

**CITY OF JOHN DAY
CITY COUNCIL MINUTES
JOHN DAY, OREGON**

December 9, 2014

Adjourned Meeting

COUNCILORS PRESENT:

Ron Lundbom, Mayor
Steve Schuette, Council President
Paul Smith, Councilor
Don Caldwell, Councilor
Donn Willey, Councilor
Louis Provencher, Councilor

COUNCILORS ABSENT:

STAFF PRESENT:

Peggy Gray, City Manager
David Holland, Public Works Director
Richard Gray, Police Chief
Valerie Luttrell, Dispatch Manager
Tyler Smith, Police Officer

GUESTS PRESENT:

Gregg Haberly, 195 Ford Rd., John Day
Anna Bass, OPG
Amy Walker, OPG
Kent Bailey, Guyer & Associates, CPA
Mike Cosgrove, John Day
Dale Mosier, John Day
Phil Gray, KJDY

Agenda Item No. 1 – Open and Note Attendance

The John Day City Council meeting opened at 7:00 p.m. Mayor Ron Lundbom noted that all Councilors were present.

Agenda Item No. 2 – Approval of City Council Minutes of November 18, 2014

The minutes of the November 18, 2014 adjourned meeting were included in the agenda packets and were presented for the Council's approval.

Councilor Paul Smith made a motion that the minutes of November 18, 2014 be approved as presented; Councilor Don Caldwell seconded the motion. The motion passed unanimously.

Agenda Item No. 3 - Appearance of Interested Citizens

Mayor Ron Lundbom welcomed those in attendance and asked everyone to please sign in. He asked if there were any additional items that anyone would like to add to the agenda. There were none presented.

Agenda Item No. 4 – Introduction of new Police Officer Tyler Smith

Mayor Lundbom introduced Tyler Smith, new police officer for the John Day Police Department. Officer Smith introduced himself to the John Day City Council giving the council a brief history of his background. Mayor Lundbom and the Council welcomed him and his family to John Day.

Agenda Item No. 5 – Discuss for approval the Fiscal Year 2014 Audit by Guyer & Associates

City Manager Gray introduced Kent Bailey from Guyer & Associates CPA, who was present to give the audit report to the City Council.

Mr. Bailey presented a letter to the John Day City Council and directed them to audit opinion of the Independent Auditors' Report and Financial Statements for the year Ended June 30, 2014 that was included in their council packets. Mr. Bailey stated they audited the financial statements for the City of John Day for the year ended June 30, 2014; management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and then it is the auditor's responsibility to express opinions on the financial statements based on their audit.

In Mr. Bailey's opinion, the financial statements referred to above fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of John Day, Oregon, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Financial Highlights:

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$5,381,451 (net position). Of this amount \$1,454,968 is unrestricted and may be used to meet the City's ongoing obligations and pay for day to day operations (Mr. Bailey stated the City has a good net position, however, not a lot of cash to spend as most of it is in fixed assets).
- The total net position increased \$76,162 during the year, and the majority of this increase is due to an increase in federal forest fees from Grant County and increased profits from City utilities.
- Governmental funds reported combined ending fund balances at year-end of \$362,473, an increase of \$25,851 as compared to last year (this excludes water and sewer funds).
- The General Fund's unassigned fund balance at the end of the current year was \$175,867, or approximately 32.7% of total General Fund expenditures and transfers (in other words the City could run about one-third of a year and then be broke if the City did not receive any other funds).

Mayor Lundbom asked if a third of the year is normal for other cities; Mr. Bailey response stated a third is probably in the middle to average for a city. He said it's a good number and not to be worried about it; however, it also tells you that you're not rich.

Mr. Bailey referred to page 10 – Management’s Discussion and Analysis, the last two paragraphs stating the City is getting ready to build a new fire station and issue general obligation bonds that were authorized at the May 20, 2014 primary election. This project will change the City’s status and reminded the Council about the need for a new wastewater treatment plant estimated to cost \$8.2 million and the need to fund the project through sewer rates, federal grants and loans.

Mr. Bailey informed the City Council that GASB 68 is on the horizon and is out of the City’s control and it comes into effect next year. He stated the PERS unfunded liability one year ago for the City of John Day was \$152,000; next year on the government wide financial statement, there will be an adjustment to the City’s fund balance, the City will have \$152,000 less because they will book that liability on the government wide financial statement. Mr. Bailey stated he did not think it is the wisest thing to do because that number is so volatile. An example he gave was one year prior that number was \$511,000; so in one year we had a \$350,000 swing in the way the stock market dealt with that liability. But GASB 68 is required and it will be on the financial statement next year as a liability, he stated it’s a real number but it’s a number that you will accumulate over the next 30 years.

Page 12 – Cash investments at the end of the year was \$1,504,927 compared to June 2013 which was \$1,310,465. The City had a \$194,462 cash increase at the end of the year. He referred the Council to look at the unrestricted for the governmental activities of \$268,575; he reminded the Council that next year he is going to book a liability of \$152,000. So if things remained exactly equal, he would reduce that number by \$152,000 making the fund balance net \$110,000 and then he would increase the total liabilities from \$153,000; he would double that liability to \$311,000.

Investments in capital assets (buildings and infrastructure) this year netted depreciation \$5,405,043; prior year \$5,611,499. What that says is the depreciation that they booked for assets of the City of John Day exceeded the amount that we invested in fixed assets. The City invested \$53,000 of additions and had about \$326,000 in depreciation. In the current year, the City did not invest as much in fixed assets as we wore out and the City got farther behind; total assets this year \$7,986,662 compared to prior year of \$8,070,660.

Total liabilities this year is \$2,605,211 compared to prior year of \$2,765,371. The City paid down their debt \$160,000 or 5.7% decrease; which is good because next year when we build the fire station, the debt will go back up again. Overall fund balance of the City is \$1.4 million compared to prior year of \$1.2 million, so we had a healthy increase overall and had a pretty good year for a small city.

Mr. Bailey presented a white paper entitled a Condensed Statement of Changes in Net Position:

For Government Activities:

- Total revenues were up \$126,097 which is an increase of 11.6%. \$82,821 of this increase was due to an increase in operating grants in streets.
- Total expenses were down \$67,242 which is a decrease of 5.0%. This was probably due to a decline in public safety expenditures (see below).
- The net position on a modified accrual basis decreased by \$53,753.
- Streets expenses were up \$13,408 or 5.7%.
- The decrease was \$79,452 or 8.4%. This decrease occurred in the following areas: Police down \$43,982, Fire down \$20,159 and Emergency Services down \$15,311.

For Business-Type Activities:

- Revenues increased by \$32,589 primarily due to the rate increase enacted last year. This was a 2.9% increase. Mr. Bailey explained the positive news is that we came from a loss in 2012 to a

small profit in 2013; to a larger profit in 2014 due to the rate increases over the past few years. Mr. Bailey explained the rate increases are necessary if you want some reserves in order to be able to do some capital improvements in the future.

- Expenditures decreased by \$57,592 or .54%.

Pages 24-25 – Statement of Net Position for Water and Sewer Funds; Mr. Bailey stated in 2014 we had \$925,794 in cash compared to \$749,319 in 2013. An increase of \$176,475; \$75,800 increase was in the water fund and \$100,675 was in the sewer fund. Mr. Bailey explained that if you take that \$100,000 increase in cash in the sewer fund and you decide that you'll save that \$100,000 in cash each year and do our own wastewater treatment plant, it would only take you 81 years to accomplish that. Mr. Bailey explained therein lies the problem, we had a good year this year but because we need so much money to build the new treatment plant, we need to look into the future to figure out how we're going to do that.

Pages 28-29 – Net increase (decrease) in cash. We had a net increase of \$75,800 in the water fund and \$100,675 in the sewer fund. However in depreciation expense for the water we had \$130,186 and depreciation expense for the sewer we had \$60,429. One way to think about having enough money to take care of your fixed assets is that you have to fund your depreciation. In our water fund, we didn't fund our depreciation by about half; Mr. Bailey stated that this tells me that would be your basis for a rate increase (meaning that when equipment wears out in the water department; we don't have the money to replace it). In the sewer fund we do have enough money to replace it; but the problem is if you look at the previous page 24, our total accumulated depreciation in the sewer fund is \$1,839,093, the cash that we have available to replace those depleted assets is \$587,000 so we're \$1,251,000 short; not even taking into effect that we need to build a \$8.2 million treatment plant. Mr. Bailey stated that you could wait to raise the sewer rates until you start to build the treatment plant or you could start building up some reserves. Mr. Bailey stated you will probably have to borrow money to build the new treatment plant; for every dollar that you have available to put down towards the project, you will save you \$2.00 - \$2.50 in interest as you pay for the project; what you save now, saves you money in the future. Mr. Bailey stated the question you need to ask yourself is when, because we know we have to raise rates. The decision you need to make is now or later, the longer you put it off the more it's going to cost in the future. Mr. Bailey informed the Council that even if you weren't going to build anything in the future, I would suggest you still raise the sewer rates because we're about \$1.2 million behind in the curve right now in just replacing what we have in the ground right now.

Mayor Lundbom asked Mr. Bailey that just because it depreciates on the books that doesn't mean that the facility or other assets are in a worse overall condition. Mr. Bailey's responded by stating it is an estimate but when you look at the lives of the infrastructure that is in the ground, we said the infrastructure will last 50 - 60 years, he thought that was a pretty real number although it's not exact, but he thought it was in the ball park, but Mr. Bailey empathized that he thought it is a good way of estimating.

Page 37 – Shows the PERS contribution. Three –year trend information for PERS costs as required by GASB 27 is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>
June 30, 2012	\$106,301
June 30, 2013	\$ 96, 154
June 30, 2014	\$102,997

Page 38 – Summary of the City’s Debt as follows:

<u>Loan Description</u>	<u>Payable at June 30, 2014</u>
Special Public Works Fund Loan - Water System Improvements	\$ 775,467
Special Public Works Fund Loan – Airport Industrial Park	\$1,570,825
Stella Lang Purchase Agreement	\$ 97,977
Accrued Compensated Absences	<u>\$ 68,391</u>
Total	\$2,512,660

Page 80 – Property Taxes, the amount of taxes assessed for the year June 30, 2014 was \$279,725. The amount collected for the City of John Day was \$258,170 and that is 94.5% of what was assessed was collected. Mr. Bailey stated that was a pretty good collection ratio and that is the “Bailey” method of seeing how our economy is doing. Last year the number was 93.8% so that means the economy is a little bit better and it’s about in the middle of the range of collection ratios historically. The worst Mr. Bailey has seen was 89.8% and the highest was about 98.8%, so it’s about in the middle of the range.

Page 81 – Audit Comments and Disclosures. Compliance report required by the State of Oregon, the City of John Day met compliance in all areas of the laws required within the State of Oregon.

Page 86 – Internal Control Report – deals with the process of reporting transactions within the City and how those processes protect the City against loss from misappropriation. Mr. Bailey believes the internal control process is appropriate for the size of the City of John Day, they believe the system that we have is adequate for the City of John Day and they didn’t come up with anything that they felt was a weakness that needed to be reported under government standards. Mr. Bailey stated this is more important than the clean audit up front; this says you put your system of accounting together appropriately so that it reduces the risk of loss to an acceptable level.

The final letter Mr. Bailey presented to the City Council was SAS 114 115 management letter which is a required letter of communication to those in charge of governments. Mr. Bailey highlighted the following areas:

- Significant Audit Findings: None reported
- Difficulties Encountered in Performing the Audit: None reported
- Corrected and Uncorrected Misstatements: During the audit, they detected several misstatements, which have subsequently been corrected by management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the statements taken as a whole.
- Disagreements with Management: No disagreements arose during the course of the audit.
- Management Representations: Management signed the management representation letter dated November 17, 2014 and have given them everything they asked for.

- Management Consultations with Other Independent Accountants: There were no consultations with other accountants.
- Significant Deficiencies and Material Weaknesses: There were no significant deficiencies.
- Other Audit Findings or Issues: During the audit they identified two issues that they recommend the City consider:
 1. A good system of internal control over payroll transactions includes proper approval of an employee's time before the check is prepared. In reviewing the City's Payroll System we noted one instance where an employee does not have documented supervisory review of their time card. The senior accounting clerk did not appear to have anyone reviewing and approving her time prior to when the check was prepared. We recommend that the City Manager review and document the approval of her time card before payroll is prepared.
 2. This year when observing the public works department it became apparent there were materials in the area that were not for a specific job. We then inquired if the City maintained an inventory of the materials on hand as of June 30, 2014. It was determined there are currently no inventory records maintained by the City. The purpose of an inventory system is to provide proper accountability over the City's assets and to reduce the risk of loss due to an unauthorized use. We recommend that an inventory system be established for the city's inventory. At a minimum the inventory system should be able to track the following details by item:
 - a. The amount purchased during the period both by quantity and price.
 - b. The amount used during the period both by quantity and price.
 - c. When inventory is used the requisition should indicate what project the inventory is to be expensed.
 - d. The inventory at the end of the period that includes the quantity and the total cost by item and in total.

Mayor Lundbom asked if there were any other questions of Mr. Bailey. Councilor Louis Provencher asked City Manager Gray if discussion have been made about the John Day Rural Fire District paying the City for their share of the land for the new fire station. City Manager Gray stated it has been discussed that if there is money left over from the bonds that they would consider repaying the City for their share of the land; however, it all is dependent upon the final cost of the building.

Councilor Provencher referred to page 5 of the audit report which stated the City continues to spend reserves in governmental activities to maintain the present level of services. Councilor Provencher asked Mr. Bailey if he had any advice. Mr. Bailey stated the City in the last couple of years has maintained their reserves at a fairly constant level, which is commendable. Mr. Bailey explained that Baker City took a huge hit to their reserves because of a water issue. It was about three million to do the project; they took one million out of their water reserves and borrowed two million. That pretty much depleted their water reserve; however they did have one million to take. Mr. Bailey stated how do you convince the taxpayer that they really should pay more because in the future we might have a problem? Mr. Bailey stated the City has done a pretty good job on staying level but we haven't accumulated anything extra.

There being no more questions, Mayor Ron Lundbom asked for a motion to accept the Independent Auditors' Report and Financial Statements for the Year ended June 30, 2014.

Councilor Louis Provencher moved to accept the Independent Auditors' Report and Financial Statements for the Year ended June 30, 2014. Councilor Donn Willey seconded the motion, the motion passed unanimously.

Mayor Lundbom thanked Mr. Bailey for his report; and thanked Oster Professional Group for their work also; Mayor Lundbom stated their work was a big part of the audit being so successful.

Agenda Item No. 6 – Discuss for Adoption Resolution No. 14-734-20, a Resolution establishing Water Rates, Deposits, and other related charges

City Manager Gray explained Resolution No. 14-734-20; a resolution establishing water rates, deposits, and other related charges proposes to raise our current water rates for residential customers from \$31.50 to \$33.00, a \$1.50 rate increase per month beginning January 1, 2015.

As per the City Auditor Kent Bailey's presentation, it is necessary to raise water rates each year in order to keep up with the cost of inflation and to put funds into our reserve account for future repairs, improvements and depreciation.

City Manager Gray referred to a copy of the City of John Day Rate Study that was included in the City Council packets. This study was completed in 2009; a tentative rate schedule for the next 6 years is included in the rate study. City Manager Gray stated that even with the \$1.50 proposed rate increase; we are \$1.00 under the "planned 2015-2016" base rate of \$34.00 per month.

She also noted that we have not been increasing our overage rate at the study's anticipated per 1,000 gallons over the base. Our current resolution sets the additional usage rate at \$2.50 per 1,000 gallons (or \$0.00250 per gallon) between 4,000 and 20,000 gallons and \$3.10 per 1,000 gallons (or \$0.00310 per gallon) for usage over 20,000 gallons.

City Manager Gray explained that City Recorder Anna Bass ran the numbers on the cost of operating the water system; the cost to produce water and to operate the water system was \$4.81 per 1,000 gallons of water.

Dale Mosier stated he was the owner of a few rental properties in John Day and he receives calls from his renters complaining about how much it cost to water their lawns. He wondered if the City would consider crediting back the unused gallons that they are being charged during the winter months when they are watering their lawns in the summer months.

City Manager Gray stated it would be difficult to credit it back in the summer as the base rate is what we rely on to guarantee receiving funds to maintain the system. Public Works Director David Holland stated the base rate is why the overage rate is lower. He said if you look at what it costs the City to operate the system of \$4.81 per thousand gallons versus the cost of the overage that we're charging for anything over the first 4,000 up to 20,000 gallons at \$2.50 per thousand, that's about half of what it's costing us to operate the system. By charging the next overage step of \$3.10 per thousand over the 20,000 gallons and with the set base rate for the first 4,000; we come close to what it cost us to operate the water system. Public Works Director David Holland stated if we start crediting that back, we would lose money.

City Manager Gray stated we are open for suggestions if you think it would be better to raise the overage rate, we can. However, it has been our past experience that when we do that, people quit watering their lawns and we have brown lawns all over the City. Mayor Lundbom stated he thinks we should stick with what has worked in the past. He said its \$18 per year for the proposed increase. Mr. Mosier stated he understood that but also thought that could be a way to allow for what they don't use. Mayor Lundbom thought that would be an accounting nightmare. City Manager Gray stated our system knows the amount

of gallons used; however, the credits would all have to be done by journal entry by hand. City Recorder Anna Bass also said the audit approval procedure on this would be very difficult.

Mayor Lundbom stated part of this is that we're looking down the road and thought it was a small increase. City Manager Gray stated we receive fewer complaints by raising the rates in small increments each year rather than raising it \$5 every other year. Gregg Haberly stated the mills shutting down, there's just not enough water usage to bring in the income.

Councilor Louis Provencher asked why we haven't stuck to the rate schedule. City Manager Gray stated we are trying to catch back up; however, during economic downturn we didn't raise rates like we should have. Councilor Provencher asked that we are at the end of the rate schedule next year, are we going to do another rate study. City Manager Gray stated the rate study was completed by RCAC for free; she wasn't sure if they still provided that service but she would definitely ask.

Councilor Paul Smith said we need to look at what will do the least damage here, the cost of managing the water system, depreciation, replacing the infrastructure. He thought Kent Bailey explained it very well, we need to look further out and we're still not where we should be. He knows its (raising rates) not popular. Councilor Louis Provencher stated even with the rate increase (for the sewer) we are still about \$20 shy of qualifying for any federal grants.

Councilor Steve Schuette made a motion to adopt Resolution No. 14-734-20. Councilor Don Caldwell seconded the motion, the motion passed unanimously.

Agenda Item No. 7 – Discuss for Adoption Resolution No. 14-735-21, a Resolution establishing Sewer Service and Connection Charges

City Manager Gray stated basically this is the same scenario as the water rate increase. Resolution No. 14-735-21 proposes a \$2.50 increase to the base sewer rate. Currently the City's base sewer rate is \$39.50 which brings us at the Planned "2015-16" rate of \$42.00 for residential according to the rate study.

Councilor Paul Smith asked if we will be able to put anything into reserves with this rate increase. City Manager Gray stated we will be able to maintain our system with this rate increase according to what our auditor Kent Bailey said, however, this rate increase is not taking into account the cost of the new treatment plant. Public Works Director David Holland stated it will allow us to put a little something into the reserve account; it depends on how the budget numbers come out during the budget process.

City Recorder Anna Bass stated for the last three years we have been doing better but that's because we have been increasing the rates for three years. She reminded the Council what Kent Bailey said about the keeping up with the cost of depreciation and how our infrastructure is aging.

Mayor Ron Lundbom stated basically we're proposing a \$50 per year increase in rates for both water and sewer. It is noted it will be an \$18 increase for water per year; and a \$30 increase per year for sewer, totaling \$48 per year for both water and sewer.

Councilor Donn Willey moved to adopt Resolution No. 14-735-21. Councilor Don Caldwell seconded the motion, the motion passed unanimously.

Agenda Item No. 8 - Discuss for Adoption Resolution No. 14-733-19, a Resolution authorizing Sale of General Obligation Bonds approved by the voters of the City on May 20, 2014, and related matters

City Manager Gray stated she has been working with the City's financial advisor, Katie Schwab of Wedbush Securities and our Bond Counsel, Gulgun Mersereau of Hawkins, Delfield & Wood LLP to develop a resolution authorizing the sale of general obligation bonds that were approved by the voters of the City on May 20, 2014 and a RFP to solicit competitive bids for the purchase of each series of bonds.

The City's financial advisor and bond counsel decided because the City of John Day and the John Day Rural Fire Protection District are going to be asking banks for financing of their general obligation bonds, it makes sense to have each entity's governing body adopt a resolution to authorize issuance of the bonds. However, rather than delegate authority to set the terms, we've asked our bond counsel to state in the authorizing resolution that the terms for the bonds would be brought back to each of the City and Fire District's governing body for action.

City Manager Gray noted that the Rural Fire Protection District passed their resolution at their meeting earlier that day. Councilor Steve Schuette asked where we are at in the grant process. City Manager Gray stated currently we have made it to stage 2 of the Ford Family Foundation grant application in the amount of \$200,000; we have made application to the Meyer Memorial Trust in the amount of \$200,000 and will also apply for a few smaller grants. Fire Chief Ron Smith stated that funders usually wait to see what the Ford Foundation does, once the Ford Foundation moves ahead and approves usually the other funders follow, he stated it all hinges on what happens at the Ford Foundation's February board meeting.

Mayor Lundbom asked if there were any more questions, there being none, he asked for a motion.

Councilor Don Caldwell moved to adopt Resolution No. 14-733-19. Councilor Steve Schuette seconded the motion, the motion passed unanimously.

Agenda Item No. 9 – Discuss Mike Cosgrove's request for a letter of support for the Logan Valley Scenic Path

Mike Cosgrove informed the Council about five years ago they developed the Old West Scenic Bicycle Trail; it is working out very well. Mr. Cosgrove stated we had the highest percentage of businesses in the state that signed up to be bike friendly. We now have 13 scenic bike ways; we were one of the first three. Recently the state committee decided they wanted to look at gravel bike ways in hopes to attract more people who like to go out into the woods. We have 9,300 miles of gravel in our forest and he thought we have the best opportunity to cash in on the gravel economic opportunities as anyone in the nation.

Mr. Cosgrove presented pictures of Logan Valley to the City Council showing some of the railroad grades and a map showing the loop. He is very optimistic that we will be able to obtain another designation for the railroad trails up in Logan Valley; the problem is that it is getting very competitive with only three trails every two years being designated. Mr. Cosgrove stated their committee has been notified that there are nine groups looking for designations with one of them being the Columbia Gorge. We are the only one looking at a gravel designation; it is the first designation of this type in the nation (if they pull this off) and its family friendly. Mr. Cosgrove stated a lot of our scenic bike ways are not conducive to family use.

Mr. Cosgrove stated he will be making presentations asking for a letter of support to the County Court, City of Seneca, Prairie City and the tribe. There will be additional people coming in to use our resources. As there are no cities located within Logan Valley, he is going to all of the outside cities asking for letters of support to go with his application. He is not asking for any financial support at this time only a letter of support stating the John Day City Council thinks the Logan Valley Scenic Path is a good idea.

Councilor Paul Smith asked if any of the forest service roads were closed access right now; Mr. Cosgrove response was yes. Councilor Smith asked what kind of competition those roads have with ATVs, four-wheelers, snowmobiles, hunters, cross-country skiers. Mr. Cosgrove stated he met with Dave Hannibal of the Snowballers and Bob Phillips, they think we can assist each other. He stated there is a great deal of maintenance because the Forest Service doesn't have the resources; he said they're looking at using these roads in the summer and the Snowballers use them in the winter. Mr. Cosgrove stated they will also work together on signage. Horses, walkers will have no conflicts; ATVs - is a tough one with so many users using the same trails. Mr. Cosgrove stated his committee is planning to meet with Deschutes County, who are now designating certain areas for certain activities, seeking advice on their experience.

Mr. Cosgrove stated he will be asking for two letters from the Forest Service, one for general support; the second letter will specify an actual contract agreement. He is asking that the letter state in writing that the scenic bike way will in no way impede existing road usage, logging or ranching or any other economic activity that is going on up there.

Mr. Cosgrove stated they will not touch any of this until the NEPA process is finished. Councilor-elect Gregg Haberly asked that Mr. Cosgrove makes sure he gets everything in writing as the skiers in Deschutes County have taken over.

Mayor Lundbom asked why can't he just go ride on the path right now; what does the scenic bike way get us? Mr. Cosgrove's response was that Mayor Lundbom could just go ride it right now; however, Mr. Cosgrove can't promote it. He can't produce brochures, maps until he receives the designation; it gets us thousands of dollars of free advertising.

Councilor Steve Schuette asked if designating this as a scenic bike way will not restrict any other usage. Mr. Cosgrove stated for the record that making this a scenic bike way will not change anybody else's current uses. It won't open up areas like the ATVs but it won't restrict any other additional usage.

City Manager Gray asked who would be responsible for maintaining the trail. Mr. Cosgrove stated Malheur Cycling is an organization that has four groups to it and they have all agreed to help maintain the trails with Mr. Cosgrove being in charge of those four groups.

Councilor Louis Provencher asked Mr. Cosgrove if he has looked at the new Forest Plan and are there any conflicts with it. Mr. Cosgrove stated we have been able to incorporate this around the existing NEPA process around the Summit Restoration and the Magone Restoration, so instead of the 3 or 4 year process, this should be done next fall as we are already in the NEPA process. Councilor Provencher clarified that he was talking about the overall Forest Plan, any conflicts there. Mr. Cosgrove stated he met with everyone and nobody has seen a conflict.

Mayor Lundbom asked if there were any more questions, there being none, Mayor Lundbom asked for a motion.

Councilor Louis Provencher moved to write a letter of support for the Logan Valley Scenic Path. Councilor Don Caldwell seconded the motion, the motion passed unanimously.

Agenda Item No. 10 – Discuss for Approval the recommendation of the Selection Team to award contract for the Construction Management/General Contracting Services (CM/GC) for the John Day Fire Station Project to Kirby Nagelhout Construction Company

City Manager Gray stated the proposals for the Construction Management/General Contracting Services for the new fire station project were due November 19, 2014 at 2:00 p.m. We received one proposal from Kirby Nagelhout Construction Company (proposal was emailed to Selection Team and City Council on November 19, 2014). This is the company that built the Grant County Airport Terminal and the new ODF building and is familiar with our community.

The Selection Team for the CM/GC met with Jeff Deswert, President; Matt Stockton, Project Manager and Ed Parker, Superintendent of Kirby Nagelhout Construction Company and Peter Baer of Pinnacle Architecture on Monday, December 1, 2014.

Mr. Deswert explained who they are and how they work; CMGC process for this project; budget; schedule and questions and/or concerns were addressed.

Fee Proposal:

Total preconstruction costs will not exceed \$19,650

CM/GC Fee: 4%

General Conditions: \$191,544

Performance, Payment bond: (if required) .7%

GL Insurance: .8%

Fire Chief Ron Smith stated the Rural Fire Board approved the contract at their board meeting today. He also stated he worked with Kirby Nagelhout during the airport terminal project as well as the ODF building and stated they were very good to work with. Mayor Lundbom stated he also worked with them and they are very professional.

Councilor Paul Smith represented the Council at the meeting and thought they were very professional, their proposal was complete and comprehensive and have built several similar buildings. Very forthright, their president brought the superintendent that will be on site all the time and the project manager that will be here half of the time.

Councilor Donn Willey moved to award the contract for Construction Manager/General Contractor (CM/GC) for the new John Day Fire Station Project to Kirby Nagelhout Construction Company. Councilor Don Caldwell seconded the motion, the motion passed unanimously.

Agenda Item No. 11 – Review and Accept the Election Results – Abstract of Votes for the November 4, 2014 General Election

City Manager Gray presented the official Election Results - Abstract of Votes for the November 4, 2014 General Election for the City of John Day. We had the mayor position and three council positions running unopposed.

Ron Lundbom was reelected as Mayor with 455 votes

Paul Smith was reelected as Councilor with 367 votes

Gregg Haberly was elected as Councilor with 381 votes

Lisa Weigum was elected as Councilor with 387 votes

Councilor Donn Willey moved to accept the Abstract of Votes for the November 4, 2014 General Election. Councilor Louis Provencher seconded the motion, the motion passed unanimously.

Agenda Item No. 12 – Other Business and Upcoming Meetings

1. LOC Bulletins were given to the City Council.
2. The John Day City Council was invited to the City employee's Christmas Potluck at noon on Friday, December 19th.
3. Mayor Lundbom noted that the December 23, 2014 council meeting was canceled due to the Christmas Holiday, the next meeting will be January 13, 2015.
4. Mayor Lundbom presented an award for 12 years of dedicated service to Councilor Don Caldwell whose term is up December 31, 2014.
5. Councilor Louis Provencher suggested using the City's Newsletter for general discussion to inform the citizens of the water and sewer rate increases.
6. The November, 2014 Statement of Revenue and Expenditure Budget to Actual Reports were given to the John Day City Council.

Adjourn

There being no further business before the Council, Councilor Donn Willey made a motion to adjourn the meeting. Councilor Don Caldwell seconded the motion and the motion passed unanimously. The meeting was adjourned at 9:05 p.m.

Respectfully Submitted:

Peggy Gray
City Manager

ACCEPTED BY THE CITY COUNCIL, JANUARY 13, 2015.

Mayor Ron Lundbom