



STATE OF OREGON

INTEROFFICE MEMO

TO: Governor Atiyeh

FROM: Gerry Thompson *Gerry*

SUBJECT: Telecommunications Project

DATE: March 19, 1985

I have informed all necessary players of your decision.

Katz and Kitzhaber: Informed them in a joint meeting of your decision to proceed with the bids and that you have talked with Thorne. Reaction: "Good!" "Relieved."

Wyers: Same as above.

Van Vliet: Understands decision to go--agrees we need to protect integrity of bidding process. Thinks now that a three year delay was too long but still feels there should be at least a one year delay.

L.B. Day: (Never returned calls)

Meeker: Informed him only and offered our information to him if he needs.

Campbell: Informed him of decision. Understand. Not good for him personally--but we don't need to explain our actions. "Gotta do what we gotta do."

Fawbush: Is glad for our decision. Felt it was a mistake for the legislature to get involved and personally worked to stop it.

Thorne: Says go ahead--everything ready but doesn't remove his problem. Also raised legal question regarding financing arrangements.

Wolfard and Stevers: Stevers agrees we need to open bids. Warned us about financing question. Also is researching whether or not PNB failed to bid or if RFP's prohibited them from bidding. Wolfard still has not called back.

Gribbling and Wilhelms: Both were not pleased. Will challenge the expected financing arrangement. Both admit bids should be opened and ~~revoked~~ **reviewed**. Reminded them they have 20 days to appeal.

Norm Smith: Thinks we made a fair and correct decision.

Claire Coxey: No real reaction--just thanks for informing him.



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Huston has been advised of all of the above.

Two new rumors picked up today:

1. Method of financing the new system through LPC's is unconstitutional based on the case of Martin vs. Oregon Building Authority (Capitol Wings). All had to do with the state's debt limitation. PNB will ask for an AG's opinion through someone else which they know will verify the unconstitutionality.

Huston assures me they are not using LPC's; they are using "vendor financing." All has been done with the advice of the AG's office.

2. A Portland attorney, Tom Gilbert, referred to me by Vera Katz says he has a client who says the bidding system is full of deficiencies and can be challenged. He would not reveal "his client." Claims the cost-benefit analysis is inaccurate and any system purchased would be outmoded in two years. Recommends we delay and hire an outside consultant to do an in-depth review. (His client often works for the state as an outside consultant.)

Huston assures me they have been using Bechtel and Associates as an outside consultant throughout the process.

GT:sg
Attachment

P.S. AG's office has assured me the financing arrangement will be bid with flexible enough language that final details can be worked out and constitutionally maintained.

P.S. #2 Norm Smith just stopped by and had just received notification from his office that GT was awarded the bid. Apparently Jane Huston had gone ahead and notified all bidders and made the actual award. This now puts us into the 20-day appeal period and we probably can expect further trouble from PNB.

Norm Smith says to tell the Boss thanks for a job well done, even though AT&T was not the winner.