

Willamette Falls Locks Public Corporation Business Plan

DISCUSSION DRAFT – November 15, 2019

Updated to reflect feedback from the November 13, 2019 Meeting of the Willamette Falls Locks Commission

SUMMARY OF PC ACTIVITIES AND OPERATIONS DURING PHASES I (BEFORE & DURING REPAIR) & II (POST-REPAIR)

PHASE I: Years 2020 – 2024 (from end of Commission to opening of repaired locks)

Primary Activities: Launch the Public Corporation; negotiate and oversee transfer of the Locks; negotiate contracts and oversee capital improvements, administration and funding; negotiate operating agreements; marketing of the Locks to potential commercial/tourism users; and set the stage for the opening of the Locks.

PC Annual Expenses: \$350,000

PC Annual Revenues: \$350,000 (covered through shared allocations from multiple sources)

PHASE II: Years 2025 and Beyond (post-repair and ongoing)

Primary Activities: Continued oversight of programming, contracts and administration, Locks operation directly or indirectly, ongoing fundraising and marketing.

PC Expenses: \$610,500

PC Revenues: \$610,500 (covered through a mix of user fees, direct and indirect).

WFL Public Corporation Business Plan

PHASE I: 2020 – 2024 (I.E. FROM END OF COMMISSION TO OPENING OF REPAIRED LOCKS)

ASSUMPTIONS:

- Legislature (in 2020 Short Session) authorizes the formation of a Public Corporation to serve as the owner of the Locks, and have authority over its repair, upgrade and operations
- Legislature (also in 2020 Short Session) authorizes sufficient bond-backed funds to proceed with the repair of the Locks, including design, entitlements, and repair work
- Seed funding for this initial Phase I secured through IGAs with participating local and regional governments, as well as some mix of private funds and tourism grant funding and/or Marine Board grant funding

Expected Activities (also see detailed list of tasks for Phase I in Appendix A)

ADMINISTRATION

- Negotiate and oversee transfer of the Locks from the US Army Corps of Engineers to the PC
- Oversee the formation of the PC – incorporation, appointment of Board, adoption of bylaws, Board hires Executive Director or General Manager
- Establish and maintain the ongoing administration of the Locks
- Secure and oversee IGAs with entities providing funding during this Phase I; extend IGAs as necessary (i.e. some IGAs will be for a period of three years and may not fully cover the entire Phase I, which is projected to last four years)
- Oversee the negotiation of an IGA or contract with an operating entity in anticipation of an opening in 2024, unless the PC itself is the operator
- Secure capital funding – per terms of legislative allocation; potential Metro OS bond funds, potential tourism grants, Army Corps of Engineers funds, private/foundation support, etc.
- Secure Phase II permanent operational funding – negotiations with funders, legislation as necessary, etc.
- Obtain liability insurance for the PC, and assure that prior to opening of the Locks, any contracted/certified operators likewise obtain insurance (note that insurance needs will be very modest prior to re-opening of the Locks)
- Oversee environmental conditions (assessment and mitigation) as part of due diligence, including obtaining Prospective Purchaser Agreement if necessary
- In preparation for opening, seek a tourism grant to develop and implement a marketing and promotion campaign including target markets, advertising and subsidized operating support in the early years.
- Initiate private fund-raising campaign (i.e. charitable, tax-deductible private donations) for both operational and capital funds

CAPITAL REPAIRS

- Secure approval of permits for repair
- Negotiate repair work plan with affected parties – Corps, etc.
- Bid out repair project; select bidder; negotiate contracts
- Oversee the repair project (construction management) (the project repair budget includes a 30% contingency line item plus 20% for engineering and permitting)

WILLAMETTE FALLS LOCKS: PHASE I EXPENSES & REVENUE/FUNDING

Phase I: March 2020 2024 (Pre opening, operating costs)	PC Operations Before & During Capital Improvements	
	Annual Expenses	\$135,000 PC Staffing (Director/Project Manager) 1.0 FTE or contracted position to oversee transition. \$165,000 Average/year in legal and consulting fees Depending on the expertise of PC Staff, will need Technical assistance, legal, lobbying, preparation of bid documents, construction management, office and administration. \$ 5,000 Insurance \$ 45,000 Contingency \$350,000 Total Expenses
	Annual Revenue/Funding	\$ 125,000 Annual industry funding (Tourism and Marine grants) \$150,000 Annual allocation from Metro, Port, Clackamas County \$75,000 Other annual contributions (Cities of West Linn, Oregon City, Wilsonville, Lake Oswego, Gladstone, Milwaukie, Newberg, Portland, Canby; Marion and Yamhill counties, and others)* <u>\$TBD</u> Private fund-raising Efforts \$350,000 Total Revenue/Funding**
	Balance	\$0 Total Balance

* Other potential sources include federal funds, tribal contributions, and PGE

** Does not include in-kind contributions that may be made available to the PC – office space, etc. Note also that some funding sources may not initially commit to the entire Phase I period, and may therefore require renewal based on satisfactory performance.

PHASE II: 2025 AND BEYOND (POST-REPAIR & ONGOING OPERATION)

Expected Activities

OPERATIONS

- Continue to administer the PC – oversee adherence to any requirements of funding entities; maintain insurance; administer operator certification program
- Operate the Locks, either directly or through IGA/contract with separate public or private entity
 - Certification program required for non-PC staff operation (commercial operators, State/local government staff)
- Fund raise/marketing
- Secure long-term operating funding as set forth in Table below – some combination of user fees paid by commercial entities (e.g. barge operations), tourism operators (tour boats to the wine country, etc.), and private recreational users in the scenarios.
- Promote commercial use of the Locks through collaboration with Economic Development entities, tourism entities, private industry
- Ongoing maintenance directly or through contractors; major maintenance as needed.

WILLAMETTE FALLS LOCKS: PHASE II EXPENSES & REVENUE/FUNDING

Phase II: 2024 and beyond post reopening operating plan	Preferred Alternative - (Commercial & Recreational Use)															
	Annual Expenses	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: right;">\$ 135,000</td> <td>PC Staffing (Director/Project Manager) 1.0 FTE or contracted position responsible for oversight of certification program, contracts and maintenance as well as marketing</td> </tr> <tr> <td style="text-align: right;">\$ 45,500</td> <td>Recreational boating hours (May-Oct., 26 weeks, at 35 hours/week). Assume a \$50/hour fee to operate during hours of operation.</td> </tr> <tr> <td style="text-align: right;">\$270,000</td> <td>Annual Maintenance</td> </tr> <tr> <td style="text-align: right;">\$110,000</td> <td>5-Year Maintenance Fund</td> </tr> <tr> <td style="text-align: right;">\$ 0</td> <td>Sinking Fund*</td> </tr> <tr> <td style="text-align: right;">\$ 50,000</td> <td>Insurance</td> </tr> <tr> <td style="text-align: right;">\$610,500</td> <td>Total Expense</td> </tr> </table>	\$ 135,000	PC Staffing (Director/Project Manager) 1.0 FTE or contracted position responsible for oversight of certification program, contracts and maintenance as well as marketing	\$ 45,500	Recreational boating hours (May-Oct., 26 weeks, at 35 hours/week). Assume a \$50/hour fee to operate during hours of operation.	\$270,000	Annual Maintenance	\$110,000	5-Year Maintenance Fund	\$ 0	Sinking Fund*	\$ 50,000	Insurance	\$610,500	Total Expense
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* Defer sinking fund to future grants for major rehab of gates and/or flood repair

** Based upon 2-barge lockage @ 700 tons per barge

*** Recreational boat Options:

- 15-cent/foot increase to statewide boat licensing fee
- 86-cent/foot increase to North Willamette Valley (8 county) boat licensing fee (Multnomah, Washington, Clackamas, Marion, Yamhill, Polk, Benton, Linn counties)

**** Strategic Plan for Water-based Tourism in Clackamas County, 2018 – identifies the potential for 15,000 recreational boat lockages. At 2.7 persons per boat and \$5 per person, potential revenue = \$202,500. This would start out lower and grow to the target over time.

Other Notes:

1. A reopened Locks will result in an estimated reduction of 1% of statewide greenhouse gas emissions due to an elimination of certain trucking routes related to aggregate transportation. As such, the project could potentially generate carbon credits should the State establish legislation creating a cap-and-trade program. These credits could serve as an additional revenue source.

Revenue potential from moorage fees (associated new up-river moorages) are not estimated in the above scenarios. Under this scenario, a reopened Locks will increase contributions to the Common School Fund as a portion of revenues from moorage fees collected by DSL goes into the Fund.

Appendix A

Detailed Willamette Falls Locks Pre-Opening Tasks

Administrative

- Governor appoints Board of Directors (per legislation); renew/replace appointees as terms expire
- Board to appoint executive director
- Administrative transition from SB 256 State Commission to HB ____ Public Corporation (includes discernment of legal funding from SB 256 administration)
- Form Finance and Human Resource policies for pre- and post-operation scenarios
- Contract with Army Corps of Engineers for transfer of ownership
- Contract (or work with Army Corps) for capital construction
- Finalize IGAs with local stakeholders for seed funding
- Work with USACE on training for Locks operations / Agency knowledge of facility
- Establish training plan for onboarding operations staff or minimal use business plan
- Establish preferred use of existing USACE barracks
- Adoption of bylaws for public corporation
- Obtain insurance and liability coverage
- Obtain permits for repairs
- (optional) Hire or contract administrative support

Business

- Work with stakeholders and partners on boat licensing rate
- Establish other funding strategies, as determined by Board
- Establish visitor and operation scenarios for Locks Museum
- Develop operations plan for level of desired service for Locks
- Develop maintenance strategy for Locks
- Decide on in-house vs contract operations
- Develop agreements on intent to use Locks (river users)
- Marketing responsibilities
 - Develop communication strategies for opening day, hours of operation, and predictability for interested users (recreation and commercial)
 - Discern new business opportunities and research potential markets
- Establish funding strategies
 - User fees for recreation vs boat license increase (recommendation for one or other, but not both)
 - Establish rates for “touring” vessels
 - Establish commercial rates for freight traffic
 - Establish “Friends” agency for 501(c)(3) donations

Advocacy and Partnership

- Join Pacific Northwest Waterways Association
- Regularly inform state and regional stakeholders on status of “project”
- Ensure state and regional stakeholders are jointly supporting state and federal efforts to “repair and reopen” Locks
- Participate in Willamette Falls Legacy Project and Willamette Falls and Landings Heritage Area Coalitions
- Maintain working partnership with PGE, Willamette Falls Paper Company, and City of West Linn