

# STAFF REPORT

For Meeting of Feb. 8, 2016

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2016-

**SUBJECT:**

Res. 2013- Elm &  
11<sup>th</sup> Signal MOA

## Subject

This resolution will authorize a Memorandum of Agreement (MOA) between the City and Good Shepherd Medical Center (GSMC) to outline financial responsibilities relating to a new traffic signal and turn pocket on Hwy 207 near the hospital.

## Summary and Background

Adding a traffic signal and turn pockets at the 11<sup>th</sup> & Elm intersection is currently listed as the #1 priority project on the City's Transportation System Plan (TSP), which was updated and approved by City Council in 2014.

City staff began working with Good Shepherd Medical Center (GSMC) staff regarding these improvements in the Spring of 2014 when GSMC announced additional expansion intentions at its campus. GSMC indicated that the expansions would create 58 new permanent jobs, and traffic at the hospital would increase by nearly 300 trips per day. Staff then worked to pursue an Immediate Opportunity Fund (IOF) grant through the state, which would cover 50% of the cost of a new signal and turn lanes. The GSMC Board of Directors, at their October, 2014 meeting, approved submission of a grant, whereby the City and GSMC would each pay for 25% of the cost of the improvements.

The Oregon Transportation Commission approved the City's IOF application in the Spring of 2015. As is standard for these projects ODOT provided the city with an IOF Agreement in December, 2015, in order to complete the project, see Resolution No. 2014. Pending approval of the IOF Agreement by the City Council, work to install the new signal and turn lanes will begin at the end of 2016, and is scheduled for completion in early 2017.

Because IOF grants are for economic development, the IOF Agreement between the City and ODOT includes a "pay-back" requirement if the promised number of jobs are not created within five years of the private investment. Because the City will be on the hook for the "pay back" with ODOT if the required number of jobs is not created, the attached "Memorandum of Agreement" was developed to outline responsibilities between the City and GSMC. This MOA, approved by GSMC's Board of Directors at their Jan. 28 meeting, specifies that in the event that the jobs are not created, then GSMC will pay for 75% of the pay-back cost, and the City will cover the remaining 25%.

GSMC has already met the threshold for creating the promised new jobs. The "baseline" number of jobs at the time the IOF grant was submitted in early 2015 was 482. GSMC staff has worked with City staff, and Business Oregon staff to identify that

**City of Hermiston**

as a result of other expansions at GSMC, the current employment there is higher than the necessary threshold of 540. Therefore, GSMC will soon begin the process of verifying these employment gains through the state's process, and the likelihood of any "pay-back" requirement is very low.

### Fiscal Information

It is important to remember that GSMC has already met the employment threshold, and barring a major economic collapse, should be able to verify these numbers by this summer.

There is currently no agreement between GSMC and the City regarding payback responsibilities for the IOF grant. Therefore, if the City accepts the IOF Agreement and the hospital cuts staff, then the City could be on the hook for the entire \$800,000, unless the Council approves Resolution No. 2013.

### Alternatives and Recommendation

#### Alternatives

1. Motion to approve Resolution No. 2013
2. Motion to deny Resolution No. 2013

#### Recommendation

Although staff is very comfortable that this project will move forward without issues, it is still recommended to have this agreement in place to outline responsibilities in the event of the unknown.

### Requested Action/Motion

Motion to approve Resolution No. 2013

**Department Head-** Mark Morgan, Assistant City Manager 

**City Attorney Review-** Gary Luisi, City Attorney 

**City Manager Approval-** Byron Smith, City Manager 

RESOLUTION NO. 2013

A RESOLUTION AUTHORIZING THE MAYOR, ON BEHALF OF THE CITY OF HERMISTON, TO SIGN A MEMORANDUM OF AGREEMENT WITH THE GOOD SHEPHERD MEDICAL CENTER (GSMC) FOR REPAYMENT OF AN IMMEDIATE OPPORTUNITY FUND GRANT FROM THE OREGON DEPARTMENT OF TRANSPORTATION IF THE GRANT CONDITION FOR THE CREATION OF A CERTAIN NUMBER OF JOBS IS NOT MET.

WHEREAS, adding a traffic signal and turn pockets at the 11<sup>th</sup> & Elm intersection is currently listed as the #1 priority project on the City's Transportation System Plan (TSP), which was updated and approved by City Council in 2014.

WHEREAS, the Project will be jointly financed by an Immediate Opportunity Fund (IOF) grant between the State of Oregon and the City of Hermiston;

WHEREAS, IOF grants are for economic development, the IOF Agreement between the City and ODOT includes a "pay-back" requirement if the promised number of jobs are not created within five years of the private investment. Because the City will be on the hook for the "pay back" with ODOT if the required number of jobs is not created, the attached "Memorandum of Agreement" was developed to outline responsibilities between the City and GSMC. This MOA, approved by GSMC's Board of Directors at their Jan. 28 meeting, specifies that in the event that the jobs are not created, then GSMC will pay for 75% of the pay-back cost, and the City will cover the remaining 25%, now, therefore,

IT IS RESOLVED that the form, terms and provisions of the draft Memorandum of Agreement, attached hereto, and the transactions contemplated thereby, providing for, among other things, a repayment formula by the parties if the grant condition for creation of jobs is not met, a copy of which has been presented to and reviewed by the Council, be, and they are, in all respects, hereby approved and adopted;

IT IS FURTHER RESOLVED that Mayor Dr. David Drotzman be, and is, hereby authorized to execute and deliver the Memorandum of Agreement to GSMC for its execution and delivery of an executed original copy to the City, substantially in the form heretofore approved and adopted by the City Council; and

IT IS FINALLY RESOLVED that pursuant to ORS 221.310(3), this resolution is effective immediately upon its passage.

Dated this 8<sup>th</sup> day of February, 2016.

CITY OF HERMISTON

ATTEST:

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Recorder

MEMORANDUM OF AGREEMENT

DATE: January 29, 2016

PARTIES: CITY OF HERMISTON  
GOOD SHEPHERD MEDICAL CENTER

PURPOSE: To document the understanding between the parties as to how the entities will reimburse the Oregon Department of Transportation (ODOT) if job creation standards are not met for an Immediate Opportunity Fund (IOF) grant.

RECITALS: The Good Shepherd Medical Center (GSMC) Board of Directors, on October 30, 2014, approved contributing \$450,000 toward the cost of installing upgrades to Elm Street and 11<sup>th</sup> Street through an IOF grant. This amount was to be considered half of the local match for the IOF grant, with the City of Hermiston (City) paying for the other half of the local match.

IOF grants pay for upgrades to the ODOT system when adjacent developments, which create new jobs, are dependent upon highway improvements. IOF recipients must prove that the jobs have been created within five years of the development becoming operational.

Relying on GSMC's agreement to pay half of the local match, City submitted an IOF grant to ODOT to fund the improvements to Elm & 11<sup>th</sup>. Throughout the grant development process, GSMC staff represented to the City that the new jobs to be created as a result of the project would be 58 new Full Time Equivalent (FTE) employees. This number was included in the IOF grant application.

The Oregon Transportation Commission approved City's IOF application on March 19, 2015.

City is required to enter in to an IOF Agreement (IOFA) #30695 with ODOT in order to accept IOF funds and start the project, a copy of the IOFA is attached hereto. The IOFA requires City to pay back a pro-rated amount of the IOF funds paid, plus interest, if the minimum job creation number is not reached after five years of the start of operation. The pro-rated formula for re-payment, as stated in the, IOFA is:

*“The formula for the pro-rated amount of IOF funds paid will be an amount equal to the number of actual FTE positions divided by the number of projected FTE positions multiplied by total IOF funds available. Reimbursement will be the amount of IOF Funds actually distributed less the pro-rated amount.”*

AGREEMENT: Now, THEREFORE, the parties agree and document their intentions as follows;

1. GSMC shall cooperate with City and ODOT to verify employment gains as a result of this project, which occurred between March 19, 2015 and five years from the date that GSMC's new facilities are in operation.
2. GSMC acknowledges and agrees that ODOT, the Oregon Secretary of State's Office, the federal government, and their duly authorized representatives shall have access to such fiscal records and other books, documents, papers, plans and writings of GSMC that are pertinent to this Agreement and the IOFA to perform examinations and audits and make excerpts and transcripts. GSMC shall retain and keep all files and records for a minimum of six (6) years after completion of the Project.
3. City shall cooperate with GSMC to mitigate any penalty if the job creation requirement is not met.
4. In the event that reimbursement of the grant funds is required under the IOFA for failure to meet the projected number of new FTE jobs, GSMC shall pay to City 75% of the pro-rated amount due as reimbursement to ODOT.
5. City shall, in the event that reimbursement is required for failure to create the projected number of new FTE jobs, use GSMC's contribution and pay the full pro-rated amount due as reimbursement to ODOT.

CITY OF HERMISTON

By: \_\_\_\_\_ Date: \_\_\_\_\_

GOOD SHEPHERD MEDICAL CENTER

By: Jim L. Schlenker, COO Date: 1-29-2016