

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

October 10, 2017

COUCILORS PRESENT:

David Holland, Councilor
Ron Lundbom, Mayor
Gregg Haberly, Councilor
Shannon Adair, Councilor
Donn Willey, Councilor

COUNCILORS ABSENT:

Steve Schuette, Council President
Paul Smith, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Richard Gray, Police Chief
Monte Legg, Public Works Director

Matt Manitsas, Agribusiness Project Manager
Chantal DesJardin, City Secretary
Damon Rand, Police Sergeant

GUESTS PRESENT:

Sherrie Rininger, John Day
Logan Bagett, Elkhorn Media Group
Hannah Hinman, John Day
Bruce Ward, Sunrise Construction

Richard Hanners, Blue Mountain Eagle
Darin Toy, John Day
Elliot Sky, John Day
Sherry Nehl, John Day

Agenda Item No. 1—Open and Note Attendance

The John Day City Council meeting opened at 7:00 p.m. Mayor Lundbom noted councilors Paul Smith and Steve Schuette were excused from the meeting.

Agenda Item No. 2—Approval of City Council Minutes of August 22, 2017

Councilor Holland moved to approve September 26th minutes, as amended. Motion was seconded by Councilor Willey and passed unanimously.

Agenda Item No. 3—Appearance of Interested Citizens

Mayor Lundbom asked the audience if there were any items to add to the agenda.

Agenda Item No. 4—911 Ballot Measure

City Manager Nick Green asked for clarification from the council that the funding deficit in the 911 account has been discussed at every budget committee meeting for the last 7 years or more. Council noted that the issue has been discussed but it has been a noted problem for much more than 7 years. Green added that the cost to operate has slowly, steadily increased while the revenue has stayed flat. The revenue has not changed since 1995, when the legislature passed a \$0.75 surcharge. Some small changes have been made but the tax rate for telephone communications has remained at \$0.75. The

Oregon Department of Revenue collects this tax, then through a complicated process it is distributed to the various public safety answering points. There are currently forty three of these answering points in Oregon.

Grant County's answering point is operated by the City of John Day, as a county wide service. The city receives roughly \$200,000-250,000 per year from the Dept. of Revenue, which covers about half of the operating expense. The operating cost is growing faster than the state revenue is growing. Green discussed with the budget committee that the funding gap, in 2020, would exceed the total of city property tax receipts. The county, hospital, and national forest contribute to help fund the dispatch but still leave a cost deficit of roughly \$200,000, which is budgeted to increase 10% each year. Most of the cost drivers are personnel, such as having a state certified dispatcher present 24 hours a day, 365 days a year. The biggest increases have been indirect compensation like insurance, retirement, the performance of PERS, which the city has no control over. This was identified as an unsustainable model, and Green pursued increasing revenue from the state before considering options such as cutting positions or outsourcing.

In January Representative Bentz and Senator Ferrioli attended a council meeting and there was a lengthy discussion about how answering points across the state are experiencing a deficit. They recognized that it has come in up the past in the state legislature but a house bill was not introduced in 2017 to address the deficit. A funding bridge was needed to get to 2019; Senator Ferrioli was able to secure \$420,000, which will cover the deficit to provide Grant County an answering point for 2017 and 2018, on condition that the County Court refers a ballot measure to the voters with a local funding option. The \$420,000 will accrue to the bill payers and result in significant savings to the City of John Day, which has been covering the majority of the deficit to provide the answering point for Grant County. On October 18, the ballot measure will be mailed and the votes will be received until November 7, at which point they will be tallied. The ballot measure is important to John Day and because the ballot has been certified, city officials are not allowed to make political statements for or against. The councilors are not restricted by this because they are not paid public employees. Green stated that he would like to recognize that this is a service provided for the entire County and everyone will be affected. Residents deserve a sincere, open, and honest discussion about the merits of the service and actual costs, including those costs that the city can and cannot control. In order to make an informed decision, they also need to know what the operating agency will have to do if the answer is no, what we will try to do regardless, what the likely outcomes will be.

Councilor Haberly asked who funds the other centrally located agencies, such as Frontier. Green responded that Valerie Maynard would be the best to answer but he understood that the Dept. of Revenue distributes the money through the Dept. of Administrative Services. An emergency communications group decides what the allocation will be and is mostly based on the population of a county. There is a scale for smaller counties, to account for costs that are fixed, no matter the population. Haberly asked for clarification about how they financially operate their agencies. Green responded that some have consolidated, such as the regional center in Condon that pools the money from four counties to operate one dispatch center. It is the same revenue source. Large areas have larger tax bases and their general funds are greater. If John Day were to foot the whole bill, it would constitute all of the property tax the city receives. For smaller cities, if it was a per capita distribution, it would constitute all of their property tax. One option discussed, was for cities to split the cost equally based on residents, with the county picking up the balance for non-city residents. This cost sharing agreement would save John Day \$60,000 per year but smaller cities in the county could not pay their

share and still have money left to operate. The average is about 20% of each city's general funds that would have to go to fund the deficit.

Councilor Adair asked if the cost savings were seen by reducing the number of employees needed through consolidation of several counties' answering points. Green explained that, for example, you would have four times the revenue and with each dispatcher taking optimal number of 2 calls per hour, you could scale to the call volume rather than size of the county. Haberly noted that dispatchers need to have a good knowledge of the area. Green noted that you gain the economy of scale from consolidation but lose tacit knowledge of the area, experience, and reassurance, such as the dispatcher knowing how long it may take to get to a specific area. Haberly noted that he had an experience with bad emergency response with being routed through an Idaho dispatcher, who did not know the area they were calling from.

Mayor Lundbom asked if the answering point was outsourced, would calls be classified differently and charged separate rates. Green clarified there are two types of calls, 911 and the non-emergency dispatch line. Our dispatch currently fields many calls that are not directly related to emergency but can currently be answered for the residents of Grant County as a convenience. If the center was outsourced, they would probably redirect or not take the non-emergency related calls. They may consider answering some of those calls, if they had the capacity, for a certain price. If outsourced, the cost is not necessarily eliminated; the cost component would go first to the County, they could then decide if they wanted to allocate that cost to the various cities in the county.

Mayor Lundbom asked if anyone in the audience had questions. Sherry Nehl asked if the tax was unlimited and indefinite. Green clarified that the levy is capped at five years, beginning in tax year 2019, with 2017 and 2018 being covered by the state appropriation. There is significant opportunity to change the tax at a state level; if we add to a chorus calling for tax increase state wide, the local option levy would be reduced to match the state increase. For example, if the state tax was increased from \$0.75 to \$1.50, the local option levy would go away because it was not needed. The city would like to be transparent, posting the budget and information online and hold forums, because there is not interest or incentive from receiving more tax revenue than is expended. If a bill passes in 2019 and the state tax covers the increasing costs, the levy will never be collected. If the bill is not introduced and the local option levy fails, the answering point will be financially forced to consolidate in 2019.

Councilor Willey asked how often the equipment in the answering point needs to be replaced and what the cost is. Green clarified that the state pays that cost; a portion of the tax collected by the Dept. of Revenue is set aside to update most equipment in the various answering points. A split based operation, with a base in John Day and a base in another county, would not be eligible for new equipment in both places and would not be approved. Once consolidated, the state would only pay for new equipment in one answering point. The center in Condon receives four portions of this funding, which allows them to invest in digital equipment. If Grant County found another county to consolidate with, the deficit would be covered for each county but one would have to give up their answering point.

Councilor Holland asked if the state collected the \$0.75 tax from cell phone companies or internet providers. Green clarified it is currently collected from land lines, cell phones, and prepaid wireless cards. Mayor Lundbom asked to represent a potential resident from Monument and stated that they do not want to pay for dispatch to send a city official to check the water tower. Green elaborated that part of the current dispatch system allows the city to tie their water/sewer system to the dispatch. A system failure results in an alert to dispatch, who can then inform the on-call public works employee. This is an example of the additional services, having a local dispatch can provide. It has been suggested that the

city should pay more, because they are utilizing this service; this service has been offered to everyone in the county. The city currently pays such a disproportionate share of the budget deficit that they have to charge franchise fees to all of the enterprise funds, such as water and sewer. Every funding source is being drawn from to shore up the gap left by other cities. In 2016, approximately \$100,000 was paid by the City of John Day, per capita it should have actually only been \$40,000. The city is paying \$60,000 that other cities either can't or haven't volunteered to pay, a service they benefit from for free. Mayor Lundbom noted that he has tried to convey that the non-emergency calls are received from all over the county. Green emphasized that the outcome of the vote will have impact on the department and all of the public safety spending for the city. Some enhanced features the city is considering implementing, would not be purchased if the answering point was not local. Features such as using the school's closed caption cameras to assess an active shooter situation at the school are likely only feasible with a local dispatch. The city is continually looking for ways to improve the department to reduce operating costs, but some of the costs the city cannot control are the biggest costs.

Mayor Lundbom commented that he was asked if John Day would pay into the levy, the answer is yes; everyone in the county would be contributing. Green noted that the department has not previously been charged for administrative expenses like the other city departments were. This was eliminated in the past to try and cover the deficit. Green has put these expenses back into the department budget to show a true and fair reflection of the cost to operate. You cannot be transparent by trying to cover costs outside the budget, and the administrative costs would be accrued here or anywhere else. Having a state certified dispatcher available to take calls, is the vast majority of operating expense, not the equipment, the number of officers employed, or the services provided by dispatch.

Mayor Lundbom asked how John Day ended up with dispatch in the beginning. Green responded he did not know for sure, but that John Day has had dispatch for over 20 years. Councilor Holland noted that when he started in 1980, the dispatch was in the old city hall. Green noted that it is unusual for cities to provide a countywide service, though some do; it is highly unusual for a city to pay for other cities to have the service, it would be more likely that a county cover the costs, since they receive roughly 20% of the property tax from the cities. Since the city does not receive revenue from other cities in the county, no rational basis exists for John Day to subsidize the service for other cities.

Green noted that city residents may not be informed that they are paying a disproportionate amount for the service. A basic principal of tax policy is to have the widest base with the lowest rate; with the goal to minimize the effect on any individual taxpayer. The widest base that could be achieved for 911 is the State of Oregon, the most equitable way to tax the service is an increase in the tax rate at the state level; the problem is we have very little control over that. The next best equitable option is to make a county wide funding solution, rather than concentrate costs in City of John Day, Grant County, Blue Mountain Hospital, and the National Forest.

Mayor Lundbom addressed to the audience that if anyone has questions to call a councilor or the city manager, the information circulating needs to be accurate and transparent. It is important that residents understand that subsidizing the answering point results in other services lost, such as not sanding the street in the winter.

Green added that on October 18, the Chamber of Commerce will host a question and answer session in the Senior Center at 6 pm; the panel will consist of representatives from: law enforcement, the hospital and public health community, City of John Day, and Grant County, at a minimum. Any questions related to the tax will be answered with honest and complete answers.

Agenda Item No. 5—Housing Development District Update & DLCD Technical Assistance Grant

Green explained that the council authorized him to submit a response to the Governor's request for information about how to address workforce housing shortages in Oregon. A ten page response was sent, that amalgamates prior city council discussions and presents a comprehensive look at the housing development district proposal. The district, to be created under ORS 457, would allow the city to incentivize new home construction and remove the cost barrier to building a home in John Day. The incentive would be an asset backed investment, with the city receiving 100% of the property tax for the development until the incentive is repaid, at which point the tax base would be distributed like any other property. The repayment rate for the cash incentive would be five times faster than if it was provided to a house not in the development district. The cash incentive can be scaled to whatever is sufficient in providing a market response. A property never connected to city services could have system development charges prepaid by the district under the same principal as the incentive. Once the district is repaid, the funding becomes available as an incentive for the next home, resulting in a perpetual investment fund.

The biggest barrier to new construction in our community is the cost difference between building new versus buying existing; a large price difference exists because the cost to build is so high and our property values are so depressed. The proposal is on the city website and has been submitted. By having an asset backed investment, if there is no value increase in the tax rolls as a result of development, the incentive is not distributed. This is different from the tradition public sector approach of loaning money, with the chance of default.

Green requested the council to approve him to submit a grant request to the Department of Land Conservation and Development, to hire a consulting team that could create the Housing Development District; there are a lot of requirements under the ORS. The estimated cost to create the district is \$43,500; Green would like to request the full cost of consulting be covered by a grant from DLCD to run the district as a pilot program. The city would operate the program and provide feedback to the state about effectiveness of the district. With approval from the council and mayor, Green could submit the grant on the 13th of October. Councilor Willey asked about the 25 percent stipulation in ORS. Green responded that, in his letter to the governor on page 7, he addressed the need to remove the 25 percent land area restriction. He also noted on page 9, the partners and bipartisan sponsorship to make amendments to the ORS. He included them as specific needs to address before the district could operate in city limits. This is a unique approach to urban renewal and has never been applied in the state. Councilor Willey asked if there was a feeling on the likelihood of this amendment going through. Green explained that restriction is in place to prevent larger cities from declaring the whole city an urban renewal district and taking all of the tax increases, leaving no appropriation of increase to the hospitals, school districts, and county. Our tax districts are in a position to be supportive of this because they are already losing revenue from the population decline and this would only benefit them. A consultant will be immensely helpful in facilitating the stakeholder meetings and community advisory groups and acquiring community feedback.

Mayor Lundbom asked if the home buyer or home builder will benefit. Green stated that he was not looking to restrict activity such as spec homes. Whoever puts the house on the tax rolls would receive the incentive; the builder could pass these savings on to the homebuyer. It has been suggested that land owners may just raise the cost of their land once the incentive is implemented; if they try to do that, the

land likely won't sell. The savings are only realized if the land is developed, if you remove the value of the incentive, buyers will choose to develop elsewhere.

Councilor Holland motioned to approve Mayor Lundbom to sign a letter of endorsement for the DLCD grant, seconded by Councilor Willey and passed unanimously. Mayor Lundbom asked about the timeline for the district. Green wants to have the district operational by July 1, 2018.

Agenda Item No. 6—Other Business and Upcoming Meetings

Assistance to Firefighters Grant Turndown Notice

Green received an email from FEMA, notifying the city did not receive the firefighter assistance grant. Fire Chief Ron Smith noted that the nationwide request for assistance was over two billion dollars. They noted in the turndown notice that there were so many applications they could not answer questions concerning each turndown. Chief Smith the request was funding for a new radio system, mobile and portable radios, and new turnout gear. Green noted that it totaled roughly \$140,000 and the request will be submitted again in November, with updated numbers. Chief Smith noted that the assistance program has become a very popular funding source in the last decade. Mayor Lundbom asked if there were any specific items that needed to be addressed immediately. Smith responded that some of the items are a new system that is being pushed to help with intergovernmental communications, some of the turnout gear is 15 or more years old, and they have a need for more portable radios, as their volunteer numbers go up. Smith reported they currently have 13 reserve firefighters.

Report on LOC Conference from City Manager

Green co-led a breakout session on strategy, visioning, and goal setting for approximately 100 public officials and attendees. Positive discussions were held about the two strategies, the traditional method of starting with a vision and Green's method of starting with looking at pain points and assets to create goals, then identify a vision and build a strategy from the ground up. Several people supported the housing district and volunteered to weigh in when it goes to the legislature; there was also interest in the Innovation Gateway and the low price at which the city was able to acquire Oregon Pine.

Report on October 9 Broadband Meeting with Local Internet Service Providers (ISPs)

On October 9: Centurylink's General Counsel and State Government Affairs Representative; the Executive Vice President of Oregon Telecom Association, who called the meeting; and the CEO of Oregon Telephone met with Judge Meyers, Ken Olson, and Nick Green at the New Fire Hall. The meeting was productive, in which each group presented their unique perspective of the challenges to deploying high capacity broadband to Grant County. Economic challenges and physical constraints of: being so far from main broadband lines, and topographic challenges. Centurylink is looking for a rural model that may work. Green noted that the broadband solution for Grant County may not necessarily work for others. Issues discussed were lack of connectivity, lack of speed, lack of access, and price. Oregon Telephone currently has high speed services in Mt. Vernon, Prairie City, and parts of John Day and Canyon City. Both companies seemed interested in finding a way to partner rather than compete.

Green responded that until the Coalition forms there is not an agency to speak for or against that option. His opinion was that, if the incentives stayed aligned, there may be an opportunity. Under no circumstances should public money go to a private company to build a private network; that was the model that has previously failed the public. Councilor Willey noted that the bottom line was to do what we can for the constituents. Green added that the survey sent to the county resulted in 5% response rate, and 68% of those responding identified fixing the broadband network as their top investment priority. Currently the taskforce is waiting on a decision from Prairie City and Canyon City, the coalition

can move forward without them choosing to opt in. Once the coalition is officially formed, the Secretary of State will certify the agency and the agency can receive the funding from the state legislature and issue contracts.

Councilor Haberly asked if there is an agreement for using OTEC's poles. Green responded that an official agreement has not been signed because the coalition is not certified. Green also noted that he had a good meeting with the Forest Service and districts that will be crossed from here to Burns. This will create economic benefits in several directions. Councilor Willey asked if it was still the goal to bring high speed broadband at an affordable price. Green responded that he personally would like to break the mold but he may not be on the board of directors and the coalition will ultimately need to decide what it's pricing model will be. OSU is actively willing to partner on the broadband. Elliot Sky added that an employee was just hired at the hospital who chose to move to Grant County because they found access to 50GB high speed internet. He has seen potential candidates come and decide to leave due to some of the deterrents previously discussed. Green noted that the Coalition broadband is a good way to ensure competitive rates, rather than being dictated by a monopoly, as it has been in the past. Some of the issues with deploying the network are marketing and business model, not technology. Bruce Ward asked why Prairie City is hesitant to join the Coalition. Green responded that they currently have access to a high speed network through Oregon Telephone and therefore do not share the pain point of access.

Oct 12-16 – Trip to Tucson (University of Arizona Controlled Environment Ag. Course)
City Manager Green, Senior Project Manager Aaron Lieuallen, and Agribusiness Project Manager Matt Manitsas will be attending a four day intensive course. They will: review the Greenhouse Business Model; work in their greenhouses there; and elaborate on configurations and economics of lettuce and leafy green crops. A future course on tomatoes will be held in January, which Manitsas will attend. The intent is to dial in the requirements needed, for the solicitation from vendors, for the market we are trying to satisfy. This will inform the requests for proposals and design/construction parameters.

Oct 20 – Oregon Connections Telecom Conference – Panel Discussion on Digital Divide
Green will not be able to attend but Chris Wall, IT Director from Blue Mountain Hospital will serve on the panel. Senator Ferrioli will also serve on the panel with other industry representatives to discuss John Day's success in getting funding to build a network and challenges in eastern Oregon.

Oct 24 – Public Hearings (Budget Resolution for Main Street Revitalization/Sale of City Property)
Green stated they would be presenting purchasing sale agreement for the Main Street property, property line adjustment with Iron Triangle, and a lot line adjustment with Hugh Thompson property. The city is planning to give access to a street and property ownership in exchange for an easement 10 ft on either side of the city water line.

Nov 13 – 17 – Sustainable Water Site Visit / First Stop with DEQ

Nov 14 – November Council Meeting (only one)

Dec 12 – December City Council Meeting (only one)

Green asked if the council would consider doing a State of the City Address in January or February 2018, an open forum to review the prior year's performance and discuss the future. The audit was just completed and they expect to have a report back in December of 2017. The councilors expressed support of this idea.

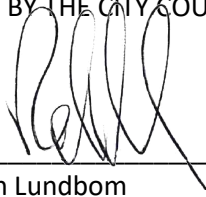
Adjourn

There being no further business before the council, Councilor Willey motioned to adjourn the meeting. Councilor Holland seconded and the motion passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON OCTOBER 24, 2017

A handwritten signature in black ink, appearing to read 'Ron Lundbom', is written over a horizontal line. The signature is stylized and cursive.

Mayor Ron Lundbom