

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

December 12, 2017

COUCILORS PRESENT:

Steve Schuette, Council President
Paul Smith, Councilor
Ron Lundbom, Mayor
Gregg Haberly, Councilor
Shannon Adair, Councilor

COUNCILORS ABSENT:

Donn Willey, Councilor
David Holland, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Anna Bass, City Recorder
Monte Legg, Public Works Director

Chantal DesJardin, Secretary
Richard Gray, Police Department
Aaron Lieuallen, Senior Project Manager
Matt Manitsas, Agribusiness Project Manager

GUESTS PRESENT:

Sherrie Rininger, John Day
Logan Bagett, Elkhorn Media Group
Elliot Sky, John Day
Hannah Hinman, John Day
Darin Toy, John Day

Judy Schuette, John Day
Rick Hanners, Blue Mountain Eagle
Bruce Ward, Chamber of Commerce
Louis Provencher, John Day
Kent Bailey, Guyer and Associates

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the John Day City Council meeting to order at 6:00 p.m. Mayor Lundbom noted Councilor Holland and Councilor Willey were absent and excused.

Agenda Item No. 2—Approval of City Council Minutes of November 14, 2017

Councilor Schuette moved to approve the November 14 minutes. Motion was seconded by Councilor Smith and passed unanimously.

Agenda Item No. 3 — Executive Session

Mayor Lundbom notified the audience that council will meet in executive session to review and discuss confidential attorney-client privileged communications. This executive session was 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.

**Councilor Schuette moved to enter executive session, pursuant to ORS 192.660(2)(i) and ORS 192.660(2)(j). Councilor Smith seconded and the motion passed unanimously.
Councilor Schuette moved to exit executive session at 6:55PM. Councilor Adair seconded and motion passed unanimously.**

Agenda Item No. 4 — Appearance of Interested Citizens

Mayor Lundbom resumed the Regular Session at 7PM and asked if the audience had any items they wished to be added to the agenda. None were added.

Agenda Item No. 5 — Loan Consolidation Proposal

City Manager Green presented a proposal from Washington Federal to consolidate two loans issued through the Business Oregon Infrastructure Finance Authority: the Industrial Park Loan (L03005) and the West End Water System Improvements Loan (B02002). Both loans are at 5% annual interest and have combined principal payments of \$235,062.93 per year.

Mr. Pete Sullivan, Vice President/Relationship Manager for Washington Federal, dialed-in to the meeting and presented a market update with four potential consolidation options. Mr. Sullivan reviewed market trends and noted that Washington Federal is a well capitalized bank that weathered the recession in a strong position. He stated he has reviewed the City's audited financial statements for the fiscal year ending 2017 and that the city is in a good financial position and should not have any issues in consolidating these loans.

Council reviewed the options and discussed the terms proposed by Mr. Sullivan and selected the six-year call option as the best value for the City, with an estimated interest rate of 2.37% and anticipated cost savings to the City from consolidation of \$283,030 (subject to interest rate adjustments, tax policy changes and market changes between today and the loan closing).

Councilor Adair moved to approve the City Manager to proceed with the loan consolidation under the six-year call option. Councilor Haberly seconded and the motion passed unanimously.

Agenda Item No. 6 — FY2016-17 Financial Audit Report

Mr. Kent Bailey, CPA, Guyer and Associates presented the City's FY17 financial audit report to the city council. Mr. Bailey noted the City's net position increased \$384,332 – a positive increase that would have been significantly larger but for the loss due to increased PERS liability estimates.

Mr. Bailey noted the financial statements present fairly, in all material respects, the respective financial position of the City and each major fund – what is known in the audit industry as a “clean bill of health.”

For the year ended June 30, 2017, the City reported a liability of \$1,009,128 for its proportionate share of the net pension liability, with a net pension liability increase of \$469K over last FY. Mr. Bailey reviewed the sensitivity analysis on Page 49 of the audit report with the council that shows PERS impacts of a 1% decrease, the discount rate today of 7.5%, and a 1% increase. He noted that the difference is over \$2M – meaning that very minor changes in the discount rate will have significant impacts on the City's financial position, which only two years ago had a positive PERS balance. He also noted the stock market has been very healthy but PERS liabilities did not reflect the market, giving his opinion that the three-year estimates by the State were highly inaccurate but also likely to get worse with poor market performance.

Costs increased 6% overall in FY17 with revenue increases of 5%, close but just below the cost increase. Total expenses for the City increased by \$20K, or 0.07% over last FY. The Water Fund net position

increased \$95K over the prior year due to rate increases and cost control. The Sewer Fund net position increased \$12K over the prior year.

Mr. Bailey noted the loan consolidation was a smart move to reduce the City's debt interest and praised the City for receiving state appropriations for broadband and 9-1-1, noting that it is not an easy task. He also commended the City on its Strategy for Growth and demographic targets for new residents.

The cost to the people of having a government (net expense) was \$357,710 in FY17 (pg. 17). Profits in business type activities increased \$180K (Water) and \$45K (Sewer) over the prior year. Total long-term debt decreased by \$209,957 to \$2,614,196 at the end of FY17 (pg. 51).

Mr. Bailey noted the City is in compliance with all local budget laws under ORS 294.305 to 294.520 with the exception of over-expenditures of appropriations in the Sewer fund for capital outlay related to the purchase of the Oregon Pine property in the amount of \$3,950 (pg. 95), however, the results of their tests disclosed no instances of noncompliance or other matters that are required to be reported under the *Government Auditing Standards*.

Agenda Item No. 7 — Resolution 17-776-12, Resolution Setting Forth Proposed Plan of Action Pertaining to Deficiencies Noted in Annual Audit Report

Council reviewed the resolution establishing a plan of action pertaining to over expenditures on the Sewer appropriation.

Councilor Smith moved to pass and adopt Resolution 17-776-12. Councilor Haberly seconded and the motion passed unanimously.

Agenda Item No. 8 — 2017 Year-in-Review and 2018 Strategic Priorities

City Manager Green reviewed the major accomplishments for 2017 and discussed strategic priorities for 2018. Six capital projects will be undertaken in 2018, with investment horizons ranging from 20 years for the proposed housing development district, to 100+ years for the Innovation Gateway. Green provided Council with an update on each capital improvement. He also announced that on Monday they were notified that the City was selected as the only recipient in eastern Oregon of the Department of Land Conservation and Development Technical Assistance Grant in the amount of \$37,800 to fund the formation of the John Day Housing Development District.

Agenda Item No. 9 — Broadband IGA Status Update and Funding Acceptance

Green presented the Council with an update on the broadband network modernization program and the proposed professional services agreements for Fiber Channels, Inc. and Commstructure Consulting, LLC. He also presented the final Department of Administrative Services Grant Agreement to receive the state appropriation of \$1,836,000 and presented a draft budget to be adopted at a public hearing during the January 9 city council meeting.

Council reviewed and discussed the documentation and proposed contracts.

Councilor Adair moved to authorize Mayor Lundbom to sign the DAS grant agreement. Councilor Schuette seconded and the motion passed unanimously.

Councilor Adair moved to approve the professional services agreements subject to final review and approval by the City Manager and City Attorney. Councilor Schuette seconded and the motion passed unanimously.

Agenda Item No. 10 — Greenhouse Design Options and RFP Timeline

Agribusiness Project Manager Matt Manitsas presented the council with an overview of the greenhouse design process and progress-to-date. He discussed the timeline for the upcoming request for proposals (RFP) to industry and the need to secure additional financing in order to issue the design-build RFP. He also presented a SketchUp diagram of the proposed facility that will be included in the RFP.

Council reviewed the application for funding through Business Oregon's Infrastructure Finance Authority included in the packets. City Manager Green noted that this is not an obligation to incur debt at this time. The application simply allows Business Oregon to evaluate financing options for this project. A formal proposal for funding will be presented after IFA's finance department reviews the proposal and determines the terms it could offer to the City.

Councilor Schuette moved to authorize Mayor Lundbom to sign the Business Oregon financing application. Councilor Adair seconded and the motion passed unanimously.

Agenda Item No. 11 — Other Business and Upcoming Meetings

City Council meetings to be held on January 9 and January 23. The City will also host the Region 8 Small Cities Meeting on January 18 at the fire hall.

Adjourn

There being no further business before the council, Council adjourned the meeting at approximate 8:45PM.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON JANUARY 9, 2018



Steve Schuette, Council President