

# Oregon Economic & Community Development Commission Meeting Minutes

**Holiday Inn Ontario, Sawtooth Room  
1249 Tapadera Avenue, Ontario, OR 97914  
Friday, September 14, 2007 -- 9:00 a.m.**

<p><b>Commissioners Present</b> Wally VanValkenburg, Chairman Tony Hyde, Columbia County Steve Emery, Central Oregon Nancy Floyd, Portland (10:30 a.m. teleconference) Carl Talton, Portland (10:30 a.m. teleconference)</p> <p><b>Ex-Officio Members</b> Sen. Betsy Johnson, Tillamook District 16, Ex Rep. John Lim - absent Rep. David Edward, Washington County</p>	<p><b>Staff Present</b> Bob Repine, OECDD Director Tim McCabe, Senior Policy Advisor to Governor Mike Salsgiver, Deputy Director Ann Hanus, Community Development Division Jeanne Arana, Central Operations Division Claire Berger, Governor's Policy Advisory Tim McCabe, Governor's Policy Advisory Dee Chandler, Budget Officer Rick Minster, Business Development Officer Karen Goddin, Business &amp; Trade Division Marian Hammond, Innovation &amp; Economic Strategies Division Manager Teri Kucera, Executive Assistant to Director</p>
<p><b>Guests</b> Honorable Steven Grasty, Harney County Judge Sondra Lino, Greater Eastern Oregon Develop Corp Steve Grasty, Harney County Judge Doris Penwell, Association of Oregon Counties Larry Meier, Argus Observer <i>Andrea Testi, BIZ Center</i> <i>Dan Joyce, County Judge</i></p>	

## WELCOME/INTRODUCTIONS

**Chairman Wally VanValkenburg** called the meeting to order at 9:00 a.m. and asked for introductions from the Commission, agency staff and audience. He welcomed Rep. David Edwards who will join the Commission October 7 as an ex-officio member, and then introduced the **Honorable Judge Steven Grasty** from Harney County.

## PUBLIC COMMENTS

**Judge Steven Grasty** stated that he also chaired the Southeast Regional Alliance (SRA), which includes Malheur, Grant and Harney Counties. He delivered several messages:

1. **Regional Investment Dollars.** He asked for the Commission's support in getting the program adequately funded in the 2008 special Oregon legislative session. For the SRA region, those dollars are the only available funds to attract and grow new businesses and new jobs.
2. **Needs and Issues List.** **Judge Grasty** stated the Harney County community was working on their list and discussing regional prioritization and its challenges, such as, how do you prioritize a list in a region where the project list does not change year after year?
3. **Business Development Officers (BDO).** Judge Grasty commended the work of regional BDO Rick Minster, who covers five counties not physically connected. He urged Commission to consider hiring more BDOs to adequately cover his region.
4. **Forest Health.** **Judge Grasty** stated that Harney County learned its second largest employer Louisiana Pacific was leaving and permanently closing their plant. He referred to his

written testimony (9/14/2007) and talked about creating forest health projects to help sustain rural communities facing mill closures and job losses. Other mill closures in Grant and Wallowa counties resulted in a 2.6% workforce reduction for all three counties. The Judge noted that a recent catastrophic forest fire burned 140,000 plus acres of national forest in Harney County. According to the Forest Service, the suppression cost exceeded \$40 million. He showed a large poster with two children standing on one acre of federal land with over 2,000 trees per acre. The norm would be 74-75 large trees, which indicated a lack of management and not from logging or grazing. Grasty stated it was time to demand a sustainable timber supply for the remaining mills and retention of jobs and asked for Commission's support in creating forest health projects. A lengthy discussion followed regarding reforestation practices and the devastation from forest fires. **Grasty** referred to handout, "*Western Governors' Association Policy Resolution 07-13 – Achieving Sustainable Forests*", and asked the Commission to review the policy for consideration and help the region support and implement it. He reported that six Eastern Oregon counties had met to discuss improving or restoring forest health due to 20-plus years of little or no land management, as a result of environmental pressures.

**Chair VanValkenburg** noted the Commission's interest in his proposal and asked what the Commission and OECDD could do given that much of the forestland was federal. **Judge Grasty** discussed the recent LP mill closure in Harney County. The **Chair** stated that the agency had tried everything it could to retain mills within the scope of its jurisdiction.

**Sen. Johnson** asked Judge Grasty if it was impossible to get a "Needs and Issues" list, or was it achievable. **Grasty** responded it was achievable. He expressed concern whether a statewide-prioritized list would work given the state's uniqueness in different areas; it should be population based. **Rep. David Edwards** stated that prioritization was inevitable. He noted that part of the rationale for developing a Needs and Issues List was to insulate the prioritized lists from politics, and that he would much rather see the Regional Investment Boards (RIBs) develop the list than have the Legislature do it on the basis of political power.

**Judge Grasty** closed with a quote from his handout, "*Noteworthy quotes*": "Healthy forests mean Healthy Communities and Healthy Communities mean Healthy Forests". He stated that any position that Commission and OECDD could take about healthy forests in Oregon and getting after them would be helpful.

**Chair VanValkenburg** agreed and suggested that the Commission endorse Judge Grasty's point. He stated if Commission agreed and it was within the scope of their jurisdiction to state the importance of forest health and the industry to the Oregon economy that he would put the topic on their agenda for the November 1-2 meeting in Klamath Falls. He encouraged the Commission to read Judge Grasty's position paper (dated 9/14/07). The Commission agreed.

## **DIRECTOR'S REPORT**

**Bob Repine** reported briefly on the following:

- ***Oregon Main Street Program***. Recruitment is underway to hire a program coordinator. In August, an advisory group met with Doug Loescher of the National Trust Main Street Center to discuss Oregon's program and four key elements that will drive the program: organization, design, promotion and historical. Repine stated he sent letters to other state agency directors

asking them to participate in Main Street by combining resources. The money will be used very strategically but leveraged by their contributions. Washington has a three-tiered membership participant program, which Oregon will review to support the Governor's goal for the program - as a valuable tool for rural Oregon. Repine wants to receive applications by December and process them by February/March 2008 and approve at least four applicants so he can report to 2009 Legislature that Main Street is good for Oregon's communities. **Chair VanValkenburg** and **Rep. Edwards** complemented Repine on his leveraging strategy.

- **OECD 2009-11 Budget Development Timelines.** Repine referred to a budget timeline developed by Dee Chandler, and stated that preliminary talks had begun on 2009-11 budget issues. He informed Commission of future action item they would have to take on budget items.
- **Future 2007 Economic Development Commission Meeting Dates.** Repine talked about what would be discussed at future 2007 Commission meetings on October 26 in Portland, November 1-2 in Klamath Falls and a conference call on December 18, 2007. the

### **PORTFOL PRESENTATION**

**Jeanne Arana** referred to her memo dated September 14, 2007 to Commission regarding **Portfol Demo**, a product developed by the Philadelphia Industrial Development Corp., to replace an aging, antiquated system called Loan Ledger currently used as the agency's loan tracking software. The 2007 Legislature allocated \$660,000 for a technology package to help OECD track projects in an integrated system. Arana gave a web-based demonstration to show the capabilities of the software. Highlights included a Client Search that showed projects funded, staff assigned to the project, its location, contact information for job reports, insurance, financing and the status of loans. Geographical Lookup takes you to a Census Website that will populate the data based on the address of any legislative or Congressional District, and will map the project, enterprise zones, empowerment zones or industrial parks. Arana pointed out that the Collateral & Insurance screen is where data on the expectation of job creation, job retention and tracking would be entered. The Employment Screen includes the level of wages in the creation of jobs. After talking about Portfol's other features, Arana noted that training on Portfol would be conducted October 15-16-17 at the Salem office. **Repine** stated that Portfol had the capacity to print reports and letters in response to legislators' inquiries. Discussion followed regarding Portfol's unique features. Commissioners were impressed and stated their support of the product.

*At 10:30 am, Commissioners Nancy Floyd and Carl Talton joined via conference call.*

### **REGIONAL INVESTMENT BOARD APPROVAL OF ADMINISTRATIVE CRITERIA**

**Ann Hanus** referred to her *Interoffice Memo dated September 7, 2007 re: 2007-09 Department Budget Note relating to the Regional Investment Program Minimum Administrative Standards*, and reported that a Legislative budget note required the Commission, prior to February 2008, to adopt minimum standards for the administration of RIBs. With Commission's approval, the RIBs would include documentation in their draft strategic plans on how they address each of the standards. During workshops on October 26 and November 1, the Commission will meet with RIBs to discuss their draft strategic plans, provide input and develop recommendations. **Hanus** overviewed the Administrative Standards:

1. **Intergovernmental Agreement**, with counties addresses: 1(a.) the election of officers, the officers term, and a reasonable limit on consecutive terms; (b.) reasonable term limits for members; and (c.) process for removing members for cause and non-attendance.

2. *Awarding and Disbursing Funds* – written procedures.
3. *Maintaining records* in accordance with generally accepted accounting principles.
4. *Board's Fiscal Entity employs* fiduciary controls are in place, e.g., independent audit.

**Hanus** stated that staff was recommending a modification to the current recommended standard, No. "1. Intergovernmental Agreement, (b.) Reasonable term limits for members", and asked that "term limits" be required for the "officers" and not for "members" to keep the boards vital. She explained that in small rural areas it is sometimes very difficult to recruit a diversity of members to fill all the required representation positions required by law.

**Sen. Johnson** asked if term limits were not specified for RIBs, how you would keep them from being self-perpetuating. **Hanus** responded by insuring there are term limits for officers in order to refresh the leadership core on a regular basis. From her conversations with staff, the RIBs, and AOC it was determined that term limits for all members of the boards could be difficult.

A lengthy discussion followed regarding term limits. **Hyde** stated it was his experience that the same people in small towns were who returned to the table. **Emery** stated it did not make sense to have term limits for only officers if there were none for the boards. **Doris Penwell** stated that in her conversations with RIBs they would like to change board members to keep the membership active. She noted it was hard sometimes to get people together frequently for meetings, so they serve more than one purpose on these types of boards.

**Sen. Johnson** added she was hearing that not only do the boards want the program reinstated there was an expectation that once the control and accountability mechanisms were in place the level of funding seen in previous days would be restored. **Chair VanValkenburg** stated he did not want the impression to be given that if the RIBs took the administrative steps that funding was going to be restored. Although Commission had a role in the process, they had no control over restoring the RIBs funding. He stated that Commission could approve the Administrative Standards, but let the minutes reflect the fact that Commission had not really decided what the proper role of the RIBs should be but would approve the recommendation with the understanding that if the Commission came up with a recommendation inconsistent with the ones being presented today, they would have to be changed to reflect those changes.

**Hyde** asked Hanus if she was asking the Commission to approve staff's recommendation with the amendment of taking 1.(b.) out of the Administration Standards. **Hanus** clarified that staff was asking Commission to remove 1. (b.), and under 1. (a.) would add the phrase "as an officer" to clarify that term limits apply just to officers and not to all the members.

**Action: Commissioner Tony Hyde moved to approve staff's recommendation to approve Minimum Standards for Administration of Regional Investment Boards. Commissioner Steve Emery stated he would second Hyde's motion but only if Commission eliminated term limits on the officers.**

**Chair VanValkenburg** agreed that if an officer was removed from the officer position but still remained on the board, then you just moved somebody on the board for 20 years into the

officer's position, so the requested modification did not accomplish anything. If term limits do not work the Commission should remove it.

**Hyde** stated he had a potential conflict of interest because he was an officer and a longstanding member of a Regional Rural Board, although it was not a financial interest.

**Chair VanValkenburg** stated that **the record would reflect** that Commissioner Hyde had declared a conflict. He stated there had been a motion and second to approve the Administrative Standards *with the amendment to delete the reference to any requirements for term limits*. Hearing no further discussion the Chair asked for a vote.

*Vote: Motion passed unanimously 5-0.*

### **KEY PERFORMANCE MEASURES (KPM)**

**Arana** referred to her Memorandum dated September 14, 2007, *RE: Annual Performance Progress Report (APPR) for Fiscal Year 2006-07*, and noted that the action item on the agenda was not to "Approve proposed measures" but to approve the submission of the APPR to DAS and Oregon Progress Board by September 30, 2007. Arana reported the APPR looks back at OECD's performance measures by using KPM data to describe the agency's progress towards its goals and mission. She noted the APPR was a *draft*; so if approved by Commission it would be based on staff looking at additional job numbers and certified site data not yet included in the draft. She referred to "KPM # 1 – Jobs Created" and noted the target of 5,525 jobs for last year fell short to 4,000 jobs; but KPM # 2 – Total Jobs Retained made up the difference by exceeding the target of 2,975 projected jobs by about the same number missed on KPM #1's target.

**Rep. Edwards** asked how the target of 5,525 jobs was derived. **Arana** answered the target predated her but it was an estimate based on prior trends. **Rep. Edwards** stated that a meaningful supplement would be a ratio that showed the dollars invested to the jobs created in order to better understand the return on investment (ROI). Currently, KMP 1 does not give any indication of the relationship between the amount of the state's investment and the jobs returned. **Arana** asked if Rep Edwards wanted to add the ratio to the APPR. **Rep. Edwards** answered yes but not as a new KPM per se, but rather as another pull-up point to give it a sense of context. **Hyde** asked that the ratio be broken out by direct lottery dollars invested in grants, dollars invested in loans, and loans coming from other agency sources. **Arana** noted that during a recent Finance Committee retreat that ROI was a topic of great interest and staff was asked to develop measuring ROI not only through jobs but also in other loans and grants.

**Floyd** noted there were no goals for the 2008-09 Cluster Business Plans (KMP #7) and asked if they had been dropped. **Arana** answered yes. She noted that Claire Berger, Governor's Workforce Policy Advisor, was developing those as part of her work, and that Brian Lindsley, OECD performance measure coordinator, would serve on a cross-divisional team developing those measurements with Berger. **Rep. Edwards** noted he had been a legislative analyst for the state's Economic Development Department and evaluated the viability of key Oregon industries. He stated the Governor's Office was heavily invested in identifying clusters based on key criteria. He was assigned to a Workforce Development roundtable to further refine clusters and

compare Oregon's process for developing and identifying clusters with other states to develop a "Best of Breed" model.

**Emery** referred to KPM #7 and noted it said, "Number of identified traded sector industry clusters..." He questioned whether just identifying 12 trade associations represented a successful measurement. **Chair VanValkenburg** clarified the KPM read, "Number of identified traded sector clusters with active business development plans" (e.g., Northwest Food Processors, a trade association, or ONAMI, a signature research center). Referring to Emery's point, he agreed if business plans are identified for a cluster they should be identified in the report. **Hyde** agreed.

A lengthy discussion followed about clusters. **Claire Berger** and **Tim McCabe** talked about the work being done to identify clusters statewide. The **Chair** asked that clusters be put on the agenda for Commission's next meeting. He asked for a motion to approve the APPR and whether there were any further changes. **Hyde** stated that Arana reported that Commission was being asked to approve a draft APPR, so there was room for modifying the final report. **Emery** recommended a modification to *KPM #7 – Cluster Business Plans*, as it was not reflective of the work staff had done and stated he would second the motion.

**Chair VanValkenburg** stated that Arana would make the modification and asked if there were objections. **Floyd** asked that the modification be repeated. **Emery** referred to *KPM # 7 – Cluster Business Plans* and stated if business plans were in place with a trade association or group they needed to be identified. If not, they needed to be eliminated because stating that 12 groups have been identified and then not expanding on that is not properly reflective of what the goal was.

**Chair VanValkenburg** asked if there other comments or changes before voting on the Recommended Motion: "*Approve the submission of the Oregon Economic and Community Development Department Annual Performance Progress Report (APPR) for Fiscal Year 2006-2007 to the Department of Administrative Services no later than September 30, 2007.*" Is there a motion to approve the submission?

**Action:** Commissioner Tony Hyde noted that the annual report was a "draft" and moved to approve the Recommended Motion. Commissioner Steve Emery seconded the motion.

**Chair VanValkenburg** stated the motion and second was to approve the draft APPR with the expectation that staff would complete the report, not only the change suggested by Emery, but any other gaps in data. He asked Commission to submit their suggestions to **Arana** within one week. Hearing no further discussion the Chair asked for an oral vote.

**Vote: Motion passed unanimously 5-0.**

### **COMMUNITY DEVELOPMENT FUND ALLOCATION**

**Deanne Chandler** referred to her memo dated September 14, 2007, *RE: 2007-09 Community Development Fund Allocation*, and reported that Commission was charged with allocating the Community Development Fund (CDF). At the beginning of every biennium, Commission sets allocation targets and makes specific allocation for new lottery funds and lottery bond proceeds

into specific programs within the CDF. She referred Attachment A and talked about Historical Funding (2005-07). She stated that the current biennium (2007-09) was separated into four categories: 1) Targets; 2) Prior Allocations; 3) Proposed Allocation; and 4) Balance of the Target. Chandler stated that the agency recommended that Commission approve the proposed allocations shown on Attachment A, except for \$21,430,000 of Lottery Bonds for Statewide Investments. She noted that staff expected to bring another allocation request to Commission when those bonds were scheduled for sale in Spring 2009.

**Carl Talton** stated the Oregon Manufacturing Extension Partnership (OMEP) who was concerned because their allocation had slipped had contacted him. **Chandler** reported that in the past OMEP had been funded out of OECDD's Industry Sector Outreach Fund (ISO). She noted that staff was recommending that Commission allocate \$1,415,190 to IOF, and that Senior Staff had identified initial targets for agency divisions. **Talton** asked if it was still in process.

**Mike Salsgiver** stated he wanted to go on the record and talked about the historical support that lean manufacturing had received from OECDD. During the last two and a half years, OECDD committed a \$500,000 allocation to OMEP from the ISO, which Commission approved in 2005. During the 2007 Legislative Session, staff recommended and the Governor's Office approved a budget request for an additional \$1 million to that \$500,000. In the past, that ISO allocation was a sole-source contract to OMEP. Since 2005, OECDD had verbally informed OMEP that it was moving away from sole-source contracts to Request for Proposal (RFP) contracts. OMEP in the past was the successful contractor. With the change towards an RFP process, OMEP was verbally informed throughout 2006 and this year that the funds were likely to come from a combination of ISO funds and that if there was an additional appropriation from the Legislature, from those dollars. The Legislature did not appropriate the additional dollars. Staff made the decision, with respect to other competing requests for those same dollars that were not increased, to allocate them in a way that meets a number of needs. He noted the change coming is the potential early recommendation in a reduced amount that is allocated from ISO for lean manufacturing support. He stated that OECDD dollars are only a part of a larger pot; other dollars make up the total program. Secondly, the agency would move to a RFP process, and third, that would start when the allocation decisions were made Commission.

**Chair VanValkenburg** asked if it was a Commission issue. **Repine** answered no, as director it was his decision as to how the agency appropriated those funds in the most appropriate fashion. He stated that the misunderstanding arose because OMEP historically received \$500,000 under another format and believed they were entitled to the \$500,000 for this biennial period. Yet there is no statutory, directive or binding contract that stated OMEP would always and continually receive \$500,000. Arguably, staff introduced legislation to move OMEP out of ISO and get them self-funded in a \$1 million appropriation. He noted that OMEP assumed that if OECDD got the \$1 million, it would give that to OMEP plus the \$500,000 they had historically received.

**Hyde** stated that that additional \$1 million had not been awarded to OECDD. **Repine** replied correct. **Hyde** stated that the same people also talked to him. Hyde agreed it was Repine's decision and asked what amount he intended to award; he liked the RFP process. **Repine** answered that \$350,000 had been set aside for the RFP process.

**Emery** stated he had been contacted as well and did not want to micromanage budgets. The overall budget was great as long as Commission trusted staff that they were going to make the investments that would generate the best economic return for the state. He stated he was initially confused when staff stated they asked for an additional \$1 million but did not get it; however, what they are saying is that money will be reallocated. **Salsgiver** pointed out that was what he was trying to explain because of all the cross-conversations and he wanted to clarify the record as to why OMEP did not receive any funding. **Talton** thanked Salsgiver for his explanation.

**Chair VanValkenburg** stated he thought the Commission's role was to ratify the categories that the Legislature had allocated money to, and asked if there was anything different. **Salsgiver** stated although there was escalated legislative activity around earmarks, these were still dollar recommendations coming forward after staff review that they have discretionary authority over. The **Chair** stated that the recommendation of the Commission's management team was to put the money in these categories. He asked if there were any proposed changes and whether Floyd and Talton had any comments. Hearing none the Chair asked for the motion.

**Action:** Commissioner Tony Hyde moved to approve the 2007-09 targets and proposed allocation as shown on Attachment A. Commissioner Steve Emery second the motion. The Chair asked if there was further discussion. Hearing none, he asked for a vote.  
**Vote:** Motion passed unanimously 5-0.

**Chair VanValkenburg** asked if Floyd or Talton had any comments. **Floyd** stated she appreciated the orientation reports sent by staff and looked forward to scheduling more time with staff in Salem for an in-person orientation.

*Commissioners Floyd and Talton signed off the conference call. Chair announced lunch break from 11:30 a.m. to 12:30 p.m.*

#### **METHODOLOGY OF SPWF AWARDS – UPDATE**

**Hanus** gave an update on staff's application of priority criteria on projects coming in to OECDD from the public. Using the priority criteria discussed at Commission's July meeting, staff is working with ranking methodology that would assign priority rankings to projects. She noted that the \$69 million in projects pending had increased to about \$90 million. According to cash flow projections and what was allocated from the Legislature, the agency had \$34 million on an annual basis for loans and about \$4 million for grants. Staff is also working with the BDOs to determine what projects could have potential for funding. There are 40-50 projects that staff is determining what the appropriate funding source is and whether they can be funded from other sources. Staff is also trying to determine how to accommodate immediate opportunity-type projects. At a future Commission meeting, staff will present actual projects being reviewed and their recommendation for funding. Hanus announced that there may be one project (Port Westward) needing Commission's approval by teleconference in September. Discussion followed regarding economic development versus what is community development and what should be the state's commitment to infrastructure and other needs statewide.

#### **ORIENTATION REPORTS – DISCUSSION**

**Bob Repine** reported that Emery had been given an orientation the day before. Staff planned to offer more orientations and would schedule one with Commissioner Nancy Floyd. **Sen. Johnson**

suggested that staff provide an orientation to the Subcommittee of Ways and Means on Transportation and Economic Development, and extend it to the co-chairs. **Emery** recommended that more orientation time be allocated for Commission members.

### **OTHER BUSINESS**

**Repine** reiterated that Hanus had noted that a special conference call may need to be scheduled with the Commission in September. He talked about his discussions with the Chair regarding Oregon Inc and the Commission's roles and responsibilities pertaining to funds that were approved and appropriated for Oregon Inc activities.

**Chair VanValkenburg** stated also that he had spoke with Repine, Marian Hammond and Sen. Johnson about the issue. He referred to Commission's July 27 meeting and their discussion about possibly needing advice from the AG's Office on the Commission's responsibility for oversight of funds appropriated to the Innovation Council, because Commission needed to make sure it was fulfilling whatever responsibilities the Legislature charged it with. The **Chair** noted **for the record** that during an Oregon Innovation Council Executive meeting last month he raised the issue that given all the representations that were made to the Legislature as the Innovation Council sought funding, it was critical the Commission have not only a mechanism to hold accountable the recipients of those funds, but also the ability to report back on the results, what those funds were being used for and how they are expected to create jobs. The Committee agreed and will go forward with concepts to incorporate some of this into the contracts between OECDD and the recipients, and also insure there are mechanisms within the Innovation Council to be audited and have oversight by the OECD Commission.

**Repine** stated that staff had given an update on the RIBS and the charge given by the Budget Notes. He commended his staff for keeping within the spirit of the Budget Note directives and still managing their normal workload. **Sen. Johnson** stated she was very satisfied with the work being done, but thought there was a tendency to over-think it when the Budget Notes were designed to produce two lists and assure legislators that RIBs have the capability, governance and Best Practices to be a *re-granting* agency of public funds. **Rep. Edwards** stated that based on his understanding of the process so far, he was satisfied that the agency would fulfill their requirements, and that Robin LaMonte had characterized the process well. **Repine** agreed that LaMonte had done an excellent job of re-stating the mission at hand to the members, and stating to the fact that she believed the agenda was on target and task.

### **NEXT MEETING**

The **Chair** announced that the next Commission was October 26 in Portland.

### **PUBLIC COMMENTS**

The **Chair** noted that Judge Grasty had given public comments at the beginning of the meeting. He adjourned the meeting at 10 p.m. (Mountain time).

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E. Walter VanValkenburg, Chair  
Oregon Economic & Community Development Commission

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DATE

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Bob Repine, Director  
Oregon Economic & Community Development Commission

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DATE