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City Council Work Session
November 4, 2024
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MINUTES
CITY COUNCIL & WASCO COUNTY BOARD OF COMMISSIONERS
JOINT WORK SESSION

WASCO COUNTY BUILDING, 401 EAST 3RD STREET

NOVEMBER 4, 2024
5:30 p.m.
VIA ZOOM/ IN PERSON

PRESIDING: Mayor Richard Mays

COUNTY COMMISSIONERS: Scott Hege, Steve Kramer, Phil Brady

CITY COUNCIL: Darcy Long, Tim McGlothlin, Rod Runyon, Scott Randall, Dan Richardson

STAFF PRESENT: County Administrative Officer Tyler Stone, County Assessor Jill Amery, City Manager Matthew Klebes, City Attorney Jonathan Kara, City Clerk Amie Ell, Public Works Director Dave Anderson

CALL TO ORDER

The meeting was called to order by Commissioner Kramer at 5:30 p.m.

DISCUSSION ITEMS

Commissioner Kramer opened the joint work session between the Wasco County Commission and The Dalles City Council to discuss recommendations for the Strategic Investment Program (SIP) fund. He said following direction from the last meeting, the work committee had prepared a recommendation using insights from recent City Council and County discussions. He noted that Mayor Mays joined via Zoom, and committee members included Matthew Klebes, Jill Amery, Tyler Stone, and himself. He stated that the City Council had approved both sets of previous work session minutes in the packet, while the County Commissioners still needed to approve the July 23, 2024, joint work session minutes. A motion was requested to complete this approval for the County.

It was moved by Commissioner Brady and seconded by Commissioner Hege to approve the July 23, 2024 Joint Work Session minutes. The motion carried 3 to 0, Brady, Hege, Kramer voting in favor; none opposed; none absent.

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City Manager Matthew Klebes provided a summary on the Strategic Investment Program (SIP) agreement and its impact on revenue from two data centers. Responding to a request from the last work session, Klebes emphasized that the model presented was a projection based on certain assumptions within the SIP agreement under the Business Oregon State program. He outlined the four revenue streams:

- Initial Payment: A \$3 million one-time payment per data center, shared between the City and County.
- Property Tax Component: A tax on a portion of the development's value, determined by investment levels (\$25M, \$50M, or \$100M).
- Community Service Fee: Set by the State of Oregon, calculated as 25% of the tax savings with a cap at \$2.5 million.
- Guaranteed Annual Payment (GAP): A final revenue stream ensuring each data center meets 50% and 60% of their full tax obligations respectively, after accounting for the initial payment, property taxes, and community service fee.

Commissioner Hege asked for clarification on the investment threshold required to reach either the \$50 million or \$100 million levels in the tax rolls under the SIP agreement.

City Manager Matthew Klebes provided an estimated revenue model for the SIP agreement, emphasizing throughout that the figures were based on several assumptions and intended as illustrative only, not for exact projections or budgeting purposes. He explained that each abatement period for the two data centers begins upon receiving a certificate of occupancy, with January 1 as the key date for tax evaluation by the County Assessor and Department of Revenue.

Klebes first presented the following assumptions for the model:

- Property Tax: The data centers would pay property taxes based on a portion of their development value, with taxable portions tied to their investment amount (either \$50 million or \$100 million).
- Community Service Fee: Assumed to be at the maximum calculation of 25% of tax savings, capped at \$2.5 million per year.
- GAP Payment: The calculation of the GAP payment would account for the property tax and community service fee amounts.
- Investment Value: The model used a hypothetical investment value of \$600 million per data center for tax calculations.
- Tax Rate: Applied a tax rate of \$18.1802 per \$1,000 of assessed value.
- Depreciation and Reinvestment: The model did not account for depreciation or reinvestment in subsequent years.
- Annual Increase: No assumption was made regarding a 3% annual increase on the

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property tax portion.

Using these assumptions, Klebes provided this estimate:

- **Data Center 1** would pay 50% of its full tax obligation, totaling \$5.45 million, derived from \$900,000 in property tax, a \$2.5 million community service fee, and a GAP payment of \$2 million, which is shared between the City and County.
- **Data Center 2** would pay 60% of full tax, equating to \$6.54 million, based on \$900,000 in property tax, a \$2.5 million community service fee, and a GAP payment of \$3.1 million, also shared between the City and County.

Klebes reiterated that these figures reflect hypothetical conditions, with various factors potentially altering the final GAP payment.

Mayor Mays posed two questions regarding the \$600 million data center. He asked whether this amount refers to the assessed property value or if it is strictly the estimated construction cost.

Jill Amery, the Assessor and Tax Collector for Wasco County, stated that for property valuation, three approaches would be utilized: cost, market, and income. She emphasized that all three methods would be reconciled to determine the final assessed value.

Mayor Mays raised concerns regarding the challenges of projecting depreciation and reinvestment over the 15-year period. He questioned whether "reinvestment" referred specifically to Google's investment in servers or if it could also encompass investments in buildings.

Amery noted that in the valuation process, there is collaboration with Google, the Department of Revenue, and her office. She explained that they work together based on reported investments and annual assessments, which include specific details regarding depreciation.

Mayor Mays cautioned participants against making long-term revenue projections for a 15-year period, highlighting the uncertainties involved in such forecasts.

Amery affirmed the City Manager's earlier caution about the assumptions underlying the revenue projections. She expressed her reluctance in providing these numbers, emphasizing that they are only illustrative and should not be relied upon for budgeting or financial planning at this stage, as the actual outcomes remain uncertain.

Councilor Richardson inquired whether the presented estimates could be considered conservative or if they fell within a middle-of-the-road range.

Klebes clarified that the estimate was neither conservative nor middle-of-the-road. He emphasized that the estimate was based on publicly available figures provided by Google regarding their investment in the data center, highlighting the distinction between investment and

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assessed value.

Councilor Richardson asked for clarification regarding any indications or communications with responsible parties about when evaluation projects might commence.

Amery noted that the county values all properties every January 1, regardless of their construction status, certificate of occupancy, or operational state.

Matthew Klebes explained that while properties are under construction, they are valued as part of the process. When data centers claim construction in progress, they submit the appropriate forms to both the city and the county. He noted that this was the first Strategic Investment Program (SIP) agreement, and that the first data center had received its certificate of occupancy, triggering the next steps in the valuation process.

Commissioner Hege followed up on the valuation process, asking whether the company constructing the facility provides investment information to the Department of Revenue and Wasco County. He questioned the reliability of that information, using an example of a potentially less reputable company that might claim an investment of \$300 million while actually spending \$1 billion. He inquired whether there was sufficient technical expertise to accurately evaluate such claims and determine the true value of the investment.

Amery confirmed that the Department of Revenue had developed expertise in industrial and central assessment valuation since data centers were first established in Oregon. She explained that companies self-reported their investments, and the Department conducted site visits and audits to verify these claims. She expressed confidence in the Department's capabilities and noted that they had access to inspect the facilities, machinery, and personal property to validate reported numbers.

Commissioner Hege inquired whether there was confidence in the accuracy of the derived numbers regarding data center valuations. He also asked about the latest construction progress, noting that properties were valued annually on January 1, and wondered what the last valuation figure was, assuming it was well over \$100 million at that time.

Amery confirmed confidence in the accuracy and stated there was a building and structure amount in the books that were available on the County system for public review, but that she did not know the exact number.

Commissioner Kramer stated that the purpose of the assembly was to discuss the approach to handling incoming resources, whether they were allocated to specific City or County projects or directed toward shared community goals. Reflecting on discussions in recent work group

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meetings, he noted that the City and County have differing needs. Consequently, the work group recommended a 50/50 split of SIP funds between the City and County, aligning with past practice. This distribution would enable each entity to prioritize individual needs or savings objectives while collaborating on joint projects as necessary. He said based on discussions with the County management team, the County was inclined toward establishing an endowment fund, while the City aimed to move forward with immediate projects. He then invited further discussion on the work committee's recommendation.

Klebes said the team's recommendation had specifically pertained to the allocation of the Initial Payment and the Guaranteed Annual Payment (GAP). He clarified property taxes would continue to be treated according to standard property tax procedures. The Community Service Fee would be allocated per the existing Community Service Fee agreement, which had been established in consultation with various taxing districts, including educational districts.

Councilor Richardson asked if the County management team had developed any conceptual framework for an endowment that they would be willing to share at this point.

Commissioner Kramer said that the priority was to work through the current process and determine the direction before addressing the endowment framework.

Commissioner Hege clarified that the management team Commissioner Kramer referenced was not the County Commission itself. He noted that the Commission had not discussed the endowment concept outside of the current meeting. As a member of the management team, he explained that the team included directors from all County departments.

Councilor Long expressed her support for the recommendation, noting that it aligned with the City's need to address significant infrastructure priorities. She shared her hope that, whether through SIP funds, the Community Service Fee, or another appropriate source, both the City and County would consider providing matching funds to support the school district in building new facilities. She suggested that a timeline could be set to avoid having funds indefinitely tied up, emphasizing that community members needed to see a shared commitment, especially given the repeated bond failures.

Commissioner Hege shared an idea he had heard. He said the only confirmed funding source at that time consisted of the two initial SIP payments, with one already received and the second expected shortly. The proposal suggested using the two initial payments—amounting to \$6 million—as a pledge toward a high school project. This pledge would require the school district to actively pursue the project, with a requirement to achieve success within a specific timeframe, rather than an indefinite commitment. He referenced the community SIP survey, in which over 345 respondents, the highest number, had prioritized school improvements. The survey indicated

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strong public support for using funds to upgrade facilities, construct new ones, and address seismic safety in schools. By pledging \$6 million to a high school project, the school district could potentially reduce the amount needed from taxpayers, thus aligning with previous discussions around tax relief. He suggested this commitment would be an effective and straightforward approach to encourage the school district to move forward on pressing community needs. While not his own idea, Commissioner Hege expressed his support for the proposal.

Mayor Mays expressed his support for District 21, noting that he had been a strong advocate for the district, including during its last bond issue. He shared his general support for directing a portion of Google funds to the school district but emphasized that the district needed to take the initiative by presenting a concrete plan. This plan, he suggested, should outline their intended projects, the required funding, and a clear approach for obtaining the necessary resources.

Commissioner Kramer expressed disappointment with the lack of attendance and then opened the floor to others, asking if anyone had further comments or input.

Commissioner Brady expressed his support for the idea, likening it to a challenge similar to those sometimes issued by the state—offering additional funding if the school district meets certain criteria. He acknowledged the significant budgetary challenges the school district had been facing and suggested that moving forward with this initiative would be appropriate at the right time. He also clarified that the \$6 million pledge would be a shared contribution from both the City and the County.

Commissioner Hege explained that the reason the proposal was compelling was that the initial payments were distinct and certain, while other potential funds were based on estimates and assumptions. The initial payments were the only confirmed funding at this point. He believed acting on this issue would demonstrate to the community that their concerns had been heard and that the City and County were willing to allocate resources to address them.

Mayor Mays clarified Commissioner Kramer's earlier remark about the lack of attendance, asking whether he meant that no one from District 21 was present or that there was no one in the audience at all.

Commissioner Kramer clarified that while the City Council and staff, County staff, and County Commissioners were present, along with Chief Worthy, there were no community members in attendance. He also noted the presence of media representatives Mark Bailey and Rodger Nichols.

Councilor Long acknowledged that the only guaranteed funds were the initial payments. She

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agreed that the school district needed to present a plan and request for support. She noted by the time the school district finalized their bond plans and before any construction could begin, there would be concrete numbers available, which could guide future commitments. She emphasized that the City had immediate projects requiring attention that would need to be funded with the initial payment.

Councilor Richardson proposed that the staff and work group be directed to approach the school district and discuss the possibility of securing a pledge and agreement, potentially in the form of a memorandum of understanding or another suitable instrument, so that the City and County could act.

County Administrative Officer Tyler Stone suggested the City and County have separate discussions within their respective bodies, as there were three school districts in the county, and each may have differing views on the matter.

Commissioner Brady expressed consideration for the County's responsibility to the entire region, noting that there were large renewable energy projects on the horizon that would bring in similar funding. He suggested that, in fairness, some of this funding could be dedicated to South County, where the projects were located.

Klebes commented that the entities involved had already stepped up to support the school district, particularly through the community service fee distribution. He clarified the state SIP process does not require agreement or consultation with education districts for the distribution of the community service fee. He explained that the school district benefits from community service fee funds because they are separate from the statewide funding formula. District 21 received approximately 30% of the community service fee directly. They had consistently supported the school district from the beginning of the SIP discussions, and that these funds could be used in partnership with the County or City for future efforts, such as a pledge or challenge.

Councilor Long clarified that her earlier comments were not intended to derail the current discussion. She acknowledged that the matters were almost separate and noted that this would be her last meeting with the group to discuss it. She expressed support for the work group's recommendation and emphasized that, even though the group was going in separate directions for now, they could individually contribute funds later.

Councilor Runyon expressed support for the idea of supporting schools but raised concerns about putting a dollar amount on it at this stage. He said the discussion should be revisited later, as there were other pressing issues, such as the need for water infrastructure improvements, that required attention. While he was open to future discussions, he advocated for prudent money management and felt it was premature to commit funds without a clearer understanding of the

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financial landscape.

Councilor Randall suggested delaying further discussion on funding for the school district until after the upcoming election cycle. The school district had indicated they would begin developing a plan after the first of the year, and he recommended waiting until they return with a concrete proposal.

Councilor McGlothlin expressed support for proceeding with the current split of funds while keeping the option open to revisit the issue in the future. He acknowledged the complexity and unpredictability of the situation and emphasized the importance of balancing the needs of schools and infrastructure, particularly water systems and streets.

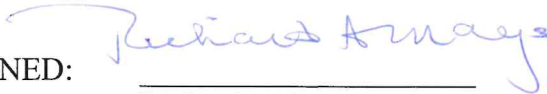
Commissioner Kramer confirmed all Commissioners, Councilors, and Mayor Mays agreed with the 50/50 split of SIP funds. He expressed gratitude for the time and effort put into the discussions, highlighting the positive conversations and good questions that emerged. He acknowledged the work ahead but expressed confidence that with the dedication of the boards, the community would make progress.

ADJOURNMENT

Being no further business, the meeting adjourned at 6:12 pm

Submitted by/ Amie Ell, City Clerk

SIGNED:



Richard A. Mays, Mayor

ATTEST:



Amie Ell, City Clerk