18, 2003 - 9:00 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD BRIEFINGS

- B-1 Food Policy Council Mid-year Update. Presented by Rosemarie Cordello and Brian Rohter. 20 MINUTES REQUESTED.
 - B-2 Update on Initial Findings of Blue Ribbon Courthouse Steering Committee. Presented by Mike Schrunk, Dan Petrusich and Dale Koch. 90 MINUTES REQUESTED.
 - B-3 Briefing on Community Partnership Agreement – Business Income Tax Reform: Process and Proposals. Presented by Kathy Turner, Duke Shepard, Steve Janik, John Ball, and Tony Mounts. 70 MINUTES REQUESTED.
-

Thursday, February 20, 2003 - 9:30 AM
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

REGULAR MEETING

CONSENT CALENDAR - 9:30 AM **NON-DEPARTMENTAL**

- C-1 Reappointments of Dick Wegner and Irwin Mandel to the DISTRICT ATTORNEY CITIZEN BUDGET ADVISORY COMMITTEE
- C-2 Appointments of Kim Cox, Tom Weldon and Scott Seibert to the NON-DEPARTMENTAL CITIZEN BUDGET ADVISORY COMMITTEE
- C-3 Appointment of Irma Valdez to the MT. HOOD CABLE REGULATORY COMMISSION
- C-4 Appointment of Mike Houck to the SUSTAINABLE DEVELOPMENT COMMISSION
- C-5 Budget Modification NOND-05 Appropriating \$30,587 One-Time-Only Great Start Funds to Restore Mid-Year Cuts Made to the Mt. Scott

Alternative School and a Mental Health Consultant at Metro Childcare Resource and Referral

DEPARTMENT OF COUNTY HUMAN SERVICES

- C-6 Budget Modification CHS 09 Decreasing Intensive Treatment Services (ITS) Revenue by \$740,268 to Reflect Revised Information from the State
- C-7 Budget Modification CHS 11 Revising Domestic Violence Budget to Bring in Line with Actual Grant and Revenue Agreements for a Net Increase of \$65,006
- C-8 Budget Modification CHS 12 Provides the Revenue and Expenditures Plan for the Operation of the Gateway Children's Campus for the Remainder of Fiscal year 2003

DEPARTMENT OF BUSINESS AND COMMUNITY SERVICES

- C-9 Intergovernmental Revenue Agreement 310398 with the Department of Environmental Quality, Providing Grant Monies to Complete and Install a 15,000 square foot Green Roofing System for the Multnomah Building

REGULAR AGENDA - 9:30 AM

PUBLIC COMMENT - 9:30 AM

Opportunity for Public Comment on Non-Agenda Matters. Testimony is Limited to Three Minutes per Person.

DEPARTMENT OF HEALTH - 9:30 AM

- R-1 NOTICE OF INTENT to Apply for Grant Funding from the US Department of Health and Human Services' Bureau of Primary Health Care to Expand Primary Health Care Services Capacity

DEPARTMENT OF BUSINESS AND COMMUNITY SERVICES - 9:35 AM

- R-2 Approval of SB 1145 Facilities Lease and Sub-Lease Agreement with the State of Oregon for Beds at Wapato Jail

NON-DEPARTMENTAL - 9:50 AM

- R-3 2003 Legislative Update Presentation by Gina Mattioda and Stephanie Soden.

- R-4 First Reading of a Proposed ORDINANCE Amending Multnomah County Code Chapter 29, Building Regulations, to Add New Provisions Relating to Bridge Special Events
- R-5 RESOLUTION Directing the Facilities and Property Management Division to Sell the Surplus Former Hollywood Library [Continued from 02/13/03]
-

Thursday, February 20, 2003 - **10:45 AM**
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD BRIEFING

- B-4 Overview of Proposals to Provide Funding for School Districts within Multnomah County and Other Services. Presented by Chair Diane Linn, Kathy Turner, Duke Shepard, Dave Boyer, Scott Asphaug and Invited Others. 90 MINUTES REQUESTED.
-

Thursday, February 20, 2003 - **1:15 PM**
Multnomah Building, First Floor Commissioners Boardroom 100
501 SE Hawthorne Boulevard, Portland

BOARD BRIEFING

- B-5 Continuation of Briefing on Funding Proposals; Surcharge to Provide Funding for School Districts within Multnomah County; Human Services; and Public Safety. Presented by Commissioner Lisa Naito, Tony Mounts, Dave Boyer and Invited Others. 90 MINUTES REQUESTED.

MULTNOMAH COUNTY 2003-2004 BUDGET WORK SESSIONS AND HEARINGS

(Unless otherwise noted, all sessions will be held in the Multnomah Building
Commissioners Boardroom 100, 501 SE Hawthorne, Portland)

The Tuesday, March 4, March 11, March 18 and April 1 Meetings will be Broadcast Live on Cable Channel 22 (East County subscribers only). The April 15 through June 11 Tuesday and Wednesday Meetings may be Broadcast Live on Cable Channel 21 (Countywide subscribers). Thursday Meetings are Broadcast Live on Cable Channel 30 or log onto <http://www.co.multnomah.or.us/cc/board.html> to View Live Broadcast. **Check the Cable Coverage schedule at the end of this document for updated information.** All Meetings covered by Cable will be Rebroadcast on Cable and Media Streaming.

Tue, March 4
9:30 - 12:00 p.m.

Library

Tue, March 11
9:30 - 12:00 p.m.

Early Childhood
School Services

Tue, March 18
9:30 - 12:00 p.m.

A & D Mental Health
Public Safety System

Tue, April 1
9:30 - 12:00 p.m.

Health Safety Net
Health Redesign

Tue, April 15
9:30 - 12:00 p.m.

Shared Services

Tue, April 22
9:30 - 12:00 p.m.

Capital Budget/Facilities

Thu, May 1
9:30 - 12:00 p.m.

**Chair's 2003-2004 Executive Budget Message
Public Hearing/Consideration of Resolution
Approving Executive Budget for Submission to
Tax Supervising and Conservation Commission**

Tue, May 6
9:00 - 12:00 p.m.

Financial Overview
Central CBAC Chair Presentation
Public Safety Service Area

MULTNOMAH COUNTY 2003-2004 BUDGET WORK SESSIONS AND HEARINGS

(Unless otherwise noted, all sessions will be held in the Multnomah Building
Commissioners Boardroom 100, 501 SE Hawthorne, Portland)

Tue, May 6
2:00 - 4:00 p.m.

Individual Department Briefings:
MCSO
DCJ
DA

Wed, May 7
9:00 - 12:00 p.m.

Health and Human Services Service Area

Wed, May 7
2:00 - 4:00 p.m.

Individual Department Briefings
Health
Human Services
OSCP
CCFC

Wed, May 7
6:00 - 8:00 p.m.

**Public Hearing on the 2003-2004 Multnomah
County Budget - Multnomah County East
Building, Sharron Kelley Conference Room, 600
NE 8th, Gresham**

Thu, May 8
9:30 - 12:00 p.m.

**Public Hearing/Consideration of Approval of the
2003-2004 Dunthorpe Riverdale Sanitary Service
District No. 1 Proposed Budget for Submittal to
Tax Supervising and Conservation Commission
Public Hearing/Consideration of Approval of the
2003-2004 Mid County Street Lighting Service
District No. 14 Proposed Budget for Submittal to
Tax Supervising and Conservation Commission**

Tue, May 13
9:00 - 12:00 p.m.

General Government Service Area

Tue, May 13
2:00 - 4:00 p.m.

Individual Department Briefings
DBCS
Library
Shared Services
Non-Departmental

MULTNOMAH COUNTY 2003-2004 BUDGET WORK SESSIONS AND HEARINGS

(Unless otherwise noted, all sessions will be held in the Multnomah Building
Commissioners Boardroom 100, 501 SE Hawthorne, Portland)

Wed, May 14
9:00 - 12:00 p.m.

Public Safety Follow Up

Wed, May 14
2:30 - 4:00 p.m.

Health and Human Services Follow Up

Wed, May 14
6:00 - 8:00 p.m.

**Public Hearing on the 2003-2004 Multnomah
County Budget - Portland Community College,
Cascade Campus, Student Center Building
Cafeteria, 705 N Killingsworth, Portland**

Tue, May 20
9:00 - 12:00 p.m.

Legislative Update
General Government Follow Up

Tue, May 20
2:00 - 4:00 p.m.

(t) General Government Follow Up

Wed, May 21
9:00 - 12:00 p.m.

(t) General Government Follow Up

Wed, May 21
2:00 - 4:00 p.m.

(t) General Government Follow Up

Wed, May 21
6:00 - 8:00 p.m.

**Public Hearing on the 2003-2004 Multnomah
County Budget - Multnomah Building,
Commissioners Boardroom 100, 501 SE
Hawthorne, Portland**

Tue, May 27
9:00 - 12:00 p.m.

School Policy Framework

Tue, May 27
2:00 - 4:00 p.m.

If Needed Budget Work Session

Wed, May 28
9:00 - 12:00 p.m.

Amendments

Wed, May 28
2:00 - 4:00 p.m.

Amendments

MULTNOMAH COUNTY 2003-2004 BUDGET WORK SESSIONS AND HEARINGS

(Unless otherwise noted, all sessions will be held in the Multnomah Building
Commissioners Boardroom 100, 501 SE Hawthorne, Portland)

Tue, June 3
9:00 - 12:00 p.m.

Amendments

Tue, June 3
2:00 - 4:00 p.m.

Amendments

Wed, June 4
1:00 - 4:00 p.m.

Question Follow Up

Thu, June 5
9:30 - 10:00 a.m.

**Tax Supervising and Conservation Commission
Public Hearing on Multnomah County Budget -
Multnomah Building, Commissioners Boardroom
100, 501 SE Hawthorne, Portland**

Tue, June 10
9:00 - 12:00 p.m.

Amendments

Tue, June 10
2:00 - 4:00 p.m.

Amendments

Wed, June 11
9:00 - 12:00 p.m.

Amendments

Wed, June 11
2:30 - 4:00 p.m.

Amendments

Thu, June 12
9:30 - 12:00 p.m.

**Public Hearing and Resolution Adopting the 2003-
2004 Budget for Multnomah County Pursuant to
ORS 294
Public Hearing and Resolution Adopting the 2003-
2004 Budget for Dunthorpe Riverdale Sanitary
Service District No. 1
Public Hearing and Resolution Adopting the 2003-
2004 Budget for Mid County Street Lighting
Service District No. 14 and Making Appropriations
Public Hearing and Resolution Adopting the 2003-
2004 Mt. Hood Cable Regulatory Commission
Budget**

MULTNOMAH COUNTY 2003-2004 BUDGET WORK SESSIONS AND HEARINGS

(Unless otherwise noted, all sessions will be held in the Multnomah Building
Commissioners Boardroom 100, 501 SE Hawthorne, Portland)

CABLE COVERAGE

Multnomah County 2003-2004 Budget Work Sessions and Hearings

Cable Channel 22 Available to East County Cable Subscribers Only
Cable Channels 29 and 30 Available to Countywide Cable Subscribers

Tuesday March 4, 2003 Multnomah County Budget Work Session

Tue	Mar 4	9:30 AM	Channel 22 - LIVE
Wed	Mar 5	8:00 PM	Channel 29 - Replay
Thu	Mar 6	8:00 PM	Channel 29 - Replay
Sat	Mar 8	6:30 PM	Channel 29 - Replay
Mon	Mar 10	8:00 PM	Channel 29 - Replay

Tuesday March 11, 2003 Multnomah County Budget Work Session

Tue	Mar 11	9:30 AM	Channel 22 - LIVE
Wed	Mar 12	8:00 PM	Channel 29 - Replay
Thu	Mar 13	8:00 PM	Channel 29 - Replay
Sat	Mar 15	6:30 PM	Channel 29 - Replay
Mon	Mar 17	8:00 PM	Channel 29 - Replay

Tuesday March 18, 2003 Multnomah County Budget Work Session

Tue	Mar 18	9:30 AM	Channel 22 - LIVE
Wed	Mar 19	8:00 PM	Channel 29 - Replay
Thu	Mar 20	8:00 PM	Channel 29 - Replay
Sat	Mar 22	6:30 PM	Channel 29 - Replay
Mon	Mar 24	8:00 PM	Channel 29 - Replay

Tuesday April 1, 2003 Multnomah County Budget Work Session

Tue	Apr 1	9:30 AM	Channel 22 - LIVE
Wed	Apr 2	8:00 PM	Channel 29 - Replay
Thu	Apr 3	8:00 PM	Channel 29 - Replay
Sat	Apr 5	6:30 PM	Channel 29 - Replay
Mon	Apr 7	8:00 PM	Channel 29 - Replay

Produced through Multnomah Community Television
(503) 491-7636, ext. 333 for further info
or: <http://www.mctv.org>

AGENDA PLACEMENT REQUEST

BUD MOD #:

Board Clerk Use Only:	
Meeting Date:	February 18, 2003
Agenda Item #:	B-1
Est. Start Time:	9:00 AM
Date Submitted:	01/21/03

Requested Date: February 18, 2003

Time Requested: 20 minutes

Department: Health/Business Services **Division:** Planning and Development/Sustainability

Contact/s: Wendy Rankin, Amy Joslin

Phone: 503 988-3663

Ext.: 26221

I/O Address: 106/14

Presenters: Rosemarie Cordello and Brain Rohter, Co-chairs of Food Policy Council

Agenda Title: Mid year update of Food Policy Council work

NOTE: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide clearly written title.

- 1. What action are you requesting from the Board? What is the department/agency recommendation?**

This is an information session to update the Board on Food Policy Council progress.

- 2. Please provide sufficient background information for the Board and the public to understand this issue.**

In June of 2002 the Board of County Commissioners (BCC) and the Portland City Council adopted a resolution to establish a Portland/Multnomah County Food Policy Council (FPC). In that resolution, the FPC was directed to identify and report back to City Council and County Board by June 1, 2003 on options for improving:

- Local land use policies and rules related to food production and distribution;
- Methods for building regional demand for locally produced foods and food products;
- City and County food purchasing policies and practices;
- The availability of healthy, affordable food to all residents; and

- The capacity of local communities to promote and engage in healthy food practices. This resolution also called for the development of a set of governing principles to guide future local government and community decision making related to food issues. (see attached)

Since that time the FPC has been actively engaged in addressing these charges and has requested an opportunity to brief the BCC on their progress. In this way, the FPC hopes to confirm that they are on the right track to developing final recommendations by the June 1st, 2003 deadline that the BCC will want to adopt.

3. Explain the fiscal impact (current year and ongoing)

none

NOTE: If a Budget Modification or a Contingency Request attach a Budget Modification Expense & Revenues Worksheet and/or a Budget Modification Personnel Worksheet.

If a budget modification, explain:

- ❖ What revenue is being changed and why?
- ❖ What budgets are increased/decreased?
- ❖ What do the changes accomplish?
- ❖ Do any personnel actions result from this budget modification? Explain.
- ❖ Is the revenue one-time-only in nature?
- ❖ If a grant, what period does the grant cover?
- ❖ When the grant expires, what are funding plans?

NOTE: Attach Bud Mod spreadsheet (FORM FROM BUDGET)

If a contingency request, explain:

- ❖ Why was the expenditure not included in the annual budget process?
- ❖ What efforts have been made to identify funds from other sources within the Department/Agency to cover this expenditure?
- ❖ Why are no other department/agency fund sources available?
- ❖ Describe any new revenue this expenditure will produce, any cost savings that will result, and any anticipated payback to the contingency account.
- ❖ Has this request been made before? When? What was the outcome?

If grant application/notice of intent, explain:

- ❖ Who is the granting agency?
- ❖ Specify grant requirements and goals.
- ❖ Explain grant funding detail – is this a one time only or long term commitment?
- ❖ What are the estimated filing timelines?
- ❖ If a grant, what period does the grant cover?
- ❖ When the grant expires, what are funding plans?
- ❖ How will the county indirect and departmental overhead costs be covered?

4. Explain any legal and/or policy issues.

The co-chairs of Food Policy Council will describe the Council's activities to date. Policy recommendations will be the final outcome of this first year of work as directed in Resolution No. 02-093.

5. Explain any citizen and/or other government participation that has or will take place.

The co-chairs will update commissioners on these efforts including partnerships with state and other local governments, involvement with several non-profit organizations and active community outreach and participation.

Required Signatures:

Department/Agency Director: Lillian Shirley Date: 01/06/03

M. Cecilia Johnson Date: 01/21/03

Budget Analyst

By: _____

Date:

Dept/Countywide HR

By: _____

Date:

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 02-093

Establishing a Portland/Multnomah County Food Policy Council, a Sub-committee of the Portland/Multnomah County Sustainable Development Commission

The Multnomah County Board of Commissioners Finds:

- a) Issues of food production and distribution significantly affect the public health, land use, economy and quality of life of the Portland and Multnomah County metropolitan region.
- b) All residents of Multnomah County and the City of Portland should have access to nutritious, affordable, locally and sustainably grown food.
- c) There is no existing agency, organization or body dedicated to addressing the implications of local government policy, programs, operations and land use rulings related to the food system and its corresponding impacts on community health and well-being.
- d) On February 2, 2002 over one hundred people including local farmers, restaurants, markets, educators, health care providers and local governments met in Portland for a Food Policy Forum and identified major issues impacting the health of our local food system including:
 - food practices in medical and government institutions that promote unhealthy diets and poor environmental stewardship,
 - a lack of awareness by local residents regarding nutrition, food skills and the source of their food,
 - a high rate of hunger and barriers preventing access to affordable, nutritious food for local residents, regardless of income-level or geographic location,
 - urban land use policies and rules negatively affecting local food production and distribution,
 - business and economic issues affecting the viability of local farmers, and
 - the environmental impacts associated with food production, consumption and waste disposal.
- e) Participants in the Food Policy Forum expressed overwhelming support for the creation of a local Food Policy Council to provide ongoing data collection and analysis, and recommendations to local governments regarding policies, programs, operations and land use rulings related to local food issues.
- f) The Portland/Multnomah County Sustainable Development Commission has recognized and identified the long term environmental, economic and social implications of policy decisions related to local food issues.
- g) The Commission supports and has approved forming a sub-committee to serve as a Food Policy Council.

The Multnomah County Board of Commissioners Resolves:

1. To approve formation of a Portland/Multnomah County Food Policy Council, a sub-committee of the Portland/Multnomah County Sustainable Development Commission.
2. The Portland/Multnomah County Food Policy Council shall be composed of 11 members serving one-year terms representing the diversity of the local community and providing a wide range of expertise on local food issues including hunger relief; nutrition; food business and industrial practices; local farming; community education and institutional food purchasing and practices.
3. The Portland/Multnomah County Food Policy Council shall:
 - a) Provide ongoing advice and input to City and County staff on food related issues as needed, such as the current efforts to attract and site a food composting facility in the Portland Metropolitan area.
 - b) Develop a set of governing principles to guide future local government and community decision making related to food issues by June 1, 2003.
 - c) Identify and report back to City Council and the County Board by June 1, 2003 on options for improving:
 - local land use policies and rules related to food production and distribution;
 - methods for building regional demand for locally produced foods and food products;
 - City and County food purchasing policies and practices;
 - the availability of healthy, affordable food to all residents; and
 - the capacity of local communities to promote and engage in healthy food practices.
 - d) Develop a work plan, proposed structure and potential sources of additional funding for the Food Policy Council in fiscal year 2003-04 and subsequent years.
4. The Portland/Multnomah Food Policy Council shall regularly communicate with and actively solicit participation and engagement from interested members of the general public.
5. The Multnomah County Department of Business and Community Services, the Multnomah County Health Department, and the Portland Office of Sustainable Development shall support the efforts of the Council through resources dedicated to the Sustainable Development Commission.

ADOPTED this 20th day of June, 2002.

BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

Diane M. Linn, Chair

REVIEWED:

THOMAS SPONSLER, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By _____
John S. Thomas, Assistant County Attorney

Portland/Multnomah County Food Policy Council Update January, 27 2003

We are glad to report that the Food Policy Council has made some good progress in the last six months. The council has been meeting monthly and members have had the opportunity to get to know each other and to establish some common ground with which to address the wide range of issues on which we will be working.

Subcommittees are meeting in each of the five areas that the Food Policy Council has been charged with exploring. These areas are local land use policies, the availability of healthy food to all residents, building local demand for regional food, institutional purchasing policies and the capacity of communities to engage in healthy food practices. The subcommittees are in the process of obtaining information about policies, exploring policy solutions and are working towards making recommendations. The following are a few of the Council accomplishments to date:

In October a Food Policy Inventory was completed to document current City and County policies, regulations, programs, and practices that impact the local food system. Areas addressed include the production, distribution, consumption, and disposal of food. The inventory provides an initial documentation of the current food landscape and is intended to help the Food Policy Council identify the issues and opportunities that require further research.

The Food Policy Council has developed a set of Guiding Principles to help inform and direct the work of the Council, as well as to provide some background information on some of the issues that we face in improving our regions food system. The Principles also include some examples of best practices related to improving regional food systems. The Principles are included in this packet.

The Council has identified the need to engage with the public to get input on our work and to get the message out to community members about our interests and our work. The Council has charged the individual subcommittees with developing their own outreach plans. We expect that most of the outreach will be done by going to already established events and meetings to engage with a diverse range of audiences. One example of an event at which subcommittee members have been involved is the Office of Sustainable Development's Fix-It-Fairs.

The Food Policy Council has been asked for endorsement and advocacy on a number of food related issues, thus demonstrating the Council's importance to members of our community as they deal with food system policy decisions.

Governing Principles on Food Policy

The City of Portland and the County of Multnomah will promote, support and strengthen a healthy regional food system, based upon the following principles:

1. Every City and County resident has the right to an adequate supply of nutritious, affordable and culturally appropriate food (food security).
2. Food security contributes to the health and well-being of residents while reducing the need for medical care and social services.
3. Food and agriculture are central to the economy of the City and County, and a strong commitment should be made to the protection, growth and development of these sectors.
4. A strong regional system of food production, distribution, access and reuse that protects our natural resources contributes significantly to the environmental well-being of this region
5. A healthy regional food system further supports the sustainability goals of the City and County, creating economic, social and environmental benefits for this and future generations.
6. Food brings people together in celebrations of community and diversity and is an important part of the City and County's culture.

In order to play its role in creating a healthy regional food system, the City and County will:

1. support an economically viable and environmentally and socially sustainable local food system
2. enhance the viability of regional farms by ensuring the stability of the agricultural land base and infrastructure and strengthening economic and social linkages between urban consumers and rural producers
3. ensure ready access to quality grocery stores, food service operations and other food delivery systems
4. promote the availability of a variety of foods at a reasonable cost
5. promote and maintain legitimate confidence in the quality and safety of foods available
6. promote easy access to understandable and accurate information about food and nutrition

Why Have Governing Principles Related to Food?

Food, like water and housing, is essential to sustaining life. Our food system (the means by which we produce, process, distribute, access and dispose of food) has a significant impact on our environment, our economy and our striving for basic health, justice and equity. As government acts to ensure that the region's water is safe and accessible and its housing stock is adequate to meet demand, so it has a critical role to play in ensuring that the region's food system functions well for the benefit of all of its citizens and the environment in which they live.

In a healthy and well-functioning food system, food production, processing, distribution and consumption are integrated to enhance the environmental, economic and social and nutritional health of the community. The indicators of a healthy food system are that food and agriculture are a thriving part of the local economy, all citizens have access to nutritious food and nutrition education to support their good health and the entire process enhances, rather than detracts from, the environmental well being of the community.

The Portland region's current food system is fraught with both challenge and opportunity. In 1997 the American Farmland Trust identified the Willamette as one of two valleys that comprise the fifth most threatened agricultural region in the nation. According to the USDA 1997 National Resource Inventory, Oregon loses 11,860 acres of farmland every year to development. Even if we are able to protect our farmland we cannot guarantee that there will be people to farm the land. The average age of Oregon farmers is 55 and only 5% are under the age of 35. Our food supply is becoming increasingly globalized. According to the Worldwatch Institute, food in the United States now travels between 1,500 and 2,500 miles from farm to table, as much as 25 percent farther than two decades ago. This globalization is taking an enormous toll on the environment. The global food supply is dominated by large agribusinesses that use farming practices that deplete the soil and pollute our water and air. Excessive nonrenewable resources such as petroleum are used in transport and for chemical inputs. In addition, Portland, as the state's largest city, plays its role in according Oregon the dubious distinction of being #1 in hunger. In August 2002, the Center on Hunger and Poverty of Brandeis University found, in its report on hunger and food insecurity in the United States, that 14.3% of Oregon households were food insecure and 6.2% of these households were food insecure with hunger. In addition, more than 60% of Oregonians are overweight or obese; leading to diabetes, heart disease and other preventable ailments. The lack of access to nutritious food is a key factor in causing obesity.

But opportunities for change abound. This region has 14 thriving farmers markets where local farmers supply fresh produce and other food products to urban residents. Portlanders are avid gardeners. The City's community garden program is widely subscribed and, in some parts of Portland, there are waiting lists of up to three years for garden spaces. Successful community-oriented retailers are bringing local and often organic foods to citizens at affordable prices. The region's non-governmental sector provides services such as assisting

low-income residents in growing their own food, creating access to urban agriculture and effectively distributing emergency food supplies throughout the region. Most importantly, citizens are increasingly engaged in this issue, in part perhaps because of their concerns about the safety of their food supply in the wake genetically engineering and food-borne bacteria scares, and concerns that terrorism may interrupt a food delivery system based on long-distance transport.

What Can Government Do?

City and County government can be an important ally in strengthening our local food system. Local governments command significant resources, have mandates to address social and environmental issues, and provide opportunities for citizen involvement. City and County policies profoundly shape local food production and distribution, in ways that include the locations of supermarkets, the availability of land for urban agriculture and the delivery of nutrition education. Unfortunately, when governments do not have a comprehensive approach but instead a series of fragmented policies, the results can be counterproductive. At the very least, important opportunities to improve the system are lost.

A crucial first step in coordinating and strengthening food-related policies is to operate from a unifying set of governing principles such as those attached. Understanding that the current globally dominated food system is broken and getting worse, government is drawing a line in the sand. It is saying, "In this community, we are committed to fighting hunger, poor nutrition, environmental devastation, and the demise of the economic sector that meets our community's most basic need – for food." From that strong statement of intention, actions can follow and alliances can be built.

Here are examples of what other regions have done, after adopting governing principles:

1. In 1998, the Shelton, Conn. Conservation Commission adopted a plan to provide for the purchase of agricultural easements by the city. The city pays the farmer to relinquish the right to sell or develop the land for non-agricultural or non-forestry uses. Farmers continue to own and work the land, and may sell it to other farmers, but the city holds an easement, or deed, to all future development.
2. The Food Policy Council of Austin, Texas worked with the Transit Authority to design a route circulating from public housing units and eastside neighborhoods to supermarkets and other important community services.
3. In Hartford, Conn. the Advisory Commission on Food Policy urged the State Attorney General to examine the economic consequences on consumers of a proposed merger of supermarket chains. Partly due to their efforts, the AG called for a divestiture, maintaining greater competition among food stores.

4. In 1997, the Occidental College Community Food Security Project approached the Santa Monica Unified School district to explore the concept of a farmers' market salad bar. The pilot project began in September of that year and it has proved to be a complete success. The school board has since extended the program to all the district schools, including two high schools.

5. The County of San Diego passed an ordinance that sets sewer service rates based on wastewater content, encouraging restaurants to reduce the amount of food waste flushed through disposals. The County is now working with businesses to devise waste separation programs and compost food waste.

6. The City of Berkeley passed a comprehensive food policy that includes bringing fresh, local and organic foods to the institutional food programs it runs, assisting low-income residents in accessing available food sources, advocating for food labeling laws, working with the media to offset unhealthy eating messages and providing nutrition education.

Of course, our region must determine for itself how best to meet the needs that arise from the current food system. However, help is available from a great many models already in place elsewhere and the plethora of local businesses, non-governmental organizations and citizens committed to taking action in this realm.

AGENDA PLACEMENT REQUEST

BUD MOD #:

Board Clerk Use Only:	
Meeting Date:	February 18, 2003
Agenda Item #:	B-2
Est. Start Time:	9:20 AM
Date Submitted:	01/23/03

Requested Date: February 18, 2003

Time Requested: 90 minutes

Department: DBSC

Division: Facilities-Property Management

Contact/s: Pam Krecklow, Doug Butler

Phone: 503-988-4382

Ext.: 84382

I/O Address: 274

Presenters: Courthouse Blue Ribbon Steering Committee Members Mike Schrunk, Dan Petrusich and Dale Koch

Agenda Title: Board Update on Initial Findings of Courthouse Blue Ribbon Steering Committee

NOTE: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide clearly written title.)

1. What action are you requesting from the Board? What is the department/agency recommendation?

Requesting Board input to committee's tentative conclusions.

2. Please provide sufficient background information for the Board and the public to understand this issue.

Resolution #01-114 (copy attached)

3. Explain the fiscal impact (current year and ongoing).

None at this time but discussion will involve some project estimates and GO Bond limits.

NOTE: If a Budget Modification or a Contingency Request attach a Budget Modification Expense & Revenues Worksheet and/or a Budget Modification Personnel Worksheet.

If a budget modification, explain:

❖ **What revenue is being changed and why?**

- ❖ What budgets are increased/decreased?
- ❖ What do the changes accomplish?
- ❖ Do any personnel actions result from this budget modification? Explain.
- ❖ Is the revenue one-time-only in nature?
- ❖ If a grant, what period does the grant cover?
- ❖ When the grant expires, what are funding plans?

NOTE: Attach Bud Mod spreadsheet (FORM FROM BUDGET)

If a contingency request, explain:

- ❖ Why was the expenditure not included in the annual budget process?
- ❖ What efforts have been made to identify funds from other sources within the Department/Agency to cover this expenditure?
- ❖ Why are no other department/agency fund sources available?
- ❖ Describe any new revenue this expenditure will produce, any cost savings that will result, and any anticipated payback to the contingency account.
- ❖ Has this request been made before? When? What was the outcome?

If grant application/notice of intent, explain:

- ❖ Who is the granting agency?
- ❖ Specify grant requirements and goals.
- ❖ Explain grant funding detail – is this a one time only or long term commitment?
- ❖ What are the estimated filing timelines?
- ❖ If a grant, what period does the grant cover?
- ❖ When the grant expires, what are funding plans?
- ❖ How will the county indirect and departmental overhead costs be covered?

4. Explain any legal and/or policy issues involved.

None at this time but a future resolution will be required and a ballot measure created for a GO Bond.

5. Explain any citizen and/or other government participation that has or will take place.

Future public meeting will be scheduled for September or October 2003.

Required Signatures:

Department/Agency Director: M. Cecilia Johnson **Date:** 01/22/03

County Attorney

By: _____ **Date:**

Budget Analyst

By: _____ **Date:**

Dept/Countywide HR

By: _____ **Date:**

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 01-114

Authorizing Funds to Determine Whether to Proceed with Renovating the Multnomah County Courthouse

The Multnomah County Board of Commissioners Finds:

- A. Since its completion in 1914, the Multnomah County Courthouse has been the strongest symbol of County government. It is an integral part of this community's cultural heritage. Its designation on the National Register of Historic Places and its listing as a City of Portland Landmark makes it a resource worthy of preservation and requires us to safeguard it for future generations.
- B. The existing Multnomah County Courthouse does not meet the requirements of the Fourth Judicial District, Circuit Court of the State of Oregon. The current size and configuration of the Courthouse do not meet the programmatic requirements of the Court.
- C. The City of Portland's examination of the viability of the urban core calls for strengthening Downtown's role as the seat of local and regional government. The Multnomah County Courthouse, along with City Hall, anchors a series of dynamic buildings that flank a chain of small parks. Along with the Justice Center, the Edith Green Wendell Wyatt Federal Office Building, the Federal Courthouse and the Portland Building, they create a "Government Center." This concept dates back to a 1912 plan outlining the future growth of our city center, and has been updated by the more recent Downtown Plan and Central City Plan.
- D. The April 2001 seismic evaluation determined that the Multnomah County Courthouse will not collapse during an earthquake. However, to meet current life/safety performance objectives, the building requires seismic strengthening. As this issue impacts public health and welfare, the seismic strengthening of the Courthouse should be undertaken within the next two years.
- E. Correcting the current deficiencies of the existing Multnomah County Courthouse will require extensive renovation. Renovation of the existing Courthouse will be required regardless of the preferred alternative to address the future courthouse needs of Multnomah County.
- F. As Multnomah County continues its commitment as a responsible steward for taxpayer funds and to be accountable, renovation of the Multnomah County Courthouse must be considered in the larger financial picture. As options for renovation and ancillary

construction are explored, the citizens of Multnomah County have the right to expect good value for their tax dollars.

The Multnomah County Board of Commissioners Resolves:

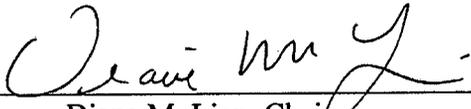
1. Renovation of the historic Multnomah County Courthouse as a courts building will maintain a significant and distinguished symbol of County government.
2. In its current condition, an earthquake may damage the Multnomah County Courthouse indefinitely disrupting court operations. It is vital that recommended seismic upgrades be accomplished as soon as practicable to safeguard the welfare of the tenants and the public, and to assure that the courthouse remains operational.
3. The Facilities and Property Management Division of the Department of Sustainable Community Development of Multnomah County is directed to spend up to \$250,000 from the Asset Preservation Fund, as part of the County Master Planning Process, to contract with architectural consultant(s) to accomplish the following scope of work:
 - a. Develop a cost analysis of either leasing and reconfiguring space as needed, or building a new county office facility for interim court operations. This shall include:
 - i. An operational assessment and space utilization analysis that will address the interim needs of the courts and other users during renovation of the Courthouse.
 - ii. Identify appropriate space in the Portland Downtown and East County areas for interim use, including possible expansion of Family Courts at the Donald E. Long juvenile detention facility and at the downtown Justice Center.
 - iii. Identify costs related to relocating the functions of the Courthouse to and from temporary spaces.
 - iv. All analysis shall include identifying operational issues and costs associated with a permanent East County courts facility with consideration for demographics, capacities of facilities, expansion potential and population trends. Identify how addressing those requirements can be integrated into meeting interim court needs during the renovations of the Courthouse.
 - b. Identify court operational needs and a more detailed cost estimate for a renovated Courthouse.
4. To proceed without delay, the consultant contract(s) will be entered no later than October 1, 2001.

5. The Facilities and Property Management Division will provide draft results to the Board of County Commissioners by December 15, 2001, and provide a complete study and assessment report to the Board by January 15, 2002. This shall include total project costs for bond measure purposes.
6. Upon consideration of the study, the Board may submit a general obligation bond measure for voter approval at the November 2002 general election.
7. If the study demonstrates that renovation into a courts facility is not feasible, the Chair will convene another process to evaluate alternative court facilities including an East County courts facility and renovation of the Courthouse for alternative purposes.

ADOPTED this 23rd day of August, 2001.



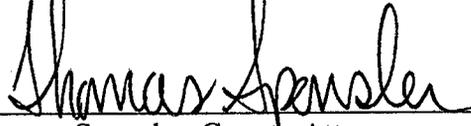
BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON



Diane M. Linn, Chair

REVIEWED:

THOMAS SPONSLER, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By 

Thomas Sponsler, County Attorney

Courthouse Blue Ribbon Steering Committees Tentative Findings

A. Modified Definition of Planning Horizon:

The Committee's original objective was to develop a strategy to provide for Court facility needs for the next 40 years. **In order to reduce capital costs and to provide the most flexible strategy, the Committee concluded that it would be more economically feasible to address the 20 year court needs, and incorporate the 40 year needs into a master plan.**

B. Renovation of Courthouse:

The historic existing Courthouse is a significant community asset and a strategy to ensure its preservation/renovation should be developed independently of the courts facility project.

C. Existing Courthouse Functions:

For planning purposes, there are no anticipated changes in Courthouse functions. **A court facility should reflect an efficient and highly flexible design that anticipates significantly more technology support as well as enhanced safety, security, and prisoner transportation measures.**

D. Segregation of Criminal and Civil trials:

The current integrated criminal/civil court system provides significant operations and facilities efficiencies and should be assumed in planning for a court facility.

E. Square Footage Planning Figure:

The Committee believes that it is appropriate to use an assumed planning figure for overall space requirements of 9,000 gross sq. ft. per courtroom (including all common area, administrative space, detention and security areas, etc.) as recommended in the HOK analysis.

F. Projected Number of Court Officers:

Court planning should provide facilities for 58 Court Officers in 10 years, 64 in 20 years, 79 in 40 years and also accommodate a 1:1 court officer to courtroom ratio as recommended in the HOK report. The Committee further recommends using a variety of courtrooms sizes to provide flexibility within the facility.

G. Accommodations Outside of Downtown Core Area:

It is essential to maintain a strong, central core for the court system in the downtown Portland "Government Center" but there will be continuing court needs which should be addressed outside of that core, such as at the Juvenile Justice Center and in Gresham.

Courthouse Blue Ribbon Steering Committees Detailed Tentative Findings

A. Modified Definition of Planning Horizon:

The Committee's original objective was to develop a strategy to provide for Court facility needs for the next 40 years. **In order to reduce capital costs and to provide the most flexible strategy, the Committee concluded that it would be more economically feasible to address the 20 year court needs, and incorporate the 40 year needs into a master plan.**

- With the County's current inability to subsidize debt service from the general fund, the finance subcommittee recommended adjusting the mission time frame from 40 years to 20 years as a way to lower the current \$250 Million cost estimates.
- Changes will be made to the court system through technology advances, budget cuts, and court restructuring. Future effects to a facility are unknown, so the practical solution would be a flexible and phase able building scenario rather than a single structure designed to meet a 40 year need.
- This generation's contribution could be providing an efficient building with a sensible and flexible plan for meeting the courts 20 year needs while providing a strategy to accommodate for an additional 20 years.

B. Renovation of Courthouse:

The historic existing Courthouse is a significant community asset and a strategy to ensure its preservation/renovation should be developed independently of the courts facility project.

- The preservation and renovation of the existing Historic Courthouse is an important community objective. It is not, however, mandatory that its renovation be for continued court usage or that the County itself needs to be the owner/renovator.
- Renovation of the existing Courthouse is cost prohibitive. Temporary court placement expenses during a renovation would nearly double the renovation cost of the existing Courthouse. In addition, a phased renovation of an occupied Courthouse is not an economical or practical option due to the excessive costs involved in both construction and equipment issues.

- A complete renovation of the existing Courthouse will not fully meet court system needs and will provide the County with a limited court facility due to the physical restrictions of the existing Courthouse structure.
- If not renovated for court purposes, there are a number of options for the existing Courthouse: Renovation for other County needs (to replace existing leased space); possible renovation and reuse for future court expansion (which does not involve interim relocation of court facilities); or sale for redevelopment/reuse of others (public or private.)

C. Existing Courthouse Functions:

For planning purposes, there are no anticipated changes in Courthouse functions. **A court facility should reflect an efficient and highly flexible design that anticipates significantly more technology support as well as enhanced safety, security, and prisoner transportation measures.**

- 132,000 jurors are summoned to the Courthouse yearly. Currently there is added burden on security and court system due to people leaving and returning to the facility. Reasonable jury accommodations built into the facility plan would assist in lowering security and operations costs.
- The purpose of the courtroom is efficiency. So the County does not need to design for the "trial of the century." Other issues such as storage, work, custody, and meeting spaces are more important than large spectator space.
- The current facility has extensive security issues. A court facility needs security built into all aspects of the building. A sallyport is required even with a direct connection to the Justice Center.

D. Segregation of Criminal and Civil trials:

The current integrated criminal/civil court system provides significant operations and facilities efficiencies and should be assumed in planning for a court facility.

- The Fourth Judicial Circuit court currently maintains the third fastest case processing record in the United States. So no functional changes are being proposed in order to do no harm to the current operating system.
- The current efficiencies of the court system are due to the ability to run a master calendar that allows the court system to meet ABA standards. That master calendar system is not possible if courts are segregated.

- It is possible to divide courts along functional lines; however, any separation of functions erodes efficiency of operations via adding overhead costs as such added expenses for security and coordination of records.

E. Square Footage Planning Figure:

The Committee believes that it is appropriate to use an assumed planning figure for overall space requirements of 9,000 gross sq. ft. per courtroom (including all common area, administrative space, detention and security areas, etc.) as recommended in the HOK analysis.

- HOK worked with the National Center for State Courts to reach their 9,000 sq ft figure. This figure includes all space needed to run the courtroom such as circulation, mechanical, jury room, and judge's office. Plus adequate space for conference/meeting rooms, etc. Space used by the D.A. and law library is in addition, however.
- The 9,000 figure is below the national average of 11,000 but above the current building average of 7,100 sq ft. The committee believes this average is achievable through careful planning and creative design.
- The goal would be to give the public the feeling the County delivered a large enough facility to meet court needs without having it feel overly ornate or expensive.

F. Projected Number of Court Officers:

Court planning should provide facilities for 58 Court Officers in 10 years, 64 in 20 years, 79 in 40 years and also accommodate a 1:1 court officer to courtroom ratio as recommended in the HOK report. The Committee further recommends using a variety of courtrooms sizes to provide flexibility within the facility.

- Committee members do not foresee a drastic change in the court system in the immediate to near future. Technology has brought no change in the number of cases being tried and federal legislation is required to make changes to the litigation process.
- It is government's responsibility to plan conservatively for the future. In spite of the current budgetary setbacks which may reduce the immediate number of court officers, court cases are expected to remain at the current level and the economic environment will eventually improve.

- Given that HOK's projections and the 1995 County Auditors forecast are within the same range these figures justify reality of judicial need. Therefore, the HOK numbers provide a realistic projection.
- A 1:1 ratio of court officer to courtroom should be maintained to allow for the most effective court system. But a variety of courtroom sizes and configurations should be assumed to create flexibility and efficiency both within the court system and the facility. This scenario would create a system where the case determines the room rather than having court officers in a dedicated courtroom.

G. Accommodations Outside of Downtown Core Area:

It is essential to maintain a strong, central core for the court system in the downtown Portland "Government Center" but there will be continuing court needs which should be addressed outside of that core, such as at the Juvenile Justice Center and in Gresham.

- A "scattered or dispersed court system becomes more expensive due to the duplication of functions required to operate it. So separating the court system is not a cost effective or ecological solution.
- Any remote location would need to be close to mass transit and be able to meet all security and prisoner transport needs.
- The existing six courts should remain at the Juvenile Justice Center to meet the current family court needs. Additional activity is not advisable due to the physical limitations of the site and facility as well as neighborhood, permitting, and parking issues. The need for a structured parking would make an expansion very expensive at this location.
- The Committee recommends providing a facility in Gresham that augments the existing courtroom uses and supports high volume court functions such as paying parking tickets or filing court documents. The initial plan should include a site within the Gresham Civic neighborhood with (4) – (6) courtrooms, and flexibility for future expansion.

Tentative Conclusion of the Courthouse Blue Ribbon Steering Committee:

The most prudent and economical solution to the County's judiciary obligations is to provide a new court facility in the vicinity of the existing Government Center in Downtown Portland. The initial plan should address twenty-year growth projections while providing a comprehensive master plan to address future forty-year needs.

The historic existing Courthouse is a significant community asset and a strategy to ensure its preservation/renovation should be developed independently of the courts facility project.

Court facilities should remain "as-is" at the Juvenile Justice Center while providing for the development of a four to six courtroom facility (with capacity for future expansion) in Gresham/East County.

Courthouse Blue Ribbon Steering Committee

Membership

Diane Linn

Chair, Multnomah County
(Committee Chair)
(503) 988-4100

Maria Rojo de Steffey

District #1 Commissioner, Multnomah County
(Committee Vice Chair)
(503) 988-4408

Nohad Toulan

Dean, College of Urban & Public Affairs
Portland State University
(503) 725-4043

Dale Koch

Presiding Judge, State Courts, Mult. Co.
(503) 988-5008

Doug Bray

Court Administrator, State Courts, Mult. Co.
(503) 988-3957

Pat LaCrosse

(503) 284-8387

Dan Petrusich

President, Melvin Mark Companies
(503) 223-4777

Mike Schrunk

District Attorney, Multnomah County
(503) 988-3162

Edwin A Harnden

Attorney At Law, Barran Liebman, LLP
Rep. OR State Bar Assn.
(503) 228-0500

Chuck Becker

Mayor, City of Gresham
(503) 618-2835

John Rakowitz

Portland Business Alliance
(503) 228-9411

Robert Neuberger

Attorney At Law
Rep. Multnomah Co. Bar Assn.
(503) 228-2556

Bernie Guisto

Multnomah County Sheriff
(503) 988-3960

Mary Jo Briggs

Manager, City of Fairview
(503) 674-6211

Don Eggleston

President, SERA Architects
(503) 445-7372

Jim Hennings

Director, Metropolitan Public Defender
(503) 225-9100

Sam Brooks

Chairman, OAME
(503) 249-7744

Technical Advisory Committee:

Doug Butler
John Ball
Duke Shepard
Dave Boyer
Joanne Fuller
Gina Mattioda

Finance Subcommittee:

Gary Conkling
President, Conkling, Fiskum & McCormick

Rebecca Chao
President, Regional Financial Advisors

Roger Shiels
Vice President, Shiels, Oblietz, Johnson

Doug Bray
Dan Petrusich
Pat LaCrosse
Dave Boyer
Doug Butler
Peter Wilcox

Judicial Subcommittee:

Doug Bray
Mike Schrunk
Edwin A. Harnden
Don Eggleston
Jim Hennings
Doug Butler
Joanne Fuller
Carol Hasler

BOGSTAD Deborah L

From: KRECKLOW Pam
Sent: Wednesday, February 12, 2003 11:44 AM
To: BOGSTAD Deborah L; SCHRUNK Michael D; BUTLER Douglas E.; KRECKLOW Pam; KOCH Dale R
Subject: RE: confirmation of start time for your Courthouse Blue Ribbon Steering Committee briefing

Thanks Deb for the heads up. I have called Dan to let him know. We also have a minor change in the presenters. Mike Schrunk will be unable to attend so Pat LaCrosse will be the other presenter. I have a call into Pat to let him know about the time change also. Please let me know if there are any problems regarding the change or if there is anything else you require from us. Thanks, *PLK*

Pam L. Krecklow

Courthouse Assistant Planner
Multnomah County, Facilities-Planning
401 N Dixon Street, Portland, OR 97227
Phone: 503-988-4382, Fax: 503-988-5082
pam.krecklow@co.multnomah.or.us

-----Original Message-----

From: BOGSTAD Deborah L
Sent: Wednesday, February 12, 2003 10:40 AM
To: SCHRUNK Michael D; BUTLER Douglas E.; KRECKLOW Pam; KOCH Dale R
Subject: confirmation of start time for your Courthouse Blue Ribbon Steering Committee briefing
Importance: High

Next week's agenda will be out later this afternoon, but I wanted to let you know that your briefing start time will be at 9:20 a.m. on Tuesday, February 18, 2003 here in the Multnomah Building, Commissioners Boardroom. Would someone be able to alert Dan Petrusich as well? Thank you so much.

Deb Bogstad, Board Clerk
Multnomah County Chair's Office
501 SE Hawthorne Boulevard, Suite 600
Portland, Oregon 97214-3587
(503) 988-3277
<http://www.co.multnomah.or.us/cc>

2/12/2003

AGENDA PLACEMENT REQUEST

BUD MOD #:

Board Clerk Use Only:

Meeting Date: February 18, 2003

Agenda Item #: B-3

Est. Start Time: 10:50 AM

Date Submitted: 02/12/03

Requested Date: 2/18/03

Time Requested: 70 minutes

Department: Non-Departmental

Division: Chair's Office

Contact/s: Duke Shepard

Phone: 503-988-5137

Ext.: 85137

I/O Address: 503/600

Presenters: Kathy Turner, Duke Shepard –Chair's Office; Steve Janik – Ball Janik LLP; John Ball County COO, Tony Mounts County Budget Director

Agenda Title: Briefing on Community Partnership Agreement – Business Income Tax Reform: Process and Proposals

NOTE: If Ordinance, Resolution, Order or Proclamation, provide exact title. For all other submissions, provide clearly written title.

-
- 1. What action are you requesting from the Board? What is the department/agency recommendation?**

There is no action being requested at this meeting. There is no recommendation at this time. This is the second in a series of informational briefings and hearings for the Board of County Commissioners regarding the County Business Income Tax.

- 2. Please provide sufficient background information for the Board and the public to understand this issue.**

Multnomah County and the City of Portland levy income taxes on business operating within each jurisdiction. Multnomah County levies the business income tax, the City of Portland the Business License Fee. Together the jurisdictions entered an agreement with the Portland Chamber of Commerce, the Association for Portland Progress (now Portland

Business Alliance) and the Portland Development Commission to analyze these taxes as revenue sources for government and for possible effects the taxes may have on economic investment and business growth (County resolution 01-129 adopted 10/4/2001). The briefing is intended to report on the activities, and progress of the last year, and provide information on proposals for potential reform and replacement. The Board last held a briefing on this topic on October 29, 2002.

3. Explain the fiscal impact (current year and ongoing).

The Business Income Tax accounts for approximately 10% of the Multnomah County general fund. As currently structured and levied, it is projected to produce approximately 25.5 million in FY 03-04.

NOTE: If a Budget Modification or a Contingency Request attach a Budget Modification Expense & Revenues Worksheet and/or a Budget Modification Personnel Worksheet.

If a budget modification, explain:

- ❖ **What revenue is being changed and why?**
- ❖ **What budgets are increased/decreased?**
- ❖ **What do the changes accomplish?**
- ❖ **Do any personnel actions result from this budget modification? Explain.**
- ❖ **Is the revenue one-time-only in nature?**
- ❖ **If a grant, what period does the grant cover?**
- ❖ **When the grant expires, what are funding plans?**

NOTE: Attach Bud Mod spreadsheet (FORM FROM BUDGET)

If a contingency request, explain:

- ❖ **Why was the expenditure not included in the annual budget process?**
- ❖ **What efforts have been made to identify funds from other sources within the Department/Agency to cover this expenditure?**
- ❖ **Why are no other department/agency fund sources available?**
- ❖ **Describe any new revenue this expenditure will produce, any cost savings that will result, and any anticipated payback to the contingency account.**
- ❖ **Has this request been made before? When? What was the outcome?**

If grant application/notice of intent, explain:

- ❖ **Who is the granting agency?**
- ❖ **Specify grant requirements and goals.**
- ❖ **Explain grant funding detail – is this a one time only or long term commitment?**
- ❖ **What are the estimated filing timelines?**
- ❖ **If a grant, what period does the grant cover?**
- ❖ **When the grant expires, what are funding plans?**
- ❖ **How will the county indirect and departmental overhead costs be covered?**

4. Explain any legal and/or policy issues.

Policy issues include: Relative predictability of revenue source, impacts on the local economy, county budget, and distribution of tax liability. This discussion has also recently come to include possibilities for interim school assistance in the absence of adequate funding to schools from the state of Oregon.

5. Explain any citizen and/or other government participation that has or will take place.

Weekly meetings have occurred among the participants in the agreement. This group includes both private citizens and governments (including the City of Gresham). The Community Partnership Agreement entered into by the Board of County Commissioners named a 13 member Community Partnership Team, and a corresponding technical advisory team. Additionally, outreach to business owners throughout Multnomah County via personal visits, phone, and email have occurred to solicit feedback on both the process and specific proposals. This outreach has included: the Association of Portland Neighborhood Business Associations, the Chair's Business Advisory Council, the Gresham Chamber of Commerce, various other local business membership organizations, and individual businesses from local industry sectors.

Required Signatures:

Department/Agency Director:



Date: 02/12/03

Budget Analyst

By:

Date:

Dept/Countywide HR

By:

Date:

BEFORE THE BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

RESOLUTION NO. 01-129

Authorizing Participation in the Community Partnership Agreement Between Multnomah County, the City of Portland, Association for Portland Progress, Portland Metropolitan Chamber of Commerce, and the Portland Development Commission

The Multnomah County Board of County Commissioners Finds:

- a. The Board supports a comprehensive review of actions to support the County's economic health to generate revenues necessary for services to County citizens and businesses.
- b. Significant changes to the economy in the last decade require a comprehensive assessment of the local economy and make County and City of Portland competitiveness a necessity.
- c. Multnomah County last undertook a comprehensive assessment of its economic competitiveness in the local, regional, national and global economies in February 1977.
- d. It has been eight years since the County Business Income Tax has undergone a comprehensive review.
 - The Business Income Tax is the second largest General Fund revenue (\$30.4 million in fiscal year 2001), representing about 12.8% of the total General Fund revenues.
 - The Business Income Tax revenue declined 6.67% between fiscal year 1999 and fiscal year 2000, declined 12.16% between fiscal year 2000 and fiscal year 2001. It has become increasingly more difficult to forecast.
- e. Moody's Investors Service, the rating agency, has expressed concern about the volatility of the Business Income Tax and its impact on the General Fund.

The Multnomah County Board of County Commissioners Resolves:

1. The County will participate in a "Competitive Position Analysis" to examine the County's economic assets and liabilities and review economic opportunities and constraints. The "Competitive Position Analysis" will identify industries or industry clusters for which Portland and Multnomah County are (or could be) competitively positioned, and industries or industry clusters for which Portland and Multnomah County are not (and cannot be) a competitive location.

2. The County will participate in an in-depth evaluation of the City of Portland Business License Fee and County Business Income Tax, and consider changes that may be needed to achieve a predictable tax system that is equitable in allocation, efficient in collection, and that furthers the missions of the City of Portland and Multnomah County **without reducing the revenues**.
3. The attached Community Partnership Agreement between Multnomah County, the City of Portland, Association for Portland Progress, Portland Metropolitan Chamber of Commerce and the Portland Development Commission will guide the County's participation.
4. The County will have active participation on the Project Steering Committee and The Technical Project Team.
 - Overall coordination for implementing this agreement will be the responsibility of a 13-member Project Steering Committee.
 - An 11-member Technical Project Team will coordinate staff work for review and feedback to the Project Steering Committee.
5. The County representatives on the Project Steering Committee are:
 - Co-chair, John Rakowitz, Chair's Office
 - Maria Rojo de Steffey, Board of County Commissioners
 - Dave Boyer, Finance Director
6. The County Representatives on The Technical Project Team are:
 - Co-chair, Dave Boyer, Finance Director
 - Thomas Sponsler, County Attorney
 - Budget Office Fiscal Analyst
 - Betty Hopkins, Finance Office

ADOPTED this 4th day of October, 2001.

BOARD OF COUNTY COMMISSIONERS
FOR MULTNOMAH COUNTY, OREGON

Diane M. Linn, Chair

REVIEWED:

THOMAS SPONSLER, COUNTY ATTORNEY
FOR MULTNOMAH COUNTY, OREGON

By _____
Thomas Sponsler, County Attorney

COMMUNITY PARTNERSHIP AGREEMENT

To Assess the Economic Competitiveness of the City of Portland and Multnomah County and to Review the Business License Fee and Business Income Tax

The purpose of this Community Partnership Agreement is to outline the City, County and community partnership that has come together to complete a review of the Business License Fee and Business Income Tax and assess the economic competitiveness of the City of Portland and Multnomah County.

Partners

City of Portland

Multnomah County

Portland Development Commission

Association for Portland Progress

Portland Metropolitan Chamber of Commerce

Recitals

- A. Mayor Vera Katz has called for a comprehensive update to Prosperous Portland, the City's 1994 economic development strategy.
- B. County Chair Diane Linn is committed to supporting a comprehensive assessment of the actions necessary to support our community's economic health in a manner that generates the revenues necessary to provide services to our community's citizens and businesses.
- C. The update to Prosperous Portland must be based on a thorough assessment of our economic competitiveness in the regional, national and international economies, including an analysis to compare factors that influence the decision of firms to expand, locate or stay in a given location.
- D. Any thorough assessment of our economic competitiveness must include a comprehensive review of the City of Portland's Business License Fee (BLF) and Multnomah County's Business Income Tax (BIT).
- E. Significant changes to the economy in the last decade, including the growth of technology, new environmental rules and regulations, the rapid decline in abundant inexpensive power and clean water, and changing job growth patterns, make a far reaching assessment of the local economy and the city/county's competitiveness a necessity.

Agreement

1. Purpose

1.1 This Community Partnership Agreement memorializes the good will that the partners bring to completing this project in a collaborative and consultative manner. This is not a legally binding agreement.

1.2 The purpose of the project described in this Community Partnership Agreement is to:

Complete a Competitive Position Analysis that assesses local economic assets and liabilities and identifies economic opportunities and constraints and recommend private- and public-sector changes to increase the economic competitiveness of the City and County. The study will include a comparative analysis among similar cities and states of those factors which affect expansion, location and retention decisions on the part of businesses. It will also compare the degree to which the City and County and competing jurisdictions “fit” with the needs of targeted and existing firms and industries.

1.3 A companion effort that will serve to inform the Competitive Position Analysis is to:

Complete an in-depth evaluation of the BLF and BIT, and to consider changes that may be needed in order to achieve a predictable tax system that is equitable in allocation, efficient in collection, and that furthers the mission of the City and the County without reducing the revenues available to these local governments.

2. Scope of Analyses

2.1 This analysis should identify those industries or industry clusters for which Portland and Multnomah County are (or could be) competitively positioned, and those industries or industry clusters for which Portland and Multnomah County are not (and cannot be) a competitive location. The scope for completing Competitive Position Analysis described in Section 1.2 of this agreement will include analytical elements such as:

Existing building stock, by type, occupancy, vacancy and turnover rates; vacant available land supply by type and parcel size; facility development costs including land, construction and infrastructure costs, permits, fees and regulatory requirements; facility operating costs including rent, parking, operating taxes and fees, and utilities; transportation functionality, costs and infrastructure capabilities, capacities and reliability, including parking, gas, electricity, telecom, water, and sewer needs; labor availability and costs by occupation and skills types; capacity and performance of existing training and education systems to meet the labor and skill needs and expectations of firms, and perceptions of public schools; housing costs and availability, local transit functionality, quality of life elements; impact of local, state and federal regulations; impact of local, state and federal taxes.

2.2 The review of the BLF and BIT described in Section 1.2 of this agreement will include the following analytical elements:

Research the legislative history and legislative intent governing the BLF and BIT; determine if and how the relative obligations of the BLF and BIT taxes on the various businesses and industries have changed over the last decade; through a quantitative analysis of all BLF and BIT payers over the last decade, determine how the tax collections have fluctuated, how the composition by number and type of payers has changed and how the amounts paid by all industry categories have been distributed over that same period of time; compare the quantitative trends by industry categories with real job creation in each industry category during the last decade; determine the impact of changes in federal and state tax laws; and review of the multi-year revenue that the BLF and BIT have provided to the City and the County.

3 Key Deliverables and Timelines

- 3.1. BLF/BIT Initial Research: The Technical Project Team will complete its initial research for evaluating the BLF and BIT as called for in Sections 2.2. of this agreement by December 19, 2001.
- 3.2. Competitive Analysis Report: PDC will complete the Economic Competitive Analysis called for in Section 1.1 by April 17, 2002.
- 3.3. Preliminary Principles: The Steering Committee will recommend to the Portland City Council and the Multnomah County Board of Commissioners preliminary principles for the BLF and BIT by May 14, 2002.
- 3.4. The City Council and County Board will consider preliminary principles by June 28, 2002.
- 3.5. Strategy Update: The City Council will consider an update to the City's economic development strategies on the basis of the recommendations from the Economic Competitive Analysis and the audit of the BLF and BIT within 60 days of the completion of the City and County consideration of preliminary principles under Section 3.4.
- 3.6. BLF/BIT Audit: The partners in this Agreement will determine based upon a recommendation from the Steering Committee whether it is appropriate to initiate an outsider audit of the existing BLF and BIT provisions. If an audit is initiated it will review the BLF and BIT against the preliminary principles adopted by the City Council and County Board provided in Section 3.2 and the data collected. The audit carried out in conjunction with the Economic Competitive Analysis may be conducted by the outside auditor employed for the Economic Competitive Analysis. If an outside audit is to be conducted, it will be initiated within 90 days of the City and County's consideration update to the City's economic development strategy under Section 3.5.
- 3.7. Consideration of Changes to BLT/BIT:

- 3.7.1. The City Council will consider the recommendations of the outside auditor regarding any changes to the BLF as part of considering the 2002 update to the City's economic development strategy.
- 3.7.2. The County Board will consider the recommendations of the outside auditor regarding any changes to the BIT by a date that is not later than 120 days after the completion of the audit.

4. **Oversight**

4.1. The Portland City Council and the Multnomah County Board of Commissioners are the final decision-makers for their respective governments regarding any issues related to this Agreement.

4.2. Overall coordination for implementing this Agreement will be completed by a thirteen-member Project Steering Committee.

4.2.1. The Project Steering Committee will be co-chaired by representatives from the Office of the Mayor and County Chair and will consist of a representative from each of the following: Office of the Mayor, City of Portland; Office of the Multnomah County Chair; Office of the Commissioner-in-Charge of the Bureau of Licenses; Multnomah County Board of Commissioners; City's Chief Administrative Officer; County's Chief Financial Officer; Association for Portland Progress; Portland Metropolitan Chamber of Commerce; Portland Development Commission Board; East County Chamber of Commerce; Office of Mayor/City of Gresham; the Chair of the Multnomah County Tax Supervising and Conservation Commission; and, Portland Neighborhood Business Association.

4.3. A thirteen-person Technical Project Team will coordinate staff work related to Section 2 of this Agreement for review and feedback to the Project Steering Committee.

4.3.1. The Technical Project Team will be co-chaired by a representative of the City Bureau of Licenses, a representative of Multnomah County's Finance Division and a representative of the Portland Development Commission and will consist of a representative of each of the following: City Bureau of Licenses; City Bureau of Financial Planning; City Attorney's Office; County Counsel's Office; County Finance Division; Gresham's City Manager's Office; Portland Development Commission; an outside consultant designated by the Association for Portland Progress; a private-sector independent Certified Public Accountant with public tax policy experience designated by Association for Portland Progress; a private-sector independent Certified Public Accountant with public tax policy experience designated by the Portland Metropolitan Chamber of Commerce; a private-sector independent Certified Public Accountant with public tax policy experience

designated by the East County Chamber of Commerce City economist; and, County economist.

5. Roles and Responsibilities

5.1. In addition to supporting the work of the Steering Committee and the Technical Project Team, this agreement also establishes roles and responsibilities unique to some partners:

5.1.1 City of Portland

5.1.1.1. On behalf of the City and County, the Bureau of Licenses will provide lead staff work to complete Section 2.2.

5.1.1.2. In the event that the partners determine to initiate an outside audit under Section 3.5, all of the partners will work collaboratively in concurring upon the selection of the independent outside consultant. However, the City, along with the County, shall retain final responsibilities for contracting for the services of the consultant under Section 3.5.

5.1.2. Multnomah County

5.1.2.1. The County Chair's Office will act as liaison with and will represent the East County Cities.

5.1.2.2. In the event that the partners determine to initiate an outside audit under Section 3.5, all of the partners will work collaboratively in concurring upon the selection of the independent outside consultant. However, the County, along with the City, shall retain final responsibilities for contracting for the services of the consultant under Section 3.5.

5.1.3. Portland Development Commission

5.1.3.1. PDC will provide the lead staff work to complete the Competitive Position Analysis as described in Section 1.2 of this agreement.

5.1.4 Association for Portland Progress

5.1.4.1. APP will provide to the project team, at its cost, the services of a qualified economic consultant and an independent Certified Public Accountant with public tax policy experience.

5.1.4.2. APP will act as liaison with its members and will communicate to them the purpose and status of the project.

5.1.4.3. Upon the City and County completing their contracting responsibilities under sections 5.1.1.2 and 5.1.2.2 in a manner consistent with the recommendation of all the partners made pursuant to the collaboration in sections 5.1.1.2 and 5.1.2.2, APP, along with the Chamber,

will pay for the outside independent consultant to perform the audit of the BLF and BIT as described in section 3.5 above..

5.1.5. Portland Metropolitan Chamber of Commerce

5.1.5.1. The Chamber will act as liaison with its members and will communicate to them the purpose and status of the project.

5.1.5.2. Upon the City and County completing their contracting responsibilities under sections 5.1.1.2 and 5.1.2.2 in a manner consistent with the recommendation of all the partners made pursuant to the collaboration in sections 5.1.1.2 and 5.1.2.2, the Chamber, along with APP, will pay for the outside independent consultant to perform the audit of the BLF and BIT as described in section 3.5 above.

5.1.5.3. The Chamber will provide to the project team an independent Certified Public Accountant with public tax policy experience.

6. Agreement

We the undersigned pledge our goodwill to fulfill the purpose of this Community Partnership Agreement to review the BLF/BIT and assess Portland's economic competitiveness.

Vera Katz
Mayor
City of Portland

Kim Kimbrough
President
Association for Portland Progress

Jim Francesconi
Commissioner
City of Portland

Don McClave
President
Portland Metropolitan Chamber of Commerce

Diane Linn
Chair of the Board of Commissioners
Multnomah County

Don Mazziotti
Executive Director
Portland Development Commission

Maria Rojo de Steffey
Board of County Commissioners
Multnomah County

Community Partnership Team Charge

- Complete a Competitive Position Analysis
 - Include comparative analysis among cities of factors which affect expansion, location and retention decisions
- Complete In-Depth Evaluation of BLF/BIT
 - Consider changes that may be needed to achieve
 - Predictability
 - Equitability in allocation
 - Efficiency in collection
 - No reduction in revenues available to jurisdictions

Community Partnership Team Participants (Voting)

Maria Rojo, County	Randy Leonard, City
Sam Adams, Mayor's	Kathy Turner, Chair's
Greg Goodman, PBA	Dave Boyer, County
Kim Kimbrough, PBA	Tim Grewe, City
Don Mazziotti, PDC	Ken Turner, PNBA
Richard Anderson, TSCC	
Ken Frost, Gresham Chamber	
Mayor Becker, City of Gresham	

Community Partnership Team Participants (Non Voting)

- Brokers and Realtors
 - Grocers
 - Manufacturers
- Building Owners and Managers
 - Hospitals
 - Small Businesses
 - Non Profits

February 13th CPT Adjustments to PBA Proposal

- Small Business Relief
 - Maintain \$25,000 floor in the BIT/BLF
 - Increase Owners Compensation Deduction from \$50,000 to \$125,000
 - Develop floor for payroll tax
- Large Employer/Large Business Relief
 - Establish cap on overall payroll taxes of \$100,000
 - Establish cap on overall income taxes -- \$30,000 proposed (each jurisdiction \$15,000)

February 13th CPT Adjustments to PBA Proposal

- Implementation
 - Calendar year 2004
 - Test return to address potential unintended consequences and test revenue
 - Calibrate to avoid double taxation
 - Resolution in March, followed by Ordinance by September 30, 2003

February 13 Unresolved Policy Issues to the PBA proposal

- Inclusion/Non Inclusion
 - Medical Non-Profits, if included change to fee?
 - \$100 License Fee for Multnomah County
- Revenue Neutrality
 - Number established
 - Growth and step down measures
- Apportionment
- Impacts on rates & caps and jurisdictional split

BOGSTAD Deborah L

From: SHEPARD Duke
Sent: Tuesday, February 18, 2003 2:24 PM
To: BOGSTAD Deborah L
Subject: FW: BIT Briefing, February 18th

Deb:
Here's what I had sent to the board.

-----Original Message-----

From: SHEPARD Duke
Sent: Monday, February 17, 2003 1:54 PM
To: ROJO DE STEFFEY Maria; CRUZ Serena M; NAITO Lisa H; ROBERTS Lonnie J
Cc: LINN Diane M; TURNER Kathy G
Subject: BIT Briefing, February 18th

Commissioners:

Attached is an informal schedule of presenters and issue areas for the **morning** briefings of February 18 and 20th. On February 18th, we will focus on the community partnership agreement for BIT review and that group's recommendations for reform. On February 20th, we will focus on school funding needs and proposals.

As you know, Commissioner Naito has proposed a funding option for a broader set of services which includes schools, public safety, and human services. Commissioner Naito's office has scheduled an additional briefing for the afternoon of February 20th to address that proposal. Arrangements for that briefing are being coordinated by that office.

Also attached are two documents that will be referenced during the BIT briefing tomorrow. In order they are:

- 1) BIT tax reform proposal paper by Eric Hovee on behalf of the Portland Business Alliance.
- 2) ECONorthwest analysis of the job impacts of the PBA proposal.

Also, while this may be redundant, the original ECONorthwest Analysis of the existing BIT (presented to the Board in October 2002) can be found at <http://www.pdc.us/programs/ed/strategy/PDFs/appendix-2-6.pdf>

Regards,



18th and 20th.doc
(37 KB)



Tax Replacement
Report Draft#2...



BIT Jobs Analysis
ECONW 2-3-03...

Duke

Briefings for the 18th and 20th

February 18th 10:45 a.m.

**Board Briefing: Community Partnership Agreement – Business Income Tax reform:
Process and Proposals**

I. Chair Linn - 5 minutes

- A. Description of 18th and 20th
- B. Context for the discussion
- C. Policy options as the outcome of these two days

II. BIT Briefing

- A. Kathy Turner – Community Partnership Team - **5 minutes**
- B. Steve Janik - BIT background and PBA proposal – **10 minutes**
- C. Portland Business Alliance President or staff on proposal – **5 minutes**
- D. Kathy Turner - Conclusion/recommendation, unresolved policy recommendations of the CPT as of Thursday, February 13 - **10 minutes**

Questions

John Ball, Tony Mounts, Dave Boyer – County Operational Analysis – **30 minutes**;
Economic Impact (EcoNW) - **10 minutes**

Questions

III. Next Steps

Chair Linn

- A. Further questions/research - Board Members
- B. Initial Reactions
- C. Develop resolution with the City and circulate to BCC
- D. Public Hearings – March 6th, 9:45 am; March 11th, 6 pm
- E. Resolution Decision – March 13th

February 20th 10:45 a.m.

Board Briefing: Business Income Tax, School Funding, Other Services.

- I. Chair Linn – Intro and context 10 minutes
Board Perspectives – 15 minutes

- II. Funding Gaps
 - A. Schools – Invited representatives **10 minutes**
 - B. Public Services – Matt Nice, Multnomah County 10 minutes

Questions

- III. Electoral Considerations – Scott Asphaug, County Attorney – **15 minutes**

Questions

- IV. Legislative Connections and Impacts – Gina Mattioda - **10 minutes**

- V. Funding Proposals/Capacity – **20 minutes** – **Overview by Dave Boyer and Scott Asphaug**
 - A. Absorption of non academic services – County
 - B. Daughter of 28 –
 - C. Francesconi Proposal
 - D. Sten/Leonard/Saltzman Proposal
 - E. Portland Business Alliance Proposal

February 20th 1:15 p.m.

Board Briefing: Naito “Daughter of 28”

Effects on Employment of Proposed Changes to the Business Income Tax

INTRODUCTION AND SUMMARY

During the last year a working group consisting of elected officials and business leaders reviewed a variety of options to fully or partially replace the existing business license taxes levied by the City of Portland and Multnomah County. As part of that on-going effort, the Portland Business Alliance (PBA) recently advanced a proposal to partially modify the existing system, which assesses taxes based on net income, to a system that taxes based on payroll and net income. In the short run, the proposed tax system would be roughly revenue neutral. In the long run, however, the alternative system may produce lower revenues than expected under baseline because of a proposed cap on revenue growth.

To assist policymakers in evaluating the PBA proposal, the Portland Development Commission (PDC) asked ECONorthwest to study and comment on the potential impacts on jobs in Multnomah County. PDC additionally asked ECONorthwest to comment on the job impacts of an impact mitigation fund.

Our key findings are listed below:

- The proposal does not change the existing cost disadvantage for firms in Portland and/or Multnomah County. Because the City of Portland and Multnomah County would remain the only jurisdictions in the metropolitan area that levy a significant business license fee/tax, firms located in Multnomah County will still pay more local taxes than most firms in the rest of the metropolitan area. Moreover, firms located in the City of Portland will pay more than their counterparts outside of Portland but inside Multnomah County. The proposal does not substantially change the City's or County's net competitive position on taxes.
- Net employment impacts would be small for a revenue neutral proposal. However, as the proposal shifts taxes to the more tax-sensitive sectors, it means that a decline in jobs in the manufacturing and transportation/utility sectors would be traded for higher job growth in other sectors.

- While net impacts measured across all industries would be relatively small, impacts to specific individual firms could be significant.
- Policymakers should focus on system equity in determining the appropriate mix between net income and payroll taxes.
- Positive employment impacts could accrue in Multnomah County over time if the proposed system generates less revenue than are expected under the Business Income Tax (BIT) baseline, but only if essential services are maintained.
- Earmarking a share of BIT revenues to an impact mitigation fund could generate benefits if administrative costs are low and services deemed essential by business are not lost in the process.

In the remainder of this report, we provide a short background on the existing BIT and the proposed change. We then discuss potential impacts of the proposed shift in tax payments, as well as, the creation of an impact mitigation fund.

BACKGROUND

The existing business license and income taxes are levied by the City of Portland and Multnomah County on firms that conduct business or make sales within their geographic boundaries. The City of Portland and Multnomah County enacted their respective taxes in 1974. The taxes, which are assessed on the net incomes of businesses, are limited to Multnomah County. As originally enacted, the City and County each set their tax rates at 1.5 percent of *apportioned* net income. The apportionment rule allows businesses to disregard net income derived from sales or business activity outside the City or County¹ for purposes of calculating its tax. The apportionment rule was adopted so that the locally imposed tax didn't disadvantage Portland based firms that were competing nationally or internationally. About one year after enactment, the City raised its rate to 2.2 percent and it remained at that level thereafter.

¹ Income may be apportioned only if there is regular business activity outside the City/County. Services performed outside the City/County may be apportioned based on the cost of performance outside the applicable jurisdiction. Sales of tangible personal property may be apportioned only if a business has payroll or property outside the jurisdiction.

To avoid duplicative taxes, the County's original business income tax excluded income derived from activities with the City of Portland. The County found that—given the exemption—the tax generated considerably lower revenues than originally expected. In 1977, the County enacted the current Business Income Tax and set a rate of 0.6 percent of apportioned net income. The County has altered the tax rate several times since enactment. The rate currently stands at 1.45 percent.

Firms located within the City pay both the City of Portland tax and the Multnomah County tax. Because the City of Portland and Multnomah County are the only jurisdictions in the metropolitan area that levy a business license fee/tax, firms in Portland have higher costs than those in Multnomah County and both have higher costs than firms in the rest of the metropolitan area.

Both the City and County place revenues from the taxes in their respective general funds to finance the array of services they provide. Table 1 reports tax revenues during 1991-2000. The City data show collections roughly doubled during the last decade increasing from \$24 million to \$52 million. All of the growth in the City revenues occurred during 1991-1997, fueled by a surging economy. Since 1997, gross revenues have remained at about \$50 million.

County revenues fluctuate more than City's because of changes in the tax rate. The County collected \$19.9 million in taxes in 1991-1992. Revenues exceeded \$40 million during 1998-2000, when the County temporarily increased the tax rate. When the rate returned to 1.45 percent in 2000, revenues fell to \$29.8 million.

Table 1: Business Income Tax Gross Revenues Versus Private Sector Payroll

	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Collections:										
City of Portland (\$000)	24,028	28,074	30,064	37,904	42,840	45,634	50,596	51,291	50,795	51,988
Multnomah County (\$000)	19,920	23,872	22,912	27,048	30,040	33,255	33,264	40,696	40,639	29,859
Total Collections	43,946	51,946	52,976	64,952	72,880	78,889	83,860	91,987	91,434	81,846
Multnomah County Private Sector Payroll (\$000)	7,980,679	8,408,059	8,905,309	9,653,227	10,559,234	11,540,444	12,064,440	12,584,615	13,095,186	14,223,030
Collections Per Payroll	0.55%	0.62%	0.59%	0.67%	0.69%	0.68%	0.70%	0.73%	0.70%	0.58%

Source: Oregon Employment Department and City of Portland Bureau of Licenses. Portland revenues reported in this table represent gross revenues and do not account for refunds. Therefore, Portland's total revenues will not match those reported in subsequent tables.

Table 2 provides a general overview of tax revenues for the selected sectors. Finance, Insurance and Real Estate, which provides services locally and generates relatively high profits, paid \$16.0 million in BIT taxes in 2000, which translated to \$10.50 per \$1,000 of payroll. By contrast, the Manufacturing sector, whose firms apportion a large share of net income outside of the County boundaries, paid \$7.2 million—or the equivalent of \$3.22 per \$1,000 of payroll.

Table 2. BLF/BIT Tax Revenue by Sector

	BLF/BIT Collections	Covered Payroll (in 000s)	BLF/BIT Collections per Payroll in (000s)
Agriculture/Forestry	405,528	90,300	\$4.49
Mining	990,614	3,900	\$254.00
Construction	4,530,666	1,013,100	\$4.47
Manufacturing	7,212,607	2,239,927	\$3.22
Trans/Comm/Utilities	6,417,366	1,670,900	\$3.84
Wholesale Trade	8,659,414	1,409,921	\$6.14
Retail Trade	10,607,776	1,546,100	\$6.86
FIRE	16,017,753	1,526,100	\$10.50
Services	25,827,160	4,324,831	\$5.97

Source: Portland Business Alliance

PROPOSED CHANGE

The Portland Business Alliance is recommending replacement of the current City/County business tax system with a two-source business revenue mix consisting of:

- **Payroll tax.** Targeted to a rate of 0.395 percent to generate approximately two-thirds of the current BIT revenue from in-County firms plus apportioned payroll from out-of-jurisdiction firms.
- **Net income tax.** Rates at about 38 percent of current levels with a \$15,000 cap on any individual business taxpayer each with the City and County respectively.

With the proposed replacement strategy, business sectors that would see their share of the total business tax reduced are FIRE, services, wholesale, and retail trade. Table 3 shows the expected change in taxes paid under the alternative tax system.

Table 3: Change in Taxes Paid Under Alternative Tax System

A	B	C	D = (B*C)	E	F = (D+E)	G	H = (F-G)
	Coverd Payroll (000)	Tax Rate	Payroll Tax	Cap on Income	Total Alternative Taxes	BLF/BIT Collections	Variance
Agriculture/Forestry	90,300	0.395%	356,685	194,660	551,345	405,528	145,817
Mining	3,900	0.395%	15,405	35,120	50,525	990,614	(940,089)
Construction	1,013,100	0.395%	4,001,745	1,963,483	5,965,228	4,530,666	1,434,562
Manufacturing	2,239,927	0.395%	8,847,712	1,907,143	10,754,854	7,212,607	3,542,248
Trans/Comm/Utilities	1,670,900	0.395%	6,600,055	1,262,565	7,862,620	6,417,366	1,445,254
Wholesale Trade	1,409,921	0.395%	5,569,188	2,202,147	7,771,335	8,659,414	(888,079)
Retail Trade	1,546,100	0.395%	6,107,095	3,669,931	9,777,026	10,607,776	(830,750)
Finance/Ins/Real Estate	1,526,100	0.395%	6,028,095	5,042,075	11,070,170	16,017,753	(4,947,582)
Services	3,081,358	0.395%	12,171,364	10,557,645	22,729,010	25,827,160	(3,098,150)
Medical non-profits	658,882	0.395%	2,602,584	-	2,602,584	-	2,602,584
All other non-profits	584,591	0.000%	-	-	-	-	-
Self Employed	389,121	0.395%	1,537,028	-	1,537,028	-	1,537,028
	14,214,200		53,836,956	26,834,770	80,671,726	80,668,883	2,842

Source: Portland Business Alliance

ESTIMATED EMPLOYMENT IMPACTS OF PROPOSED CHANGES

In this section, we first review the economic literature on the relative sensitivity to taxes of different industrial sectors and then provide an illustrative estimate of the impacts on jobs.

REVIEW OF THE LITERATURE

Policymakers have long been interested in the economic impacts, particularly on jobs, of tax policies. Economists and economic development professionals have responded with more than 84 studies since the early 1970s. As those studies have been reviewed and compared, economists have reached a near consensus that taxes do affect job growth but to a considerably lesser degree than the quality and cost of labor and other factors. Based on the findings, in May 2002, ECONorthwest estimated that, if the City of Portland and Multnomah County, had *completely* eliminated the BIT in 1993 that the rate of job growth in Multnomah County—*measured over all industrial sectors*—would have increased from 3.06 percent to 3.12 percent annually in subsequent years. With such a change, we estimated the resulting job impacts at roughly 1,500 in the short-run (five years) and up to 7,000 in the long-run (20 years)².

With specific proposals to change the tax system in hand, policymakers have more refined questions. As discussed above, the proposals advanced to date generally shift away from professional services (e.g., legal, accounting, engineering), finance, and real estate and to

² The long run estimate assumed that County's baseline 3.06 percent job growth continued throughout the 20-year period.

manufacturing, transportation and utilities, and medical non-profit sectors. The proposed changes are roughly revenue neutral, which implies that, overall, Multnomah County-based businesses will pay about the same amount in taxes with or without the adoption of the proposed changes.

With overall taxes unchanged in the short run, but taxes changing for particular industries, policymakers are interested in learning more about the sensitivity of *particular industries* to changes in taxes. If sectors respond differently to taxes, even a revenue neutral proposal could generate net job impacts in one direction or the other.

The academic and professional literature provides some help, but probably not as much as policymakers are looking for. To date, studies have focused largely on the effects of taxes on manufacturing jobs, and to a lesser degree, on total jobs. The focus on manufacturing stems from an interest to understand the cost-effectiveness of high-profile tax and incentive packages provided to automobile manufacturers, high-technology firms, and drug companies.

Given the focus of existing studies, economists specializing in effects of tax policy have drawn some conclusions about the relative sensitivity of two broadly defined sectors: manufacturing and non-manufacturing. In reporting the impacts of taxes, economists express their findings in terms of the elasticity of business activity (employment, employment growth, or firm births) with respect to taxes. Specifically, an elasticity measures how a percentage change in one factor (taxes) generates a percentage change in another (jobs, job growth, or new firms). For example, if a 10 percent reduction in taxes produces a 10 percent increase in local employment growth, economists would say the elasticity of employment growth with respect to taxes is equal to -1.0 (that is, +10% employment/-10% taxes).

Table 4 summarizes the range of elasticities reported in the literature to date. In addition to the conclusion that "taxes matter", economists generally agree that:

- **Taxes play a larger role within a region than across regions.** We advanced this point in our previous study on the BIT. In short, within a region where production factors are likely to be similar, differences in tax levels across communities become more important in the location decision. Hence the elasticities reported for interregional studies are generally closer to zero (less tax sensitivity) than the elasticities reported for intraregional studies. In summarizing

the literature, Bartik (1991) concludes that interregional elasticities likely fall between -0.1 and -0.6 while intraregional elasticities fall between -1.0 and -3.0³. Wasylenko (1997) concurs with that general findings and concludes "tax elasticities within a region appear to be at least four times the interregional tax elasticities."

- **Manufacturers are more sensitive to changes in taxes than non-manufacturers.** Studies that have focused on taxes effects on manufacturers have reported higher elasticities (more negative) than those that addressed total employment or non-manufacturing employment. The empirical work is generally consistent with surveys of manufacturers, who are more likely to report taxes as a factor in their location decisions than their non-manufacturing counterparts. Economists offer several reasons for manufacturing's higher sensitivity to taxes. First, manufacturers compete on a national, or even global, level, and therefore, have less opportunity to pass the cost of the tax to consumers. Consequently local costs are a more important competitive consideration. Second, and related the to the first, manufacturer's, in general, work with tighter profit margins, so even small changes in expenses can affect the decision to expand or relocate.

Table 4: Summary of Econometric Studies of Tax Effects on Business Activity

	Interregional/Interstate		Intraregional	
	Low Sensitivity	High Sensitivity	Low Sensitivity	High Sensitivity
Total Employment	0	-0.85	-0.81	-1.95
Manufacturing Employment	0	-1.54	0.62	-2.70
Non-Manufacturing Employment	0	-0.02	*	*
Bartik (1991) General Assumptions	-0.1	-0.6	-1.0	-3.0

* No studies exist

Sources: Wasylenko (1997) and Bartik (1991)

If the literature is correct and firms involved in national and global markets are more sensitive to taxes than others, then we can roughly gauge each sector's sensitivity to taxes by examining exports generated by

³ For example, the intraregional tax elasticities imply a 10% reduction in state and local taxes by a central city within a region could increase job growth by 10 to 30% above the expected baseline.

Multnomah County businesses⁴. Table 5 presents findings from the IMPLAN input-output model, which ECONorthwest routinely employs to estimate the impacts of new business investments. While IMPLAN's precise export percentages should not be given too much weight, the estimates can be used to rank the sectors by export intensity. As expected, manufacturing tops the list followed by TCU and FIRE. Not surprisingly, the trade and service sectors produce much more of their output for local consumption. Without precise estimates from the literature, this export-based ranking represents a reasonable guess about the relative sensitivity of industries to taxes.

Table 5: Industrial Sectors Ranked by Share of Multnomah County Output Made for Use Outside of Multnomah County

Sector	Percent of Output Made for Use Outside of Multnomah County
Manufacturing	78%
Transportation, Communications, Utilities	51%
FIRE	45%
Trade	34%
Agriculture	31%
Services	28%
Construction	14%
Mining	6%

Source: ECONorthwest using the IMPLAN model

In addition to the traditional 1-digit Standard Industrial Code sectors described above, policymakers are also interested in the potential employment impacts on a number of sectors currently targeted by the City in its economic development efforts: high technology, bioscience, sustainable industries, metals, transportation equipment, retail, tourism, creative services, and professional services. Within those sectors, the same general rules discussed above apply here, namely, the more a firm or sector sells to a national or global market the more sensitive they will be to taxes because they can not pass the cost of the tax to customers.

Consistent with those general observations are the findings of *Applied Economics*, a private company that annually assesses the importance of taxes and other local factors to business. *Applied Economics* uses executive surveys, literature searches, and econometric analyses to rate the importance of 51 different locational characteristics to a range of industries. Table 6 reports their findings on business taxes. *Applied Economics*

⁴ Ideally, we would like to see exports outside of the larger region or outside of Oregon, but time did not permit such an analysis.

applies a score to each locational factor (in this case business taxes) of between 0 and 400, with 0 representing "no importance" and 400 representing "very important." Not surprisingly, the two manufacturing activities (drugs and computer and office equipment manufacturing) are at the top of the list. Notably, the range in the rankings, 86.4 to 180.0, suggests that business taxes are, at best, of modest importance as a locational factor to these industries.

Table 6: Survey on Importance of Business Taxes in Site Location

Sector	Specific Industry	Tax Importance Score (Out of Possible 400)
Bioscience	Drugs	180.0
High Technology	Computer and Office Equipment	149.3
Professional Services	Engineering and Management Services	135.1
Creative Services	Advertising	128.0
Tourism	Hotels and Lodging	98.0
Sustainable Industries	Scrap and Waste Materials	90.0
High Technology	Computer and Data Processing Services	86.4

Source: Applied Economics

ILLUSTRATIVE ESTIMATE OF JOB IMPACTS OF A REVENUE NEUTRAL PROPOSAL

The proposed change to the BIT is, in the overall picture of the Portland regional economy, a relatively small one. The interest in maintaining revenue neutrality in the short run prevents the change from producing sizable job impacts in either direction.

Estimating a precise job impact of the proposal stretches the knowledge available in the current literature to its absolute limit. Nonetheless, in this section, we use the limited data available to demonstrate the likely size (tiny) and direction (positive) of the impact. To do so, we need to answer the following questions:

- **By what percentage would an industrial sector's total state and local tax bill change if the proposal were adopted?** In addition to the BIT, Multnomah County based firms pay property taxes, the Tri-Met transportation payroll tax, unemployment insurance, and a state corporate income tax among others. The proposal will have an impact on a business only if the proposed BIT reduction represents a noticeable change in its overall state and local tax bill.
- **How large are the industrial sectors and by what rate are they expected to grow during the next 20 to 25 years?** A tax change for a stagnant or

declining sector will not likely be as important as a change for a rapidly growing sector. In short, a sector that is stagnant or in decline has probably identified factors, other than taxes, that make Multnomah County an undesirable place to locate, expand, or start a business.

With those two questions answered and some assumptions about the elasticities from the previous section, we can develop an illustrative estimate of the proposal's impact. We stress the word *illustrative* because in the process of developing the estimate, we will be required to make several assumptions where no solid data exist.

As noted above, we first need to understand how any proposed change in the BIT/payroll tax relates to the sectors' total state and local tax bills. We know of no readily available data source that provides total business taxes by industrial sector within a particular jurisdiction. In fact, for property taxes, Multnomah County's tax assessor has only a rough sense of the total amount paid by businesses versus non-businesses. We used two methods to estimate state and local taxes by industry. The first method relied completely on the IMPLAN input-output model, which extrapolates state and local taxes by industry using a combination of national and local information. In the second method, we estimated major state and local taxes by sector using payroll, employment, and other data. For example, with employment data, we can approximate unemployment insurance, which is charged on a per employee basis. Both methods suggested that Multnomah County-based businesses paid about \$1 billion in state and local taxes, although estimated payments by sector differed. For the purposes of our estimate, we averaged the findings from our two methods.

Table 7 reports estimated state and local taxes by industrial sector and compares them with the sectors' total industrial output, as well as the proposed change in taxes for each sector. For example, Column C shows that our tax estimates suggest each sector pays state and local taxes equal to about 2 to 3 percent of total output.

Assuming the total state and local tax calculation is approximately correct, Columns D and E report the impact of the proposed BIT change on each sector. For example, in the manufacturing sector, the proposed change would increase BIT taxes by \$3.5 million, but that is an increase over existing tax payment of nearly \$235 million—or a 2 percent increase. By contrast, the FIRE sector would see BIT taxes fall by about \$5 million, or by 4 percent.

Table 7: PBA Proposal's Impact on Total Taxes Paid by Major Industrial Sectors

	A	B	C = A/B	D	E = D/A
	Estimated Total State and Local Taxes	Estimated Industrial Output	S&L Taxes as a Percent of Output	Proposal Variance	Proposal Variance as a Percent of Total S&L Taxes
Agriculture and Mining	3,586,680	133,432,728	3%	-794,272	-22%
Construction	83,758,475	3,666,612,061	2%	1,434,562	2%
Manufacturing	234,858,299	11,022,562,500	2%	3,542,248	2%
TCPU	117,668,148	5,822,129,395	2%	1,445,254	1%
Trade	173,483,906	8,069,773,926	2%	-1,718,829	-1%
FIRE	124,324,712	7,697,425,293	2%	-4,947,582	-4%
Services	268,029,819	10,536,929,688	3%	-495,566	0%
TOTAL	1,005,710,039	46,948,865,589	2%	-1,534,186	0%

Source: ECONorthwest calculated using IMPLAN, Multnomah County, and State of Oregon tax data.

With the change in taxes estimated, the next step requires estimating job growth in each of the sectors. Table 8 presents a sector-specific forecast for Multnomah County that is consistent with Metro's forecast for the Portland Metropolitan Area and recognizes constraints specific to the County. Furthermore, the total growth in non-government employment (165,413) is roughly consistent with assumptions used by PDC in *Prosperous Portland* regional planning activities. Specifically, we assume annual average growth rates will range from -4.2 percent (a decline) for agriculture and mining to 2.4 percent for the service sector. Applying those annual growth rates, we find agriculture and mining will shrink by 65.8 percent, while at the other end, the service sector will increase by 80.9 percent.

Table 8: Assumed Baseline Employment Growth by Sector

	2000	Average Annual Growth Rate	2025	Total Growth Over 25 Years
Agriculture and Mining	3,381	-4.20%	1,157	-65.79%
Const.	21,855	0.20%	22,974	5.12%
Manuf.	51,732	-0.10%	50,454	-2.47%
TCPU	33,668	1.10%	44,258	31.46%
Trade	106,278	1.10%	139,708	31.46%
FIRE	32,406	0.80%	39,549	22.04%
Services	139,945	2.40%	253,196	80.93%
	385,884		551,297	

Source: ECONorthwest

At this point, we have enough information to apply tax elasticities from the economic literature, as shown in Table 9. Because these tax changes are made within a larger region, we assume the intraregional elasticities the most relevant. In short, we are assuming losers under this proposal are more likely to select a Portland suburb than Seattle. On the other hand, winners under the proposal are

more likely to be attracted from the Portland suburbs than Seattle.

Bartik's (1991) intraregional elasticities do not speak specifically to industrial sectors but given the body of evidence, we could assume the high end of Bartik's intraregional tax elasticities (-3.0) are appropriate for manufacturing while elasticities near Bartik's lower end (-1.0) would be appropriate for industries with local markets (trades, services)⁵

Given these assumptions, a 4.0 percent reduction in taxes paid by firms in the FIRE sector would yield a 6.8 percent⁶ increase in long-run job growth—assuming a tax elasticity of -1.7. In other words, the 25-year growth estimate would increase from 22.0 percent to 23.5 percent. By contrast, in manufacturing, the 1.5 percent increase in taxes would yield a 4.5 percent decrease in long run job growth, which would have a small effect on the virtually stagnant sector. While the impacts are small, a decline in jobs in the manufacturing and TCPU sectors is being traded for higher job growth in other sectors.

The final column reports the impact measured in jobs. FIRE, Trade, and Agriculture/Mining show gains while manufacturing and TCPU lose jobs. The net change, about 1,300 jobs over 25 years, is less than 1 percent of total job growth (165,413) anticipated for the period.

It should be noted at this point that these impacts are estimated across industry sectors as a whole. While impacts to industry sectors in aggregate are relatively small, impacts to specific individual firms, particularly manufacturers with large numbers of employees, could be significant.

⁵ To generate the assumed elasticity, we assumed manufacturing's elasticity was -3.0. Other sectors' elasticities were calculated by taking the rate of exports in a particular sector, dividing it by the share of manufacturing that is exported, and multiplying the result by manufacturing's -3.0 elasticity. For example, TCU exports 51 percent of its output (.51/.78 equals .65 multiplied by -3.0 equals -2.0.

⁶ Not percentage point.

Table 9: Illustrative Job Impacts Associated with Proposed Change to City/County BIT

Sector	Change in Business Taxes	Assumed Elasticity of Taxes with Respect to Growth	Impact on Growth	Baseline Growth Over 25 Years	Revised Growth Over 25 Years	Job Impact
Agriculture and Mining	-22.1%	-1.0	23.0%	-65.8%	-50.7%	511
Const.	1.7%	-0.5	-0.9%	5.1%	5.1%	-10
Manuf.	1.5%	-3.0	-4.5%	-2.5%	-2.6%	-58
TCPU	1.2%	-2.0	-2.4%	31.5%	30.7%	-256
Trade	-1.0%	-1.3	1.3%	31.5%	31.9%	426
FIRE	-4.0%	-1.7	6.8%	22.0%	23.5%	485
Services	-0.2%	-1.1	0.2%	80.9%	81.1%	224
TOTAL						1,323

Source: ECONorthwest

EFFECTS OF ELIMINATING REVENUE NEUTRALITY

While the PBA has designed the tax proposal to be revenue neutral in the first year, a proposed cap on the growth in revenues would likely result in the City and County receiving less revenue, compared to the existing system, over time. The cap would limit revenue growth to the rate of inflation plus population growth. Had such a cap been in place during 1976-2000, the City of Portland estimates BIT revenues would have increased by roughly 4.6 percent annually⁷. By contrast, existing rules allowed BIT revenues to increase 10.3 percent annually over the period.

If the cap is adopted and a similar phenomenon unfolds in the forecast period, revenues, as a share of the existing baseline, will slowly erode. And, with the cap in place, the difference in cost of doing business between Multnomah County and surrounding areas will narrow relative to current law. As those cost differences narrow, we would expect Multnomah County to capture a gradually increasing share of regional job growth. The gains in job growth would be offset to extent that lost revenues resulted in decline in the levels of essential transportation or public safety services.

CANDIDATE USES OF BIT REVENUE

Given the proposed shift in firms and sectors that would pay the local tax, certain current or future firms—deemed important to the economic vitality of the region—may be

⁷ See City of Portland Bureau of Financial Planning. *Backcast Simulation of Payroll Tax, BLT Replacement FY 1975-76 to FY 1999-00 With and Without Population-Inflation Cap*. January 10, 2003.

adversely affected. To mitigate possible unintended consequences, the City could explore the idea of dedicating a share of future BIT revenue growth to support increased economic development efforts or an impact mitigation fund. Such a fund would be consistent with the City's recently constructed Economic Development Strategy, which recommends a \$500,000 annual increase in the City's business retention, expansion, and recruitment efforts. The Strategy also recommends the creation of an Opportunity Fund to provide \$4 to \$10 million annually in flexible resources to offset costs for individual firms in circumstances in which the City's business or development costs are uncompetitive.

Currently, BIT revenues are not earmarked for particular uses in the Multnomah County or the City of Portland budgets.

The development of such a fund could have a positive impact on job growth if the following two conditions are met:

- 1. City operates the fund with minimal administrative costs.** The lower the costs of administration of the fund, the higher will be the effect on job growth. At one extreme, the City and County could selectively identify firms or industrial sectors and assign lower tax rates, with the goal of reducing BIT payments by the size of the impact mitigation fund. In this example, administrative costs would be low as the government would never receive revenues or distribute incentives. Alternatively, the City could receive tax revenues, and in essence, redistribute them to targeted sectors. In the second approach, the administrative activities associated with collecting the tax from some firms and redistributing it to others has no value to the business sector. The higher the administrative costs, the lower the job impacts. Also, the City and County would have to choose firms carefully and limit the subsidies to firms that, but for the incentive, would not consider a Multnomah County location.
- 2. Impact mitigation fund revenues do not come at the expense of basic services that businesses value.** Assuming revenue-neutrality, the creation of an impact mitigation fund comes at the expense of another City or County service. As with the effect of taxes, economists and economic development specialists have long tried to disentangle the relationship between certain public services and

job growth. Past studies have tied spending on transportation, police, fire, and to a lesser extent, education services to economic development. So to the degree that services directly used by business decline at the expense of the fund's creation, any positive impacts of the fund could be offset in part or in whole.

CONCLUSIONS

This report considered the job effects of a proposed change the Business Income Tax levied by the City of Portland and Multnomah County. The proposed alternative would mix a payroll tax, targeted to 0.395 percent, and a net income tax capped at \$15,000 per firm. Our key findings are as follows:

- **Proposed alternative tax system does not substantially change the existing cost disadvantage for firms in Portland and/or Multnomah County.** Because the City of Portland and Multnomah County would remain the only jurisdictions in the metropolitan area that levy a significant business license fee/tax, firms located in Multnomah County will still pay more local taxes than most firms in the rest of the metropolitan area. Moreover, firms located in the City of Portland will pay more than their counterparts outside of Portland but inside Multnomah County. The proposal does not substantially change the City's or County's net competitive position
- **Net employment impacts would be small for a revenue neutral proposal, despite a shift in taxes to the more sensitive manufacturing sector.** While the PBA proposal would create winners and losers across individual firms and industry sectors, in some cases significant changes in tax liability, the net impact on overall employment would be immeasurably small. When viewed *relative to total state and local taxes* paid by businesses, the proposed change would generate tax savings or costs of no more than 1 to 4 percent. State and local taxes, in turn, are only a small fraction of a firm's total expenses. That said, the proposal would shift taxes from non-tax sensitive sectors (non manufacturing) to a tax sensitive sector (manufacturing). However, the impacts of that shift would be small across the sector as a whole because the tax increase is small compared to total state and local taxes paid by the sector. The tax increase would depress growth in a sector that

already sees a number of disadvantages to a Multnomah County location. In essence, the proposed changes would trade a decline in jobs in the manufacturing and TCPU sectors for increased job creation in other sectors.

- **Policymakers should focus on system equity, rather than job impacts, in determining the appropriate mix between net income and payroll taxes.** Again, assuming revenue neutrality in the short run, effects on overall employment will be small. Consequently, when considering the appropriate mix of net income and payroll taxes, policymakers should focus on whether businesses are paying taxes roughly commensurate to the services that they and their employees receive from the City and County.
- **Positive employment impacts could accrue in Multnomah County over time if the proposed system generates lower revenues than are expected under the BIT baseline, but only if essential services are maintained.** If, because of a proposed cap on revenues, the alternative system generates lower revenues than would have been generated by the BIT, then *over time* County-based businesses would pay lower taxes than under current law. If this were the case, the relative cost of doing business in Multnomah County and surrounding areas would narrow, and the rate of job growth in the County could increase relative to current expectations. The gains in job growth would be offset to extent that lost revenues resulted in decline in the levels of essential transportation or public safety services.
- **Earmarking a share of BIT revenues to an impact mitigation fund could generate benefits if administrative costs are low and essential services are not lost in the process.** The creation of an impact mitigation fund could generate positive job impacts by lowering the cost of doing business for target firms much in the same way a tax reduction would. However, unlike an across the board reduction in taxes, the City would administer the fund, and the cost of administration would be of little or no value to business. In short, the lower are the administrative costs, the higher are the fund's potential benefits. Finally, any benefits generated by the fund would be offset if, by earmarking revenues, the City or County decreases the level of essential services to business.

REFERENCES

Bartik, Timothy. 1991. *Who Benefits from State and Local Economic Development Policies?* WE Upjohn Institute for Employment Research. Kalamazoo, MI.

Wasylenko, Michael. March/April 1997. "Taxation and Economic Development: The State of the Economic Literature". *New England Economic Review*. Federal Reserve Bank of Boston. Boston, MA.