

**John Day City Council
December 12, 2017
6:00 PM
Fire Station, 316 S. Canyon Blvd
AGENDA**

1. **OPEN AND NOTE ATTENDANCE**
2. **APPROVAL OF CITY COUNCIL MINUTES OF NOVEMBER 14, 2017.**
3. **APPEARANCE OF INTERESTED CITIZENS** – At this time Mayor Lundbom will welcome the public and ask if there is anything they would like to add to tonight’s agenda.

ACTION ITEMS

4. **EXECUTIVE SESSION**
Attachments:
 - None
5. **LOAN CONSOLIDATION PROPOSAL**
Attachments:
 - Washington Federal Market Update
 - Business Oregon Loan Statements
6. **FY2016-17 FINANCIAL AUDIT REPORT**
Attachments:
 - FY17 Independent Auditor’s Report and Financial Statements
 - Summary of Revenues and Expenditures
7. **RESOLUTION 17-776-12, RESOLUTION SETTING FORTH PROPOSED PLAN OF ACTION PERTAINING TO DEFICIENCIES NOTED IN ANNUAL AUDIT REPORT**
Attachments:
 - Resolution 17-776-12
 - Plan of Action
8. **2017 YEAR-IN-REVIEW AND 2018 STRATEGIC PRIORITIES**
Attachments:
 - November City Newsletter
9. **BROADBAND IGA STATUS UPDATE AND FUNDING ACCEPTANCE**
 - Department of Administrative Services Grant Agreement
 - Supplemental Budget (for review)
 - Professional Services Agreement – Fiber Channels
 - Professional Services Agreement – CommStructure LLC
10. **GREENHOUSE DESIGN OPTIONS AND RFP TIMELINE**
 - Business Oregon Finance Application

OTHER BUSINESS

11. OTHER BUSINESS AND UPCOMING MEETINGS

- January 10 – City Council Meeting, 7PM (Public Hearing)
- January 18 – LOC Region 8 Small Cities Meeting (John Day Hosting)
- January 24 – City Council Meeting, 7PM

TO: John Day City Council
FROM: Nicholas Green, City Manager
DATE: December 12, 2017
SUBJECT: Agenda Item #4: Executive Session
Attachment(s)

- None

SUMMARY

City Council shall meet in Executive to discuss review the employment-related performance of the City Manager and to discuss ongoing negotiations regarding the proposed acquisition, exchange or liquidation of public investments.

RECOMMENDED MOTION

Council should motion to enter executive session, pursuant to ORS 192.660(2)(i) and ORS 192.660(2)(j).

MAYOR'S STATEMENT

The John Day City Council will now meet in executive session to review and discuss confidential attorney-client privileged communications. This executive session is held pursuant to ORS 192.660(2)(i) To review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee or staff member who does not request an open hearing; and ORS 192.660(2)(j) To carry on negotiations under ORS chapter 293 with private persons or businesses regarding proposed acquisition, exchange or liquidation of public investments.

Representatives of the news media and designated staff will be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report on any of the deliberations during the executive session, except to state the general subject of the session as previously announced. No decision may be made in the executive session. At the end of the executive session, we will return to open session and welcome the audience back into the room.

ADJOURN

Council should motion to exit the executive session at the conclusion of the discussion.

TO: John Day City Council

FROM: Nicholas Green, City Manager

DATE: December 12, 2017

SUBJECT: Agenda Item #5 Loan Consolidation Proposal
Attachment(s)

- Washington Federal Market Update
- Business Oregon Loan Statements

BACKGROUND

The City has two Special Public Works Fund loans issued through Business Oregon's Infrastructure Finance Authority: the Industrial Park Loan (L03005) and the West End Water System Improvements Loan (B02002). The Industrial Park Loan is at 5.00% constant interest and has a maturity date of 2026. The West End Water System Improvements Loan is at 5.02% constant interest and has a maturity date of 2028. Combined principal payments for both loans equal \$235,062.93 per year.

The John Day Budget Committee approved a recommendation during the FY18 budget process to accelerate payments on the Industrial Park Loan by \$20,000 and the West End Water System Improvements Loan by \$100,000. This accelerated schedule would have saved \$90,000 in interest across both loans and would have resulted in an annual payment of \$335,069.93 for December 2017.

Subsequent to that decision, I began working with Business Oregon and lending institutions to evaluate a loan consolidation option that will save the City even more money by decreasing both our interest rate and the timeline for repayment. We have received an offer from Washington Federal to consolidate both loans at interest rates ranging from 2.34% to 2.49%. Washington Federal is also the lending institution that originated the bond for our new fire station. Mr. Pete Sullivan, Vice President/Relationship Manager, will present the various consolidation options to the council.

DISCUSSION

Washington Federal has developed four loan consolidation options as shown on Pages 6-10 in the attached market update packet. The maturity date, call/reset period, anticipated interest rate, and associated cost savings are summarized below.

- 10-year maturity, no call, 2.49% interest = \$228,490 cost savings (46% savings)
- 10-year maturity, 7-year call, 2.41% interest = \$262,438 cost savings (53% savings)
- 10-year maturity, 6-year call, 2.37% interest = \$283,030 cost savings (57% savings)
- 10-year maturity, 5-year call, 2.34% interest = \$306,520 cost savings (61% savings)

The 10-year maturity, no call option is the most conservative and would pay off both loans by 2028, with a net savings to the City of \$228K. The 10-year maturity, 5-year call option is the most aggressive. It would pay off the loan by 2023 and result in a net savings to the City of \$306K. However, this option would require the City to make a bullet payment of \$900,000 at the end of the loan period.

The 6-year call is an attractive investment option. The bullet payment at Year 6 would be \$720,000 – requiring the City to save \$120,000 per year in addition to the principal payment of \$180K per year, for a net of \$300K annually. Since the City planned to pay \$335K this year, this option is less aggressive than

the City's proposed early payment schedule discussed in the budget committee hearing, but results in a net savings of \$283K to our taxpayers as compared to \$90K if we keep the higher interest loans through Business Oregon.

RECOMMENDATION

After discussion with Mr. Sullivan, Council may choose to authorize the City Manager to consolidate the City's loans under the repayment plan the council selects. I will then work with Business Oregon and Washington Federal to complete the consolidation.

TO: John Day City Council

FROM: Nicholas Green, City Manager

DATE: December 12, 2017

SUBJECT: Agenda Item #6: FY2016-17 Financial Audit Report
Attachment(s)

- FY17 Independent Auditor’s Report and Financial Statements
- Summary of Revenues and Expenditures

BACKGROUND

Mr. Kent Bailey, CPA, Guyer & Associates, will present the City’s FY17 financial audit report to the City Council. A summary of the financial highlights is provided below. Detailed analysis and financial statements are in the full audit report (enclosed for Council only). The electronic audit report is accessible from the city website. The summary of revenue and expenditures is also enclosed.

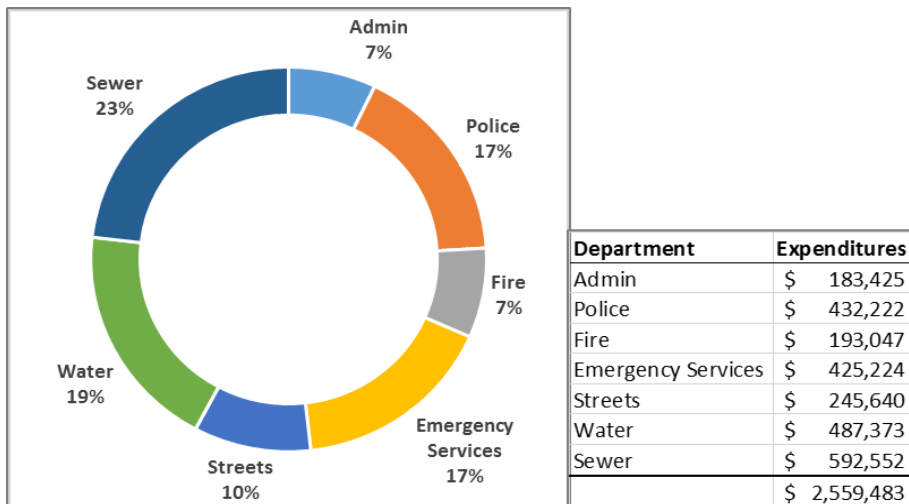
DISCUSSION

The assets of the City exceeded its liabilities at the close of the fiscal year by \$8,267,271 (net position). Of this amount, \$1,365,080 is unrestricted and may be used to meet the City’s ongoing obligations and pay for day-to-day operations.

The total net position increased \$384,332 during the year, a modest but positive increase. The increase is due largely to revenue from the 2017 Solar Eclipse, forest receipts and the value of the steel shop acquired with the purchase of Oregon Pine.

Governmental funds reported combined ending fund balances at year-end of \$992,674, an increase of \$304,080 as compared to last year. The General Fund’s unassigned fund balance at the end of the current year was \$386,131, or approximately 54.7% of total General Fund expenditures and transfers.

City revenues were expended across seven departments: Administration; Police; Fire; Emergency Services (9-1-1); Streets; Water; and Sewer. Administrative costs were only 7% of total expenditures on a full-accrual basis (figure below).



TO: John Day City Council
FROM: Nicholas Green, City Manager
DATE: December 12, 2017
SUBJECT: Agenda Item #7: Resolution 17-776-12, Resolution Setting Forth Proposed Plan of Action Pertaining To Deficiencies Noted In Annual Audit Report
Attachment(s)

- Resolution 17-776-12
- Plan of Action

BACKGROUND

On an overall basis, the City’s fiscal 2016-2017 expenditures were not in excess of appropriations. However, the following over-expenditures of budget resolution categories in violation of statutory requirements occurred:

<u>Fund</u>	<u>Category</u>	<u>Over-Expenditure Amount</u>
Sewer	Capital Outlay	\$ 3,950

These expenditures are at variance with ORS 294.435, which states, no greater expenditure of public money shall be made for any specific purpose than the amount appropriated therefor.

DISCUSSION

The City estimated its closing costs and title fees associated with the Oregon Pine property purchase when the supplemental budget to purchase the property was passed in May 2017. Actual title charges and recording fees exceeded the budgeted amount. This was an unintentional budget discrepancy of about one percent of the final purchase price including closing costs of \$520,640.

RESOLUTION

Resolution 17-776-12 discloses the budget violation to the Oregon Secretary of State. The associated Plan of Action is designed to ensure we increase our budget estimates in the future to ensure our transfers do not exceed budgeted amounts.

TO: John Day City Council

FROM: Nicholas Green, City Manager

DATE: December 12, 2017

SUBJECT: Agenda Item #8: 2017 Year-in-Review and 2018 Strategic Priorities
Attachment(s)

- November City Newsletter

BACKGROUND

In the November newsletter, I discussed some of the significant activities that have taken place in the past twelve months as well as the initiatives we will be pursuing in 2018.

DISCUSSION

The theme for 2018 will be execution. We secured funding in 2017 for a number of new capital improvement projects and we will execute that funding to propel the City’s *Strategy for Growth* forward.

Most of the projects the City has undertaken are long-term investments and will yield benefits for several decades (see table below).

<i>Capital Project</i>	Investment Horizon	2017 Grant Funding Received	Next Steps
<i>Broadband Network Modernization</i>	40-70 years	\$1,836,000	Design-Build
<i>Innovation Gateway</i>	100 years+	\$200,000	Design-Build
<i>Wastewater Treatment Plant</i>	40-70 years	\$70,000	Planning-Financing
<i>Main Street Building Revitalization</i>	40-60 years	\$100,000	Planning-Financing
<i>Fire Station Tenant Improvements</i>	40-60 years	None	Financing
<i>Housing Development District</i>	20 years	\$37,800 (Pending)	Planning

STATUS UPDATES

Below is a brief status update on each capital improvement project.

Broadband Network Modernization. The City Council will accept the \$1.8M in funding during tonight’s city council meeting. The City, as lead agency, will be responsible for administering the funding for FY18. A supplemental budget hearing will be held in January to appropriate the state funding and begin the formal network planning and cost analysis. The intergovernmental agreement will become effective on March 15, 2018 and the Coalition will hold its first Board of Directors meeting in late March or early April.

Innovation Gateway. The City will award its Transportation Growth Management (TGM) grant in early spring 2018. The grant will fund an integrated planning and design team to do the area development plan for the Innovation Gateway and surrounding properties. A Community Advisory Committee and a Technical Advisory Committee made up of community volunteers and city staff will participate in the planning and design process, which will continue throughout 2018. The City will solicit funding for specific developments, such as the hydroponics greenhouse, over the course of the year. The City will also open the new shop for use by the Public Works Department in 2018.

Wastewater Treatment Plant. The City's engineers will continue to develop the update to the Wastewater Facilities Plan following the First Stop held in November. The facility plan will be completed in 2018 and the City will hold it's One Stop for financing options once the feasibility studies are finished. A local income survey was approved in December and residents will be surveyed in January to determine whether we are eligible for community development block grants.

Main Street Building Revitalization. The City closed on the purchase of the Main Street building on November 16, with a final purchase price including closing costs of \$109,357. On December 4, the City had the building inspected for hazardous substances, including lead and asbestos. The five apartments on the eastern side of the building tested positive for lead paint. The three apartments on the western side were below lead limits for all samples tested except one. Homogenous areas of asbestos are throughout the upper floor of the building. These areas will need to be mitigated as part of the interior renovation. The City will secure funding for the renovation in 2018 and will begin the design and rehabilitation process. We anticipate creating six units of approximately 1,000 SF each. An open house will be held in 2018 with interested contractors prior to soliciting bids for the renovation.

Fire Station Tenant Improvements. On March 6, 2017, the City entered into an agreement with Pinnacle Architecture to complete the interior tenant improvements for the John Day Fire Station, as designed in the construction drawings set dated June 8, 2015 (approximately 1,473 square feet of unfinished space). The scope of Pinnacle's services includes: general requirements; wood and plastics; openings; finishes; specialties; plumbing; heating and ventilation; and electrical. Pinnacle solicited a bid from Kirby Nagelhout and the original team of subcontractors from Bend, OR that built the fire station. The bid was received on May 16, 2017 with a bid price of \$291,700. This price included the cost for the tenant improvements for the mezzanine (Alt 10) at \$66K and the office build-out (Alt 29) at \$225K. The John Day Rural Fire Protection District did not have sufficient funding to complete their portion of the project at this price and neither the City nor the District felt the cost was competitive. Pinnacle solicited a second bid from CSDI Construction, Inc. from Boise, ID in July. After reviewing the plans, CSDI responded on September 18, 2017 and chose to decline making an offer to bid due to current workload (CSDI is currently completing the renovation of the Meadowbrook II apartments). The City has requested a four-month extension to the plans and will work with Pinnacle Architecture to solicit a second offer or issue a formal RFP in 2018.

Housing Development District. The City requested \$37,800 from the Department of Land Conservation and Development to create a housing development district. If approved, we will issue a contract to two consulting teams in February to conduct a feasibility study and develop a plan for implementation under ORS 457. Community feedback and formal public hearings will be held as part of this process. Upon approval of the housing development district, the City will be able to begin offering development incentives for new home construction. The target date for creating the district is July 2018.

NEXT STEPS

Receiving community feedback and support on these projects will be an important component of our implementation plan. Residents need to understand the importance of investing in our community and that the City is working diligently with state and federal agencies as well as private sector partners to increase development in our community. We will host a series of community forums in 2018 to convey this message and solicit public feedback, including our first State of the City address. We have been remarkably successful in our fundraising efforts this year. My hope is that this funding, in conjunction with our future efforts, will launch a new era of redevelopment and investment in John Day.

TO: John Day City Council

FROM: Nicholas Green, City Manager

DATE: December 12, 2017

SUBJECT: Agenda Item #9: Broadband Status Update and Funding Acceptance Attachment(s)

- Department of Administrative Services Grant Agreement
- Supplemental Budget (for review)
- Professional Services Agreement – Fiber Channels
- Professional Services Agreement – CommStructure LLC

BACKGROUND

The enclosed Grant Agreement from the Department of Administrative Services authorizes the City of John Day to receive \$1,836,000 for broadband network modernization.

DISCUSSION

The City is accepting the state appropriation as designated in House Bill 5006. We will be the lead agency and fiduciary agent for the new ORS 190 that will be organized upon the County's adoption of their ordinance and will administer the funds for the ORS 190 for the remainder of the current fiscal year.

A draft supplemental budget for FY18 is enclosed for council review. The City will adopt the supplemental budget to appropriate the funding during our January 10 City Council meeting. This will allow the City, as lead agency, to continue to develop cost-benefit and network planning options for the broadband network modernization effort until the ORS 190 is established and operational.

I have engaged two professional services firms to help facilitate the network planning and engineering. Victor Braud (Managing Director, Fiber Channels, Inc.) has over 40-years of network design and technical assessment experience in digital communications. Mr. Braud was a Senior Director of Dark Fiber Sales, Fiber Optic Sales and Wholesale Markets for Level 3 Communications. CenturyLink completed its acquisition of Level 3 on November 1, 2017. The combination of CenturyLink and Level 3 creates a global network services company with estimated pro forma revenue of \$24 billion for the trailing twelve months ended June 30, 2017. Mr. Braud is ideally positioned to help the Coalition negotiate agreements with our incumbent internet service providers and potential new providers.

Commstructure Consulting LLC is a technical consulting services company based in Oregon City, Oregon, specializing in communications outside plant (OSP) infrastructure design and project management. Commstructure will provide planning, design and implementation consulting services to the Coalition, including preliminary route research, budgetary opinions of probable cost, new / potential customer site connections and GPS field data collection. Commstructure will also assist the Coalition with permitting requirements, analysis and project management.

RECOMMENDATION

Council should approve the professional services agreements enclosed, subject to approval by the City Manager and City Attorney. Agreements will be finalized upon receipt of the state appropriation.

TO: John Day City Council
FROM: Matthew Manitsas, Agribusiness Project Manager
DATE: December 12, 2017
SUBJECT: Agenda Item #10: Greenhouse Design Options and RFP Timeline
Attachment(s)

- Business Oregon Finance Application

BACKGROUND

The greenhouse planning efforts are going well and we are on track to meet our goal of starting construction during the summer of 2018. Over the past several months, we have attended a controlled environment agriculture hydroponics course at the University of Arizona, met with Oregon State University Research and Extension and representatives from Eastern Oregon University. We have also met with representatives from Chesters Thriftway, Blue Mountain Hospital, and Grant Union High School in order to conduct market research. These resources are valuable to our continuing endeavor of constructing a hydroponic greenhouse that will serve the community’s needs for enhanced food security, community development and access to higher education opportunities.

DISCUSSION

The table below provides an updated timeline for the greenhouse project.

Loan Application	Dec-17
Publish RFP	Jan-18
Contract Vender	Mar-18
Construction	Jul-18
First Harvest	Sep-18

The City will need to secure financing to proceed with the request for proposals (RFP). The request for funding from Business Oregon will allow us to secure financing sufficient to issue the design-build RFP. A complete copy of the funding application is available on the city website. We will not incur any costs associated with the application. Business Oregon will provide us with financing terms we can approve or refine based on the final construction cost and funding package.

We are continuing to explore public and private grants for capital construction costs, which ultimately decrease our loan obligations. We are in the process of working with the City Attorney to draft an RFP, to be released in January. I will also attend the University of Arizona intensive course focused on tomatoes and vine crops.

RECOMMENDATION

Council should authorize Mayor Lundbom to sign the Business Oregon financing application.

TO: John Day City Council
FROM: Nicholas Green, City Manager
DATE: November 14, 2017
SUBJECT: Agenda Item #11: Other Business and Upcoming Meetings
Attachment(s)

- LOC Bulletins

OTHER BUSINESS

- None

UPCOMING MEETINGS

- January 10 – City Council meeting, 7PM
- January 18 – LOC Region 8 Small Cities Meeting (John Day Hosting)
- January 24 – City Council Meeting