

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

October 24, 2017

COUCILORS PRESENT:

Paul Smith, Councilor
Ron Lundbom, Mayor
Gregg Haberly, Councilor
Shannon Adair, Councilor
Donn Willey, Councilor
Steve Schuette, Council President
David Holland, Councilor

COUNCILORS ABSENT:

STAFF PRESENT:

Nicholas Green, City Manager
Valerie Maynard, ECC Director
Monte Legg, Public Works Director
Matt Manitsas, Agribusiness Project Manager

Chantal DesJardin, Secretary
Anna Bass, Oster Professional Group
Aaron Lieuallen, Senior Project Manager

GUESTS PRESENT:

Sherrie Rininger, John Day
Jim Spell, John Day
Beth Spell, John Day
Logan Bagett, Elkhorn Media Group
Sherry Nehl, John Day

Judy Schuette, John Day
Didgette McCracken, OSU
Rick Hanners, Blue Mountain Eagle
Kattie Piazza, House to Home
Darin Toy, John Day

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the John Day City Council meeting to order at 7:00 p.m.

Agenda Item No. 2—Approval of City Council Minutes of October 10, 2017

Councilor Willey moved to approve October 10th minutes, as amended. Motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 3—Appearance of Interested Citizens

Mayor Lundbom asked if the audience had any items they wished to be added to the agenda.

Agenda Item No. 4—Public Hearing—I.T. Logging

City Manager Green explained that the sale was contemplated in the original purchase agreement of Oregon Pine. An affidavit of sale and the final draft of purchase and sale are included in the packet for council approval.

Mayor Lundbom opened the public hearing for questions or comments regarding the sale.

Council noted that this has been discussed previously and they had no further questions. There were no further comments from the council or audience.

Councilor Schuette made a motion to close the public hearing, Councilor Willey seconded, and it passed unanimously.

Councilor Willey made a motion to approve the lot line adjustment and authorized Mayor Lundbom to sign the final Purchase and Sale Agreement. Councilor Adair seconded the motion and it passed unanimously.

Agenda Item No. 5—Public Hearing—Hugh Thompson

City Manager Green explained that Mr. Thompson owns property that encompasses a portion of the city lot consisting of two city reservoirs and a water main line. A map has been included in the packet to show how the main line crosses in and out of Mr. Thompson's property. The exact location of the line was not known by the city until Mr. Thompson hit the line two times. It was decided it would be prudent to survey and locate the line then do a property line adjustment. The application for a property line adjustment includes a quitclaim deed transfer of a wedge-shaped portion of the city lot, which is surrounded by Thompson's property, in exchange for a twenty-foot easement over the water main. The easement will allow access to the property for servicing and will prevent development that would impair the utility corridor. Green recommended the exchange at no cost to either party. Councilor Schuette asked for clarification about which lot number was the section in question. Green clarified 10800 and 11300 are the Thompson properties; the city owns the 4000 lot. The wedge section in question from lot 4000 sits between Thompson's two lots. He worked with the surveyors to look through the property deed records and could not determine precisely how lot 4000 came to include this wedge-shaped portion, but it was pieced together through property acquisitions the city made long ago.

Mayor Lundbom noted that it made sense and opened the public hearing.

There were no further comments from the council or audience.

Councilor Willey motioned to close the public hearing, Councilor Adair seconded, and it passed unanimously.

Councilor Schuette made a motion to approve the lot line adjustment, quitclaim deed, and authorize Mayor Lundbom to sign the land exchange and utility easement agreement upon completion and review by the City Manager and City Attorney. The motion was seconded by Councilor Smith. Mayor Lundbom asked if the attorney had looked over the agreement. Green clarified they were waiting on the legal description of the easement to finalize. The council passed the motion unanimously.

Agenda Item No. 6—Public Hearing—Supplemental Budget

City Manager Green explained that the supplemental budget will change appropriations within the general fund for some items not budgeted for. Changes due the Eclipse included a \$4,000 increase of personnel expenses and a \$15,000 increase of material and services. Property tax expenditures will be added for the Main Street property being purchased. The estimate of \$1,200 is allotted for tax from the

date of purchase to June 18. Expenditures for the purchase of the property will total at \$300,000; with \$100,000 for the purchase and closing costs and \$200,000 for a loan for renovations. The loan has not been requested but would allow for interior demolition and improvements. The debt service of the loan is estimated at \$14,400. These are not costs, but budgeted expenditures.

Revenue changes include an estimate of \$15,600 from the Main Street rental income from the date of closing to the end of the fiscal year for four tenants. The Main Street Revitalization grant will add \$100,000 in revenue. The debt proceeds from the renovation loan would also add \$200,000 in revenue. Eclipse sales, reservation, and merchandise add an additional \$19,000 in revenue already received.

Mayor Lundbom opened the public hearing for questions or comments regarding the sale.

Mayor Lundbom asked about the revenue from the eclipse, the number seemed low. Green clarified that most of the eclipse income was accrued in fiscal year 2017. Anna Bass noted that the \$19,000 was received after July 1st. Councilor Holland asked about the personnel, material, and services expenditure; he wanted to make sure the amount had not been spent, but rather was just being budgeted for. Green responded that he did not have an estimate on the overall profit/loss. Some invoices for eclipse related expenses were received in September. The budgeted expenditures are for the estimated costs that were to be billed in fiscal year 2018.

There were no further comments from the council or audience.

Councilor Willey motioned to close the public hearing, Councilor Adair seconded, and it passed unanimously.

Councilor Schuette motioned to approve the supplemental budget, Councilor Smith seconded, and it passed unanimously.

Agenda Item No. 7—Resolution 17-775-11

City Manager Green explained this resolution makes the previous motion official. By adoption the supplemental budget it will be added to the budget and will be heard at next year's budget hearing.

Councilor Smith made a motion to approve Resolution 17-775-11, A Resolution to Adopt a Supplemental Budget Appropriating Grant Funds and Eclipse Revenue Unknown During the Budget Process. Councilor Willey seconded the motion and it passed unanimously.

Agenda Item No. 8—Main Street Revitalization

City Manager Green reported that the Purchase and Sale Agreement is in final revisions. The basic terms are that the city will acquire the property for \$100,000 plus closing costs. The city will retain the existing commercial leases and enter into new lease agreements with the four tenants. There is a 300-day window from the time the agreement is signed to finish due diligence before closing on the property. Statements from 3 of the 4 tenants have been received stating there is no financial liability between them and the current landlord. The new tenant leases needed to be drafted. Until the acquisition is complete, investment in renovations cannot begin.

Mayor Lundbom asked for clarification about the insurance and coverage of a hazardous building. Green clarified that the building will be insured as is, and if the renovation is complete in Fiscal Year 2018, the building can be reassessed and reevaluated when renegotiating insurance rates in May 2018. The assessed value did not reflect the condition of the building and was based on mixed use; the building will be used as commercial only until the residential space is renovated. Mayor Lundbom invited questions or comments.

Councilor Schuette stated that the loan had been included in the budget but has not been applied for. Green concurred and added that he currently has terms from one financial institution but before any further investigation or applications, the property acquisition needs to be completed. A quote was received from a company for the renovation to bring the building to code, Green believes they could receive a more competitive bid if a formal RFP were issued and would like to see two or three more offers. The Idaho company in the original offer gave a conservative quote of \$165,000, which would include potential asbestos treatment. The cost would be offset by the rental income, so there is no tax liability to the city. The only way the city would incur costs, related to the renovation, they would have to pay would be if the renovation exceeds the budgeted amount or the tenants stopped paying rent. New lease agreements are a condition of the sale and the current residential tenant has been given notice by the current landlord and will need to be moved out before the city closes.

Mayor Lundbom noted that there seems to be confusion in town about the purchase. Green noted that the city acquired the 12,000 sq. ft. building at a net cost of roughly \$8,000 to the city, which will be recovered in the first six months of rental income. There are buildings downtown that need to be invested in; so far the private sector has not invested in revitalizing the aging buildings downtown. The Main Street merchants approached the City with the request to invest in this project. The City needs to be smart and transparent in this first attempt. If successful, state money will have been leveraged to: create four new condominiums that are modern and up to date; revitalize and make safe a building that was not up to code; and manage the City's financial exposure. Mayor Lundbom noted that he hopes it is successful and the City can continue with similar projects. Councilor Adair voiced support.

Green noted that the collective group will need to be involved in ensuring success. Local builders and contractors need to come in and put sweat equity into investing in the community to help make the model work. It is his personal opinion that if the private sector sees investment in John Day, they will start investing, and he wants to see them follow suit. Councilors voiced agreement.

Councilor Schuette made a motion to approve Mayor Lundbom to sign the purchase and sale agreement subject to final revision and approval by the City Manager and City Attorney. Councilor Willey seconded the motion and it passed unanimously.

Action Item No. 9—Other Business and Upcoming Meetings

Report on Oct. 12-16—Trip to Tucson (University of Arizona CEA Course)
Agribusiness Project Manager Matt Manitsas, along with Aaron Lieuallen, and Nick Green visited University of Arizona's Controlled Environment Agriculture Center to learn hands-on how leafy greens are grown in their greenhouses. They went through the entire process of planting, to propagation, translation into deep water, and harvesting. They spent roughly 10 hours a day in the classroom and gained a lot of information. They acquired a lot from the University and the Arizona Vegetable Company as far as contacts, networking, reading material, and formulas for fertilizers, along with designs and concepts for greenhouses. Mayor Lundbom asked about the size of the group. Manitsas responded

there were 15 in the cohort and a wide range of people. They included long time growers looking to make the next step, potential investors such as the City of John Day, a few looking into building 40,000 sq ft greenhouses, and others just growing in their back yard. They were able to have hands-on experiences with GHP/GAP (Good Handling Practices and Good Agriculture Practices) which are certifications that farms need in order to sell their produce. They learned about food safety and safe practices of harvesting which is important in operating the greenhouse as a farm selling produce to the public. It will be important to ensure practices such as clean clothes, pest free, and dirt free, to maintain a controlled environment. Manitsas used a PowerPoint presentation of photos including the facility, greenhouses, their practical experiences, and the various products grown. The University of Arizona had multiple greenhouses for different experiments.

Mayor Lundbom asked how they maintain a cooler temperature in Arizona. Manitsas explained they utilized pad cooling systems that operated similar to a giant swamp cooler. In the three days they were there, the lettuce seeds they planted in peat moss had sprouted. They were told that some people attend the course just to get the fertilizer recipe for hydroponics. They were able to test the pH and salt content of water and eat some of the harvested food. Green added that the produce was very high quality. Mayor Lundbom asked how long it takes to grow. Manitsas responded the lettuce was roughly five weeks to harvest. At a certain height for the herbs they cut off the leaves and they grow back within three to four weeks. Aaron Lieuallen added that they ate a fresh salad each day from the harvests. Green added that it was a very instructive program, with essentially their entire semester's worth of curriculum in four very long days. Manitsas will continue with research on design options and some recommended changes after seeing their farming systems. They were able to meet with a manufacturer who was attending and discuss pricing options. Green foresees at least four bidders on the first greenhouse. He hopes that within the next 45-60 days there will be an RFP out for the design and build. Mayor Lundbom asked if that will be added to November's agenda. Green responded that if not November, it will be on December's.

Nov. 14-15—Sustainable Water Site Visit/First Stop with DEQ

Nov. 14—November City Council Meeting (only one)

Dec. 12—December City Council Meeting (only one)

Mayor Lundbom asked about the progress at Oregon Pine. Green responded that the removal of equipment by DR Johnson at Oregon Pine is almost complete. The final pieces are the de-barker and conveyer belt feeder. They have removed the roof from the building and will bring in a 100-ton crane from Boise to reach in and remove the pieces. They will cut up and remove the belt then re-bolt the steel roof back in place. They are going to request if the crane operator can remove or knock over the power poles in disuse. Green and Legg did a walk through, are happy with the progress and expect them to be finished soon. There were comments regarding the infiltrations and exit of water entering the flood plain each year. Green noted that they hope to have a design team in place by early spring. Mayor Lundbom asked when they plan to be in the new shop. Public works Director Legg responded that they are meeting with OTEC and submitting an application, which takes a week or two to process, then hopefully digging trench to restore power to the shop. Green added that the Phase 2 inspection has been completed, the environmental team will have recommendations for disposal of localized contamination. The grant has been received to pay for that work. Legg reported that they were able to save money by using city equipment. They wanted to core drill through the shop floor in two spots to the tune of \$8,500 to test the soil under the oil change pit. Legg was able to utilize the city's rock drill to bore down the hole, through bright concrete, down to soil and retrieve a sample. Mark Yinger is pretty confident that will be sufficient and they will not need to core drill. Mayor Lundbom asked if the concern

was that the pit leaked. Legg clarified there was a trap in the bottom of an oil change pit and they are concerned about oil spills and contamination. The trap had some oil in it, so they: dipped all the oil out, cleaned the trap and put water in, with no water loss in 2 weeks they then removed the water. Legg added that they planned on once cleared to fill it up and make the floor level.

Mayor Lundbom asked for an update on the broadband. Green reported that he had met with the Prairie City Council and Canyon City's Council along with sending memo's to them, Seneca, and the County Court. Within the last week, it has become known to Green that Prairie City, Canyon City, and a member of the Court asked for the actual cost to operate and maintain a fully constructed network. The original cost sharing agreement proposed a per capita cost sharing of the infrastructure that was built with the state appropriation. They were not comfortable with that, the Mayor Fisher compared it to buying a car without knowing the price. Green asked to amplify that you are not buying a car but building a car and the cost depends on whether you are building a Bentley, Rolls Royce, Chevy Nova and other variables of performance. Cities who opt in to the coalition will serve on a board of directors who decides exactly how the network is created and operated before any money is spent. The question of cost cannot be answered today because it has not been decided exactly what the network will look like. Other than the likelihood of a main line from Burns to John Day, there is no way to foresee how many extensions off the main line, the number of public facilities, whether there is a public private partnership, until the Coalition makes those decisions. Green encouraged the idea of considering the partnership, if they were interested. If they can give a cost competitive offer, the board of directors should consider it. Green would like to avoid a scenario where one entity makes the decision about the scope and scale of the services, at that entity's sole expense, then everyone else wants to receive the benefits of the service without having contributed on the front end. When you approach them with to structure of an agreement that's equitable, the offer for an alternative approach to cost sharing has to be returned with some kind of alternative to show who has skin in the game. If no alternative is proposed or constructive contribution and only critiques of the presented agreements, they should opt out. Those entities willing to participate in the network will receive the appropriations and proceed. There are procedures to add cities later on, at the discretion of the board, whom has put in the time and effort to develop the network.

Councilor Schuette asked who is currently willing to participate. Green voiced hesitation to speak confidently but that Josh Walker has had several conversations with his city council, they are still on board but if the other cities won't commit they will want to discuss it again. Green also spoke to Senator Ferrioli and stated that they would like to move forward to meet the construction window next summer. He presented the ORS 190, the other cities may or may not participate and asked to move forward with the network engineering to stay on schedule. Ferrioli will work with the Department of Administrative Service to ensure we can still build the network. Green emphasized that broadband network modernization is essential for Grant County, we have to invest in digital infrastructure to create opportunities for our economy in the 21st century. If we wait for the private sector to get to us, we will be waiting a long time. He appreciates the companies who have made some investment, but we are not competitive. Until a provider comes in willing to invest solely at their expense, we should take advantage of the State's willingness to invest in our economy. It is time for the public agencies to lead. Councilor Adair asked when they will respond. Green said that this is the decision point because the network contract and engineering needs to be on the street next month in order to be building the network in August. If we miss the window to cross the forest it will most likely kick the project down the road 12 months, because there is a very narrow window for construction. Green stated he requested a decision by the end of the month and he respects whatever decision they make in the best interest of their constituents. John Day has to do what's best for our constituents and they will join with whoever is

willing and move forward. They will design the best network they can, at the best price they can, and provide to as many people as they can.

Mayor Lundbom asked if there were any questions regarding the broadband.

Jim Spell asked who the board includes. Green answered that the board will be made up of appointed officials from those entities participating. The board membership can be structured to meet the number of entities involved. Spell asked who has committed. Green responded that the “soft commits” he feels have come from Seneca and John Day, Prairie City has not made a decision though some members seemed to be in support. Chantal DesJardin noted that at the council meeting, most of the audience raised their hands in support. The council decided to send out a survey to the residents regarding the broadband. Green added that Mayor Hamsher told him they are working with Sally Bartlett to get a survey out to the residents. Councilor Schuette asked if the county court has opted in. Green responded that it has not been presented to the court but he will be asking the court to add it to the next agenda. Schuette asked if that changes the end of the month deadline. Green stated that they may have the grant from the state and be able to start moving forward with the engineering.

Mayor Lundbom asked how it will work with connecting the schools if they are within the county and the county opts out. Green noted that the board will have to make that decision, if they want to extent out of the coverage area of the entities. Nothing prevents them from providing service; they will have to decide to add areas outside their coverage at their discretion. Mayor Lundbom and Paul Smith asked why they would opt out and asked about the service in Prairie City. Anna Bass noted that the service is better than Centurylink but not great speed for the price. She has not heard any talk about the broadband, or a questionnaire, or a phone call. Green added that the memo with the cost sharing agreement was sent out in August with the terms. In order to be able to issue an RFP in November, the agreement needs to be adopted in October. Canyon City may have received the agreement later, but the other cities have been a part of the internet task force and helped lobby for the money. The network engineering cost will be paid for by the state and will answer the questions about costs.

Councilor Smith asked if there were any deterrents to the fiscal aspects if only John Day moved forward. Green noted that House Bill 5006 appropriations are to the City of John Day and he does not know of any barriers to having only one entity. He added that there is uncertainty with any new venture but the coalition is starting with \$1.8 million in net assets.

Councilor Smith noted that if we take the Main Street building and provide four condos, we will attract people that work over the net, working remote is becoming more frequent. We offer John Day as a place they can live and work. Green added that a lot of businesses fail to succeed because they don't execute their strategy, we have adopted a strategy and we are executing it. We wanted to invest in broadband, housing, and recreation, and attract new residents. The City is doing what we set out to do. The measurement of our success will be if we attract new residents. Does the school population increase, do we get young families, and do the digital commuters come? You will not know the answer to those questions until you have made the investment. Councilor Schuette noted that most of the financing so far has not come from John Day. Green added that the state has offered a lot of support in financing of the strategy.

Kattie Piazza added that when she had first moved back to John Day she worked remotely for her corporation in Portland. After three years they gave her an ultimatum, because the internet was so bad she had to move back to Portland or leave her position. She was able to secure employment here, but many in her age group are in that same boat because internet and phone services do not meet their

needs. She worked for the third largest employer in Portland and one of the biggest issues was that it took her so long to get on to their servers and receive emails. She asked the council to stay encouraged that the internet is one of the biggest things keeping people from being here.

Adjourn

There being no further business before the council, Councilor Schuette motioned to adjourn the meeting at 7:52 pm. The motion was seconded by Councilor Smith, and passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON NOVEMBER 14, 2017

A handwritten signature in black ink, appearing to read 'Ron Lundbom', written over a horizontal line.

Mayor Ron Lundbom