

POLK COUNTY BOARD OF COMMISSIONERS
MINUTES February 2, 2011

1. CALL TO ORDER AND NOTE OF ATTENDANCE

At 9:00 a.m., Chairman Propes declared the meeting of the Polk County Board of Commissioners to be in session. Commissioner Pope and Commissioner Ainsworth were present. A CD of the proceedings is on file in the Board of Commissioners Office.

Staff present: Greg Hansen, Administrative Officer
 Dave Doyle, County Counsel
 Austin McGuigan, Community Development Director
 Jerry Sorte, Planning Supervisor

2. ANNOUNCEMENTS

Chairman Propes announced that regular meetings of the Board of Commissioners are held on Tuesday and Wednesday each week. The Tuesday meeting is held in the Board of Commissioners' Office Conference Room, 850 Main Street, Dallas, Oregon. The Wednesday meeting is held in the Courthouse Conference Room, 850 Main Street, Dallas, Oregon. Each meeting begins at 9:00 a.m. and is conducted according to a prepared agenda that lists the principal subjects anticipated to be considered. Pursuant to ORS 192.640, the Board may consider and take action on subjects that are not listed on the agenda.

Chairman Propes announced that Department Head/staff meetings with the Board of Commissioners are held on Monday, Thursday, and Friday. The meetings are held in the Board of Commissioners' Office Conference Room. The principal subjects anticipated to be considered are on-going, upcoming, and new matters bearing on County operations. Pursuant to ORS 192.640, the Board of Commissioners may consider and take action on subjects not listed within this announcement.

Chairman Propes announced that the Board of Commissioners will conduct a public hearing regarding the proposed downgrade of status of E. A. Shirley Road, Anderson Road, Hadley Road, and Haener Road, Wednesday, February 9, 2011 at 9:00 a.m. in the Courthouse conference room.

Chairman Propes announced that the Board of Commissioners will attend a meeting of the Polk County Service Center Building Committee, Thursday, February 10, 2011 at 10:00 a.m. in the Courthouse conference room.

Chairman Propes announced that the Board of Commissioners will attend the annual work session of the Polk County Fair Board at the Fairgrounds, 520 S. Pacific Highway W, Rickreall, Oregon, Saturday, February 12, 2011 from 10:00 a.m. to 2:00 p.m.

Chairman Propes announced that the Board of Commissioners will conduct an inspection of the Polk County Jail, Wednesday, February 16, 2011 at noon.

3. COMMENTS (for items not on this agenda)

4. APPROVAL OF AGENDA

**MOTION: COMMISSIONER POPE MOVED, COMMISSIONER AINSWORTH SECONDED,
TO APPROVE THE AGENDA.**

MOTION PASSED UNANIMOUSLY.

5. APPROVAL OF CONSENT CALENDAR

MOTION: COMMISSIONER POPE MOVED, COMMISSIONER AINSWORTH SECONDED, TO APPROVE THE CONSENT CALENDAR.

MOTION PASSED UNANIMOUSLY.

6. APPROVAL OF MINUTES OF January 26, 2011

MOTION: COMMISSIONER POPE MOVED, COMMISSIONER AINSWORTH SECONDED, TO APPROVE THE MINUTES OF JANUARY 26, 2011.

MOTION PASSED UNANIMOUSLY.

7. PUBLIC HEARING – COMPREHENSIVE PLAN AMENDMENT PA 10-05 & ZONE CHANGE ZC 10-06 (Eola Hills Wine Cellars)

Chairman Propes opened the public hearing.

Jerry Sorte, Planning Supervisor presented the staff report. He said that the staff recommendation is to approve PA 10-05 and ZC 10-06.

Chairman Propes asked if there was anyone who wished to speak on behalf of the applicant.

Peter Itema, Planning Consultant representing the Eola Winery, spoke on behalf of the application. He said that he did not have anything to add to the staff report or the findings in the record but he would be happy to answer any questions. He said that there was no opposition at the Hearings Officer hearing.

Chairman Propes asked if anyone wished to speak in opposition to the application. Hearing none, he closed the public hearing.

MOTION: COMMISSIONER POPE MOVED, COMMISSIONER AINSWORTH SECONDED, TO ACCEPT THE STAFF RECOMMENDATION.

MOTION PASSED UNANIMOUSLY.

8. BOARD DECISION – APPEAL OF PLANNING DIRECTOR'S DENIAL OF PROPERTY LINE ADJUSTMENT APPLICATIONS LLA 10-29, LLA 10-30, LLA 10-31

MOTION: COMMISSIONER POPE MOVED, COMMISSIONER AINSWORTH SECONDED, TO UPHOLD THE PLANNING DIRECTOR'S DECISION TO DENY PROPERTY LINE ADMUSTMENT APPLICATIONS LLA 10-29, 10-30, AND 10-31.

MOTION PASSED UNANIMOUSLY.

9. PUBLIC HEARING – COPs – FACILITY IMPROVEMENTS

Chairman Propes opened the public hearing.

Greg Hansen, Administrative Officer presented the staff report. He recommended that the Board adopt Order 11-02 authorizing the County to issue Certificates of Participation (Full Faith and Credit Obligations) not to exceed \$2.75 million with a term of 15-years to fund identified needs in the County owned facilities. Those projects include the remodel of the Academy Building, payoff of the remaining debt to Chemeketa Community College for the purchase of their portion of the Academy Building, Courthouse improvements, and future land purchases. He said that the actual amount we would be going forth with is a bond that would return \$2.5 million to the County; the \$2.75 million in the Order is to cover administrative costs and since he

does not know exactly what those costs will be, he wanted to leave enough room. We do have current bids on the Academy remodel at \$1.3 million to do the second and third floors and a number of alternatives, which include window replacement. The payoff for Chemeketa will either be \$330,000 or \$425,000 depending on when we get the bond sale. Projects for the Courthouse include replacement of carpet, the parking lot, and some exterior repairs for both facilities at the Courthouse complex. The remainder is for future expansion.

Hansen said that this is the first time the County has considered utilizing COPs as a method of finance. Financing is nothing new to the County, we have done it in a number of other forms, the most publicized being General Obligation Bonds; a road bond in 1986, a jail bond in 1996, and in another road bond in 2006. There will be another opportunity for a General Obligation Bond in 2016. General Obligation Bonds require a vote of the people, there is a detailed list of things you go through, and they are paid for with property tax dollars. COPs are an internal financing method that the County is still obligated to pay but does not get added on to property tax; we would use internal rents, etc. to pay off or service this debt. The one thing you cannot use COPs for is operating expenses. He said that the County has taken out energy loans, which tend to be 15-year loans with an interest rate of about six or seven-percent. We have taken out an Economic Development loan, which was a 25-year loan to do some road repairs and we have used lease / purchase a number of times in Public Works for the purchase of capital equipment.

Hansen said that current departments within the Academy Building will pay the brunt of the rent. Extension is currently residing in the Academy Building and they are paying rent, we have some outside leases at Ellendale that will be consolidated into the Academy Building, and in the long-term there is a good chance we will locate Community Corrections in the Academy Building and eliminate that outside lease. At that time, we will have no more outside leases, with the exception of a potential satellite facility in West Salem for Mental Health services.

Chairman Propes asked if there was anyone who wished to testify.

Phil Walker, 4780 Brush College Road NW, Salem provided written testimony from Craig Hanneman. He said that one thing that probably needs to be corrected in this written testimony is that Hanneman was under the impression that this was not a Full Faith and Credit Obligation and he poses the question, "If we defaulted will we stick it to the bond holders?" and that part of his testimony needs to be corrected.

Walker said that virtually everything the Commissioners do is a matter of public trust and he believes no where is that more evident than when you incur public debt. He said that he remembers a time in the 1980s when the County could not get anything passed with the voters to increase funding, Commissioner Hanneman was the one who turned that around, and it took a lot of work to do that. He said that Hanneman outlines in his testimony the same General Obligation Bonds that we won in elections in 1986, 1996, and 2006. He said that he would also argue that the successful passage of permanent tax rates for Soil and Water and for Extension are a byproduct of the public trust they generated with respect to incurring debt.

Walker said that during the 1996 and 2006 General Obligation Bond campaigns, one of the slogans used was that Polk County does not stack debt and one can understand from Mr. Hansen's testimony that that is not entirely true. He said he thinks we erred by saying "we don't stack debt" because it sounded better but it is not true. He said that he believes the County is to be commended for scaling the COPs offered down to a size that is more modest and reasonable, but he still has concerns about doing this without adequate public process. He said that he understands what happened with the Academy Building and he can see that the County may find itself in a box in terms of needing to make those improvements to continue to offer programs and provide a quality work environment for employees but, on the other hand, borrowing money today for potential future land purchases is, in his mind, a dubious proposition.

Walker said, with regard to public trust and specifically with regards to Certificates of Participation or any kind of bonded debt, he believes we need to look across the river to the other jurisdiction that has incurred a huge debt for a building that is now crumbling. He said that he wants to especially let the new Commissioners know that the reason we have been successful in our construction projects is because of the

tremendous amount of detail that started at the top and filtered down through the organization. He said that if the Board is going to go this route, he really encourages the Commissioners to be involved in every step of the process.

Chairman Propes said that Hanneman made a couple of requests in his letter: (1) to put together a citizens review committee and (2) put this before the voters. He said that Douglas County did a similar thing with their O&C monies when they built their jail without a vote and because they did that without a vote, one of the most popular County Commissioners at that time, lost his next election, even though they did not need a dime of taxpayer dollars to build the jail.

Commissioner Pope said that he does not mind adding another layer of public input at all if that seems appropriate but he does not think this is an amount of money that justifies making a full public operation. He said that if the Board has to do that every time we talk about maintenance dollars, "we will be hamstrung every time we need to fix things here." He said that to him this is a tool that entities should be able to use, albeit they need to be mindful and there has been at least one public meeting at which this concept was discussed. He said that he has been one who has asked questions diligently so he knows that we will not impact our General Fund in a way we cannot see long-term. He said that one of his questions has been whether we have enough long term vision for the commitments to continue to pay for these maintenance dollars and the answer has been affirmative. He said that, with regard to the land purchase issue, he would agree with Mr. Walker that those things need to be public and they will be. He said that unfortunately, we cannot talk about the real estate piece at this time; however, we cannot even start conversations with the potential seller until we know whether or not we can pay for it. He said that his justification to the public would be that we have to maintain the County's properties or they will fall down around us and we will not be able to provide the services we currently provide.

Chairman Propes said he believes that this puts the County in an awkward situation and he thinks purchasing property now without being able to tell citizens what we are doing is something that should be pulled out of this package. He said that we do have to maintain our infrastructure. He said that a lot of the reason we have to consider purchasing property is to deal with the Courts, which means partnering with the State that has no money. He said that even though interest rates are great and it is probably the best time for the County to do this, for us to not put this before the taxpayers makes him uncomfortable. He said that he thinks we should reduce this proposal to include the maintenance we need to do and remove the other.

Walker said that part of the remodel in the Academy Building is more than just maintenance and capital improvement of the building. He said that the big difference between maintenance the way we have done it in the past and this is that the County is securing bonded debt to pay for it. He said that the maintenance the County did for the Academy project short of the energy loan for the Courthouse, was primarily funded through Building Improvements funds in the budget, in which reserves were built up to cover. He said that Commissioner Pope is suggesting that the County cannot operate that way in the current environment and he would suggest that in the 1980s when we started those funds, things were at least as tight as they are today and we managed to build up reserves to pay for improvements. He said that one of the things he has had in mind is a "lay away plan" where we build up reserves and then buy bonds in a couple of years rather than trying to fund this all up front by borrowing but he understands that the time table on the Academy Building improvements is more immediate than that. He asked what would pay for the bonds (if this is a full Faith and Credit Obligation) if the revenues in rents come up short.

Chairman Propes said that the only two choices would be cuts in service or higher taxes.

Hansen said that Walker is correct in that the County built up reserves in the Building Improvement Fund and did major remodels of the Academy Building when we first took over that building with Chemeketa Community College. He said that the County funded almost \$1 million of that project with energy loans, which had a 15-year payback and we did a Courthouse renovation that was over \$1 million utilizing a 15-year payback as well. He said that we have used alternate forms of financing for major building improvements to get us over the hump. He said that we have used Building Improvement Funds for the last two or three years to address issues at the Academy Building but to "get over the hump" it is probably

necessary to do this kind of financing or use energy loans, which would have a higher interest rate. He said that currently there is a bid on the table for the Academy Building renovation at \$1.3 million. When we began looking at costs associated with this renovation, the price tag on it was about \$2.7 million. We have done enough improvements in that building that when we bid this out, estimates were between \$1.8 million and \$2 million. The current construction climate is very favorable and if we delay this project it may not be as favorable or it could be more favorable.

Hansen said that there are a number of alternatives to this proposal. He said that we could pare down the window replacement, remove the land purchase, and probably get this down to under \$2 million if that is the Board's desire. He said that at \$2 million, we are talking about less than \$200,000 per year in payback. He said that he realizes that a number of counties have used this type of funding to build monuments, but this is more renovation of an existing building that is already being utilized by County offices with the opportunity to consolidate and bring some efficiencies. He said that if and when we move Community Corrections to the Academy Building, we will take off about \$180,000 in outside rent that we are currently paying to someone else.

Hansen said that he agrees with a number of statements from Walker and Hanneman in that he agrees there is a public process but this is not something new, we have been talking about the Academy Building renovation in budget hearings for at least the last three years. He said that he found this method to be better than energy loans because there is a lower interest rate and a lower cost to the County for the overall project. He said that citizen input is fine but we are not building a jail or a brand new building, we are renovating an existing building. He said that his recommendation is to move forward with this because we have a good bid on the table and the building has not been utilized to its full potential for the last four years.

Chairman Propes said that in his mind he separates buying new properties and maintaining what we have, particularly in this economic climate and having to depend on the State. He said that he does, however, believe that we have to maintain our current facilities and these are very good interest rates for that. He said that he does not have a problem moving forward with that, with the goal of moving Community Corrections into the Academy Building.

Commissioner Pope said that he feels differently about the land purchase piece but does not feel like he can talk completely about that. He said that timing will not be in our favor on this real estate project if we let it slide for five years and that concerns him a great deal. He said that he looks at that as the long term health of the County and its need for growth and if we do not have ourselves positioned to do the right thing with the assets that are required, it will cost everybody a lot more.

Dave Doyle, County Counsel said that the Board is allowed to go into Executive Session to discuss real property transactions because the legislature recognizes that if you make public your strategy regarding real estate, you are going to pay more money. It is more of the Commissioners' call as an entity how much they want to discuss and how much they do not want to discuss but they are allowed to go into Executive Session to discuss that piece and only that piece of this discussion.

Commissioner Ainsworth said that he appreciates all the work the Administrative Officer has done realizing that if we are going to be good stewards of the County's money, moving Community Corrections and the Ellendale operations over to the Academy Building would be a savings of approximately \$210,000 per year to help pay down this debt.

Commissioner Pope said that what happens if the State decides not to pass through the dollars we are using to pay those rents is a concern the Board has discussed, however, there has to be an element of risk involved in trying to do what is right and what we believe is going to get us the best return on our investment. He said that it is incumbent on the Board as elected officials to stand up and protect that and say that we had a partnership we thought we could count on and could trust if that happens. He said that the options now are to continue trying to find ways to save those dollars, albeit we are not going to save anything by continuing to pay out those rents, and fortunately a COP gives the Board the opportunity to redirect some of that money to pay these obligations rather than paying it out to others.

After further discussion, Chairman Propes closed the public hearing.

MOTION: COMMISSIONER AINSWORTH MOVED, COMMISSIONER POPE SECONDED, TO REMOVE THE LAND PURCHASE PIECE OF THE COP AND ADOPT MODIFIED ORDER NO. 11-02 WITH A CAP OF \$2.25 MILLION.

MOTION PASSED UNANIMOUSLY.

At 10:04 a.m., Chairman Propes announced that the meeting was recessed to Executive Session for the purpose of discussing the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed pursuant to ORS 192.660(2)(h) which permits the Board to meet for Executive Session. Representatives of the news media shall be allowed to attend. All other members of the audience are asked to leave the room. Although the public will be excluded, no vote may be taken in Executive Session. Media may attend but may not report on the meeting.

At 10:50 a.m. Chairman Propes went back into regular session, directed staff to proceed as discussed in Executive Session, and the meeting was adjourned.

The following items were approved by Motion under **5. APPROVAL OF CONSENT CALENDAR:**

- (a) **COMMUNITY CORRECTIONS – CONTRACT NO. 11-06**
Recognized contract #11-06, amendment #1 to contract #09-206 between Polk County and the Department of Corrections to acknowledge the financial cut of \$91,956 to the Polk County Community Corrections budget.
- (b) **HUMAN RESOURCES – EQUAL OPPORTUNITY EMPLOYER POLICY**
Adopted the revised Equal Opportunity Employer Policy.
- (c) **RATIFIED VALID VOUCHERS, LICENSES, PERSONNEL ACTIONS, PAYROLL, ETC. FOR THE MONTH OF JANUARY 2011.**

POLK COUNTY BOARD OF COMMISSIONERS

Mike Propes, Chair

Craig Pope, Commissioner

Mike Ainsworth, Commissioner

Minutes: Jennifer Wheeler
Approved: February 9, 2011