

HOUSE COMMITTEE ON COMMERCE
SUBCOMMITTEE ON TRADE AND ECONOMIC DEVELOPMENT

February 17, 1999 Hearing Room 350

1:00 p.m. Tapes 9 - 10

MEMBERS PRESENT: Rep. Jerry Krummel, Chair

Rep. Ryan Deckert

Rep. Jim Hill

Rep. Bob Montgomery

Rep. Diane Rosenbaum

STAFF PRESENT: Jason Cody, Administrator

Annetta Mullins, Administrative Support

MEASURE/ISSUES HEARD:

HB 2153 Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 9, A		
004	Chair Krummel	Calls meeting to order at 1:04 p.m. and announces that the committee will hear invited testimony. Opens public hearing on HB 2153.
<u>HB 2153 n PUBLIC HEARING</u>		
013	Steve Bryant	City Manager, Albany, introduces Ken Armstrong, Oregon Public Ports Association and Gordon Fultz, Association of Oregon Counties (AOC). Outlines format for presentations by local governments.

025	Bryant	Comments a new coalition has been formed to work with Economic Development Department (EDD) to forge an agreement on what is needed to serve the communities and how EDD programs can best be structured. A lot of agreement has come out of the process. Cities, counties and ports have had a lot of agreement. The focus is on the infrastructure. Local governments will be coming in to say they need targeted assistance to make their communities livable places, to attract growth and to manage growth. The needs are different across the state and flexible programs are needed to meet the needs, rather than cookie-cutter programs that are the same for all areas.
051	Ken Armstrong	Executive Director, Oregon Public Ports Association. Wants to underscore what Steve Bryant has said. The intent of the coalition has been to develop a package to get from here to there. Last session we saw a decrease in investment funds. Port of Portland will present further information next week on the status of the channel.
075	Gordon Fultz	Policy Manager, Association of Oregon Counties. Submits prepared statement conceptually supporting HB 2153 (EXHIBIT A). States that direction came from the legislature to develop a work group and thus is now the "Summit". There are four pieces to the project. One is HB 2153. The counties are only prepared to talk about economic development. The counties are not familiar with the requests coming from schools and those request beyond the plateau that was established in the agreements. There are four pieces: the infrastructure, the new regional investment program, continuation of the rural investment program and the new regional partnerships that were piloted during the interim.
102	Fultz	Summarizes prepared statement (EXHIBIT A).
112	Rep. Montgomery	Asks if the Army Corps of Engineers feasibility study on dredging 63 feet out is complete.
114	Armstrong	Responds they have just finished the draft Environmental Impact Statement (EIS) on the project. The comment period closed on February 5. It is still in draft form, but the feasibility work has been done.
119	Rep. Montgomery	Comments that Oregon put \$10 million aside last session and we are talking of \$10 or \$17 million this time. Asks what happens if the report comes in saying this is not a viable project.
122	Armstrong	Responds that the money is not going to be invested in this project unless the report comes back clean and has authorization from Congress. Adds that their association has talked about if the bill needs to be amended to offer assurance that would say the money would not get invested in the project unless it came back with the authorization from Congress. Their association would be happy to include that in the bill. The intent is not to have the money invested and sitting there without the project moving forward.
132	Rep. Montgomery	Asks if the Economic Development Department would give the authority to pass the money through.

133	Armstrong	Responds that as the bill is currently written, that is correct.
135	Rep. Montgomery	Asks where the money will be coming from.
138	Armstrong	Responds that most of the money comes from the federal government and some from fuel taxes.
146	Rep. Montgomery	Asks that the Port of Portland respond to the following questions at the meeting next week: the total economic impact if the Columbia River is not deepened three feet, how much grain will not be shipped out of the Port of Portland, and how many longshoremen will be put out of work.
150	Armstrong	Responds that the Port of Portland will be addressing some of those issues. There is approximately \$14 billion annually moving on the Columbia River. The job impacts, direct and related, are in the neighborhood of tens of thousand of jobs.
153	Chair Krummel	Asks that the Port of Portland bring the information with them to the meeting next week.
165	Rep. Deckert	Asks when the EIS on the project will be available.
166	Armstrong	Responds he does not know but will ask that the Port of Portland be prepared to answer the question.
178	Bill Scott	Director, Economic Development Department (EDD). Introduces Yvonne Addington, Manager of the financing team for the department. Comments their job today is to display what the state of the art is in terms of quantifying the needs for infrastructure that the bonding authority is being sought to finance. Adds the work is in progress and one should not think they could document every need in the state. This is also a beginning of an attempt to reconcile information that has been prepared by several different sources.
201	Scott	Adds that the idea has been around for several years, ever since Yvonne began the one-stop shop in 1994. For over a year Yvonne has been able to devote a significant amount of time to working on identifying the needs. Yvonne is now responsible for all the money in the department that has been made in grants, loans or bonds to businesses and communities. In the area of the rural water and sewer infrastructure, the bonds that are being proposed in the governor's budget, while they will not fill the whole gap, will fund a significant portion of what could be funded during the next biennium.
238	Yvonne Addington	Finance Manager, EDD, submits "Preliminary Report, An Inventory of Local Infrastructure Needs for Economic and Community Development in Oregon, as of December 31, 1998" (EXHIBIT B). Presents prepared statement (EXHIBIT C).
300	Addington	Continues presentation of prepared statement (EXHIBIT C, page 2).

336	Rep. Hill	Asks if the \$65 would be an additional charge to the resident water bills.
345	Addington	Responds the average water bill in Oregon is \$32 to \$35 per month after the repairs are made. The residents may be facing the same prices as city residents are paying, but at this time they do not pay that amount in the rural areas.
354	Rep. Montgomery	Asks what the current water bill is per month.
355	Addington	Responds it is currently \$15. Adds that no one who gets a loan from EDD ends up with those kinds of water rates. The Farmers Home Rural Development and EDD will not loan or grant money until their water bills are \$32 to \$35 per month.
357	Addington	Continues presentation of prepared statement (EXHIBIT C, page 2) .
401	Addington	Reviews Inventory of Needs (EXHIBIT C, page 3) and (EXHIBIT B, page ii) , and shortfalls (EXHIBIT B, page iv) .
TAPE 10, A		
032	Addington	Continues presentation of prepared statement (EXHIBIT C, page 3) .
051	Rep. Hill	Asks if the lack of information on a city or county means the city or county did not respond, or does it mean they don't need anything.
056	Addington	Responds that EDD was surveying the rural counties and cities for information as opposed to the urban. EDD did not solicit urban areas; however, the League of Oregon Cities (LOC) did.
084	Rep. Hill	Ask if there is information in the list where counties are supplying services to urban areas. Asks how the infrastructure needs of rural Washington County are accounted for in the report.
079	Addington	Responds the Unified Sewage Agency and the Tualatin Valley Water District needs have not been included in the report. One of the respondents to the Associated Oregon Industries (AOI) was Clackamas County who reported \$167 million in wastewater needs. The report does not include the big districts.
087	Rep. Hill	Asks how EDD determines who gets assistance first.
092	Addington	Responds that the Special Public Works and the wastewater have a set aside of one-third urban, one-third rural and one-third best project. Every project that comes to EDD is analyzed for its financial ability to pay. EDD expects then to increase their water bills and to pay any funds they might have over a three-year period into the loan first. EDD is estimating that 40 percent of the needs will be

		funded by bonds or local efforts.
103	Scott	Comments that the things that come from LOC and AOC were from mailed surveys. EDD also included every "funders" list. Believes they have listed at least every non-urban project that is actively seeking state or federal funding. If people have been missed, they are either not seeking or they did not respond to one of the surveys, or both. In the case of Hillsboro, LOC did not get a response.
120	Rep. Montgomery	Comments he thinks one of the most serious problems in the state is not education, it is sewer, water and roads.
149	Rep. Hill	Asks what "filled land" means on line 44, page 2 of HB 2153.
152	Scott	Replies he does not know but will find out.
155	Rep. Deckert	Asks that Mr. Scott provide the answer to what is "filled land" to everyone. Asks if the unincorporated urban areas, like Tualatin Valley, did not respond to having a need.
160	Addington	Responds that the needs of the service districts that function in and outside the urban areas, appear on the safe drinking water list, but EDD did not solicit their response. Adds that EDD did not solicit 750 service districts.
166	Scott	Adds that the safe drinking water revolving loan fund program actually did solicit all the districts to find out if they wanted to apply for some of the money. The districts were not re-solicited. If they are interested in using any of the financing sources, they should be on this list. Explains that in the case of those large Washington County districts, the state programs may or may not be an advantage because their own financing capacities are very great.
181	Rep. Hill	Asks if EDD has had a discussion with Portland about whether they need help with bonding for the \$249 million for the salmon.
200	Scott	Responds that EDD has not solicited any urban jurisdictions for information. Thinks all the conversations have been with communities outside the metro area. Believes LOC will be happy to follow up.
225	Rep. Hill	Asks if the shortfall shown on page iv (EXHIBIT B) is after the funding.
232	Scott	Responds the shortfall is after deducting \$318 million available from existing sources; the \$318 million is detailed at the bottom of the page. The \$54 million for special public works and \$4 for regional strategies is what would be available without the bonds HB 2153 would authorize.
245	Rep. Hill	Asks how much funding would be needed if all the rural jurisdictions came forward.

248	Scott	Responds it would mean \$99 million in bonding would be needed. The total would be \$1.2 billion.
260	Steve Bryant	City Manager, City of Albany. Comments that the cities of Oregon are the economic engine of the state. Cities provide the basic infrastructure that allows economic development to take place. The cities are asking the state to make an investment that has returns back to the state of Oregon. Presents statistics and information on infrastructure information (EXHIBIT D). Comments that transportation is not included in the survey information.
342	Rep. Montgomery	Questions whether the information coming back is a proper response from the smaller cities.
342	Willie Tiffany	LOC. Comments they did not receive input from every community. They were able to make some conservative estimates and would argue the need is greater. Some people did respond but were unable to determine the costs of some of their needs.
384	Bryant	Comments that the \$1.5 billion is an extrapolated number. If there had been 100 percent response, they think the total would be \$1.5 billion.
392	Bryant	Reviews data on map (EXHIBIT D, page 3.). Explains that "Site Development Needs" would typically be a specific project or industrial park something that cannot develop because it does not have adequate infrastructure. In the valley, storm water is a problem. There will be a huge new emphasis on addressing the salmon issue and Oregon is unprepared to deal with that. Most of the cities in the Valley do not have storm water funding mechanisms in place.
TAPE 9, B		
010	Bryant	Explains where does the needs come from (EXHIBIT D, page 4). Comments Albany residents are complaining most about the high cost of sewer and water. Contends that the costs will continue to get higher to deal with mandates. Albany's 20-year projected cost to upgrade the sewer treatment plant is \$90 million. The Environmental Protection Agency (EPA) previously funded a very high percentage of sewer treatment plant construction projects. That assistance is no longer available. The cities have generally been responsible for preparing the plans to update the facilities, but the dollars are not there.
034	Bryant	Comments Albany's drinking water system was built in the late 1800s. The salmon initiative will have an impact on drinking water.
040	Bryant	Continues presentation (EXHIBIT D, page 5).
062	Chair Krummel	Asks if property taxes subsidize growth, or are the system development charges (SDCs) are up to a point where it is pretty much a wash.
064	Bryant	Responds he thinks opinions are all over the board on the issue. Generally, it is

		difficult, even under Measure 50 with the value added to the tax income. Believes it would be a real stretch to say growth is paying its way.
084	Rep. Hill	Asks if Albany maintains a depreciation account.
086	Bryant	Responds they do, but they are not depreciating their sewage treatment plant and water treatment plant. Instead, they are trying to put reserves aside to expand the systems and to meet the new mandate requirements. Typically they use revenue bonds to finance the system upgrades. Adds that what they are not doing is putting money aside to replace the distribution lines.
093	Rep. Hill	Asks if anyone would move to their community if they charged the full cost of growth.
097	Bryant	Responds they would not.
101	Bryant	Continues presentation on economic growth (EXHIBIT D, page 5).
110	Bryant	Reviews information on map (EXHIBIT D, page 6).
115	Bryant	Presents reasons why the need is so great (EXHIBIT D, page 7). Adds that the need is great also because the systems are deteriorating much faster than they can be replaced.
130	Bryant	Present summary on How Do We Pay For It (EXHIBIT D, page 8).
163	Bryant	Comments that pages 9 and 10 (EXHIBIT D) shows a sample of infrastructure needs expressed on a per capita cost basis.
170	Chair Krummel	Asks if the map (EXHIBIT D, page 9) is showing that the cost of infrastructure in West Linn is \$292.73 per person.
174	Bryant	Responds, yes. Adds that he would encourage everyone to multiply that by 2.5, the average household size.
179	Bryant	Comments there is no choice but to pay for the systems now. The federal mandates cannot be ignored. Declining communities are just not able to grow until they figure out their sewer system problem. Bonding is a good way to deal with it now because borrowing is cheap.
194	Bryant	Calls members' attention to the survey information (EXHIBIT D, pages 13-20).
199	Steve Wilson	Mayor, City of Sisters. Reviews history of Sisters' infrastructure. When the community was founded in the 1940s and 1950s, the town made the choice of

		being built on septic tanks. The problem now is the steel tanks that went in the ground are now rusting out and the realities of soil conditions in Central Oregon are such that the only option the Department of Environmental Quality (DEQ) will allow is for every household in town to have a sand filter system costing \$8,000 to \$10,000. Because of the lack of space on the lot, many of the properties will not conform to the requirement of a sand filter system.
258	Wilson	Adds that Sisters is the fourth worst economic community in Oregon. The citizens could not afford a sewer system in 1978 and they cannot afford it in 1999. In May 1998, the residents said they would authorize a \$7 million bond on the \$12 million system. Their monthly rate will be \$40. Sisters is begging. They have put in a super-human effort to try to solve their infrastructure need. Sisters has no affordable housing and cannot build any until they get a sewer. They can't draw new businesses to the light industrial park because there is no sewer system.
295	Chair Krummel	Asks who is providing the county sewer system.
293	Wilson	Responds everything in the county is on septic tanks and drain fields.
297	Chair Krummel	Asks if the county is still approving subdivisions even though they will be on septic tanks.
298	Wilson	Responds they are because the parcels outside the city have enough land requirements to satisfy drain field requirements; the city lot sizes do not. Housing alternatives are being pushed out of the city into the unincorporated land putting a further burden on the cities to provide services and there is no tax revenue. Adds that the population in town has stayed at 820. The resident population within the school district has gone from a couple thousand to 9,000.
325	Wilson	States that Sisters will do the right thing. He is speaking on behalf of other cities in Oregon. The money should be there for small communities. Clean water and protecting our ground water have to be the number one priority in Oregon.
347	Rep. Montgomery	Comments he believes there are five votes on the committee to support most everything that has been said today, but there are a lot of members in the body who don't believe what is going on.
354	Rep. Deckert	Comments on need for housing in urban areas.
379	Rep. Rosenbaum	Asks what the economic indicators are in Sisters.
380	Wilson	Responds it became clear to the city council a couple of years ago when the people on this side of the mountains were having the storms and floods and the paths washed out. The streets of Sisters were empty for two weeks. It showed Sisters and all of Central Oregon that they must diversify all their economies. It is difficult when they don't have the tools to attract businesses.

415	Rep. Hill	Asks how to get the message out to all communities that they have to make the investment.
460	Wilson	The City of Sisters has not been able to reach its economic potential. Until they can get the infrastructure or investment into the community, they will never carry their state fair share. If they can get the family wage jobs up, then they will be able to carry their current burden, and be in a position to help other communities.
TAPE 10, SIDE B		
046	Rep. Hill	Asks if the passage of HB 2153 would make all the difference.
050	Wilson	Responds there is a difference of \$5 million between what the residents have bonded and what the system is going to cost. That is what they are looking for in the form of grants and assistance.
059	Randy Kugler	City Manager, Philomath. Comments he is heartened by words from the committee on the issue. The situation in Philomath is not quite as dire because they are keeping up with the water and sanitary sewer needs.
070	Kugler	Philomath is facing a problem with storm water management. Three years ago the City of Philomath developed a storm drain master plan. At the time the plan was being developed, the city was having to lay off a police officer due to general fund revenue shortfalls. That showed the importance of the problem. Philomath discharges all its waste water and storm water into Marys River. They are seeing new regulations that will be coming to small communities from the federal government on storm water management and are making every effort to do the right thing and be responsible in carrying the community into the next century. Tells of how Philomath approached the need for additional resources. Stresses the need to have flexible funding. Adds that Philomath has established SCDs and a monthly storm drain utility fee.
100	Kugler	Explains that after they received the results of their master plan, they determined the number one priority project would cost approximately \$1.2 million worth of improvements. They searched and came up with approximately \$80,000. The project is underway and they hope to have the plans back in the next three months.
115	Kugler	Comments they took advantage of the one-stop program with the state. It brings together all the potential funding agencies and provides an opportunity for small cities to make their case. Unfortunately, Philomath's needs did not connect with the priorities and the programs represented by the agencies and went away empty handed.
124	Kugler	Since the majority of the project would benefit the urban renewal district, they were able to come up with approximately one-half million dollars that could fund construction through the urban renewal district. But they were still one-half million to \$700,000 short of what they needed.

131	Kugler	States there should be a source of funding that is flexible, not necessarily tied to job creation because that is one of the problems with the existing agencies. There are no eminent threats of health they have to deal with on a regular basis.
138	Kugler	Asks that there be consideration for flexible funding, either grant or loan packages, for small communities that are making an effort and reward them for making an effort to solve their own problems.
151	Kugler	Adds that the City of Philomath has gone as far as they can go. They have established new SDCs for storm water. The council also took the politically unpopular position of establishing a monthly storm drain utility fee to try to generate as many local dollars as possible to solve the problem. They think they have looked at everything conceivable to plan and produce funding for construction and on-going operations and maintenance of the system, but they are frustrated and a means to fill the gap for the construction of the major project does not seem to be available.
165	Rep. Montgomery	Asks if everybody who graduates from high school in Philomath gets his or her college paid for by the City of Philomath. Comments it is an example of the city doing something for the community. Adds that Lakeview does the same and Cascade Locks does it to a smaller degree.
168	Kugler	Explains that a foundation has been set up to accomplish that. At this point in time the student must have attended regularly from the fifth grade and graduate.
183	Chair Krummel	Asks if Philomath's sanitary system is an open system.
185	Kugler	Responds negatively.
189	Chair Krummel	Asks how they end up with raw sewage on the street.
191	Kugler	Explains the problem causing the sewers to back up.
207	Bryant	Explains that the mayors talked about their common needs at their annual meeting. They said they must do something to address the infrastructure needs. The mayors think there is a state role and asks that legislators think about the fact that investments do yield returns. Adds that the help by the state must be flexible enough to address the different problems that cities have.
268	Rep. Montgomery	Comments the estimate on needs is very conservative.
278	Bryant	Comments that Albany estimates needs of almost \$42 million, but they have put a "no" next to storm water. Albany has a huge unfunded storm water need but did not report on it because Albany does not have a targeted expenditure need in the next four years. They know mandates are coming but cannot put a number on it.

308	Chair	Closes the public hearing on HB 2153 and adjourns meeting at 2:46 p.m.
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Submitted By, Reviewed By,

Annetta Mullins, Jason Cody,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ HB 2153, prepared statement, Gordon Fultz, 2 pp

B ñ HB 2153, "Preliminary Report, An Inventory of Local Infrastructure Needs for Economic and Community Development in Oregon", Yvonne Addington, 139 pp

C ñ HB 2153, prepared statement, Yvonne Addington, 3 pp

D ñ HB 2153, graphics on infrastructure needs, Steve Bryant, 20 pp