

To: City Council
From City Manager, Nathan Cherpeski
Subject: Friday Update
Date: September 23, 2016



Calendar

Here is the calendar as provided to me by the Departments.

Date	Time	Event	Location
9/29 to 10/1		Oregon League of Cities Annual Conference	Salem
October 3, 2016	6:00 P.M.	Work Session - Downtown Association	City Hall Annex - Conference Room
October 3, 2016	7:00 P.M.	City Council Meeting	City Hall Annex- Council Chambers
October 5, 2016	5:40 A.M.	Ceremony for first outbound PenAir flight	Airport Terminal
October 5, 2016	1:00 P.M.	Ceremony for first inbound PenAir flight	Airport Terminal
October 17, 2016	7:00 P.M.	City Council Meeting	City Hall Annex- Council Chambers

City Manager

I participated in an EPA led tour of the Northridge Estates cleanup project. When I first toured the community while interviewing for City Manager, I remember seeing the homes at Northridge estates and thinking why are all these homes abandoned. I quickly learned the story after my arrival. While not in city limits, the area is served by City water and is inside the Urban Growth Boundary.

The area was added to the National Priorities (Superfund) list in 2011 when earlier cleanup efforts proved ineffective. As part of the tour, they showed us a site that had been "cleaned" in an early effort by EPA. Over the years, frost heave brought new asbestos to the surface. While it was disappointing to see that earlier efforts had failed, it did show that a more drastic type of remediation would be needed.

I am attaching several informational pieces on the site and the proposed cleanup.

City Recorder

On September 15, 2016 the City of Klamath Falls Administration in conjunction with the League of Oregon Cities held a City Hall Week Event that was attended by several City Representatives, City Council/Mayoral Candidates, other surrounding City Municipality

Representatives, and other State and District Candidates. There were approximately 20+ attendees and multiple subjects were discussed in an open forum. The main subject matters discussed were: Property Taxes; Recreational Immunity; Transportation; and PERS. The League provided position papers for their planned advocacy in the upcoming legislative session. By way of disclaimer, these papers represent the views of the League of Oregon Cities and not necessarily the views of the City of Klamath Falls.

Public Works

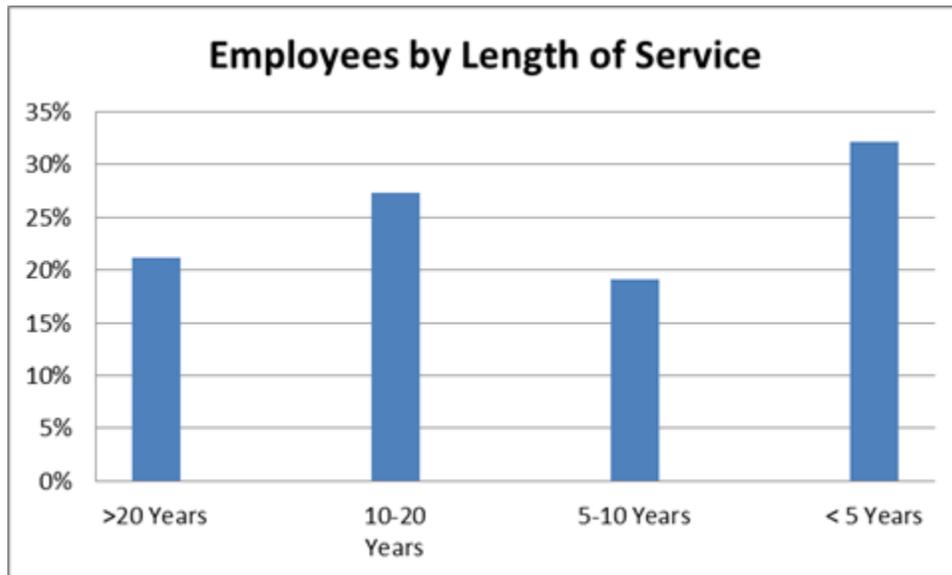
A design kick off meeting for the Brett Way extension will be held on September 30. This is a key project for future development of the industrial properties near the Crater Lake-Klamath Regional Airport.

Crater Lake-Klamath Regional Airport

Passenger service kicks off on Wednesday October 5th. The inaugural flight to Portland leaves at 6:40 A.M. We will have a brief ceremony prior to departure with remarks from Senator Wyden for the early risers. There will be additional ceremonies in Portland followed by an event in Klamath Falls for the first inbound flight. Events begin at 1:00 and culminate in a ribbon and cake cutting ceremony at about 2:30 shortly after the flight arrives. The public is welcome to attend and please support our local air service. Tickets can be purchased directly from Pen Air (www.penair.com) for flights to Portland. You can also book through Alaska Airlines (www.alaskaair.com) or any of the online travel websites.

Support Services

- Ella Redkey Pool is sponsoring “Bring your Dog for a Swim” on Saturday September 25th from 1-3 pm. This is the last swim before the pool is closed and drained for one week of maintenance. Donations will be accepted to pay for scholarships to be awarded for future swim lessons. It should be crazy and fun, check the website for more details and a few restrictions
- The City currently has three positions open. The Systems Control Specialist/Electrician will be advertised in the Herald and News this weekend. For the two others we are currently not accepting external applications. Our recruiting has been going well and the majority of our positions have been filled. Included here is a little analysis Support Services completed of our employees length of service. 51% of all employees with the City have come on board in the past 10 years, 32% in the past five years. Like other organizations we are seeing rapid retirement of the “Baby Boomers”. It is challenging to replace all the knowledge retirees take with them. Our new employees are proving they can come up to speed quickly and we are glad to have them as part of our team.



- It is that time again with Open Enrollment just around the corner for our annual benefits. Support Services is preparing a Benefits Fair on October 4, 2016 for all employees. This is an opportunity to talk directly with our benefit Vendors, ask questions, and make informed choices.
- **On-Line Bill Pay:** Utility Billing implemented on-line bill pay for all Water/Wastewater bills on September 22, 2016. Customers can access this service through the City website at <https://www.klamathfalls.city/i-want-to/find/city-hall/support-services/utility-billing/utility-bill-payment> . To date we have received 45 payments through the new portal and everything is going smoothly. We anticipate good utilization of this customer service improvement once all customers are made aware of the capability.



SITE HISTORY

WHAT IS THE SITE OWNERSHIP AND USE HISTORY?

North Ridge Estates is the location of a former Marine Recuperation Barracks. The barracks were constructed in 1944 by the U.S. Department of Defense to treat World War II Marines suffering from tropical diseases. The complex consisted of 82 buildings including a sewage treatment plant, warehouse, brig, medical officers and bachelor quarters, animal and dependent hospitals, auditorium, gymnasium, swimming pool, fire house, mess hall, laboratory, laundry, maintenance garage, power plant, library, and 30 barracks.

The base was staffed on April 30, 1945, and the first Marine patients arrived on May 27, 1945. The barracks officially closed on February 28, 1946. The Site was declared surplus property by the Navy on March 1, 1946.

The Site was acquired by the State of Oregon on October 28, 1947, to be used by the Oregon Technical Institute as a vocational college. The Oregon Technical Institute vacated the site in May 1964. Site ownership was transferred to the U.S. General Services Administration in December 1964. The site was found to be virtually intact.

The site was acquired by a partnership of private individuals in 1965. In 1977, MBK (Melvin Bercot Kenneth Partnership) purchased the property. A majority of the buildings on the site were demolished by 1979.

In 1993, Klamath County approved subdivision plans developed by MBK, and construction of homes began later that year. The subdivision was named North Ridge Estates. MBK sold properties in the subdivision to individuals from 1994 to 2002.

Currently properties at North Ridge Estates consist of a mixture of privately owned properties and court appointed Receiver managed properties.



STAY INFORMED

EPA understand the impacts this project may cause. We thank you for your patience and appreciate your support during this important clean-up of the North Ridge Estates Superfund Site.



ASBESTOS AND FROST HEAVE

WHAT IS ASBESTOS?

Asbestos is a naturally occurring silicate mineral that contains long, thin fibrous crystals. Asbestos has long been used in fire-resistant, insulating materials, and building construction materials. Learn more about asbestos at: <http://www2.epa.gov/asbestos/learn-about-asbestos#asbestos>

HOW DID ASBESTOS CONTAMINATION END UP AT NORTH RIDGE ESTATES?

In the 1940's, military barracks and other buildings were constructed at the site that is now North Ridge Estates. More than an estimated 1,500 tons of asbestos was used in steam pipes, insulation and building construction materials, such as floor tiles, roofing materials, wallboard and concrete asbestos shingles.

While the use of asbestos is now much more limited, using asbestos in building materials was common practice at the time the construction occurred.

In 1979, the EPA ordered the residential developer to properly dispose of asbestos-contaminated material prior to building homes. That did not happen. Instead, the developer burned some material and bulldozed and spread the rest around the site, some as much as 15 feet below the ground. As annual freeze and thaw cycles occur, asbestos rises to the surface. Erosion and tree roots can also contribute to partially-buried asbestos appearing at the soil surface.

WHAT DOES ASBESTOS FOUND AT NORTH RIDGE ESTATES LOOK LIKE?





HOW DOES ASBESTOS AFFECT MY HEALTH?

When asbestos containing materials break down, asbestos fibers can be released. The fibers are very small and thin, and inhalation of these fibers is the primary cause of asbestos-related disease. They can be embedded in the lungs, causing asbestosis, lung cancer and mesothelioma.

The risk of lung cancer and mesothelioma increases with the number of fibers inhaled. The risk of lung cancer from inhaling asbestos fibers is greater for people who smoke. People who get asbestosis have usually been exposed to high levels of asbestos for a long time, although that is not always the case. The symptoms of these diseases do not usually appear until about 20 to 30 years after the first exposure to asbestos.

WHAT IS FROST HEAVE AND WHY DOES IT MATTER AT NORTH RIDGE ESTATES?

Frost heave, also known as soil jacking, is the uplift of soil and materials in the soil due to annual freezing and thawing cycles. At North Ridge Estates, pieces of asbestos containing material are migrating to the ground surface because of frost heave. For several years, the EPA removed all visible asbestos containing material during the summer months, only to find the surface soils littered with more contaminated material the following spring. This upward migration of soils, and the asbestos contamination contained in it, is driven primarily by freeze/thaw cycles.

Frost heave can lift the soil several inches in a single freezing cycle. Buried items are lifted up by the frost heaving soil during the freezing part of the cycle. As the soil thaws from the ground surface downward, the ice lenses in the soil melt and the soil settles down and around the lifted item, so that it cannot settle back to its original position. The depth of ground freezing is reported to be approximately 24 inches below the ground surface in the Klamath Falls area.

STAY INFORMED

Website: www.epa.gov/superfund/north-ridge-estates

E-mail: NRESuperfund@gmail.com

Information Hotline: (541) 238-5640

On-call Site Phone: (541) 274-1613

EPA will also distribute regular electronic updates so be sure to sign up on the website.

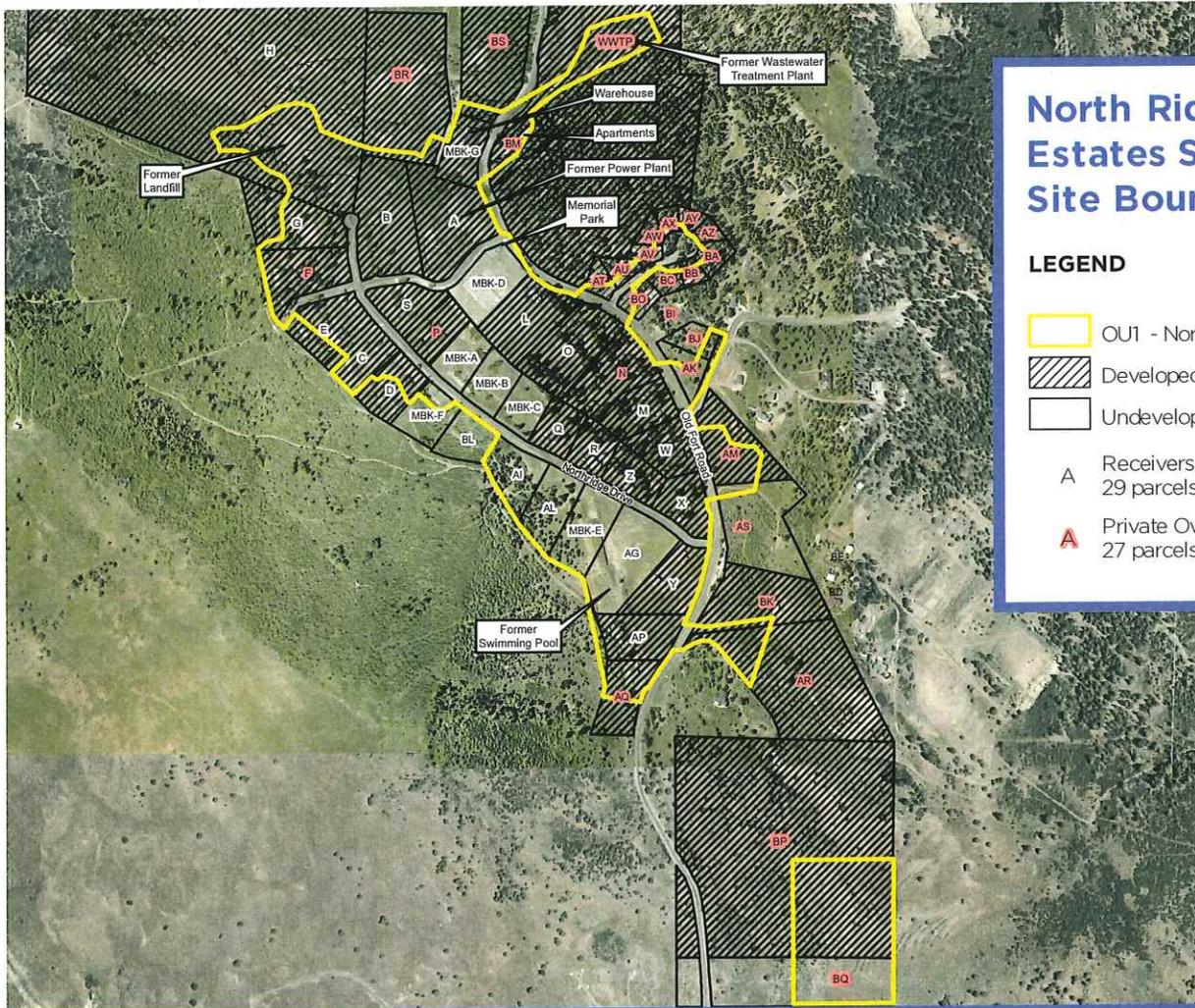
EPA understand the impacts this project may cause. We thank you for your patience and appreciate your support during this important clean-up of the North Ridge Estates Superfund Site.





NORTH RIDGE ESTATES SUPERFUND SITE

REMEDIA**TION** CONSTRUCTION



North Ridge Estates Superfund Site Boundary

LEGEND

- OUI - North Ridge Estates
- Developed Parcels
- Undeveloped Parcels
- A Receivership - 29 parcels
- A** Private Ownership - 27 parcels

REMEDIAL ACTION PLAN

- Protection of some mature trees (about 100) otherwise clear vegetation
- Excavation of contaminated soil (2-4 feet)
- If asbestos containing material is present below 4 feet, install marker barrier
- Consolidate contaminated soil into two on-site repositories
- Cap site and repositories with 2-4 feet of clean soil
- Re-vegetation (grass seed, trees, and shrubs)
- Replace local roads (Northridge Drive and Hunters Ridge Road)
- Use institutional controls to protect and maintain the cap



MORE INFORMATION:

www.epa.gov/superfund/north-ridge-estates
NRESuperfund@gmail.com

*This Communication was prepared by
 EPA Contractors EA Engineering,
 Science, and Technology, Inc. and HDR.*



Info. Hotline
(541) 238-5640



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(541) 274-1613



NORTH RIDGE ESTATES SUPERFUND SITE

KLAMATH FALLS, OR

REMEDIAL ACTION

GREEN REMEDIATION ELEMENTS

As part of the design for the remedial action at this site, **green remediation goals** and **best management practices** were included to support the mission of U.S. Environmental Protection Agency (EPA) to reduce pollution and the carbon footprint of their cleanup activities. The following green remediation elements have been in place:

Diesel Emissions Control and Reduction

Non-road vehicles:

All diesel non-road equipment must meet EPA's Tier 2 emission standards, achieving up to two-third diesel emissions reduction, specifically for emissions of nitrogen oxide (NOx) and particulate matter (PM).

During Construction Season 1, a minimum of 25% of all non-road equipment must meet EPA's Tier 4 emissions standards. These standards require engines to use advanced emission control technologies, decreasing emissions by 90 percent compared to previous standards. Because these advanced engines can be damaged by sulfur in the fuel, these engines must also use Ultra Low Sulfur Diesel Fuel, further reducing emissions.

On-road vehicles:

At least 90 percent of diesel on road vehicles accessing or being used in conjunction with work at the site must have either: (1) Engines that meet EPA's 2007 on-road engine emissions standards; or (2) Emission control technology verified by EPA or the California Air Resources Board (CARB) to reduce PM emissions by a minimum of 85%.

Generators used on-site for more than 10 total days must be compliant with EPA Tier 4 non-road emission standards or be equipped with emission control technology verified by EPA or CARB to reduce PM emissions by a minimum of 85%.

Each piece of diesel equipment has been logged in a spreadsheet and use of equipment tracked to determine compliance with the above expectations.



Local Sourcing

EPA has attempted to maximize the use of local materials and contractors (within 50-miles of North Ridge Estates) to reduce the Project's carbon footprint. Below are a few examples of how local contracting has been used for the project:

ODOT Borrow Source: The State of Oregon is providing clean borrow from a source close to the Project site. Generating clean fill from this source reduces the carbon footprint.

Local Contracting: Local contractors from Klamath Falls have been working onsite since February 2016. The use of local contractors employing members of the community and locally sourcing their

equipment, reduces both the trucking carbon footprint and carbon footprint of each employee, thus the overall carbon footprint of the Project.

North Ridge Estates Superfund Site: Because local staffing was critical to EPA's green goals for this Project, the EPA offered to train unemployed members of the community through the Superfund JTI Program. In the spring of 2016, 16 local community members completed the training and certification process and 7 are currently working for the general contractor completing the remedial activities.

Materials

EPA has prioritized reducing, reusing, or recycling materials used for construction. For example, to reduce the waste generated, construction materials are only being used when necessary. Additionally, concrete generated from the excavation will be recycled and incorporated into the clean-fill material. To the maximum extent practicable, only biodegradable stakes and other construction materials will be used. Where non-biodegradable materials need to be used, items will be recycled or reused.



Restoration and Erosion Control



Post-clean up, North Ridge Estates will be restored to the maximum extent practicable to pre-construction conditions. Biodegradable erosion control matting is being used to minimize sediment and pollution in storm water runoff.

Other measures being taken to reduce waste, and reuse material from the remediation include harvesting timber from the cleared trees, inventorying existing native plants to ensure the proper composition of the restoration seed mixture consists of native seeds, and using chipped trees for bio-mass energy.

Solid and Liquid Waste Management

Excavating the North Ridge Estates Superfund Site will generate waste material, including scrap metal, scrap wood, piping materials, and other miscellaneous materials. These materials will be evaluated for reusability and/or recyclability. If these materials are not able to be reused or recycled, they are sorted to determine what can be disposed of onsite versus trucking the material to an offsite repository for disposal.



Green Remediation Helps Communities

Using best management practices and green remediation elements reduces pollution and the carbon footprint of the cleanup activities. In addition, these measures extend beyond the North Ridge Estates Superfund site by ultimately protecting the health and safety of the surrounding community.



NORTH RIDGE ESTATES SUPERFUND SITE

KLAMATH FALLS, OR

REMEDIAL
ACTION

SUBCONTRACTOR/ VENDOR	SERVICES	LOCATION
EA SUBCONTRACTORS		
North Wind Inc.	Excavation and Restoration	Idaho Falls, ID
HDR Environmental Operations	Community Involvement Support	Sacramento, CA
Shasta View Tree Care LLC	Arborist	Klamath Falls, OR
Pacific Stewardship LLC	Timber Assessment	Bend, OR
Aerobic Septic Systems	Septic Service Provider	Sutherlin, OR
LabCor Inc	Asbestos Laboratory Services	Seattle, OR
Stacy and Dennis IT Solutions	IT Equipment and Support	Klamath Falls, OR
Rhine-Cross Group LLC	Surveying	Klamath Falls, OR
OPI of Oregon Inc.	Rental Copier	Klamath Falls, OR
Washburn Building Products	Maintenance and Furniture Rental	Klamath Falls, OR
AmeriGas Propane LP	Propane	Klamath Falls, OR
Andrea Rabe	Wildlife Biologist	Klamath Falls, OR
Day Appraisal Company Inc.	Property Appraisals	Beaverton, OR
Argus Pacific Inc.	Safety Training	Seattle, WA
J & K Deese Excavation LLC	Tree Cutting Services	Klamath Falls, OR
Libby Security Services LLC	Security Services	Klamath Falls, OR
Cascade Insulation Inc.	Cleaning Services	Klamath Falls, OR
Capitol Asset & Pavement Services	Pavement/Road Assessment	Salem, OR
Adkins Consulting Engineering	Surveying	Klamath Falls, OR
Boeger & Associates, LLC	Septic System Consulting	Eugene, OR
Consolidated Safety Service	Indoor Air Sampling	Corvallis, OR
Risk Strategics LLC	Risk Management Consulting	Bellingham, WA
SWCA	Archeologist Consulting	Portland, OR
Cimarron Inn	Employee lodging	Klamath Falls, OR
Running Y Ranch Resort	Employee lodging	Klamath Falls, OR
NORTH WIND SUBCONTRACTORS		
Abatix	PPE, Hazmat, Decon supplies	Auburn, WA
Accent Signs	Printing of project sign	West Richland, WA
AmeriGas	Empty, move and relocate propane tanks	Klamath Falls, OR
Atkins Consulting Engineering, LLP	Professional Land Surveying	Klamath Falls, OR
Barton Laser Leveling, Inc.	Technical consultant for GPS systems	Hermiston, OR
Basin Immediate Care	Employee physicals	Klamath Falls, OR
Bowers Fencing	Gate and chain link fencing	Klamath Falls, OR
Cat Rental Store	Heavy equipment rental	Klamath Falls / Medford, OR
Central Hose & Fittings	Dust Control supplies	Pasco, WA
City of Klamath Falls	Water Hydrant Meter rental	Klamath Falls, OR
Diversified Contractors Inc.	Decking and irrigation systems	Klamath Falls, OR
Dry Creek Landfill	Asbestos disposal	Medford, OR
Ecosolar and Electric	Electrician support	Klamath Falls, OR

This Communication was prepared by EPA Contractors EA Engineering, Science, and Technology, Inc. and HDR.

Ezell Suty Fuel	Fuel supply for equipment	Klamath Falls, OR
Ferguson	Culvert piping	Klamath Falls, OR
Jefferson State Pumping, LLC	Porta-potties	Klamath Falls, OR
Klamath County Solid Waste	Landfill usage	Klamath Falls, OR
Knife River Materials	Rock and concrete supplier	Klamath Falls, OR
Les Schwab	Equipment maintenance and repair	Klamath Falls, OR
Migizi Group Inc.	CIH services	Bothell, WA
Modoc Services, Inc.	Septic tank pumping and disposal	Klamath Falls, OR
NetCompliance Environmental Services, LLC	Asbestos abatement & Support Personnel	Vancouver, WA
Northwest Lining & Geotextile Products Inc.	Geosynthetic sales	Kent, WA
Old Castle Precast	Pre-cast concrete box culverts and manholes	Medford, OR
Pacific Steel & Recycling	Deconn pans materials	Pasco, WA
Peters and Keatts Equipment	Dump truck and water truck rentals	Lewiston, ID / Richland, WA
ProLawns	Lawn seeding and re-vegetation	Medford, OR
Running Y Ranch Resort	Employee lodging	Klamath Falls, OR

Priority

The League will help draft and support passage of a comprehensive, multi-modal, and statewide transportation funding and policy package with an emphasis on street, road and highway preservation and maintenance.

Background

Maintenance and preservation needs have outpaced the resources available for streets, roads and highways in Oregon. In its March 2016 Infrastructure Survey Report the League identified \$3.7 billion in capital needs for highway and non-highway transportation projects (\$2.6 billion highway/\$1.1 billion non-highway). In addition, for the 120 cities that participated in the survey, the report shows an aggregated street budget shortfall for operations and maintenance of approximately \$217 million per year. Safety and disaster resilience were cited as major challenges and needs by most cities. Cities also expressed support for a voluntary jurisdictional transfer program (the sensible alignment of highway facilities and management responsibility) with the availability of adequate funding to facilitate the transfer and to maintain the asset.

Given the threat that inadequate funding represents to investments already made in the transportation system, the League will insist on a transportation package that increases and makes more sustainable the ability of all government jurisdictions to preserve and maintain these assets through the following:

1. Providing for a significant increase in resources available for the preservation and maintenance of city streets, including:
 - Substantially increasing the state gas tax and licensing and registration fees;
 - Indexing the state gas tax;
 - Continuing efforts to identify and implement alternative funding mechanisms (VMT, tolling, public-private partnerships, etc.);
 - Disaster resilience and seismic upgrades for all transportation modes;
 - The completion of transportation projects begun but not yet completed due to lack of funding or changes in funding criteria;
 - Providing additional funding for voluntary jurisdictional transfer;
 - Funding transportation enhancements such as bike-ped facilities;
 - Increasing funding for the statutory Special City Allotment program while maintaining the 50-50 percent ODOT/city split; and
 - Repealing the referral requirement (2009 Jobs and Transportation Act) on cities seeking to create/increase local gas tax.
2. Addressing statewide needs relating to intermodal transportation including:
 - Additional funding for transit operations and capital projects;
 - Additional funding for freight rail capital projects and operations (*ConnectOregon*, short-line rail and transload facilities); and
 - Additional funding for passenger rail operations, equipment and capital projects (federal matching money and AMTRAK Cascades).

3. Avoiding:

- Any preemption of local government ability to self-generate transportation revenues for street maintenance and preservation;
- Change the dedication of State Highway Fund dollars to highway, road and street projects contained in Article 8, Section 3a of the Oregon Constitution;
- Reduction of cities' 20 percent share of the State Highway Fund;
- Creation of unfunded mandates requiring cities to undertake specific programs, such as greenhouse gas reduction scenarios; and
- Further complication of the planning and regulatory process that currently governs the project delivery.

Outcome

While supporting a systems approach to transportation funding, the League's primary objective will be to obtain more adequate funding for the preservation and maintenance of existing streets and roads within cities – i.e. the protection of investments already in place.



Recreational Immunity

Priority

Ensure that employees, officers and other agents of landowners, including cities, are exempt from liability under Oregon's recreational immunity law.

Background

Landowners in Oregon are immune from civil liability in the event a person is injured on their property provided that they were recreating and that the property owner did not charge a fee for access to their land. However, the Oregon Supreme Court has ruled that the employees or other agents of the landowner may be liable if a person is injured as a result of their actions. For public agencies that are required to indemnify and defend their employees against such claims, recreational immunity has been stripped away.

Without effective recreational immunity, cities will expose themselves to unwarranted risks if they expand recreational opportunities in their community. Indeed, some have been forced to close parks. Oregon's recreational opportunities are utilized to a high degree by its citizens, contribute to quality of life and should not be compromised by the possibility of such lawsuits.

Outcome

Restore the civil immunity landowners and their employees had against tort actions for injuries sustained while recreating.



Property Taxes

Priority

The League seeks passage of a comprehensive property tax reform package to address an outdated and inequitable system.

Background

Property taxes are the largest source of tax revenue for cities, with \$1.2 billion collected in FY 2014-15. Property taxes play a vital role in funding the essential services that cities provide, including police, fire, roads, parks and more. They are also a key revenue source for counties, special districts and school districts--providing approximately one-third of the state's education budget (\$2.4 billion in 2014-15).

As provided in the Oregon Constitution, property taxes are regulated largely by Measure 5 (1990) and Measure 50 (1997). Measure 5 instituted limits on the amount of tax that can be levied per \$1,000 of a property's real market value (RMV) to 1.5 percent. Specifically, those limits (caps) are \$5 per \$1,000 for revenues used for education services, and \$10 per \$1,000 for revenues used for general government. If the tax to be extended is greater than these caps, the difference is reduced (compressed) and not collected. Measure 5 limits are now more than 25 years old and 60 percent of cities (147 of 241) have exceeded the limits, resulting in the reduction of their voter-approved levies. Many more cities are very close to the limits and simply opt not to refer a levy.

Measure 50 added another layer of limits by establishing permanent tax rate restrictions on all property taxing jurisdictions. Permanent rates for cities range from \$0 to \$10.62, with an average of \$3.55. Those rates can only be exceeded by passage of a bond levy (limited to capital projects) or a local option levy. However, local option levies are subject to the Measure 5 limits, and cities often find they are competing with other local government taxing jurisdictions as the total is capped at \$10 per \$1,000 on RMV.

Measure 50 also applied tax rates to assessed value (AV), which was originally established by taking a property's real market value in 1995-96 and discounting it by 10 percent. Then, Measure 50 capped annual growth on the established AV at 3 percent, no matter the changes in RMV. New or improved property is added to tax rolls by multiplying the real market value by an annual county-wide ratio of assessed values to real market values in an attempt to replicate the property tax discount given via Measure 50. The complex AV system has resulted in significant inequities—tax bills can differ by thousands of dollars for properties that have the same real market value in the same city. In addition, the gap between AV and RMV has grown from the original 10 percent discount to a state average of a 25 percent discount because assessed value continues to grow at a slower rate than RMV.

Over the years, the Legislature has also expanded and created new property tax exemptions in all categories. These exemptions have not been systematically reviewed to ensure that the benefit to taxing jurisdictions justifies annually foregoing the tax revenues that pay for the services provided to the entities receiving the exemptions. The revenue loss attributed to the 132 available exemptions and special assessments is estimated at \$25.9 billion for the 2015-17 biennium.

Review and reform of Measures 5 and 50 and the exemptions will likely be part of comprehensive property tax reform discussions in the 2017 session, along with general state and local tax reform. The Legislature has been interested in returning to a real market value property tax system to restore equity in taxes on similarly valued property. In addition, the Legislature has expressed interest in providing a new partial homestead exemption for primary residences to make property taxation more progressive and temper tax increases caused by returning to a real market value system.

Outcome

Passage of a legislative referral making the following Constitutional changes:

- Achieve equity through a transition to a real market value-based property tax valuation system and away from the assessed value system of Measure 50; and
- Restore choice by allowing local voters to adopt tax levies and establish rates outside of current constitutional limits in their taxing jurisdictions.

Passage of a companion bill making statutory modifications to the existing property tax system to enhance fairness and adequacy. These changes would include but are not limited to:

- Adjust how new or improved property is added to the tax rolls and is assessed;
- Remove or adjust the 3% discount given to property owners who pay their taxes by November 15; and
- Adjust property tax exemption criteria.

Priority

Seek legislation that creates savings, including but not limited to:

- **Addressing Investment Efficiencies.** Oregon spends an inordinate amount of money paying external consultants and risk managers. Bringing those functions in-house could provide an additional \$1 billion in fund savings. Further, it reduces the odds of the “de-risking” of the investment portfolio as it would make risk managers accountable to the Oregon Investment Council.
- **Reducing the Annuity Rate.** The annuity or “money match” rate is set at 7.5% as it’s linked to the assumed earnings rate. Dropping this rate to 3.5 percent, which would more accurately reflect market conditions, would reduce total liabilities by approximately \$1.1 billion according to PERS’s actuary.
- **Redirecting Individual Account Plan (IAP) Contributions.** Redirecting IAP contributions into the defined benefit plan would reduce employer rates by 6% of payroll for employers who “pick-up” the required employee contribution and could shorten the duration of the unfunded liability.
- **Devoting Unanticipated Revenues to Employer Rate Relief.** Should any of the ongoing discussions on tax reform result in new or unexpected revenue, the League urges that the Legislature devote those resources to the PERS unfunded liability.

While these listed priorities have been identified as the most likely to provide significant rate relief, the League will be open to other legally defensible options that provide long-term financial stability and sufficient benefit to members.

Background

PERS pays its obligation to retirees through earnings on investments and employer contributions. Those investments lost approximately \$17 billion in the market crash of 2008, and efforts to adjust benefits by restricting cost of living adjustments were overturned by the Oregon Supreme Court.

Subsequent to the 2008 losses, earnings have not consistently met expectations, and the longevity of retirees further expanded the deficit between the amount the system owes and assets it utilizes to pay benefits. As a result of these factors, the systems unfunded liability is near \$22 billion.

Outcome

The Public Employee Retirement System continues to be in crisis with rate increases set for the 2017-2019, 2019-2021, and 2021-2023 biennia which are likely to reach a system wide average of 30 percent of payroll. This liability will impact service delivery for the next 20 years, if not longer, and must be addressed. The League is proposing several reforms that will address the benefits paid out by the system and the revenue used to fund pension benefits.