

Analysis
Military Department
The Dalles Readiness Center

Analyst: John Borden

Request: Increase Other Funds Capital Construction expenditure limitation for The Dalles Readiness Center by \$8 million.

Recommendation: The Legislative Fiscal Office recommends that an increase of \$8,000,000 Other Funds Capital Construction expenditure limitation for The Dalles Readiness Center be included in a budget reconciliation bill.

Analysis: The Military Department (OMD) is requesting an \$8 million increase in Other Funds Capital Construction expenditure limitation in order to make final payment to a private firm for the completion of The Dalles Readiness Center.

In 1997, OMD received Emergency Board approval for the planning and design of a new Readiness Center at The Dalles to replace its armory built in 1952. After an initial expenditure of funds, the project was shelved due to a lack of a federal appropriation to complete the design and construction work. In 1999, Wasco County notified OMD that the original construction site was no longer available. In 2007, the National Guard Bureau formally withdrew approval of the original Readiness Center design by declaring the design obsolete.

In 2007, the U.S. Congress and the state again provided planning and design funding for the Readiness Center, but this time for it to be located on the Columbia Gorge Community College (CGCC) campus and built on property owned by the College and leased to OMD. The Legislature in 2011 authorized the construction of the facility and provided over \$4 million of state funding (Article XI-Q bonds), General Fund Debt Service, and \$13 million of Funds expenditure limitation. When the project was approved, it was understood by the Legislature that CGCC may be leasing a portion of the facility.

Beginning in 2012, and continuing through 2013, the scope, size, and cost of The Readiness Center were expanded significantly from a 45,967 square foot facility to over 62,689 square feet. The project expanded from the original \$18,982,922 to an estimated \$26,982,922 for an \$8 million, or 42%, increase in cost.

An agreement, negotiated between OMD, CGCC, and the Department of Community Colleges and Workforce Development (CCWD), expanded the scope of the project to include areas for CGCC, OMD, and a shared common space. The additional \$8 million in funding came from a CCWD grant to CGCC.¹ The grant required an equal match of funds. The Department of Justice determined that OMD's original funding contribution for the project could be used to meet the grant's matching funds requirement. However, before the \$8 million could become available, OMD would need to fully expend its contribution, at which point it was contemplated that CCWD would pay the

¹ Article XI-G bonding provided by the Legislature in 2009 [SB 5506] originally intended for "Workforce Building."

remaining construction costs to the vendor. Later it was learned that CCWD is prohibited from paying the vendor directly and is only able to pass the grant to OMD. Contractually required vendor payments meant that OMD had to advance a portion of the \$8 million using revenue from its Capital Construction Account, which is then to be reimbursed once the CCWD funding is received by OMD.

The construction of the Readiness Center has been substantially completed with a certificate of occupation anticipated to be issued in early March of this year, if all remaining vendor payments are made.

At no time did OMD request from the Legislature, or the Emergency Board, authority to expand the scope or cost of The Dalles Readiness Center project. At no time was the Department of Administrative Services, or the Legislative Fiscal Office, notified by OMD of the expanded scope or cost of the project or of the agency's use of Capital Construction Account revenue on the project.

The Department's failure to adhere to standard state processes and procedures related to the budgeting of this major construction project is troublesome. However, the agency is now under new leadership, acknowledged its mistake, and is taking corrective action to ensure that it will not be repeated in the future.

The Legislative Fiscal Office recommends that an increase of \$8,000,000 Other Funds Capital Construction expenditure limitation for The Dalles Readiness Center be included in a budget reconciliation bill.