

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

**February 10, 2015**

**Adjourned Meeting**

**COUNCILORS PRESENT:**

Ron Lundbom, Mayor  
Steve Schuette, Council President  
Paul Smith, Councilor  
Donn Willey, Councilor  
Louis Provencher, Councilor  
Gregg Haberly, Councilor

**COUNCILORS ABSENT:**

Lisa Weigum, Councilor

**STAFF PRESENT:**

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

**GUESTS PRESENT:**

Anna Bass, OPG  
Mike Cosgrove, John Day  
Tracie Unterwegner, John Day  
Mark Witty, 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 with the exception of Lisa Weigum who was absent and excused.

**Agenda Item No. 2 – Approval of City Council Minutes of January 27, 2015**

The minutes of the January 27, 2015 adjourned meeting were included in the agenda packets and were presented for the Council's approval.

**Councilor Steve Schuette made a motion that the minutes of January 27, 2015 be approved as presented; Councilor Donn Willey 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 – Wastewater Treatment Facility Site Visit Update, Brett Moore of Anderson Perry & Associates, Inc.**

Mayor Lundbom introduced Brett Moore of Anderson Perry & Associates. Mr. Moore gave a brief history and summarized his January 26, 2015 Memo that was included in the council packets. Mr. Moore stated in 2010 Anderson Perry prepared a Wastewater Treatment Facilities Plan to address some of the issues associated with wastewater treatment. The plan was for 20 years insuring that wastewater service would continue for the citizens of John Day. He explained that the costs of the alternatives in the plan were fairly extensive and there were still concerns with potential DEQ regulations that may come down the pike in future years.

Mr. Moore stated he was not involved with the development of the original plan; however, because of the concerns of the costs of the alternatives, he picked up the plan over a year ago to try to see what they (Anderson Perry) could do to develop more cost effective options. He stated there was not a roadmap that the City appeared to be comfortable with in moving forward to meet their long-term needs.

Mr. Moore had a conversation with DEQ regarding the City's permit. The City has a facility that is considered an indirect discharge facility and is permitted under WPCF Permit. DEQ intends to issue a new WPCF Permit for a 10-year period. Discussions also indicated that the DEQ is doing this with some reservation because new regulations treat indirect and direct discharge to the river as the same thing and also require a National Pollutant Discharge Elimination System (NPDES) Permit. Mr. Moore stated if for some reason, this decision is challenged by a third party, the DEQ has said they will revoke the WPCF Permit and be required to issue an NPDES Permit. NPDES Permit will cause the City to make significant capital improvements to the existing facility in order to comply with the required increase levels of treatment. Anticipated future regulations indicate that treatment for heavy metals including lead, copper, zinc, and arsenic may be required. Mr. Moore stated given federal government's permit regulation history, it is not unreasonable to assume that regulations will continue to become more restrictive and continue to require the City to make additional improvements.

Mr. Moore stated we have some time; however, at this time we're not sure if we have 10 years. He stated in 10 years, the City's loan for the industrial park improvements will be paid off; we will see an increase in available cash flow and hopefully not have to have a significant rate increase. Mr. Moore stated he met with Public Works Director David Holland and Wastewater Treatment Plant Operator Shelby Essex. He said he thinks there are some things that we can do to repurpose the capital we have at the current treatment plant and reduce that cost. He stated continued discharge into the John Day River will continue to be scrutinized more and more; Mr. Moore stated we've looked up and down the valley to look for more ways to just store and irrigate treated water and there were just not a lot of options there. So we decided to look outside the valley and we think we have found an option. Dave has made initial contact with the landowner and there is potential north of the treatment plant to site a facility that will reduce the costs of the improvements identified in the facility plan by 3-4 million dollars. We have time because of the 10 year renewal of the WPCF permit to work through the project without being in the hurry up mode.

Mr. Moore stated he looked at the potential property today before the council meeting; he said when you build storage ponds and pivots, you will need farm ground. They have a lot of pasture land up there; you also need to line the storage pond to protect the ground water with an impermeable liner and then you need to rock the earth embankments. Mr. Moore stated in looking at the site we have native clay (that can serve as a natural liner) on this site that would save a normal project of this size about one million dollars. He stated this site is very conducive to having the materials to cost effectively build the facility. The downside is that the site is pretty high and we will need to pump it, probably twice, it will take pipe and two pump stations. This option may require a little more upfront work with land purchases, lease agreements, and easements, but could provide a long-term solution that is simpler to operate and less regulated. We will need to get through land owners agreements and DEQ approval for amending our current facilities plan to add this option.

Mayor Lundbom asked what happens if someone challenges our WPCF permit. Mr. Moore stated the process would be that DEQ would prepare a draft NPDES permit for discharge into the John Day River. Immediately the City would be noncompliant with that permit because we can't meet the discharge limits. The City would then enter into a mutual agreement order with DEQ in which they will set discharge limits that the City can meet and develop a time frame for the City to pursue improvements to meet the required limits. The mutual agreement is protection from third party litigation and fines, it's a waiver that gives the City time to fix the problem. City Manager Gray asked that if that does happen and the City is noncompliant, will that open up some doors for funding. Mr. Moore stated that it does; some of the funding packets are the Water/Wastewater Programs through the state that offers a 50/50 grant/loan package. He stated the funding packets change every year and DEQ will work with us when it comes to that point to see what options are available at that time.

Councilor Smith asked if there were any other land options available. Public Works Director David Holland responded that you have to stay off the river; plus you have a 100' border around the property, so smaller properties don't give you a big enough area to irrigate. The other problem is putting lagoons in a floodplain area.

Further discussion on the cost of a lagoon versus a mechanical plant; Mr. Moore stated the lagoon system is cheaper to install and less costly to maintain. You will have two lift stations to get the water there; basically the rest of the treatment plant goes away.

Mr. Moore explained even though there is a possible 10 - 15 year timeline for being required to implement major improvements as a result of an NPDES Permit, some short-term improvements to the existing facility should be considered that would allow the facility to successfully operate for the next 15 years. These should be completed in such a way as to be utilized when the long-term improvements are completed. The approach to identifying improvements would be to first identify components that are failing, such as the primary effluent piping, digester lids, secondary clarifier concrete, etc., to keep the facility functional. The next step would be to identify improvements that could be used to extend the life of the existing facility and also complement possible long-term future improvements. A new trash removal system (headwork's screen) and grit removal system could be added to reduce load on the existing facility and could be designed to plug into a new facility or complement a new irrigation system. It is estimated that possible short-term improvements could cost in the range of \$250,000 to \$350,000. This estimate should be further refined working with City staff on actual required improvements.

Mr. Moore stated he thought it was very safe to say that it is in the City's best interest to pursue the lagoon system as that will be the most cost effective and most reliable option the City has. Mr. Moore stated the next step for the City is to allow staff to have discussions with the landowner to make sure we have an agreement to secure the land. If we can't secure the land; then the City will have to look at other options.

The current and future capacity of the treatment plant was discussed. Mr. Moore stated the pumps and the pipes to get the water to the ponds would be sized for twice the existing facility (1.2 mgd); the lagoons can be built to any size to handle any future capacity that we want; if we want to expand or add another pond, we will need to have that in the agreement with the property owner for potential future growth. Initial calculations indicate that a storage area of 35 to 50 acres and an irrigation area of 120 acres are needed. Initial calculations predict the cost of this option to be in the range of \$6 million. This option may require a little more upfront work with land purchases, lease agreements, and easements, but could provide a long-term solution that is simpler to operate and less regulated.

Public Works Director Holland stated he thinks the lagoon system is the best way to go and we have a property owner who also thinks it's a good idea. He stated the City should enter into an agreement with the current property owner as we don't know if he will still own the property 10-15 years down the road. He also informed the Council of the other benefits of going to the lagoon system versus the mechanical plant. Our current operator would spend less time operating a lagoon system and could spend more time in other areas assisting the other public works employees without costing the City any more money. Our current operator is not trained in testing for the heavy metals that are required with the NPDES Permit.

It was the consensus of the Council to allow staff to sit down with the property owners to discuss entering into a Memorandum of Understanding for the Wastewater System Improvements Project.

Mayor Lundbom asked Mr. Moore that he understands that he researched the alternatives for the City of John Day at no charge; he asked when does the City start paying you? Mr. Moore stated he is working on this on his own time because it became apparent that when we did the Wastewater Facilities Plan we didn't provide the City with a roadmap that was acceptable to the City. So that's when we dug into the plan so that we could give you something to move forward and now he thought we've done that and now the City has an alternative that they can now move forward with.

City Manager Gray asked Mr. Moore if the City has to amend the Wastewater Facilities Plan before we can move forward. Mr. Moore stated yes that DEQ will require the plan to be amended to include the lagoon alternative; however, he recommended the City have the MOU with the property owner in hand because the cost of the project depends on the location and the feasibility of it. Once the MOU is done, he will contact DEQ; they will be excited and probably amend the plan with a technical memo.

Mayor Lundbom stated the Council appreciated the research and thanked Mr. Moore for his hard work in finding this alternative.

#### **Agenda Item No. 5 – Approve Terms of Washington Federal Proposal for Fire Station Bonds**

Councilor Louis Provencher declared a conflict of interest regarding this agenda item; stating his wife is employed by the Bank of Eastern Oregon.

City Manager Gray stated Katie Schwab of Wedbush requested proposals (RFP) to finance the John Day Fire Station from ten financial institutions. We received proposals from three banks: Bank of Eastern Oregon, Umpqua Bank and Washington Federal. Ms. Schwab stated financial institutions that did not submit proposals primarily responded that the issue was too small in size, too long in maturity or both.

The base that Wedbush Securities used in reviewing the proposals was from the February 16, 2014 letter they sent to the City and District that showed both a 15-year and a 20-year maturity. The City and Fire District opted to draft their ballot titles and campaign information based upon the 20-year maturity. The

RFP requested amortization schedules based on both a 15 and 20 year maturity in the event current interest rates allow the City and the Fire District to consider a maturity shorter than 20 years.

Included in the council packets was a spreadsheet for the City and the Fire District that summarizing each of the proposals received. On January 29<sup>th</sup>, the Finance Team held a conference call with Katie Schwab of Wedbush Securities to review the proposals submitted. The results of that call were that the City and Fire District each will hold meetings on February 10th to have each taxing district accept the terms of Washington Federal and both the City and the District would like to close as quickly as possible afterwards.

Also included in the council packet was Washington Federal's proposal together with Wedbush Securities detailed numbers based on the proposal. Interest rates quoted are indicative rates as of January 29, 2015. The Bank will index the interest rate on the Bond by using applicable Long Term Fixed Rate Advances rate as reported on the Federal Home Loan Bank of Seattle's website. The rate will be adjusted no more than 5 banking days prior to closing to reflect changes in the index from January 28, 2015 and the number of days until closing (language from attached proposal).

City Manager Gray presented the final terms from Washington Federal and a spreadsheet updating the comparison sheet of bank proposals to the City Council. She stated Washington Federal continues to be the lowest all inclusive rate due to its lowest cost of issuance, however, the Umpqua Bank rate if the City and the District have a full bank relationship with the Bank, would have a slightly lower TIC (true interest cost). Even in this latter case, the difference in the rates is not a large number, representing some \$3,500 total debt service for the City and slightly under \$3,000 for the District. City Manager Gray stated the City and the District do not have banking relationships with Umpqua Bank; the Washington Federal rate is the lowest by all measures; she recommended the John Day City Council accept the terms of Washington Federal for the General Obligation Bank Loan for the new fire station.

City Manager Gray stated the Rural Fire Protection District accepted the terms of Washington Federal at their board meeting today for the same terms.

**The John Day City Council has been presented with the terms of the Washington Federal proposal to purchase the general obligation bond for the John Day Fire Station. Councilor Donn Willy moved to approve those terms and to sell the bond to Washington Federal. Councilor Steve Schuette seconded the motion, the motion passed with 5 yes votes with Councilor Louis Provencher abstaining.**

City Manager Gray gave an update on the grant funding portion of the project stating the Ford Family Foundation board meets on Friday, February 20, 2015 and we should know shortly thereafter if we received the grant (\$200,000). She also stated we have another \$200,000 grant application with Meyer Memorial Trust; their board does not meet until May or June. Fire Chief Ron Smith stated we're working with Jeff Deswert of Kirby Nagelhout to figure out the budget and a timeline. His budget depicts three scenarios, the first version is the complete project, the second is the version without the build-out of the office space, and the third is with the office completely deleted from the project. The goal is to try to get to a budget that equals \$1.2 million in some sort of logical approach and then add funds as the grants come in.

**Agenda Item No. 6 – Discuss ODOT Enhance Grant Application**

City Manager Gray stated Public Works Director David Holland and her met with Craig Sipp and Sean Maloney of ODOT on January 29th. They discussed the new collector from 3<sup>rd</sup> Street extension to 7<sup>th</sup> Street Complex. Both Craig and Sean thought it was a great project; Craig said this project would greatly enhance the City's street system and the community; however, they are seeking projects that strategically assist in enhancing the state's transportation system. While he said we can argue that this project would relieve some traffic off the state highway, he said it would be considered a weak argument.

Craig stated he believed that the City's sidewalk project from 2<sup>nd</sup> Street to 6<sup>th</sup> Street would fare very well. As this project would fill in the "gap" and complete our project (he said the state likes projects that actually complete the entire project); it is located on the state's highway system; and finally with the completion of these sidewalks we will have good, safe sidewalks directly to the Junior-Senior High School. I asked him if we could apply for the section from the intersection west to the Canyon Creek Bridge in the same application, he said yes, we could and encouraged us to do so.

With that said, Craig and Sean told us to apply for both projects. They didn't think the 7<sup>th</sup> Street project would fare well this application round; however, as you know, there are no guarantees for either applications. Craig said by applying for the 7<sup>th</sup> Street Project, it would get the project out there for future applications.

Present were School Superintendent Mark Witty, School Board members Mike Cosgrove and Tracie Unterwegner. Mr. Witty stated he believed this project is needed to address a long term issue on the north side of the river that eventually needs to be solved.

Discussion regarding the engineering cost to complete the application was raised. It was the consensus of the City Council to allow staff to meet with School Superintendent Mark Witty and local engineer Joe Hitz on Thursday to discuss the costs for his assistance in the grant application and take the information back to the City Council and School Board.

**Agenda Item No. 7 – Other Business and Upcoming Meetings**

1. LOC Bulletins were given to the City Council.
2. Included in the council packet was a notice from the Oregon Government Ethics Commission (OGEC) explaining that ORS Chapter 244 requires certain public officials to file a Statement of Economic Interest (SEI) with the Oregon Government Ethics Commission by April 15 of each year. City Manager Gray provided the OGEC with a list of names of City Councilors and Planning Commissioners that are required to file the SEI form. The OGEC will send the SEI forms directly to the councilors and planning commission members; it is up to each person to file their individual forms to the OGEC.
3. It was the consensus of the City Council to hold an executive session at the February 24, 2015 council meeting.
4. Police Chief Richard Gray stated the City's Law Enforcement Agreement with Prairie City expires June 30, 2015; he will begin contract discussions with them shortly; Officer Mike Durr is scheduled to graduate from the academy on February 20, 2014; Officer Tyler Smith is scheduled to start the academy on March 23<sup>rd</sup>. Police Chief Gray stated he will attend the OLCC meeting in

Bend on February 19, 2015 regarding medical marijuana. City Manager Gray noted that City Attorney Jeremy Green will also be attending the OLCC meeting. Police Chief Gray will attend the CIS Conference at the end of this month.

5. Fire Chief Ron Smith informed the Council that he has a new firefighter volunteer and updated the council regarding the workings of his department.
6. Public Works Director David Holland informed the Council that his department purchased a replacement vehicle from Oregon State Surplus in Salem. They purchased a cab/chassis diesel F550; they will take the dump box of another rig that is going bad and put the dump box on this vehicle so that we will have another smaller dump truck with a sander and plow. He's trying to update his fleet.
7. Paul Smith stated Thad Labhart seemed interested in being on the Planning Commissioner and/or the Budget Committee. City Manager Gray stated she would call him.
8. Councilor Louis Provencher gave a report of the LOC Elected Officials training that he attended last week and informed the Council that he also attended a Redmond regional meeting after that class.
9. The January, 2015 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 Steve Schuette made a motion to adjourn the meeting. Councilor Donn Willey seconded the motion and the motion passed unanimously. The meeting was adjourned at 8:30 p.m.**

Respectfully Submitted:

Peggy Gray  
City Manager

ACCEPTED BY THE CITY COUNCIL, FEBRUARY 24, 2015

---

Mayor Ron Lundbom