

COLUMBIA COUNTY BOARD OF COMMISSIONERS
BOARD MEETING

MINUTES

July 13, 2011

The Columbia County Board of Commissioners met in scheduled session with Commissioner Anthony Hyde, Commissioner Earl Fisher and Commissioner Henry Heimuller, together with Sarah Hanson, County Counsel and Cynthia Zemaitis, Acting Board Secretary.

Commissioner Hyde called the meeting to order and led the flag salute.

MINUTES:

Commissioner Heimuller moved and Commissioner Fisher seconded to approve the minutes of the July 6, 2011 Board meeting and July 6, 2011 Staff meeting. The motion carried unanimously.

VISITOR COMMENTS:

Susan Koch, 22264 Scappoose-Vernonia Hwy. Ms. Koch heard that Scappoose-Vernonia was going to be closed from 7/11/11 - 7/20/11 and if there were concerns people should call Glen at the Road Department. She could find no other announcements of this road closure and left a message for Glen with her concerns. Subsequently she saw signs that the road was going to be closed from 7/18/11 - 7/29/11. She checked and neither the post office nor the garbage service had heard of any road closure.

She called the Road Department again on Monday and spoke with Dave Hill, who assured her that emergency vehicles would be able to get through. She drove the proposed detour and it took her from a 33-mile commute to a 67-mile commute, which will add at least an hour to her commute each way. Ms. Koch is upset that no one notified the residents of the closure ahead of time. Dave Hill told her that the C-Z Road was not stable enough for vehicles, but the Parks vehicle and supposedly emergency vehicles, along with bikes, hikers and horses, use the trail. Now, she has received notice that there will be no mail delivery and she will have to pick up her mail at the post office. With the added time to her commute, she won't have time to get to the post office when it's open. Ms. Koch is concerned that no other options have been identified to keep from closing a major road for 2 weeks.

Commissioner Hyde indicated that they have been working on this road repair since December 2007 and it has been getting worse. It is an ODOT project and when the Board learned that the original road closure was during the County fair, the dates were changed. The Board will follow up on why notice wasn't posted on the web. He understands that the state of the C-Z Road is good enough to allow horses and pedestrians, etc., but is not stable enough for continuous vehicle use, so that is not an option.

HEARING: OREGON STRATEGIC INVESTMENT PROGRAM AGREEMENT W/ PGE:

This is the time set for the public hearing to solicit input on the proposed Oregon Strategic Investment Program Agreement with Portland General Electric.

Sarah Hanson indicated that staff David Stocker and Jeannette Launer were here to present the staff report.

David Stocker went through his staff report regarding the application from PGE for a strategic investment program for the phase 2 project at Port Westward. If the Board approves the application, it will then be sent to OBDD for their approval.

This would be a public RFP project through the PUC. PGE is proposing either a turbine or internal combustion alternative and is slated for completion in 2014 if selected by PUC. The SIP would provide PGE with a partial property tax exemption.

Because it is a partial exemption, there would still be three revenues streams coming into the County and taxing districts, which he explained.

The third revenue stream is community-service based and equals 25% of the ad valorem taxes being exempted. These funds would be distributed pursuant to an agreement among the taxing districts and some of the funds would be earmarked for the County.

The funds realized would be substantially more through a SIP than the normal 5-year exemption through the enterprise zone program.

David indicated that there was a draft agreement in the Board's packet. He recommended this application be approved because it is a better deal than the local governments would get through the enterprise zone exemption.

Commissioner Heimuller asked David to clarify the agenda for this project. David stated that construction is slated to start in 2012 and the plant would go on line in 2014.

Commissioner Hyde summarized some of what David related. He stated that the importance of this to him lies in whether we want to make an investment in this county or in other counties or states. He understands there is a potential from this project for tax incentives to make the bid more competitive. If the Board chooses not to approve the application, PGE still has the enterprise zone exemption they could pursue. Commissioner Hyde indicated that this would not be entered into lightly, but the quandary in this County is shrinking revenue and resources. This agreement would put revenue on the table for the short term.

Commissioner Heimuller looks at things in a broader picture and reminds himself about the 200 plus construction jobs that would, in a year or so, be on the ground in Columbia County. With the economic slump and unemployment, he is encouraged to think positively about this project.

The hearing was opened for public testimony.

Mike Sheehan, 33126 Callahan Road, Scappoose. Mr. Sheehan handed materials out to the Board and staff, indicating that some of the data was very hard to get and is tentative at this juncture. There is a copy of the staff report, the proposed agreement and, in the back, at page 1100, is part of the testimony put into the record by PGE when asking PUC to approve Unit 1 at Port Westward. PGE made it quite clear at that hearing that the Port Westward site was the preferable site for a variety of reasons: close to the natural gas pipeline; close to their hub at Trojan. If they put it in Washington, they were subject to natural gas taxes, etc. They went through a litany of reasons, aside from tax exemptions, as to why Port Westward was the preferred site. If this logic still applies, that second plant is coming here regardless of any tax exemption. On page 1117, PGE indicates that any tax exemption would be passed through to rate payers. They are taking property tax revenue out of the County and other districts and giving it to the rate payers, the bulk of whom live in Multnomah County.

Given the 28 year life expectancy of the plant, with a 15 year tax exemption, that leaves only 13 years of taxes. The County will be giving away the bulk of the taxes if it approves this application. Mr. Sheehan stated he believes that, since the plant is intended to go there anyway, the enterprise tax exemption is also a waste of money. He pointed out that the figures on his spreadsheet are preliminary because he just received the numbers yesterday. It shows that a lot of money will be coming out of the pockets of the taxing districts. They are essentially taking the revenue that would normally go through the districts. Mr. Sheehan request that, if the County is intent on approving the SIP, they make sure there is some sort of commitment that the construction jobs will be at prevailing wages.

Dave Robertson, Vice President of Public Policy for PGE. PGE very much appreciates the work of the Board and staff on putting together this agreement. By way of background, as PGE looks at the amount of power being used on the system, they periodically go through an integrated resource plan with the PUC. The last one approved in 2010 included several actions to meet growing demand, one of which is the proposal being looked at today. They also looked at other projects in this plan, such as an additional wind farm. This new plant will be a resource for when the wind farm is curtailed, this facility would be ramped up to keep the lights on. PGE does not yet know if this project will get built in this County. They have to bid into the process, as other competitors do, and hopefully present the best project to the PUC. PGE will put the bids into the system in August, and an independent evaluator will look at all the bids in September and determine which

is the best.

Commissioner Hyde stated that his understanding at the end of the day is the evaluator and the cost of delivering service per kilowatt, not the cost of construction.

Mr. Robertson stated that they look at the benefits of projects like this, where there will be upwards of 200 jobs during construction. PGE is a union shop and will use union workers on this project. The contractors will do their best to hire as many local construction workers as possible, although given the expertise needed, some workers will have to be brought in from outside the local area. The cost benefits of this project will flow down to the rate payers, not to shareholders. The whole idea is to lower costs. PGE would ask that this application be approved.

Commissioner Heimuller asked Mr. Robertson to explain how this will benefit the rate payers and not the shareholders. Mr. Robertson stated that the PUC has a regulated monopoly and all costs savings are put into the PUC formula for the calculation of rates. Of course, if the system is successful, the company and shareholders will benefit.

Commissioner Fisher wanted to make sure, on the record, that Mr. Robertson is saying that they will be using prevailing wage and local workers when possible, and union workers when possible. Mr. Robertson did not say prevailing wage, he's not sure how that works. PGE's practice is to hire union contractors; however, if they receive no union bids, non-union would need to be hired. Commissioner Fisher wants PGE to know that the Board would suggest using local folks whenever possible. Mr. Robertson stated that, as the owner hiring the general contractor, they cannot guarantee that only local folks would be hired, but it is PGE's practice to hire locally whenever possible.

Commissioner Hyde pointed out that the provision to use local labor and pay prevailing wages has been stricken from the SIP agreement, although it was in the enterprise zone agreement for unit one.

He wants PGE to know that they can expect that to come up in the Board's deliberation on approval of this project. Mr. Robertson indicated they can definitely take a look at putting that requirement in the agreement.

With no further testimony, the hearing was closed.

Commissioner Fisher stated that he will be supporting this application. He feels its important to have this construction in this county and in the urban renewal

area. He understands what Mr. Sheehan is suggesting - in the long haul, this might cost some money, however, the County would have to wait 21 to 22 years before seeing any revenue, after the urban renewal debts are paid off. The General Fund is in trouble now. If they wait that long, they may or may not have departments to worry about. Its like an early draw in his mind. He hopes the project is built here.

Commissioner Heimuller indicated that he has had a learning curve on this issue. However, during his education, he saw that the negotiations had gone, mostly, positively straight forward, although now he has learned that PGE is competing with other plants already built. He can understand PGE seeking the SIP option. The fact that the plant has a life of 28 years just now came to light, but PGE can put a \$300 million dollar plant in our County and a couple of hundred jobs for a couple of years in our County. Overall, he sees value in receiving dollars to be distributed among the taxing districts. Although there have been pieces of this process that have raised some concerns, he hasn't seen anything that would keep him from approving this.

Commissioner Hyde wanted to point out that in, the bigger picture, this is a peaker plant. Recent legislation was passed and Oregon is very aggressive in pursuing power options. Wind power is good, but not totally reliable. Continuous power needs to be guaranteed and that is what this peaker plant will do. Ultimately, it gets us down the road to renewable energy. He agreed with the other Commissioners in not under estimating the value of keeping local construction workers busy for a couple of years. He agreed the plant could be built without these tax incentives, but we will be realizing as much or more than PGE will get under the enterprise zone.

Jeannette Launer stated that they did not draft an actual provision for using local labor and paying prevailing wages for this contract, although there was some conversations about the willingness of PGE guaranteeing that work would be done with local workers when possible. What she has heard is that there is a practice by PGE to do things in a certain way, but that Mr. Robertson indicated there was no guarantee. Jeannette pointed that there certainly has been provisions in other agreements pertaining to the commitment that needs to be made. She wants to know if the Board is asking that such a provision be added to the agreement.

Commissioner Fisher understands there is a time line issue on this, and asked how long it would take to insert such a provision in the agreement. Jeannette says the people who would negotiate for PGE are here and may want to address this. She could have language drafted by tomorrow for PGE's consideration. However, the agreement before the Board has been through all the levels of PGE and they are ready to sign it as is. She does not know how long negotiations for a new provision might

take.

Mr. Robertson indicated that it would be difficult for them to have any guarantees put into this agreement. PGE would probably be comfortable with "best efforts" language, but anything that locks them in would be difficult since they don't know how the bids will come in.

Commissioner Hyde stated that the best efforts language are in enterprise zone agreements, and he would be comfortable with that; as it would allow the Board some leverage. Without it, he has some concerns about approving it.

Mr. Robertson stated he wasn't sure of the process for future Board meetings. He is on task with the PUC to have the completed bid into them by August 19th.

Commissioner Hyde stated he thought the Board could approve the agreement today, because then it goes to the State Commission. He sits on that Commission and will be very vocal about this if a provision hasn't been agreed upon before that.

Mr. Robertson stated that there are ways to do this through a letter from PGE to the Board if that would suffice.

Sarah Hanson stated that before the Board is an order approving the agreement which provides that the agreement is approved substantially in the form as attached. They could move forward with approving the order and direct staff to add a provision over the labor issue.

Jeannette confirmed that the Board meets once a week. She would prefer that the agreement be approved today and then add a provision to the agreement. She suggested that she and staff put together a proposal, secure PGE's approval, and put it together as Addendum No. 1 to the agreement.

With that, Commissioner Fisher moved and Commissioner Heimuller seconded to approve Order 43-2010, *"In the Matter of the Approval of the Oregon Strategic Investment Program Agreement between Columbia County and Portland General Electric, and a Request that the Oregon Business Development Commission determine under ORS 285C.606(1) that the Port Westward Peaker Plant be exempt from property taxation under ORS 307.123."* The motion carried unanimously.

Commissioner Hyde wanted to assure Mike Sheehan that everything to this point has been confidential, but once the Board is at the point of considering proposals for distributing the money between taxing districts, the information will be public.

CONSENT AGENDA:

Commissioner Hyde read the consent agenda in full. With no changes/additions, Commissioner Heimuller moved and Commissioner Fisher seconded to approve the consent agenda as follows:

- (A) Ratify the Select to Pay for week of July 11, 2011.
- (B) Resolution No. 57-2011, "In the Matter of Authorizing Chad Olsen to Sign an Extended Enterprise Zone Agreement with ORPET, LLC".
- (C) Public Road Event Permit for Hood-to-Coast Relay, August 26-27, 2011.

AGREEMENTS/CONTRACTS/AMENDMENTS:

- (D) Amendment #2 to the Contract for Construction Manager/General Contractor Services for the Columbia County Transit Facility (DBE Program).

The motion carried unanimously.

VERNONIA SCHOOL BUY-OUT:

Jim Tierney, Dan Brown and Susan Wagner from Community Action Team are present to update the Board on the Vernonia School buy-out.

Jim is grant administrator for the flood recovery projects and is here specifically to talk about the school buy-out. He handed out a memorandum and documentation on where we stand on compliance with that project and a spreadsheet to show how they are trying to track it.

Jim stated that, essentially, 2 weeks ago they talked about 2 concerns about this project: whether we were compliant; i.e., would a FEMA audit show we were out of compliance, resulting in reimbursement to FEMA? The other concern was monetary; we know the school is stretching hard to complete the project within budget. The demolition of the old school and construction of the New Spencer Park remain to be done, and we needed to know if there was going to be enough money left to cover these projects. Since that discussion, the School has guaranteed \$1.4M for the demolition and \$1M for Spencer Park out of the buyout proceeds. The School is in dire need to move this project forward now.

Commissioner Hyde explained that County was the ultimate applicant for the grant to have the old school torn down, and restore a park at the site with federal money. The County has to be very certain we remain in compliance so as not to be in a position to reimburse FEMA.

Jim stated that there is a sequence that must be followed: complete the new school – once complete, students can move out of old school, which can be demolished. The new park can then be built.

Jim stated he believes the reserves are at 125% of the estimated cost of the demolition and more than 125% of the new Spencer park. He thinks the reserves are more than adequate.

With regard to the compliance issues, the School has submitted a written response. The things on the list that show as "missing" are the things the Board should be concerned about. Jim went through the 10 categories listed under "Items and Information Identified as Missing". What concerns him the most is that there may not have been the outreach needed for minority and women owned businesses.

Jim stated the question for the Board is whether we want to move forward or stop the project until we are sure we come into compliance. Jim believes we can work through the compliance issues, and to stop the project will hurt the School.

Jim has talked with Sarah Hanson and Jennifer Cuellar about this and, if the Board decides to move forward, it would be reasonable to hold the \$ 2.2M reserves; before they are released to the District, they would require a certificate of occupancy and by that point in time they would have the compliance issues resolved. Before any money is released on the demolition, they will ensure that it is properly bid out and budgeted before releasing the full amount.

Commissioner Hyde sat in on the first meeting about the compliance concerns and feels pretty confident that we are on track.

Commissioner Heimuller appreciates CAT's diligence on recognizing the problems and their attempts to bring the project into compliance. Commissioner Fisher agreed.

Jim stated that the District is hoping to close this on Monday or Tuesday at the latest. If the Board is willing to move forward, they could adopt his recommendations on the reserves and approve the escrow instructions.

Sarah stated that the escrow instructions were written for Jennifer's approval, the Board will not need to approve them. She just received the escrow instructions this morning and has not had the time to look at them. The Board needs to decide whether to continue moving forward or to stop the project.

Commissioner Heimuller moved and Commissioner Fisher seconded to approve the project moving forward with the closing to occur next week on the school buyout. Commissioner Hyde stated that this would be with the understanding of County approval of the escrow instructions. With no further discussion, the motion carried unanimously.

COMMISSIONER HYDE COMMENTS:

None.

COMMISSIONER HEIMULLER COMMENTS:

Commissioner Heimuller advised that today is the opening day of the Columbia County Fair. It is also Senior Day and CC Rider is providing transport for them. Tomorrow kids enter for free until 3:00. It should be a very good fair.

COMMISSIONER FISHER COMMENTS:

None.

EXECUTIVE SESSION UNDER ORS 192.660(2)(d) - BARGAINING:

The Board recessed the regular session to go into Executive Session as allowed under ORS 192.660(2)(d). Upon coming out of Executive Session, Commissioner Heimuller moved and Commissioner Fisher seconded to approve Order No. 32-2011, *"In the Matter of Approving Proposals to Mitigate the Effect of Furloughs During Fiscal Year 2011-2012"*, and to approve letters to members of AFSCME Local 1442 with the exception of Karen Spieler and Thomas Blum implementing furloughs during fiscal year 2011-2012. The motion carried unanimously.

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With nothing further coming before the Board, the meeting was adjourned.

Dated at St. Helens, Oregon, this 13th day of July, 2011.

NOTE: A tape of this meeting is available for purchase by the public or interested parties

BOARD OF COUNTY COMMISSIONERS
FOR COLUMBIA COUNTY, OREGON

By: _____
Anthony Hyde, Chair

By: _____
Earl Fisher, Commissioner

Recording Secretary

By: _____
Henry Heimuller, Commissioner

By: _____

Cynthia Zemaitis, Acting Recording Secretary