

WILLAMETTE FALLS LOCKS COMMISSION

Commission Meeting #8 April 10, 2019, 1:00-5:00 PM

*West Linn City Hall Council Chambers
22500 Salamo Road, West Linn, Oregon 97068*

Meeting Minutes (Minutes: Pat Vivian)

Commission members present: Russ Axelrod [*West Linn*], Joe Bernert [*Wilsonville Concrete*], Sam Brentano [*Marion County*], Kevin Brice [*USACE Portland District, ex officio*], Brooke Brownlee [*PGE, ex officio*], Gary Burke [*Confederated Tribes of the Umatilla Indian Reservation*], Sandy Carter [*Clackamas County*], Danielle Cowan [*Clackamas County Tourism*], M.G. Devereux [*Oregon Parks and Recreation*], Jack Giffen, Jr. [*Confederated Tribes of Grand Ronde*], Dan Holladay [*Oregon City*], Karen Homolac [*Business Oregon*], Valerie Ringold [*USACE Portland District, ex officio*], Bill Ryan [*Department of State Lands, ex officio*], Paul Scarlett [*Oregon Department of Transportation*], Martha Schrader [*Clackamas County*] and Stan Watters [*Port of Portland*].

Facilitation team: Turner Odell [*Oregon Solutions*], Caroline Mellor [*Oregon Solutions*] and Pat Vivian [*Wordsmith*].

Staff and Project Support Team: Ayreann Columbo [*John Southgate LLC*], Michelle Giguere [*Summit Strategies*], Lance Heisler [*Coates Kokes*], Lisa Naito [*Naito Public Affairs*], Sue Van Brocklin [*Coates Kokes*], Kristine Evertz [*Summit Strategies*], John Southgate [*John Southgate LLC*], John Williams [*West Linn*] and Trent Wilson [*Clackamas County*].

Other Attendees: Stacia Hernandez [*Confederated Tribes of Grand Ronde*], Jeff Hicks [*USACE Portland District*], Audie Huber [*Confederated Tribes of the Umatilla Indian Reservation*], Christine Lewis [*Metro*], Michael Karnosh [*Confederated Tribes of Grand Ronde*], Megan McKibben [*Congressman Schrader's office*], Martha Pellegrino [*Confederated Tribes of Grand Ronde*], Rick Olsen [*Yamhill County*], Mark Ottenad [*Wilsonville*], Valerie Ringold [*USACE Portland District*], Tammy Stempel [*Gladstone*] and Ben West [*Wilsonville*].

1. Welcome, Agenda Overview and Business Items

Turner Odell, Oregon Solutions, introduced today's agenda and noted there was a quorum for voting purposes. Much of today's meeting was devoted to a station-to-station workshop to help Commission members prioritize long-term funding strategies for operations and maintenance of the Willamette Falls Locks. The main goal of the meeting was to develop recommendations regarding long-term operations and maintenance (O&M) funding strategies to support the Commission's request for \$15.5 million in capital funding (lottery bonds) pending in the legislature.

Three vacant seats on the Commission await formal appointment by Gov. Kate Brown.

Copies of five documents were distributed:

1. Meeting minutes from Meeting #7 on January 30, 2019, which were unanimously finalized today with minor edits.
2. A summary memo of the January 30th meeting prepared by the project team.
3. A memo dated April 8 from John Southgate and Ayreann Columbo, John Southgate LLC, describing several options for raising long term operations and maintenance funding (a boat license fee increase, user fees, special license plate program, special service district, state tourism grant, boat moorage fees, and a fuel tax).
4. A matrix for evaluating the feasibility, potential impact, and overall rating of these options and any other strategies the Commission identifies.
5. A copy of John and Ayreann's PowerPoint presentation on long term funding.

2. Project Team Updates

State Legislative Update:

Lisa Naito, Naito Public Affairs, reported. House Bill 5024 includes staffing for the Willamette Falls Locks Commission (WFLC) for the next biennium in the Oregon Solutions budget as part of the Higher Education Coordinating Budget for PSU. Lisa will meet with the co-chairs of the Ways and Means Education Subcommittee to discuss this.

The Commission has already invited Rep. Prusak to join as an ex officio member. Reps. Salinas and Meek, and Sens. Wagner and Olsen will continue to serve as ex officio members. Reps. Drazan and Lewis have been appointed by the minority leader.

A recent tour of the Locks was attended by several legislators including Reps. Prusak, Lewis, Neron, Reardon, and staff for Reps. Meek and Schouten. In January the WFLC leadership team met with Senate President Courtney and Rep. Rayfield, co-chair of Ways and Means. In March, the team met with Speaker Kotek and Rep. Holvey and Sen. Girod, co-chairs of the Ways and Means Subcommittee on Capital Construction. This committee will hold hearings in May. All meetings to date have been positive, and there is strong support for the Locks.

Recently project staff met with the Legislative Fiscal Office (LFO) to discuss the lottery bond financing request for the Locks. Based on that meeting, Andy Cotugno, Metro, trimmed the lottery funding request to \$14.4 million and sent it to the LFO, along with the KPFF engineering report and the ECONorthwest report on economic benefits of restoration. This information will be sent to Commission members.

Based on the meeting with the LFO and the legislative meetings, the project team has learned:

- An owner or entity to manage the lottery funds to carry out the repairs is a prerequisite for appropriations. The entity that manages the funds need not be the same entity that owns the Locks.
- An operations and maintenance plan is needed to ensure the state will receive economic benefits from the expenditure. Today's work session will be crucial.
- While the \$15.5 million request is considered a heavy lift, it was also noted that lottery funds are oversubscribed. USACE funding for seismic stabilization is not necessarily a dollar-for-dollar reduction in the project until the USACE expenditures are cross-referenced to the KPFF report, as discussed at the January WFLC meeting.

Commissioners and ex officio members had the following questions and comments regarding state funding:

- Dan Holladay, Oregon City – Now is when we need to decide who will own the project. Until we make that decision, how can we decide about funding? A: Members of the project team said today's work session is critical because it will identify strategies for raising funds that will protect the state's investment long term.
- Brooke Brownlee, PGE ex officio – What about other opportunities for funding than lottery dollars? A: Lisa said there are restrictions on some funding sources, and bonds raise an ownership issue. Once ownership of the Locks is transferred, other sources of funding may be developed, including general obligation bonds.
- Karen Homolac, Business Oregon – How does this affect the timing of the transfer of ownership? A: While the project team hopes there will be time to identify an owner, funding is contingent on first identifying an entity that will take responsibility for disbursing the funds to make repairs.
- MG Devereux, Parks and Recreation – Was there any discussion of the current owner's responsibility to transfer ownership of the Locks? A: Yes, legislators wanted assurance that the Corps will transfer ownership of the Locks to an entity that will assume economic responsibility long term.

There were several questions about the type of entity that would elicit the Governor's approval. Legislators want to know the entity they give funds to would be responsible for managing the funds long term, but it doesn't have to be an entity with bonding authority, Lisa said. It does need to be an entity the Legislature would have confidence in, which probably doesn't include a newly formed entity such as a public corporation. At least not in this legislative cycle, although such an entity could be formed in future. The entity that manages the funds would not need to perform the work and could contract it out.

- Don Holladay, Oregon City – This probably means doing the repairs prior to transfer of ownership. Another possibility is a joint venture between Oregon City and West Linn, which Oregon City is willing to discuss.
- Stan Watters, Port of Portland – While the Port has extensive experience with large capital projects, it is already taking leadership on the Superfund site and several other large projects that consume a lot of resources. Therefore, the port has no interest in taking responsibility for long term operation and maintenance of the Locks.

Federal Update:

Michelle Giguere, Summit Strategies, led a discussion. The Corps is close to finishing the final disposition study. Small changes have been made to make it more defensible for budget purposes, Valerie Ringold, USACE Portland District, said. The disposition study will probably be transmitted to USACE headquarters in Washington DC this week.

Hopefully, it will be finalized quickly because May will be a turning point as far as the state legislative process goes, Michelle said. Completion of the disposition study will be enormously helpful in terms of state legislation.

A recent meeting of county commissioners and state staff discussed the federal legislation that will be required to transfer ownership of the Locks once a local entity has been found. The project team is already working on ideas for that legislation. There is much support for working with the Corps on this.

Meanwhile, the House of Representatives led by Rep. Peter DeFazio is crafting a major infrastructure bill that will probably be drafted by the end of May. The project team is collaborating with the House and Senate delegation to advance this federal legislation. Meanwhile, the Corps has submitted a budget for the disposition process that includes \$54,000 for caretaker status and \$2.5 million in additional funding capability.

Commissioners raised the following questions:

- Sandy Carter, Clackamas County resident – Do we have any way to access federal money for waterways? What about the \$500,000 the Corps has allocated for a study of waterway improvement? A: That \$500,000 in FY 2019 funds is not for repairs, but to develop detailed engineering and design plans needed to perform the repairs. The Corps has neither the funds nor authority to do the construction.
- MG Devereux, Parks & Recreation – What about environmental compliance? A: The Corps has done all NEPA compliance work, including the Section 106 process for transfer of ownership with a seismic retrofit. The draft FONSI covers all those actions, but they are not included in detail in the 106 process. Details of the seismic retrofit, as well as sediment

testing, will be included in the final design. The NEPA study covers only the upper section of the Locks.

- Karen Homolac, Business Oregon – Will the entity have protection from environmental liability? A: That question needs to be asked, but not until we have a potential owner. Once legislation is passed, responsibility for environmental compliance will be negotiated between the Corps and the entity that takes ownership.

3. Long Term Funding Strategies—Presentation and Workshop

Presentation:

A workshop to identify the best strategies for raising money to operate and maintain the Locks was the heart of today's meeting. John Southgate and Ayreann Columbo, John Southgate LLC, kicked off the exercise with a presentation on five potential long term O&M funding strategies to be considered:

- Recreational user fees
- Marine board partnership and boat registration fee increase
- Formation of a special Clackamas County service district
- State tourism grant
- Special registration license plate

Having a clear strategy for long term O&M funding will drive legislative decision-making, John emphasized. Starting in 2025, O&M costs are estimated to be \$1.1 million, with a 3% assumed rate of annual inflation.

Each funding source was assigned an estimate of the percentage of each year's O&M funding that would be likely to come from that source, based on conservative assumptions.

Recreational User Fees

When the Locks were previously open, they operated about 6 months a year. Based on that assumption, recreational vessel fees would provide \$14,000 and commercial fees could capture a percentage of O&M costs based on the economic value of reopening the locks, according to the 2017 ECONorthwest benefits study. Fees for tour boats could provide another \$80,000 annually using conservative estimates.

The ECONorthwest study noted a relative lack of boat moorage below Willamette Falls. That's an opportunity to create another revenue stream by building additional moorages above the falls.

Marine Board Partnership and Boat Registration Fee Increase

The Marine Board appreciates the Commission's efforts to restore the Locks, and they see a connection between their function and the Locks. The board is seeking an increase in the boat registration fee from the Oregon legislature, which at \$4.50 per foot is the lowest on the West Coast. The fee would increase for motorized craft and a new fee would be established for non-motorized craft, which currently have no fees. These fees could be increased in future.

Because motorized boats use gas, a portion of fuel tax revenue goes to the Marine Board, so that's another potential source of revenue. If the fuel tax is increased, some of that percentage would go to the Marine Board.

Clackamas County Special District

A new multi-county special district would require state legislative approval, but that doesn't apply to just one county. A special district tax rate of \$0.099 per \$1,000 in Clackamas County would generate about \$5 million a year. There was discussion of the fact that the broader the base, the lower the tax rate and impacts. Creation of a multi-county special district would also require a popular vote of all the counties involved.

State Tourism Grant

This is a short term, five-year grant to fund startup costs. This scenario assumes that a temporary increase in 2016 of the transit and lodging tax from 1% to 1.8% to provide funding for the World Games in Eugene in 2021 stays in effect rather than sunseting to 1.5% in 2021 per the legislation. The project team has been participating in discussions of keeping 1.8% as the permanent rate. The Willamette Falls Locks are a good candidate for tourism funding because reopening them will allow boat access to wine country.

Special Registration License Plate

This process requires that 3,000 vouchers be sold in order to put iconic plates into production. Once 3,000 vouchers are sold, the state will start production. Then 2,000 more must be sold every year to keep the plates in production. In general, new plate issuances start out strong and trickle off after 5 to 10 years.

Karen Homolac, Business Oregon, wondered whether it would be possible to carve out a special niche for motorcycle and trailer license plates. Sam Brentano said a fee was applied in Marion County for special needs.

Stan Watters, Port of Portland, noted that the airport is funded by airlines, not property taxes. Property taxes paid to the Port are used to maintain marine terminals on the Willamette River. The Port uses these tax dollars for capital improvements, not annual expenses.

Workshop:

After the presentation, Commissioners broke into five groups and took turns discussing the pros and cons of different funding strategies. With the help of a facilitator at each station, members were asked to assign scores of 1-10 for feasibility, potential impact, and overall desirability of each strategy in terms of how much it will contribute toward the \$1.1 million needed annually for O&M.

The matrix used for the workshop separately identified a fuel tax increase (as part of option 4), and boat moorage fees (as part of option 5) although neither option generated much support.

In addition to the five strategies on the table, three new options arose from this exercise:

- Private ownership (a fee on boat sales)
- Fishing license fee increase
- Charge PGE for flows that generate electricity

Danielle Cowan, Clackamas County Tourism, asked what if we're able to raise a portion but not the full \$1.1 million? Would the Locks still be able to function? Turner Odell said this exercise doesn't address that possibility, but it could be discussed. Russ Axelrod, West Linn, said it should be possible to cover O&M costs using a mix of strategies, as \$1.1 million annually is not a lot of money, and the fee increases would be small.

Stan Watters, Port of Portland, said we have a few more months before the Legislature adjourns. Shouldn't we also identify an entity to take control of state funds? The project team is working on identifying viable options, as well as an entity that will meet legislative needs, Turner Odell said. The entity that manages lottery funding doesn't have to be the same one that assumes ownership. Michelle Giguere noted that if the bond is approved, it won't be issued until April-May 2021. There was general agreement there is no time to lose in making decisions about funding and ownership.

Meeting legislative requirements for state money isn't the only issue. The Corps needs to know which entity will hold title to the Locks, Valerie Ringold said. It doesn't matter whether the new owner is the state or a county.

The station facilitators reported on the support for each strategy:

Recreational User Fees

Commissioners were concerned about separating commercial, industrial, and personally owned boats such as kayaks, Caroline Mellor, Oregon Solutions, reported. They felt the fees should be proportional to the size of the boat.

Marine Board Partnership and Boat Registration Fee Increase (also Fuel Tax)

There was quite a bit of support for a boat license fee increase but only as part of the solution, Lisa Naito, Naito Public Affairs, reported. Participants unanimously said a boat license fee should be part of O&M funding but not the entire source of revenue. One potential question is whether to charge

the fee in zip codes near the Locks or throughout the state. There might be pushback on a statewide fee increase. There was also concern that it might conflict with tolls for vehicles in the I-205/Abernethy Bridge area, amounting to double taxation.

Nevertheless, this potential source of revenue will be an important part of the final O&M funding picture. There will be discussion with the Marine Board on the size of boats subject to the fee. A meeting participant said smaller boats such as canoes should be exempted.

There was not much support for a fuel tax increase because it's generated through the gas tax, and ODOT already allocates a portion of that tax to the Marine Board.

Clackamas County Special District

Forming a special district scored high on the list in terms of potential impact, but it scored only 3-7 for feasibility because it would be complicated to implement, Trent Wilson, Clackamas County, reported. Support was inversely proportional to the size of the tax increase. It was noted that 10 cents per \$1,000 assessed value would be more than enough to operate and maintain the Locks. The drawbacks to this option are that it would require a public vote, and the taxes would be subject to compression. However, the rate could be very low and still meet the need, which makes it relatively feasible.

Dan Holliday, Oregon City, proposed forming a "190" district among the four counties closest to the Locks. That would require approval by all four county commissions, a heavy lift in itself, but it wouldn't require a public vote. Spreading the cost among property owners in several counties would minimize the impacts. The biggest obstacle would be paying for publicity to promote a special district, which would probably cost around \$250,000 in private money.

State Tourism Grant

Scores were 6-10 on feasibility, 7-10 on potential impact, and 9-10 overall, Lance Heisler, Coates Kokes, reported. This strategy would be easier to promote than some of the others, but only for seed money. It's a temporary fix, not a long term solution.

Danielle Cowan, Clackamas County, added that most tourism dollars can't be spent on O&M. There would be opposition to making the 1.8% lodging tax rate permanent, and the Locks would have to compete with other needs for state tourism dollars.

State License Plate Program

This option scored 6 in terms of feasibility, but everyone agreed it isn't a viable long term strategy, Michelle Giguere reported. It was seen as having low potential impact with an overall rating of 3-4. Sales of special license plates are declining, so over the long term this strategy wouldn't provide reliable funding. Another drawback would be finding the money for marketing the 3,000 vouchers

needed to start production. There might be a broader audience for license plate sales if the Locks are combined with other urban renewal efforts in the area.

Additional Options

Brainstorming other approaches to fundraising put three new options on the table:

1. Fees for private ownership. A boat moorage fee drew interest, but it would not be a source of revenue until the Locks are up and running. Joe Bernert, Wilsonville Concrete, said there is currently a shortage of marine moorage space on the Willamette. A fee on boat sales is on the table as a potential fundraising option.
2. Fishing license fee increase. There was general agreement this fee hasn't increased in a long time, and adding less than a penny would help solve the problem.
3. Charge PGE for flows that generate electricity. Brooke Brownlee, PGE, wondered how this concept would work, given that none of PGE's operations on the island are directly connected to the Locks.

After the Commissioners visited all five stations, the project team compiled the results into a matrix. Four strategies were identified as most likely to be successful—the first two more so than #3 and #4. The strategies were prioritized in the following order:

1. User fees
2. A boat license fee increase (on both motorized and non-motorized boats)
3. A special Clackamas County service district
4. State tourism grant

4. Closing Discussion and Next Meeting

The meeting wrapped up with a general discussion of funding prospects:

- Karen Homolac, Business Oregon – Other communities charge a penny tax on a glass of beer or wine. If reopening the Locks makes tourism stronger, sales will benefit.
- Russ Axelrod, West Linn – The state is ultimately responsible for transportation and resiliency. ODOT's large funding mechanism could be used to access up to a million dollars of the transportation and resiliency budget. In addition, tourism dollars could be raised in small increments to fund basic functioning of the Locks. However, that doesn't include funding to maintain the grounds. If tourism increases, money will be needed for grounds maintenance as well. Tourism dollars could be tapped if the Locks become a regional tourist attraction. The Commission should clarify with state legislators the need for secure funding sources that are independent of state control.

- Jack Giffen Jr., Confederated Tribes of Grand Ronde – PGE uses a resource that every Oregonian owns. They manipulate the height and flow of the river on a continuing basis and should pay a share of operations and maintenance costs for using that resource.
- Stan Watters, Port of Portland – We need to focus on feasibility. The Port is probably not in a position to provide O&M funding for the Locks, given all the Port does to facilitate transport of imports and exports. If we're looking for stable funding, why are we considering a new government entity, i.e. a special district? It will need its own accountant, insurance, and other things that cost money. Using existing infrastructure would cost less. The long term likelihood of success goes way down if the state is not involved. The next Commission meeting agenda should include a discussion of the entity that will operate and manage the Locks.
- Dan Holladay, Oregon City – We need to remember the Commission was appointed by the state governor to make decisions about the future of the Locks. It's up to us to make decisions about ownership. We don't need to defer to the Legislature or take a passive role in decision making.
- Danielle Cowan, Clackamas County Tourism – The Locks are a public asset but private ownership is also a backup option.
- Karen Homolac, Business Oregon – The entity that receives the locks needs to be accountable to the Legislature and to the state. It needs to be audited and will have taxing authority. For all these reasons, a special district would be desirable.
- Dan Holladay, Oregon City – The state parks budget pays for parks that some of us will never visit. If we establish Willamette Falls Locks State Park as part of the state parks program, it will be financially supported as other state parks are. The Commission has the authority to make this recommendation. That isn't to say we can't also form a trust to provide ongoing private funding, or initiate a capital campaign to maintain a picnic area.
- Jack Giffen Jr., Grand Ronde, and Russ Axelrod, West Linn, both expressed concerns about fairness in setting up the funding mechanism. They agreed that equity will be important as we move forward.

The project team will investigate the top strategies identified today, using data over a 10 year period to estimate whether these options could reasonably cover O&M in that timeframe. Two additional strategies were added—tapping state funds for resilience and transportation, and formation of a multi-county ORS 190 agreement. The team will investigate these as well.

The Commission voted unanimously to adopt the following menu of options moving forward:

1. User fees (including boat moorage fees after the Locks are up and running)

2. Boat license fee increase
3. State tourism grant
4. Resiliency/transportation grant
5. Multi-county ORS 190 agreement

There was also a motion to meet again at the end of May, most likely May 29 at 1 pm.