

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

June 26, 2018

COUCILORS PRESENT:

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

COUNCILORS ABSENT:

Brandon Smith, Councilor

STAFF PRESENT:

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

Chantal DesJardin, Secretary
Mike Durr, Interim Police Chief
Oren Wyss, Wastewater Plant Operator
Aaron Lieuallen, Senior Project Manager

GUESTS PRESENT:

Rick Hanners, Blue Mountain Eagle
Logan Bagett, Elkhorn Media Group
Sherrie Riningger, etc.
Elliot Sky

Hannah Hinman
Mike Lees, Anderson Perry & Assoc., Inc.
Brett Moore, Anderson Perry & Assoc., Inc.
Eric Lohan, Sustainable Water

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the John Day City Council meeting to order at 7:00 pm and noted that everyone was present except Councilor Brandon Smith, who was excused.

Agenda Item No. 2—Approval of City Council Minutes of June 12th, 2018

Councilor Paul Smith moved to approve the June 12th minutes as presented. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 3—Appearance of Interested Citizens

Mayor Lundbom welcomed the audience and asked if anyone had any items they wished to be added to the agenda. *None were added.*

Agenda Item No. 4— Presentation of Treatment Plant Feasibility Study Results

City Manager Green introduced Eric Lohan, from Sustainable Water in Virginia; Brett Moore, lead engineer on the civil team; and Mike Lees, also from Anderson Perry. He noted that Anderson Perry has an agenda to discuss and Sustainable Water will have a presentation on design options for one of the alternatives.

Brett Moore, stated they are looking for some continuing direction from the council with respect to what they should present to the funding and permitting agencies. He noted the first three chapters, previously discussed, talk about background information about John Day. Including planning and design data, city's population demographics, how much wastewater will be provided, what regulations need to be met, and an evaluation on the current facility. He noted the staff should be commended for what they have been able to do with the facility for as long as they have. The facility is currently operating under administrative review by the Oregon DEQ. Anderson Perry is looking into alternatives for improving the facility to meet the city's needs. One of which is lagoons, they have looked for nearly a decade for land options for lagoons but have not found a viable option with a willing landowner seller. For this approach, wastewater is stored and treated in a lagoon, which can then be used for irrigation—a common practice in the arid west. Even a viable option, with a willing landowner, would have a project cost of over six million dollars. The second alternative considered is mechanical treatment, which would require a new plant, and the question becomes what quality of effluent is produced. To simply dispose of it, a certain quality must be met and various methods of reapplication have different quality levels that must be met. It can be treated all the way up to a level where anything can be done, except drink it in Oregon. In California, you could drink a Class A effluent, but not in Oregon yet. They are considering different options for reuse and potential funding sources that tie in with the Innovation Gateway. Moore stated there is not a significant cost difference, in some cases none, between Class B effluent, used for irrigation, and Class A effluent, which can be used for anything but drinking water. By focusing on Class A, it will optimize the economic value that can be produced.

Eric Lohan gave a presentation on the proposed design. He discussed ways to optimize the economic benefits of a system with Class A effluent and noted that is their main focus. It will be a designer wastewater treatment system that will create three different use streams of water. He also stated the research demonstrates reclaimed water is as clean as other water sources; a stringent process is gone through that ends up with a lot cleaner water than most of the environmental water sources. They are also evaluating how biosolids, or residuals, can be used as a resource rather than dumping them in the landfill. Further treatment can transform them into Class A biosolids to be used in public areas as a soil amendment. Brett Moore explained the process for turning the waste sludge into a Class A biosolid and stated, due to smell, it should be done away from town. He further explained the compost and sterilization process and noted it takes several months. He compared the smell between sludge and Class A biosolid to a fresh cow pie versus a dry cow pie; the smell is just noxious enough to not recommend treatment within the city. The compost pile for a year would end up about 10'x10'x3', an amount that easily could be utilized within the community.

Eric Lohan went on to explain the two different hydroponic processes being discussed are one for the agricultural greenhouse and one that is actually inside the facility as part of the treatment process. The hydroponic treatment reactors create an ideal habitat for micro-organisms due to the large surface area per unit volume of the roots, along with aesthetic benefits. Their intent is to create an inviting, interesting facility that reclaims 200-300,000 gallons of wastewater each day. *There was discussion about the process and disposal of all non-biosolids.* Lohan noted they have gained attention for their projects and regularly give tours of the facilities; they do the same as other wastewater processes but the facilities are innovatively dressed up and recycle waste instead of disposing of it. City Manager Green stated this is an example of ecotourism; plus the facility will be smaller than the fire hall, compared to the current process that uses thirty acres of prime riverfront property. Lohan added they design facilities that are tourist attractions and have found it helps with grant funding, especially when combined with learning options. *There was discussion about Sustainable Water's role in the industry.*

Moore noted the technology is not new, just refined. Lohan stated the basic core structure can easily last forty years. The facility is designed to be redundant to allow for repairs to take place while still operating. Moore added it is part of their job to make sure it lasts a long time, the operation and maintenance is doable, and it is designed well—to make sure the city’s best interest is always in mind.

Brett Moore explained the purple pipe system shown in Figure 4-8 and the potential avenues for reuse. The demand for reuse water is subject to seasonal fluctuation which leaves three options for disposal. The first option is to store in a pond, which leads back to the same problems as lagoons with securing land. The second option is to dump in the river, but the city does not have the Federal NPDS Permit, that allows for river dumping. If the city applies for this permit, DEQ would have to redo their whole TMDL Process, which is an allocation of pollutants that is established for all the potential discharges along the system because John Day was not originally recognized as a discharger—DEQ is less than warm about that idea, but it is doable. There was discussion about the way DEQ deals with legal processes. The third option is deep well injection, which is done in other places but not in Oregon. City Manager Green added the water is injected deeper than the aquifer’s serving as water sources currently. Moore noted there are currently not rules established for this in Oregon, a new permit methodology would be needed—an option that could be pushed. Moore emphasized this is high quality water discharge not raw sewage. *Discussion ensued about the graphs included in the packet regarding demand and volume comparisons.* Green noted with deep well injection you could potentially inject the winter water and pull it back out to bolster resources to meet the high summer demand. Moore added Baker City got an ASR Permit in the 90’s; a permit for ASR, or Aquifer Storage Recovery, is easier to permit than recharge, just disposal. Moore continued with a fourth option, which is an administrative extension of the current permit for indirect discharge into modified percolation ponds. This extension gives DEQ time to review and decide what to do. There was discussion about the important aspect of maintaining reclaimed water quality to a sufficient level when storing for later distribution and keeping operations and maintenance to a level that ensures optimal economic benefit.

There was discussion about the graphs presented by Sustainable Water regarding reuse demand in the area. City Manager Green explained it is much easier to attract hydroponic growers, with greenhouses to scale, when you have fertigation system built in to the treatment process, with abundant water. Green stated he is far more interested in bringing in industries that bring jobs and new residents, people to shop at the businesses and to widen the tax base; those indirect economic benefits far exceed any per gallon profit for reclaimed water. Keep the reclaimed water cost low and look for collaboration with businesses to keep cost of production low that overcomes their cost to distribute products out of the John Day Valley and makes them competitive. If you create an environment where industries are competitive, become a net exporter of commodities—food, John Day gets the jobs, the tax growth, the benefits of a growing and thriving city and they get the benefits of a competitive advantage in food supply and potentially textiles and other areas. Green noted it is important to plan for the life cycle of the treatment plant, to anticipate what thirty years in the future may hold and set up next generations for success with a versatile treatment plant. Brett Moore added that is the challenge moving forward--to make sure the investment is in a facility that has the flexibility to handle all conditions, e.g. extreme growth, change in permit conditions, change in industry. It was confirmed the water resources volume values were required to be based off population projections from the state for John Day/Canyon City and current flow statistics but the facility was still being designed, to accommodate city planning objectives, for an industrial component/growth of another 30,000 gallons per day. *It was later stated 30,000 is equivalent to a couple hundred more homes but the number was projected for industrial use.* The facility will also be easily expandable, i.e. modular, and redundant; the system can handle double the volume at peak times and reroute so repairs can be made while still in operation. Green added the

cost of capital is low right now and the city is in a much healthier financial position to begin this project. The city should not wait until an emergency situation with the existing treatment plant to manage operation. Oren Wyss stated the plant is almost to that point. *There was discussion about potential growth, current trends, future trends, and changes in other areas of eastern Oregon.* Moore stated they need to finalize everything with DEQ—to have a permit pathway identified, for the disposal of excess water resources—before the project moves forward.

Moving on to funding possibilities, Brett Moore stated funds for a ten million dollar facility need to be secured. They have looked at conventional funding sources: i.e. the Community Development Block Grant of 2.5 million the city qualified for; programs through Business Oregon, expecting a 50/50 grant/loan where the loan could be for the whole project but the grant cap is \$750,000; DEQ loans, which sometimes have principal forgiveness up to \$500,000; and Rural Development forty year loans, currently around 3.5%, and the City could qualify for their 45/55 grant/loan program. Moore stated the council needs to give direction on which option they want to move forward with, if it's the mechanical plant and purple pipe system, they can move forward with arranging a One Stop where they will get all the conventional funding sources together to present a funding package for the City. They evaluate the city's current economic conditions, current needs, current water quality issues, etc. Green added the cherry on top is the non-traditional financing such as private sector money. If traditional financing gets the city 100% financed, other sources could: drive down the local loan cost or use it to launch the greenhouse controlled environment agriculture industry in the John Day Valley—instead of investing it on the treatment side of the equation, invest it on the reuse side and create the customer base for the water. The reason non-traditional funding can be used for this is because the City is creating an asset, that has economic value and can potentially become a for profit venture, whereas a lagoon system is just a liability. Green is working to put together an assessment to create a proposal that is attractive to investors. He also mentioned the Trump Administration campaigned a trillion dollar infrastructure package that could bring the cost of capital down even farther. It will be a portfolio of lenders and funding sources and the City is working to get the most attractive portfolio they can. Moore added there are additional potential funding sources, such as Oregon Water Resources Department has been putting out about fifteen million a year for reuse projects, which is a grant that could cover the cost of the purple pipe system, pumps, and controls. There are also funding possibilities through groups interested in riparian corridor and recreation groups. In Prineville, by combing six different funding sources that came together; through being non-traditional, complicated, and creative they turned a sixty four million dollar project into an eight million dollar project. Councilor Paul Smith commended them on their frank discussion and work to come up with a creative solution to ensure rate stability and a bond is not needed. Moore stated the council is not deciding anything tonight, but rather giving direction on what option to move forward with, so they can focus their efforts in finding creative solutions.

Throughout the presentation there were discussions between Moore, Lohan, and city staff about the science, mechanics, and process utilized in the proposed mechanical plant. It was confirmed the current plant operator holds all the necessary certificates to operate the proposed plant.

Councilor Adair moved to have Anderson Perry move down the path and look at the options. Councilor Haberly seconded the motion. Councilor Paul Smith asked to clarify it is option B, the mechanical plant without lagoons. There was clarification that this would include investigation of all the various disposal options for excess reuse water resources. The motion to pursue option B was passed unanimously.

City Manager Green noted they will come back with a revised timeline and his idea of success is not that rates are stable but rather the lending allows them to buy down the rates through successful asset management of the reclaimed water. After the One Stop, they can evaluate how to move forward with pursuing other lending options, including talking to the state legislature. There are a lot of options to explore such as the universities and endowment groups, who are excited about the project. Councilor Paul Smith added that water resources are declining and reuse is the wave of the future. Creating a plant that can do that for the next forty or fifty years leaves a legacy for future generations and a way for the community to thrive.

Agenda Item No. 5—Resolution 18-792-16, A Resolution to Transfer Appropriations Between Categories Within the General Fund in the FY 2017-2018 Budget

City Manager Green stated at the end of the fiscal year it is sometimes needed to make minor adjustments to the category amounts within a fund to ensure one particular category is not over expended. The changes relate to paying off the Stella Lang Loan.

Councilor Adair moved to adopt Resolution 18-792-16, A Resolution to Transfer Appropriations Between Categories Within the General Fund in the FY 2017-2018 Budget. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 6— Resolution 18-793-17, A Resolution to Transfer Appropriations Between Categories Within the Sewer Fund in the FY 2017-2018 Budget

City Manager Green stated some category adjustments were needed within the sewer fund also.

Councilor Schuette moved to adopt Resolution 18-793-17, A Resolution to Transfer Appropriations Between Categories Within the Sewer Fund in the FY 2017-2018 Budget. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 7—Resolution 18-794-18, A Resolution Authorizing an Interfund Loan from the Water Fund to the General Fund in Fiscal Year 2017-2018

City Manager Green stated this is the interfund loan from the Water Fund to the Fire Department of the General Fund; it is a ten year capital loan to pay for the renovation of the Fire Hall; it is a lower cost of capital to the Fire Department than what they would have gotten in the conventional loan market and a higher rate of return on savings in the Water Fund than what they get in the money market account. It is good for both funds; the money has already been received in the Water Fund.

Councilor Haberly moved to adopt Resolution 18-794-18, A Resolution Authorizing an Interfund Loan from the Water Fund to the General Fund in Fiscal Year 2017-2018. The motion was seconded by Councilor Holland and passed unanimously.

Agenda Item No. 8—Other Business

City Manager Green reported on his meeting with the FCC Chairman and Congressman Walden. He noted a lot of public officials were present and it was a good meeting discussing how to close the digital divide in eastern Oregon. There were government affairs representatives from T-Mobile and Centurylink were present. They had a candid discussion about the challenges. Green stated in the meeting it is not a

technological barrier, it is a policy and financial barrier. For example a telecommunications provider might put a 5G antenna in Grant County to paint a wider coverage map to be competitive nationally but not for purposes of providing broadband to the home in Grant County because it isn't worth engaging due to the low customer base. The discussion about how to address that came down to: if you can't incent the private sector to do it, public sector money needs to be provided to an organization, consortium, coalition, or other group who is willing to close the last mile. Green stated he does not feel infrastructure deployment and telecommunications capacity, in the United States, should be a political issue. The same quality of life and experience should be provided to residents in Eastern Oregon as anywhere else in the USA. The FCC will need to change regulations to move away from the broken, old model to a new model that gives access to everyone by some sort of means. Within the next couple of months the city will know if they are on the short list for the USDA Community Connect Grant. Green emphasized that this provides an opportunity to not just level the playing field but lead the charge for eastern Oregon.

Mayor Lundbom reviewed the other business and upcoming meetings. The council thanked Sustainable Water and Anderson Perry for their presentations.

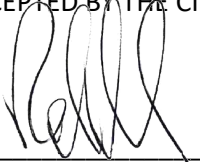
Adjourn

There being no further business before the council, Councilor Schuette moved to adjourn the meeting at 8:36 P.M. The motion was seconded by Councilor Haberly and passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON JULY 10, 2018



Mayor Ron Lundbom