

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

May 9, 2017

Adjourned Meeting

COUNCILORS PRESENT:

Paul Smith, Councilor
David Holland, Councilor
Steve Schuette, Council President
Gregg Haberly, Councilor
Lisa Weigum, Councilor

COUNCILORS ABSENT:

Ron Lundbom, Mayor
Donn Willey, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Monte Legg, Public Works Director
Janine Weaver, Secretary
Valarie Maynard, Emergency Communications
Center Manager

Richard Gray, Chief of Police
Anna Bass, Recorder
Ron Smith, Fire Chief
Scott Moore, Police Officer
Julie Larson, Senior Account Clerk

GUESTS PRESENT:

Andy Perry, Anderson Perry
Brett Moore, Anderson Perry
Sally Bartlett, GC Economic Council
Dale Rininger, John Day
Sherrie Rininger, John Day
Shannon Adair, 1188
Jeremy Adair, 1188
Art Andrews, Malheur Lumber Co.
Rich Fulton, Malheur Lumber Co.
King Williams, Iron Triangle
Brandi Kennedy, John Day
Zach Williams, Iron Triangle
Levi Manitsas, Cornerstone Christian Church
Chris Cronin, John Day
Bruce Ward
Russ Comer
Shelia Comer

Judy Lenz, John Day
Russ Young, Iron Triangle
Chris Labhart
Annette Perry, Ranch and Rodeo Museum
Tammy Bremner, Canyon City
Steve Fischer, Canyon City
Logan Bagetto, KJDY
Mytchell Mead, John Day
Gordon Larson, Canyon City
Christy Waldner, Cycle Tourism
Lorin Hodge, John Day
Rylan Boggs, Blue Mountain Eagle
Ray Perry, John Day
Caroline Colson, John Day
Aaron Lieuallen, John Day
Curt Shelley, Grant Union School Dist. #3
Jesse Madden, Canyon City

Agenda Item No. 1 – Open and Note Attendance

The John Day City Council meeting opened at 7:00 p.m. Council President Schuette noted Mayor Lundbom and Councilor Willey were absent and excused.

Agenda Item No. 2 – Approval of City Council Minutes of April 25, 2017

The minutes of the April 25, 2017, City Council meeting were included in the agenda packets and were presented for the Council's approval.

Councilor Holland moved to adopt the minutes. Councilor Weigum seconded and the motion passed unanimously.

Agenda Item No. 3 – Executive Session

Council President Schuette informed everyone the executive session was eliminated.

Agenda Item No. 4 – Appearance of Interested Citizens

Council President Schuette welcomed visitors in the audience.

Agenda Item No. 5 – Open Public Hearing for FY16-17 Supplemental Budget

Councilor Weigum moved to open the public hearing for the FY 16-17 Supplemental Budget.

Councilor Holland seconded and the motion passed unanimously.

Agenda Item No. 6 – Open Public Hearing for FY17-18 Budget

Councilor Holland moved to open the public hearing for the FY17-18 Budget. Councilor Haberly seconded and the motion passed unanimously.

Agenda Item No. 7 – Community Development Investment Planning & the Oregon Solutions Process

City Manager Green explained the City's Strategy of Growth asking for public feedback for the City to be united in the way it moves forward. He would like to change the tone of despair and discouragement into one of hope for a more prosperous future. Public Agencies can incur two types of costs: investments and expenses. The City has incurred a lot of expenses but has not made many investments that have generated revenue. A lot of the focus has been to change the dynamic to investment money to create new revenue streams and economic value that comes back to the tax payers. Part of that means monetizing assets and using innovation to drive value. Innovation means to take things that already exist and rearrange them in new ways to create greater economic value and increased profitability. Then we can rebrand John Day, keep what's great about it but recognize there are young rural professionals that want to move home and live in rural communities. We do not want to lose our heritage but we also can't believe that doing the same things we have done in the past will continue to work for us in the future. The question is how to find the balance that will make our community successful. We do not want to become Bend or Prineville but we do want to find a dynamic where we maintain population growth, businesses can thrive and public agencies can meet basic needs residence wants in a fiscally stable manner.

Green discussed the area's current problems: since 2012 the County has lead the state in unemployment, has the highest suicide rate, second worst broadband connectivity, second lowest median household income, second lowest real market property values, fourth lowest assessed values, has lost 40% of student body since 2000, and has the third highest rate of population decline. If there is a race to the bottom we are winning in almost every demographic. When you have tried and failed so many times that you just aren't getting traction, it can lead to infighting and bureaucratic paralysis. City Manager Green's top priorities are unemployment, housing, income and population decline. He stated if we need more jobs, let's create jobs. If we need housing, let's create housing. The rationale proposed by others for our lower income rates is that our cost of living is lower. But it costs just as much to plow a John Day city street as it does in Salem. Green stated the thing our area exports that is worth the most value is our kids. Our kids are leaving and rarely come back. Wouldn't it be wonderful if we could create an environment where our kids can come back and have a living wage job, raise their kids and feel like they are connected to the information age economy while preserving our rural way of life and rural values?

Author Jared Diamond wrote the book *Collapse: How Societies Choose to Fail or Succeed*. The book looks at 13 civilizations that failed and identifies how the peoples' decisions on how to react in response to their environment brought about the downfall. First was creeping normalcy: The failure to recognize or perceive a threat because it was a slow trend masked by a lot of up and down fluctuation. When our population decline happened so slowly, it was not noticed until you look back over 20-30 years. The

second is the failure to adapt or choosing not to. Third is that the adaptations are not effective. We have a \$2.5 million dog park at the industrial park. It is not necessarily a failed investment but it is a failed business model. We have made more money selling RV sites than we have made in property sales. The business model has to change so that taxpayers can recover their investment. The industrial park is an example of an adaptation that was not effective. Fourth is trying something new, getting it right, but getting there too late. City Manager Green does not believe it is too late for John Day or Grant County, but does believe the writing is on the wall. We cannot look at our situation and believe that we can just wait on the private sector to save us. We may be able to attract private sector investment but this is structural failure. We have to fundamentally change our economy. We have to invest in advanced industries that have growth potential but also fit our culture.

From last June until January the City Council has been adopting a new strategy for the City. The chosen strategy focuses on attracting three demographics:

1. Digital Commuters: If we invest in broadband we can attract people who have the ability to work from anywhere including former Grant Union students.
2. Active Retirees: Active retirees and digital commuters do not need jobs in John Day.
3. Young Families: This demographic has the highest return on investment.

To attract these demographics we have done the following:

- Rebranding and digitally marketing our community. Our new website is live and with Google Analytics, we can track who is interested in our town.
- Strategic investments in recreational amenities. Creating trails that connect the residents and increasing access to natural features like the river. Creating parks with playgrounds and working with Parks and Recreation as our contract expires.
- Actively lobbying for broadband stimulus funding. There is a request on the Governor's desk for municipally owned fiber lines to run from Burns to John Day and Prairie City. This would create high speed, reliable internet for around \$55 per month.
- Focusing on housing and community development initiatives. Properties do not appraise for the costs to build or renovate. We need to fix the loan to value ratio. Each of the 1164 undeveloped acres in John Day and the Urban Growth Boundary net \$400 per year per acre across all taxing entities. If we increase the underlying value of our property by building on it, the revenue will increase. The goal is to only give enough incentive to encourage people to build. One new home would increase the average taxes to \$10,000 per household per year.

City Manger Green showed a chart with a breakout of the City's revenue sources. Net revenue from the top ten sources is about \$2.1 million. He believes we will bring in more money from external funding this year than we bring in from our top ten revenue sources. We have to figure out how to increase our tax base.

The Council has created a Community Development Fund for the FY17-18 budget. It will be funded at \$60,000 per year for ten years. It will be used for grant funding matches and strategic investments that create economic value. The challenge is to identify what the investment will be. Right now, Grant County has many entities with all their priorities and efforts working in different directions. Oregon Solutions works to pin point a "magnet investment," an investment where the community's priorities and investments all align to accomplish one goal that benefits all.

The City's top priority is a wastewater treatment plant. The DEQ permit expired in 2007 and will not be renewed. One of the options is an economic investment that also treats water. The City has received two grants for a study that will create an integrated value chain. Using a renewable energy source to power the new treatment plant and investing in a hydroponic treatment facility will create a new asset. We would reclaim the 80 million gallons of nutrient rich treated effluent and turn it into something productive such

as cash crops and produce. Both Butchart Gardens in British Columbia and Oregon Garden in Silverton are grown from treated wastewater bought from a municipality. They are not harvesting their flowers but are destination locations. Land application has been looked into but we cannot find a landowner who would like to apply treated water. We will do cost analysis for land application, hydroponic greenhouse and a traditional mechanical plant. If hydroponic is the choice, we can either run it wholly private, wholly public or an option of a public private cooperation. This could also increase the use of the Industrial Park.

Last October DR Johnson Company allowed the City to include the Oregon Pine property in the feasibility study. In March, DR Johnson Company notified the City they would like to liquidate the property as soon as possible and wanted to know if the City was interested. With the purchase, the City can build the new treatment plant completely out of the flood plain and without disrupting operations of the existing plant.

The modification of the current budget is to purchase the Oregon Pine property at about \$9800 per acre, total purchase price of \$519,000. Two tax lots are included to allow the extension of 7th Street to Patterson Bridge Road. This opens the north end of town for building developments. No easements are required because the City owns the property on the north side of the river. Not only can the City build the new treatment plant completely out of the flood plain, but also gains access to two bridges. We cannot build a bridge for \$519,000. We also can create a greenway with river access and trails to 7th Street. This can become a community access and give 80 acres in the heart of the city back to the public.

The existing shop on the Oregon Pine property will be used as the new public works shop. When the existing treatment plant is decommissioned, those 30 acres become available as buildable land in a good location.

The City will save money avoiding the floodplain regulations by not having to build in the floodplain, DR Johnson Co. has already done an environmental assessment and voluntarily got a no further action decision from DEQ. The phase one environmental assessment commissioned by the City prior to purchase had no major findings in the area we are wanting to develop. Benchmark has surveyed the area and we have taken comps from Colliers International. We paid \$.037 per square foot for the industrial park and are paying \$.22 per square foot for this property. We have the revenue in the sewer fund but are seeking a loan that will be fully financed through the Infrastructure Finance Authority. The sewer fund will be the collateral in the loan. In addition to this public hearing, there are 42 special exceptions from easements with non-existing companies, we are working through the terms of the financing with Business Oregon, the significant terms of the sale have been finalized with DR Johnson Company, and the intent is to close May 24th. After the closing, we will annex the property into the City and complete a lot line adjustment with the property owner to the north, Iron Triangle. This was a condition of the seller and the council found it to be a reasonable request to create a buffer between a private property owner and a treatment facility. Encroachments from neighboring property owners need to be dealt with and socializing the future land use which we would like to do with Oregon Solutions.

The City would like to create the John Day Innovation Greenway. Create an environment, with public feedback, to integrate community, technology, innovation and commerce. An environment that harmonizes our need to produce and create economic value with our need to create community gathering spaces. A place where community can gather, visit public gardens using reclaimed water, take your kids to the river and greet your neighbors, have an outdoor amphitheater, indoor/outdoor restaurants, public art, paths in public themed gardens; all while walking by commercial greenhouses producing cash crops. Our kids can participate in advanced research where they can earn college credit in microbiology, chemistry and physics and work alongside college researchers. OSU would have 10,000 square foot greenhouses where they can experiment. All can create revenue that can offset operational costs. This is an 80 acre environment that *could* be created not that we have to create. The 30 acres vacated by the

existing treatment plant can be opened up for an academic campus. Perhaps a new Jr./Sr. High School out of the floodplain could be built in a better location. Many of the potential features could be used for both education and economic purposes.

City Manager Green is looking at grants that can bring \$2 million for land developments and another \$2 million for the new treatment facility. There are tax credits for private sector capital who invest in municipal projects that make money. There are more grants and funding options available. City Manager Green is trying to create a capital stack of \$10 to \$12 million dollars before we even start looking at local revenue. Currently City Manager Green and his staff, working with local non-profits, have applied for or requested \$2.75 million in external funds. So far we have won five out of six, an 84% win rate. He is hoping to be able to announce broadband and 9-1-1 funding. We are restructuring our internal finances with the intent to create about \$100,000 in new revenue sources. City Manager Green committed to the Budget Committee that we would seek an 8% reduction and sustain it in our personnel expenditures. The hope is when we are done we will have created a more prosperous county and community, but we have to work together.

City Manager Green explained there are two Oregon Solutions focus groups to identify one investment for our community. The idea out of the second focus group will be presented to the public for feedback. There will be many ideas presented at the focus groups.

The feasibility study for the plant kicks off in July. We have 12 to 18 months to look at the economics of the water reuse which will be presented as a new master plan. Then 12 months for preliminary engineering. The goal is to have the new plant operational by 2021.

PUBLIC TESTIMONY

Mr. Rininger likes the out of the box thinking. With our city slowly dying we need to go in a different direction.

Ms. Perry, representing the Grant County Ranch and Rodeo Museum, has been looking to move or renovate the museum. The Oregon Pine property is a location they were looking at. The museum board is very excited about this project and is in full support. Their only word of caution was not to turn into Bend and grow too quickly.

Mrs. Adair with 1188 Brewery is also in support of the project. As a business owner increasing the work force and population will be a big help. On the water treatment plant, hops are a huge issue in the brewing industry. Anheuser-Busch InBev is buying smaller breweries and tying up the raw materials for microbreweries, including hops. Hops grow like weeds here and this project could allow our community to provide hops to many outlets. Mr. Adair explained that they just went through the process of buying a building where the real property value could not be close to commercial assessment. Unless there are changes it is difficult for anyone to start.

Ms. Cronin mentioned the School Board is also a part of the Oregon Solutions process and is looking forward to what comes out of it, including the option of this bigger picture.

Ms. Bartlett, County Economic Developer, mentioned when she first came there were many projects people said would never happen that since have. With regard to our appraisals, part of the problem comes from having no local appraisers, meaning the properties are compared with properties outside our area. She would like to know how usable the water would be through DEQ. Although this is a bigger project than Grant County has taken on in a long time, perhaps we are at that moment when we should. There is

caution in this room because other attempts have failed but if everyone is working towards the same goal we could be on the cusp of something big in Grant County.

Mr. Larson mentioned how outstanding City Manager Green's plan is. It is exciting to see so many folks come to support his executive vision. Mr. Franklin agreed with Mr. Larson. He likes how different groups are working together. As a business owner he is very excited about this plan. It will not happen overnight but give it time and this could be a very good thing.

Mr. Labhart mentioned he has counted seven people in this room that have left the community and come back. It is good to have the return. As a rental owner he has witnessed the housing shortage. The hospital can lose employees and traveling professionals because of the lack of housing.

City Manager Green said there is only one hydroponic wastewater treatment facility in the United States. Ms. Lenz said it was featured on 60 Minutes recently. City Manager Green said we are still in the innovation stage for this type of facility. Mr. Rininger said that between this and the broadband we have the opportunity to become an innovative city. Mr. Franklin said in the 70's there were people in southern Arizona growing tomatoes hydroponically for Las Vegas.

Mr. Manitsas is the pastor at Cornerstone Christian Fellowship, lives in John Day, has children in the school district, is on the hospital board, the Grant Union budget committee and the Grant County Safe Communities Coalition. He would love to see his children and other come back to our community with the ability to support themselves. He thanked City Manager Green and the Council for coming up with this project and would like to help with what time he has available. It will not come without negative or naysayers, but the largest enemy of great is good. We have been a good community and he looks forward to 10 years down the road being a great community.

Mrs. Adair likes how this project is everyone working on a common solution. As long as she has been a business owner it has seemed that with everyone being busy, there is a lack of communication leading to individualistic projects which seem to not come to fruition. Having City Manager Green come up with something we can all get behind and support is a nice change.

Mr. Shelly believes the Innovation Gateway is a game changer for the Oregon Solutions process. The timing is important and will provide the opportunity for us to move forward as a community. Councilor Haberly believes it is very nice to have a meeting such as this without all the negative discourse and people not wanting to change. Mr. Ward believes this project is exactly what the community and the property need. He is behind the project 100%.

Councilor Schuette explained that City Manager Green wowed the council in his interview with a presentation on a hydroponics treatment facility. The past 13 years the council has just been trying to keep the city afloat. This is a vision that can take us new places.

City Recorder Bass explained the public hearing is two parts. The first is the supplemental budget for FY16-17 which authorizes spending the money to purchase the property. This has to be passed to night. The second is the proposed budget for FY17-18. There were a few changes made by the budget committee before passing. This will not be passed until June.

Agenda Item No. 8 – Closing of Public Hearings

Councilor Holland moved to close the public hearing for the FY 16-17 Supplemental Budget.

Councilor Haberly seconded and the motion passed unanimously.

Councilor Smith moved to close the public hearing for the FY 17-18 Budget. Councilor Weigum seconded and the motion passed unanimously.

Agenda Item No. 9 – Resolution 17-768-04

Councilor Holland moved to adapt Resolution 17-768-04, A Resolution to Appropriate Fiscal Year 2016-2017 Budget. Councilor Weigum seconded and the motion passed unanimously.

Councilor Weigum moved to authorize Mayor Lundbom to sign the Purchase and Sale Agreement between DR Johnson Lumber Company and the City of John Day to purchase the Oregon Pine property. Councilor Holland seconded and the motion passed unanimously.

Agenda Item No. 10 – US Highway 395 Sidewalk Extension Update

Mayor Lundbom joined the meeting. Councilor Schuette explained that the sidewalk project was approved but since approval ODOT's cost estimate for the project has doubled. City Manager Green explained he has spoken with Sean Maloney at ODOT has presented an option to help with the costs. There would be no visible separation between the highway and the sidewalk. Public Works Director Legg is concerned that these are hard to maintain and begin to look trashy sooner. Mr. Perry with Anderson Perry explained he believes a big part of the pricing increase is because the state is having to redesign ADA ramps and accessibility because of a law suit. He does not have a detailed analysis because he just received this notification hours ago. They are going to work with City Manager Green to find ways to bring things closer to the planned cost. City Manager Green suggests having public works, ODOT and Anderson Perry get together and re look at the entire project. Councilor Schuette would rather shorten our sidewalk and do it right and then apply for another grant to extend further. Mr. Moore of Anderson Perry also suggested the access into the school parking lot has increased the cost. Councilor Smith did ask the County about funding because of two blocks being in the County and was informed County road funds cannot be used for sidewalks. Councilor Holland suggested considering redoing 2nd Street to 6th Street instead of new sidewalk from 6th to the high school. This would allow us to see where our money is best spent.

Mrs. Perry encouraged transparency from ODOT and speaking with the private industry to see what is more economical. Mayor Lundbom thought the money was inflated because they over built the drain from Thomas' to Strawberry Mountain Beef building. City Manager Green believes the best option is to have a working group with Anderson Perry, Public Works, ODOT, private industry and the school district. Mr. Moore pointed out the land easements did go from \$30,000 to \$100,000.

The council came to the consensus to meet with all parties and discuss the project options in more detail.

Agenda Item No. 11 – Other Business

Eclipse update. Councilor Schuette stated we are at 60% capacity with 200 reservations as of May 5th. Total paid to the city is just over \$35,000.

John Day bike park update. The Planning Commission held a public hearing on Thursday, May 4. The conditional use permit was approved and there is a 10 day objection period.

UPCOMING MEETINGS:

1. 5/11 - Oregon Solutions kick off meeting, 6 PM at the Outpost
2. 5/18 – Oregon Solutions meeting, 12 PM at the Fire Hall
3. 5/23 – Next Council Meeting
4. 5/24 – Cycle Oregon Meeting, 11 AM

5. 5/25 – Grant County Cleanup Day. There will be dump trucks at Oregon Pine for people to drop off big things and the City will haul it to Clark's.

Adjourn

There being no further business before the Council, Councilor Holland moved to adjourn the meeting. Councilor Weigum seconded and the session was adjourned at 8:40 p.m.

Respectfully Submitted:

Nicholas Green

City Manager

ACCEPTED BY THE CITY COUNCIL MAY 23, 2017



Mayor Ron Lundbom