

DON BURDICK

TAPE 2, Side 1

October 31, 1996

M.O'R.: This is a continuation of the interview with Don Burdick on October 31st, 1996.

So obviously you're focused on the Tualatin River, then, in terms of it being the major water source here for the lake?

D.B.: We are. There are two aspects to water as we take it. One is the volume of water, the quantity of water that we take. We take water according to our water right. And the other is the quality of water. You can make power with poor quality water, but poor quality water has real problems in terms of people living around it or swimming in it or water skiing in it or looking at it. So we have a lot of concerns about water quality, and thus our increasing involvement in and trying to influence the direction that Washington County residents take in their custodianship of the Tualatin River.

M.O'R.: Okay. And we'll get into that in just a minute.

You joined the Lake Corporation, then, while you were president of the bank?

D.B.: Right.

M.O'R.: And then a short time after that you started your own mortgage company - in 1980, was it?

D.B.: Right.

M.O'R.: Maybe just a couple words on that before we leap into the subject of the Tualatin. What made you decide to make that change, since you said you loved your job at the bank?

D.B.: Oh, I loved my job at the bank. Well, times are changing in the banking industry, and so I was transferred - promoted into a job in downtown Portland, being a supervisor of a series of branches, 20 branches in the system.

M.O'R.: At that time the bank was ...

D.B.: It was the Oregon Bank. But I've got to tell you, that's not as much fun as being on the firing line. You know, you're just talking to other managers and trying to get them to do the right thing. Most of them were pretty talented people, so it wasn't a bad job, but it wasn't as much fun as making decisions about - with customers.

So one of the ideas we had is there ought to be a way to make intermediate term loans on commercial projects. We had watched the success of a company called U.S. Creditcorp, which is a division of U.S. Bank. So I wrote a position paper saying that I thought that I could start a company for the bank, making loans on real property - these would be intermediate term loans, highly collateralized, big fees, big interest rates.

So the bank let me try that, and they formed a subsidiary, and I became president of the subsidiary, and we called it Mortgage Credit Corp., and we were off to the races. We started making a few loans, and pretty soon we were growing so fast that we had become more profitable than the bank. We weren't nearly the size of the bank, but our margins were enormous. It was a great business, and we were chewing up money faster than what the holding company could supply us with. They just didn't have the resources to keep funding us.

There was a time when - well, it doesn't seem big today, but this was a little bank, but we were going through \$5 million a month in terms of new loans, and somebody has to fund all that. So Orbanco, which was the parent organization, called a halt to that, and they sold the portfolio that we had built up, and there was no place for me to go.

So when I left I started a mortgage company, right here in Oswego as a matter of fact, because it's what I knew how to do. I mean, I knew how to make loans. The problem of course is when you

form your own company to make these loans, you've got to have someone to write the check. So now I had the new challenge - getting the business was easy because I knew everybody, but getting a place to sell the loans, that was more difficult because I had to find out how to fund them. So we were calling on insurance companies and pension plans and credit unions and others who had funds to fund our loans that we were creating. Now, these were not conventional vanilla-type loans in the sense of people borrowing money on their house that are well qualified. These were industrial, commercial, land loans ...

M.O'R.: Higher risk than ...

D.B.: Well, the perception was that they had a high risk. My own opinion was they were much lower risk. I mean, I can't imagine why anybody would want to make 90 percent loan or a 95 percent loan on a house at an eight percent interest rate, for example, in today's world, when they can make a loan at 50 percent of value on a piece of raw land and charge 15 percent. I mean, it doesn't make any sense to me, but the banking industry makes loans based upon a different criterion than the one that I was using, and the one that I was using was like a contrarian viewpoint.

So anyway, that's what I did, and the mortgage company had a mediocre success. I sold the mortgage company, but I continued doing exactly the same thing, and in fact to this day it's what I do. When I'm not working at the Lake Corporation, I make loans. I have a group of investors here in Oswego that have joined together and we fund these loans directly. It's great fun. It gives me just enough taste of banking that I can harken back to those good old days, and I can probably do it, you know, for as long as I'm around to continue on.

M.O'R.: Well, it sounds good.

D.B.: It is good, and it's great fun. This has nothing to do with our interview, but it's fun talking about it. Someone said one time, "Well, Don, what is your lending criteria?" because banks have all these lending criteria that they go through about good credit and ability to pay and solid collateral and cash flow, a lot of which is not really the criteria we go by. The criteria we go by is we'll make a loan where the worst thing that can happen is it will pay exactly as agreed. It's exactly the opposite of what the banks do. And the reason I say that is if the loan pays early, then whatever discount fee you charged, you get it sooner. So your earnings go up. If it pays exactly as agreed, then you've got to wait for a long time to get your discount fee. But if it doesn't pay at all, in other words, you have to ultimately take the property back, if you've underwritten it properly at these low loan-to-value ratios, you're going to take the property back and sell the property for far more than the amount of the loan. And for exactly that reason, people never let their properties go. In 20 years of doing this, I've only taken back two properties, and I've doubled my money on each case.

So the mortgage business that I got involved in is a little bit of a contrarian business. It's called hard money lending, and we buy mortgages on contracts at deep discounts to get a higher yield than you could get with a savings account.

Interestingly enough, I have on my wall a plaque - my grandfather started a company that did exactly this same thing in 1909, and it was called the Oswego Bond and Mortgage Company. I didn't know that he had been doing that until actually recently, but I thought it was interesting that it - my dad didn't do it, so it skipped a generation, and now I'm doing the same thing my grandfather did way back when.

M.O'R.: Well, who knows? Maybe seeds were sown somewhere along the line.

D.B.: Yeah, maybe so. Maybe there's a genetic trace.

M.O'R.: When you got on the board of the Lake Corporation, you said you were really happy to be invited to become a board member. How many board members were there at that time?

D.B.: Twelve. There are still 12.

M.O'R.: What were the issues when you first joined that the Lake Corporation was dealing with?

D.B.: I think the major issue we were dealing with was we could not control the quality of water in this lake. It was controlled by forces over which we had no influence.

M.O'R.: So even in '78 or '79, then, there was a perception that that was ...

D.B.: It was becoming a problem. It was becoming a problem. The community had been sewerred; sanitary sewers and been a big improvement in water quality. But it was deteriorating again because the Tualatin was deteriorating, and the Tualatin has always had a lot of siltation in it, but the Tualatin now is having even more, and it was loaded with lots of nutrients, and the nutrients were coming from sources which we didn't know what to call them, but now the terminology is out there, and they're called point sources, which really were the two big Unified Sewerage Agency plants at Durham and Rock Creek, and a lot of non-point sources, which was really the agriculture community at that time.

Now currently this high-tech industry is contributing a lot of, we believe, toxic substances into the water streams. I want to be real careful about that because they swear up and down that they're not doing it, it's just that our water testing shows that it's coming from somewhere, and that's where we think it's coming from.

M.O'R.: So you do your own independent testing, then, here?

D.B.: We do. Currently we have a testing lab. At that time we did not. But we run regular tests on our own water. We do lots of things today that we didn't do then.

For example, starting about the mid-80's, we started doing water quality studies of our lake to try and determine what are the things we should do preserve and protect this body of water and to maybe enhance its water quality.

In addition to that we started a program of internships in the summer where we go to the colleges across the nation that are noted for their - it's called limnology, the study of freshwater lakes - that are noted for their schools of limnology, and we invite applicants to apply for an internship here during the summer months. We get excellent applicants, and we choose from among them according to the project that we want to conduct. This has been very helpful in helping us understand our lake.

Managing water quality in a lake is scientifically-based, but then there's a lot of art involved at that point. To their credit - we may want to talk a little bit about why the Unified Sewerage Agency does as much good work as they do today, but to their credit, the Unified Sewerage Agency does a lot of testing now on the Tualatin River and is a pretty good evaluator of the water quality up there. And there's a lot more awareness on the Tualatin amongst the public, that it's a water body to be protected, that it has some tremendous recreation values. And I think there's a lot of pressure on community leaders in Washington County to continue to protect the water quality in the river.

M.O'R.: Now, in those first days when you were a new member of the Lake Corporation, you say that there was a growing perception that you couldn't control the water quality of the lake.

D.B.: That's right.

M.O'R.: Do you feel that you have that control now?

D.B.: No. No, the world is a far more complex place to live than it was only 10 or 15 years ago. It will be interesting; I mean, I don't know if anybody will ever listen to these tapes 50 years from now or 100 years from now, but they'll probably view the world in which we're operating as being relatively simplistic. But truly, in 1979 we didn't have any water quality testing. I mean, we just accepted our fate, in a way. But there was on the board those - particularly Carl Halvorsen, who was a great leader in Oregon through the 40's and 50's and 60's, 70's. He's elderly now, but he built lots of dams, built major structures, lived on the lake and was very concerned about water quality. Really a pioneer in the way we think.

We began to see that we had to get involved with the sources of the water coming into the lake and find ways to stop the bad water and encourage the good water. So there was a lot of meetings, there still are, lots of meetings, lots of groups. There's no one single body that manages water in the Tualatin Basin. Unified Sewerage Agency has kind of assumed that role, and they're moving in that direction, but there must be 50 regulatory agencies that affect water management in the state of Oregon, and they all are competing with their own agendas. It needs something like an integrated management system inside Washington County to get on top of it.

I personally think that Unified Sewerage Agency is the agency to do that because right now the quality of water that they're dumping in the Tualatin is cleaner than the water that's in the Tualatin. In fact, we've had discussions that we'd be better off if we ran a pipe directly from the outlet of the Durham sewer plant to our lake than to take the water that's in the Tualatin. I mean, that's - we wouldn't have said that in 1979. It was far the

opposite. But it's an illustration of how far they've come with their technology.

M.O'R.: Especially, I guess, in terms of the nutrients, the phosphorus and ...

D.B.: Oh, the nutrients are the worst. Our enemy is phosphorus. The same phosphorus that makes your grass green grows the algae in our lake, and it's terrible sludge.

M.O'R.: In terms of appearance around 1980 when you were first on the Lake Corporation board, could you actually see the evidence of the water quality problems?

D.B.: Oh, yeah. There were cartoons in the local newspaper about the poor quality of lake water. The lake water quality has actually been improving since that time. We do scientific testing to test the phosphorus content. There are a couple other measures that we use. One of them is called a Secchi. It's S-e-c-h-i, I believe. Secchi was a Frenchman 150 years ago who tried to figure out how do you measure clarity in water, and he developed a disk - it looks like a discus, and it's half black and half white by quarters, and you drop this disk down into the water, and when it reaches the point that you can't see any longer, that's call the Secchi depth, and that is a rudimentary system for water clarity that has been in use over 100 years.

Our goal here is we want to have two meters of Secchi depth; that is, we want to be able to drop a disk into the water, it's about 10 inches across, we want to drop it into the water and still be able to see it at two meters. For one thing, there's a safety aspect to that because around our shoreline if we can see six feet down in the water, or two meters, if someone had drowned or someone was at the bottom, we'll probably see him at that depth, so there's a safety reason for it. But it's also a measure of clarity, and that is our goal.

We are achieving that about 90 percent of the time. Not this year, we had a big flood this year. But in prior years.

M.O'R.: When you take that measurement, does it depend on lighting at all?

D.B.: No.

M.O'R.: So no matter whether it's an overcast day or a bright day ...

D.B.: Yeah. You can still look down and see it.

M.O'R.: And you get a consistent measurement?

D.B.: Yeah. You just keep dropping it till you can't see it, and then you mark your - and we're keeping pretty good records now.

The reasons you can't see into the water are the algae bloom, of course, blocks the view, but the other aspect is what are called suspended solids, and the Tualatin also had, besides having a lot of phosphorus to encourage the algae bloom, the Tualatin also has a lot of suspended solids. These are tiny little particles, mostly of dirt - although it's interesting that the phosphorus adheres to the dirt, so if you have high total suspended solids, you also have high phosphorus, usually. But those suspended solids are what we call silt or sedimentation.

One of the other risks when we bring water in from the Tualatin is we import all of this sediment into our own basin, which we don't want. It settles out in our lake, and in the long view, it's called the meadow theory, if you just keep bringing it in and you don't dredge it out, you're going to have a meadow there at some point in time. The area is flat, and so there would no longer be an Oswego Lake, there would just be a meadow out there. And so we are trying to reduce the amount of total suspended solids in the Tualatin as well, and USA is helpful in that.

M.O'R.: I have a note here that you were right away appointed to the water quality committee of the board?

D.B.: Yes.

M.O'R.: And you sat on that with Halvorsen; is that right?

D.B.: No, actually we didn't have a water quality committee when I first got on the board. It was several years later. When it was created, then I was appointed to it, and I served on it. There was always another leader. What happened is the leaders - each successive leader has been smarter and more involved in limnology than the last one, and so we have a very high quality water quality committee on the corporate level.

M.O'R.: But in 1978-79, you weren't there at that point? I mean, there wasn't even a water quality committee?

D.B.: No. It was one of the things the board talked about, but my recollection was that there was no formal committee. We had things like a nominating committee and an audit committee - you know, like corporations do.

M.O'R.: You mentioned Carl Halvorsen as being a pioneer in this area; so he had concerns about water quality.

D.B.: Yeah.

M.O'R.: Did he have views as well in terms of what to do about it?

D.B.: Yes, he did. One of the ideas was we should do more dredging, but from a preventative standpoint the idea has continually surfaced maybe we should just take less water from that Tualatin; that would help to solve our problem. But of course if we take less water from the Tualatin, then we don't have the water to manufacture power, and if we don't have the power, we don't have the revenue, and if we don't have the revenue, we can't run the lake. So it's a self-defeating kind of a circle.

M.O'R.: So the corporation actually does depend on the power generation for some revenue?

D.B.: We do. We manufacture maybe \$100,000 a year of power - I mean, we sell power into the PGE grid as a utility. So that's important for us, but increasingly we're looking - \$100,000 is a lot of money, but increasingly we're looking at it and we're saying, "Wait a minute; maybe the cost of manufacturing the electrical - of generating the power is greater than the revenue that we're getting." By that I mean if you're bringing in silt, some day you're going to have to go in and dredge it out. Well, if you look at the cost of that future dredging operation, combined with the normal operation of power, maybe it's more expensive to bring the water in than - maybe the candle isn't worth the flame.

M.O'R.: And do you think that the water quality of the lake would actually improve if you didn't have the Tualatin water flowing through it?

D.B.: No doubt about it.

M.O'R.: So the surface water that runs into the lake from other sources, then, in the basin ...

D.B.: It's much cleaner. I mean, it's still a big contributor of problems to our water quality. For one thing, though, it's a smaller area, and we have more influence in our own community than we do in all of Washington County.

One of the measures of the quality of a lake that is fairly predictable is the smaller relationship between the water body and the basin that drains into it, the higher the probability of good water quality. For example, Crater Lake: Crater Lake is almost as big as the basin that drains into it. The basin is only incrementally larger than the lake itself. It has extremely high water quality. Here in this basin, our lake is 415 acres, but the Washington County drainage basin for the Tualatin is 700 times as big as our lake. So we're at exactly the opposite end of the spectrum. We're a small lake taking drainage from a huge area. So

all of the toxins and the nutrients and the bacteria that gets into the water in that vast area settles into our lake, and it's very difficult to combat that. If we didn't take any Tualatin River water, we'd probably be in pretty good shape as far as water quality goes - well, excuse me, we'd be in better shape, and also we have a lot more influence in our own basin than we do out in Washington County.

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