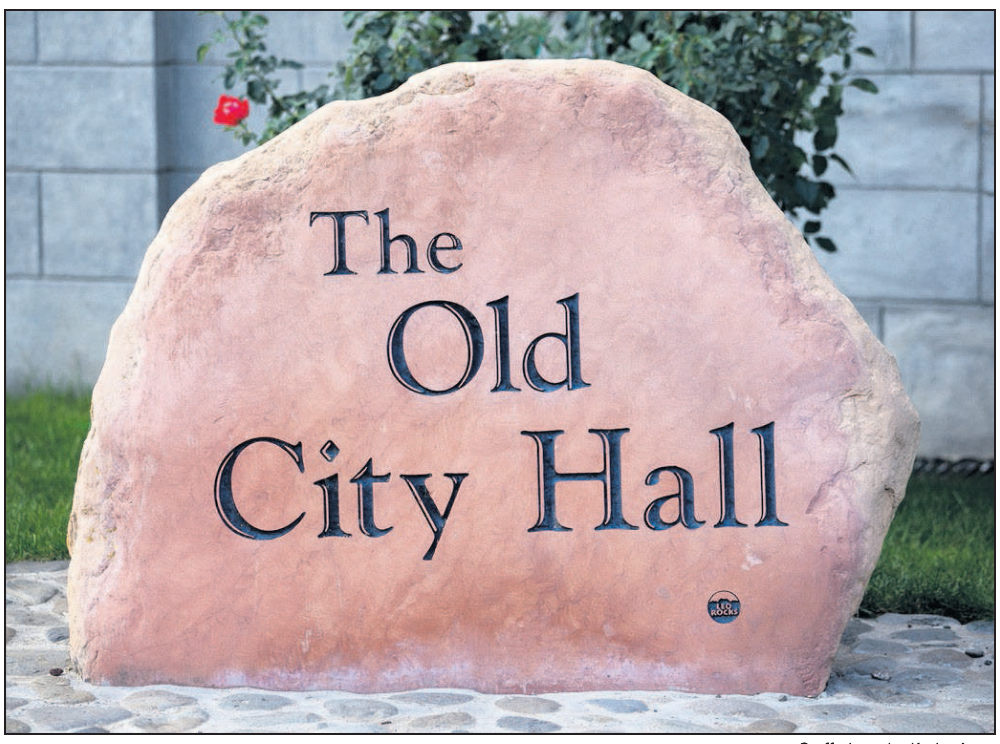

Staff photo by Kathy Aney

A rock marks the site of Pendleton's former city hall which was destroyed by fire in July of 2015.

CITY HALL: City can charge $500 a day for failure to act

Continued from 1A

With more than a year passing since old city hall's explosion, Wood said a lack of progress in restoring the building spurred the city to declare the building a nuisance.

"We just haven't seen progress at all," he said.

Wood said the city has worked with the Quezada family to obtain financing for renovating the building into an apartment complex. Commission associate director Charles Denight even created a financial plan to present to potential lenders, but the family has yet to apply for a loan.

With the unsealed building exposed to the elements and about to undergo a second winter, Wood said the value of old city hall is dropping on a daily basis.

That's where the nuisance ordinance comes in.

The city law states residents with fire damaged buildings must fully repair them within a year of a fire.

If the owners don't act, the city can either charge up to $500 per day until the building meets city code or take on the abatement project itself, billing the owners for the cost of the repairs.

The Quezadas have five days to abate old city hall, which Wood said was an unlikely scenario given the significance of the repairs, and three days to appeal the nuisance decision to the city council.

Jose Quezada said his daughter, Diana Quezada, has been the family representative dealing with the city on issues of the loan and regulations. Diana Quezada could not be reached for comment Wednesday.

Contact Antonio Sierra at asierra@eastoregonian.com or 541-966-0836.

Staff photo by Kathy Aney

A charred curtain flaps in the breeze Wednesday in a second-story window of the Old City Hall, which has remained a burned-out shell since the 2015 fire that killed 25-year-old Eduard Quezada.

EASTSIDE: Thompson has run store since returning to Hermiston in 1985

Continued from 1A

grow up who now bring their own children into the market.

Thompson said the collection started with a photo that a Little League team brought by years ago as a thank you to the market for helping them purchase uniforms.

"That was the start, and I kind of took it from there," he said. "I have twice as many in the back."

Thompson's parents owned Eastside Market before him. They bought it after he graduated high school. In 1985 when Thompson returned to Hermiston as an adult, he took over operations. It was nice having his parents available for advice, he said, but there was still a steep learning curve.

Even after he had a handle on what he was doing, Thompson said the job required a lot of long hours over the years. The store is open 17 hours a day or more.

"It's seven days a week, basically, because you're keeping tabs on things," he said. "You sleep with your phone."

> "I feel privileged to have been able to enjoy the little market that never was a 'convenience' store, but rather a 'neighborhood market.'"
>
> **— Jeremy Kile,** on Facebook

He has tweaked a few things over the years, but the overall formula has stayed the same.

Lately Eastside Market has been a good luck charm for Hermiston residents. The market sold a string of winning lottery tickets over the course of the summer, including three Scratch-It wins worth a combined $175,000.

When the market's Facebook page posted an announcement that Thompson was leaving, it was flooded with comments reminiscing about good times there.

"I can vividly remember going into Eastside Market when I was a young kid, and my children grew up right down the street from Eastside Market," Jeremy Kile wrote. "I feel privileged to have been able to enjoy the little market that never was a 'convenience' store, but rather a 'neighborhood market.'"

"I've spent so many weekends in there getting food and drinks with my sister and father before he passed," Adam Briley wrote. "Each time I remember Joe being the man on the scene. Times are a changing. Gonna miss you."

Thompson said he'll miss everyone as well, especially those who helped the market in various ways over the years.

"There's a lot of people who helped us get things squared away," he said. "We won't ever forget them and what they've done for our family here."

EOTEC: Livestock sales, attendance down

Continued from 1A

The county board also heard from Robert Pahl, county chief financial officer, who reported youth livestock sales were down about 10 percent at the 2016 fair, and overall attendance was down too.

In other business, the board approved moving forward with having county planning and environmental health departments take over permitting and inspection of on-site septic systems from the Oregon Department of Environmental Quality. Planning director Tamra Mabbott said permitting fees in the county come to about $100,000 a year, enough to cover the county's cost to do the work.

And the board approved several vehicle purchases, including $124,891 for the sheriff's office to buy four Ford police interceptor SUVs from a Gresham dealership to replace older vehicles. Commissioner Bill Elfering again stressed he would like departments to give local dealers at least the opportunity to bid for county business.

PERS: Investment council says expected returns unrealistic

Continued from 1A

government budgets across Oregon.

"We're beyond crisis," Katy Durant, chair of the Oregon Investment Council, said in an interview after last week's meeting. "We should have been addressing this 20 years ago and it's just been building. It's a little bit like a Ponzi scheme. Sooner or later it's going to catch up with you."

A handful of lawmakers are set to meet Wednesday in hopes of jumpstarting a conversation on pension reforms in the 2017 legislative session. They have a list of ideas already vetted by state lawyers. They say the ideas could help plug an $885 million budget hit looming over the next two years, fallout after the Oregon Supreme Court rejected most of a package of pension reforms negotiated in 2013.

But Democratic leaders, including Gov. Kate Brown, so far say they're not interested. In an interview this week, Brown said she saw pension costs as a very important issue, but "from my perspective, that list is not legally viable and not likely to result in significant financial savings."

It's a similar story from Senate President Peter Courtney, D-Salem, and House Speaker Tina Kotek, D-Portland. They insist there are no more money-saving moves that could be both legally viable and economically significant.

Remaining pension reforms would also mean cutting pay and retirement benefits for current state workers — which would alienate Democratic benefactors in Oregon's public employee unions.

Kotek and Brown are both backing a controversial, union-backed proposed tax increase on large corporations on the fall ballot. Measure 97 would raise $3 billion a year by taxing 2.5 percent of certain corporations' sales over $25 million. But Brown also said that revenue should be spent as supporters have promised: to beef up spending on schools and social services.

So why is the pension debt becoming a bigger issue now?

There's the sheer size of the deficit — $22 billion — at record heights even after a seven-year economic recovery. It's no longer a cyclical problem that a string of big investment returns could erase, board members agreed last week. The imbalance of assets and liabilities is now structural.

With interest rates at historical lows, financial markets aren't delivering the high returns needed to sustain the system. Public employers - financed by taxpayers - aren't contributing enough to make up the difference. And public employees are no longer required to contribute to their pensions.

"This problem is not going away," said John Thomas, a Eugene benefits consultant who chairs the pension system's board. "It is what it is. The math is the math...It's getting to a point now that it's difficult for people to accept what these numbers are."

As it stands, pension payments cost government agencies and school districts across the state about $2 billion every two years, and they're panicking about the $885 million, or 44 percent jump, in required payments over the next two years.

"That's just next biennium," PERS Director Steve Rodeman, said at the meeting. "There's going to be one just like that in the next biennium and very similar to that, under almost any scenario, in the one after that."

In other words, to pay down the debt over 20 years, the increase in pension payments over the next two years should be more than three times higher, or nearly $2.7 billion.

But, Rodeman said, "You bump up against reality in terms of how quickly employers can adjust to the higher rates they're going to need to be charged."

So the pension board artificially "collars" required contributions. In essence, by not making the needed minimum payments, the board is borrowing from the pension fund, adding interest costs and making the overall liability even larger.

The investment council, meanwhile, is bumping up against a different reality. Its members believe the system's assumptions for how much its investments will earn are unrealistic. The assumed rate of return is 7.5 percent a year. Over the last 10 years, pension fund investments have earned just 6.2 percent annually. Last year it was 2.1 percent. So far, this year, it's 4.6 percent.

"Can't we rip the band-aid off and deal with reality?" Durant, the outgoing chair of the council asked at the meeting. "We keep stacking more and more on because we're unwilling to deal with reality."

It's a math problem facing pension systems around the country. Pension payments are determined, in large part, by the income the system assumes from its investments.

If a pension system lowers its assumed returns, it has to make up the difference to keep its promise to retirees. That, in turn, requires higher payments — at the expense of other priorities — from government employers.

In Oregon, even a quarter-percentage-point reduction in the assumed rate would increase employers' payments by about $400 million every two years. Oregon already made that change last year, lowering what had been a 7.75 percent rate.

Getting the rate to 7 percent would be painful, and 6.5 percent excruciating. But Thomas, the pension system's chair, said the rate would likely be reduced again next year.

The discussion during last week's meeting turned to how else the state could address the liability. Durant and Adams said Brown and lawmakers could make extra payments, worth billions of dollars, to pay down the liability.

Lawrence Furnstahl, a pension system board member and the chief financial officer of Oregon Health & Science University, said the state should consider refinancing its obligation.

Oregon State Treasurer Ted Wheeler said the pension board and investment council should both be more active in advising the Legislature on debt-solving strategies — though that would push them into the realm of policy making.

"We cannot solve this problem alone," Wheeler, who takes office as Portland's mayor Jan. 1, hastened to add. "There is leadership required outside of this room."

Legislators weigh options but reach no consensus

By CLAIRE WITHYCOMBE
Capital Bureau

SALEM — A bipartisan work group aimed at reforming the state's Public Employee Retirement System started taking input on the issue Wednesday afternoon, but reached no consensus.

The system faces $21.8 billion in unfunded liability — money it owes to PERS beneficiaries but cannot pay.

Though several commenters, including the mayor of Hillsboro and a Bend-La Pine School District Board member, seemed to agree change is needed to both address growing costs to local governments and meet legal requirements, it was not clear Wednesday what direction the intended reforms may take.

While Sen. Betsy Johnson, D-Scappoose, described PERS as a "supercharged and emotional" topic, it's also complex — Steve Rodeman, the executive director of PERS, spent the first 45 minutes of the meeting providing a high-level explanation of the system.

In 2013, the Legislature passed a set of reforms aimed at mitigating growing costs, but those reforms were largely struck down by the Oregon Supreme Court last year. As a result of the decision and low investment returns, public employers will have to contribute $2.9 billion to the system in the next budget cycle, a hike of $885 million.

The Legislature is allowed to make changes to current public employees' benefits, but benefits that have already accrued cannot be altered, according to the ruling in that case, Moro v. Oregon.

With this parameter in mind, Johnson, and Sen. Tim Knopp, R-Bend, are leading the charge in an attempt to address the unfunded liability through a work group.

Legislative counsel has vetted 10 possibilities, and late last month released an analysis finding seven of them likely constitutional.

Johnson said the Aug. 31 findings by legislative counsel were not the only options available to legislators.

Senior Deputy Legislative Counsel Marisa James said that her office's Aug. 31 analysis of those possibilities was largely in agreement with a legal analysis presented this week by a Portland law firm, Bennett, Hartman, Morris & Kaplan, LLP, on behalf of five public employee unions.

In a letter submitted to Johnson and Knopp, representatives of those unions said they were "deeply skeptical" that the reform effort "is about finding 'solutions' or taking a broader look at all the budgetary challenges the state faces."

Some examples of those possibilities include instituting $100,000 cap on final annual salary used to calculate benefits, using a market rate for annuities, and using calculate the benefit based on the average of the last five years salary instead of the last three.

Another option would stop the practice of allowing unused vacation and sick time payments to be included when calculating the final salary.

In the Aug. 31 letter, legislative counsel acknowledged that some of these possibilities, though likely constitutional, could prove politically controversial and risk being challenged in court.

The three options that didn't make the cut set by legislative counsel included changing the retirement age, reducing a factor by which years of service and final average salary are multiplied in the formula used to calculate pension benefit, or discontinuing the pension program altogether.

Cheri Helt, a member of the board of Bend-La Pine Schools, in comments to Knopp and Johnson at the work group meeting Wednesday, said that her school district faces significant personnel cuts as a result of increased PERS costs.

Tim Nesbitt, a former adviser to former governors John Kitzhaber and Ted Kulongoski, in comments Wednesday at the request of the Oregon Business Council, said that the state must be mindful of moderating cost increases as a percentage of local government and district payroll.

He said that continued increases could divert money from the local services that those districts and governments provide.