

# City of GLADSTONE

August 22, 2016

Chair Ludlow,

I have attached to this letter the City of Gladstone's breach of contract complaint which the City intends to file shortly in Clackamas County Circuit Court. I think it is important to review how the City and the County came to this particular point.

In 2008, Clackamas County voters approved the formation of a library district ("District") dedicated to supporting the provision of library services within the County's boundaries. Soon after, Gladstone and several other cities entered into an IGA with the District for the distribution of District funds for the purposes of operating, maintaining and enhancing services for library patrons within the City's boundaries and for Oak Lodge residence.

As part of the process for the formation of the District, the County Board of Commissioners proposed a discrete contribution from the County general fund to each city providing library services in the District for the sole purpose of capital improvements to the libraries, including Gladstone. In April 2011, the City and the County entered into another IGA (the "Capital IGA") in order to make capital improvements to the City's library. As part of the Capital IGA, the County promised to provide \$2.5M to Gladstone to build a new library to serve Gladstone and Oak Lodge residents. Pursuant to the Capital IGA, the County held this money in trust for Gladstone. The County entered into similar agreements with other cities within the County. The Capital IGA, drafted by the County, is the crux of the dispute we are in today.

In clear terms, the County promised to provide the City funds within 60 days of the City submitting a "capital plan" identifying how the City would use these funds. The Capital IGA neither provides that the County would have any "approval" authority over the City's capital plan nor defines the phrase "capital plan." The parties did agree, however, that the City could only use the funds for "library purposes, such as library construction, remodel, expansion, building and site improvements, library construction bond debt service, and/or collection or developments." At the time the County drafted the Capital IGA, the County could have included requirements regarding the future library's location, that members of the Oak Lodge community be included in the decision on where to locate the facility, or

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provided for County approval or “veto” power over the City’s capital plan. However, the County did not propose—and the City did not agree—to these additional terms.

In February 2016, the City submitted a capital plan similar to capital plans submitted by other cities and “accepted” by the County under similar agreements. Although other cities received funding after submitting their capital plans, Gladstone was told, in a letter from the Clackamas County Board of Commissioners on March 8 of this year, that the City’s capital plan was somehow insufficient, and that the City needed to take further steps to receive the funds. If that weren’t enough, the County also informed the City that it now planned to terminate the Capital IGA.

Although not required by the Capital IGA, and at substantial additional expense to the City, the City undertook many of the steps outlined in the March 8 letter and submitted a supplemented capital plan on June 21, 2016. Again the County responded that the capital plan was insufficient and made even more demands, which would further delay the process and force the City to, again, undertake substantial expense.

It is necessary for the City to move forward with this project in a timely manner. The County’s threats to terminate the Capital IGA while still demanding additional action on behalf of the City leaves the City with no choice but to file litigation in order to acquire the promised funding. The residents of Gladstone and Oak Lodge deserve what was promised to them.

From the City’s perspective, it appears that the County’s main point of contention is with the process the City used to select the location for the new library on Portland Avenue and the City’s plan to combine the library with a new City Hall. This aspect of the disagreement also warrants a historical review.

As the County is well aware, the location originally identified for the library —on Webster Road—was rejected by Gladstone voters in November 2013. After the voters rejected the Webster Road location, the City and the County worked cooperatively on an alternative plan and a process for identifying a new location. As part of this process, the City formed a Library Advisory Committee (LAC) composed of library district residents, including representatives from Gladstone and Oak Lodge. This group met in publicly noticed meetings numerous times between January 2014 and June 2014, and all members of the public, including those from unincorporated Clackamas County, were welcomed to participate.

In June 2014 the LAC recommended a new library located on Portland Avenue. The City Council approved the recommendation, drafted a ballot title to submit the new location to voters and shared it with the Clackamas County Board of Commissioners, *who then publicly voiced their endorsement of the new location* on July 8, 2014. In fact, you, Chair Ludlow, went so far as to endorse the ballot measure containing the new location in the Clackamas Review in October 2014, urging voters to approve the measure. City voters did approve the new

location, and the City has been proceeding with plans to build the new library at this location ever since.

During 2015, the City engaged in a public process to consider and study a new location for the Gladstone city hall and the police station. Ultimately the City decided to proceed with combined library and city hall.

With the City's plan then solidified, and after years of planning and engaging residents from the service district, undertaking substantial public expense and with the County's prior endorsement of the location, the City requested the funds promised from the County. As stated above, the County now rejects the plan.

Again, the County's actions have left the City no other recourse other than to file a lawsuit to compel the County to disburse the funds it is obligated to provide. To do otherwise would be to dismiss the clear direction from City voters, the recommendation of the LAC, which included library district residents from unincorporated Clackamas County, as well as the previous endorsement of the project by the County and to allow substantial City resources spent in reliance on the County upholding the Capital IGA to go to waste.

Frankly, the citizens of Gladstone and Oak Lodge deserve better. Money should not be spent on litigation, but rather on providing the library services envisioned and worked on for so many years by so many different people. The City, as it has always been, is fully committed to ensuring that Oak Lodge and Gladstone residents receive the level of library services that they fully deserve. The County just needs to live up to its obligations in order to make that happen. We hope that happens immediately.

Sincerely,



Tom Mersereau

Mayor