

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

December 4, 2018

COUCILORS PRESENT:

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

COUNCILORS ABSENT:

David Holland, Councilor

STAFF PRESENT:

Nicholas Green, City Manager
Monte Legg, Public Works Director
Anna Bass, Solutions CPAs (City Recorder)
Chantal DesJardin, Secretary

Matt Manitsas, Agribusiness Project Manager
Aaron Lieuallen, Senior Project Manager
Mike Durr, Police Chief

GUESTS PRESENT:

Rick Hanners, Blue Mountain Eagle
Logan Bagett, Elkhorn Media Group
Sherrie Rininger, etc.
Rob Raschio, John Day
Vincent Raschio, John Day
Elliot Sky, John Day
Hannah Hinman, John Day
Mike Lees, Anderson Perry & Associates

Jacob Bellinger, John Day True Value
Leslie Stillwater, John Day
Sally Bartlett, Prairie City
Scott Myers, Grant County
Lindsey Madden, John Day
Angie Uptmor
Bret Uptmor, Grant School Dist. #3

Agenda Item No. 1—Open and Note Attendance

Mayor Lundbom called the John Day City Council meeting to order at 6:00 pm, noting Councilor Holland was absent and excused.

Agenda Item No. 2—Approval of City Council Minutes of November 13th, 2018

Councilor Paul Smith moved to approve the November 13th minutes. The motion was seconded by Councilor Adair 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—Public Hearing for CDBG Block Grant Application

City Manager Green stated it is a requirement, for the city to submit an application for block grant funding, to hold a public hearing. As a city, they have been working on options to replace the wastewater treatment plant for about ten years. It has been a long time in the making. Green has had this as his top priority since before he was hired. It has been planned in earnest for the last two and a half years; they are now ready to proceed. Tonight, he stated, he will be talking about: the planning and efforts up to this point, the timeline for the facility, their anticipated financing, and the next steps in the project.

Councilor Brandon Smith moved to open the public hearing at 6:05PM. The motion was seconded by Councilor Haberly and passed unanimously.

City Manager Green noted there is a lot of material in the PowerPoint presentation and asked that anyone with a question, comment, or needing clarification just raise their hand throughout the hearing. He explained the existing wastewater treatment plant is located at the end of 7th street and is the facility that provides secondary treatment for both John Day, Canyon City, and portions of the surrounding urban growth boundary. It serves just under 2,500 people, plus a lot of businesses, industry, and just about every public agency in the county is connected to the system, so there is a lot of public customers. It is a mechanical treatment plant that consists of: an influent lift station, a headworks structure, primary clarifiers, trickling filters, secondary clarifiers, gas chlorination, chlorine contact basin, four percolation ponds, and an area to dispose of the solids. The facility has been operating under an expired permit since 2007, about twelve years out of permit, so DEQ is saying its time and the city is saying its time to go. They are actively working toward both a new configuration for the plant, as well as, a new permitting approach. He noted the current slide was an overview of the facility, a line diagram, the drone video would not play on the monitor, but the start of the video shows an aerial view of the current facility. *He then identified the various components in view.* He noted it is currently at a beautiful spot where Canyon Creek and the John Day River intersect. Council intends to eliminate all of the current facility and rebuild a new facility at an improved location with, what they believe to be, a much more efficient and effective design that will last for, hopefully, the next 40-60 years. In addition to being out of permit, which is due to the way effluent is handled after it is treated, the facility was built in 1949 and is past its useful life. The city is still using components and concrete from when it was originally constructed; most of the concrete is cracking or distressed and many of the components are failing. There was an upgrade in 1978, which was over 40 years ago. Modifications have been done over time to address collection, inflow and infiltration into the collection system, but at this point just about every component is about the end of its useful life. The city is at the point where they have no other option but to replace the facility. The other reason is that there are a lot of improved options for the design and the way wastewater is treated. In addition to addressing the age of the plant, the city wants to build something that gives increased capacity and economic benefit while treating wastewater. City Council contracted with Anderson Perry in 2007 to begin updating the options for a new wastewater facilities plan. That work went on for about a year, they iterated and came back with several design options to discuss with the city council. The council ultimately selected a mechanical treatment plant, but there were several challenges at the time. One, is that the sewer rates were too low to get competitive financing; many programs required a higher rate than the city was charging at the time. The city did not have sufficient reserves in the sewer fund to get any leverage on the funding available. Green noted he was not present at the time but assumes the city recognized at the time that it was a major financial commitment and one that was going to take a lot of time and thought to implement. There was probably a little sticker shock when they saw the price also. The council went back and asked for other options besides a mechanical treatment plant and in the interim they started looking at land application, which is a much more inexpensive approach. John Day is geographically challenged, in that, you really

can't get to land where you could apply or store effluent in the John Day valley. The cost to go latterly is incredibly expensive and the city could have gone vertically but would have been leaving city limits and had to find a landowner willing to sell a large portion of their property for the city to put wastewater on. They couldn't find a willing landowner, so the options of disposing in that manner are not feasible for the city's location. In 2016, when Green interviewed with the city council, his alternative idea was to reclaim most of the wastewater and put it to beneficial reuse. He had seen it done at universities, such as Emory University in Atlanta, Georgia. The concept, designed by Sustainable Water, understood that on college campuses real estate is incredibly limited and very expensive. Atlanta also has some of the highest water prices in the country. Sustainable Water piloted a facility that sits on less than a quarter of an acre; comparatively John Day's current facility takes up about 30 acres, if you include the percolation ponds. Green reached out to Sustainable Water and asked if a similar design could be done in John Day and it turned out the Emory facility processes about as much wastewater as John Day's service area. Green was able to get some funding through Business Oregon and Oregon Water Resources Department and began a feasibility study to see if the water hub concept would work in John Day and what would be done with the treated wastewater. The team developed a preliminary facility design specific to John Day. Anderson Perry worked with Sustainable Water to answer some of those questions and found positive indicators that the city could successfully implement that type of approach. In May of 2017, the city acquired the Oregon Pine property as a new location for the facility. There is a local association of that property with flooding, which is what is seen from the highway, but just about everything on the north side of the river is outside the 100-year floodplain because of elevation. As part of the planning process, in 2018 the city completed a local income survey. The results worked to John Day and Canyon City's advantage, by identifying that at least 57% of the residents are classified as low to moderate income households. In our area that means they earn less than \$29,900 a year per home. As a result, Green stated, they are eligible for Community Development Block Grants; which means \$2.5 million of the total cost of design and construction can be funded through the federal government on grants that do not have to be repaid. It cost about \$8,000 to do the survey, plus staff time—time well spent. Green concluded the background and presented the results of the ten-year planning effort. He stated in April, they were certified as a Block Grant eligible community. In June, the engineers reported to the city council on the update to the facilities plan; council selected the water hub approach, so that reclaimed water facility for the preliminary engineering and design. Green noted, the design: significantly reduces the overall footprint of the facility; allows them to reuse 100% of the waste, both solids and liquids, in the community; and could create significant economic value. In August, the facility plan was submitted for DEQ approval; it is currently undergoing minor adjustments based on their feedback. Now, in December, they are ready to apply for the block grant funding, which is due at the end of the month. Green noted they took a different approach, when they started looking at facility replacement again, they began with a concept rather than a design. They asked if a treatment plant could make money, not just cost recovery from user fees but generate economic assets that have value. Using reclaimed water and biosolids and put them into some type of industry that would lead to job growth or increased profitability for the system, or some other type of economic growth. The model they looked at was hydroponic agriculture. Taking the roughly 80 million gallons a year that are treated and use that in hydroponic greenhouses, the nutrient rich effluent to grow cash crops and produce that could be sold in markets or used to create a traded sector product for export. Council chose to invest in that concept and the city is actively pursuing the first greenhouse, which will operate on freshwater until the facility is built in 2020-2021 when it will switch over to reclaimed water. It will be, to the best of the city's knowledge, the first facility that is growing produce for human consumption using reclaimed water in the United States. The city has gone from technology laggards to trying to pioneer as innovators and focus on rural innovation; taking assets a rural community has and rearrange them in new ways that create benefits for residents. Green noted the chart in the presentation also shows the city using an

alternative fuel source, woody biomass. Malheur Lumber is investing in a new torrefaction facility. If it proves to be successful, combined with the hydroelectric power in the valley the city could potentially configure facilities to operate off woody biomass, using torrefied wood products. In effect, the city would be creating a sustainable economic model, where they become self-reliant in their energy generation for the utility and water generation and potentially in food consumption. Green stated it is intriguing that the city has the ability, taking what was before a liability and turning it into an economic asset. To turn 80 million gallons of wastewater into 80 million gallons of reclaimed water, when the question becomes not how you dispose but how will you use it to make money. *Green showed those present Emory wastewater treatment plant.* Green stated they had used that as an example when purchasing Oregon Pine, with the emphasis being that along with needing a new wastewater treatment facility, they really need a boost in in the economy. Green surmised they need a magnet investment that can take all the good things happening and orient them in a common direction to get to a point of unified leadership and action toward a common goal. The hope is the purchase of Oregon Pine and subsequent plans would be that investment. *Green showed a map of the Oregon Pine site purchased and surrounding property the city already held.* He noted the city now has about 90 acres of riverfront property they can redevelop and reorient the community around to make the John Day River the emphasis, with the reclaimed water facility as the magnet investment that will draw more people to the community and create additional value. Green noted the name for the whole project is the John Day Innovation Gateway because they will use it to innovate and try to get something for everyone—to energize businesses and industry; create academic opportunities for our students and higher education opportunities; provide a recreation component; and take advantage of changes in technology, generation skipping technologies, that will allow the city to start leading in the field. Since the announcement a year and a half ago of the property purchase, the city has been busy. In addition to the reclaimed water facility planning, the city is working on several other community development projects. We are well into the greenhouse construction process—all the materials are in John Day, they are going through the planning for the site prep and waiting for the permits to be approved to start building. They received about \$190,000 in grants from Oregon Parks and Rec Department to build a riverfront trail system that will connect all the neighborhoods around the river to the property. The city also did some expanded land acquisitions—purchased Davis Creek, to connect Valley View Drive and Charolais Heights neighborhoods on the north, and the location of the old airport, on the south side of the river—to connect both sides of the river through a multimodal biped bridge that will also lead to the new Kam Wah Chung Center. *Green displayed the infrastructure planning and development, some of which has already been completed and financed.* Green stated they had also contracted with Walker Macy to do an area development plan for the entire Innovation Gateway and it's on the agenda to approve a contract with ECONorthwest tonight to do an economic development strategy. Green added all the city's infrastructure was built at the same time—the park, pool, treatment plant—the post-World War II boom era. A third of the housing was built during that time and all of it is reaching the end of its useful life or is having significant structural issues. The council does not want to wait until 2020 when the agreement between the city and John Day/Canyon City Parks and Rec District end and the pool reverts back to the city to tell the residents and tax payers that there isn't a budget to operate a pool and it has to close. They didn't see a point in waiting two years to deliver bad news but rather start planning now to have options. The city has contracted with an architectural firm called Opsis and Councilman-Hunsaker, one of the leading pool designers in the U.S., who have been actively developing options that the community can afford to build and operate. Green noted the baseline option for the pool was to reconstruct what the city currently has—a six lane, but slightly larger, facility outdoors and starts at a capital cost of \$4.5 million dollars. Other options that scale up from there include indoor recreation, but the goal is to stay within an operations and maintenance budget to stay within the current taxing authority—not raise taxes to replace the pool. A detailed report from the consultants should be available very soon. The last

piece of the investment puzzle is the Kam Wah Chung Heritage Site. The State is very interested in purchasing the existing park and pool, so as part of the city's land acquisitions they have purchased a location for a new park and realize a nice cash advance on the new pool facility. In addition to all of that, the State is going to start actively planning to replace the Kam Wah Chung Interpretive Center with a new site on the purchased property, which would also be a tremendous asset. There is a lot of community development activities happening in the community. Green investigated funding the pool with block grants and was told they are not eligible (but he will keep asking). Green showed a concept design for the new wastewater treatment facility. Green stated the stainless-steel structure will do the heavy lifting. A greenhouse component to the new treatment plant will be an inviting area for those wanting to tour the facility—it will be the first of its kind in Oregon. There is also an enclosed space to handle the solids, they don't anticipate there being an odor associated with the facility; if there is, it will be minimal and only at specific times such as when removing solids. Green noted they believe it will be a tremendous asset because it allows the city to recover a majority of the treated wastewater and put it to work. *Green proceeded to show flow diagrams of the treatment process.* He noted from the wet well a screen will remove any solids that have come through the collection system that cannot be processed, then the equalization tanks and a hydroponic reactor with a moving bed membrane bioreactor. The solids will get pressed and dried through a rotary press and then composted. The liquids will be chlorinated or treated with ozone depending on how they are used and put in a fertigation tank where they essentially become fertilized water. The question then becomes what to do with it. Sustainable Water and Anderson Perry looked at all the potential water reuse demands and the estimate is that at full capacity potentially 130 million gallons a year could be reused. Initially, there will only be 80 million gallons available, so it is good to have higher demand than supply. One of the challenges with the design is that some of the effluent will come in the winter when reuse demand is lower; lack of irrigation needs causes a mismatch for part of the year. The city is working with DEQ to decide what to do with the excess water in the winter, when its not being reused, and it will be built into the permitting approach. The good news is, with city irrigation and greenhouse potential, along with ballfield irrigation and potentially pushing reclaimed water up to the golf course, there will be a lot of value spread around to green up the valley in city limits. *Green showed diagrams of the hydroponic reactors, hydroponic greenhouses, and the composting system for the solids, and treatment process.* He noted all of them were documented in the facilities plan update, if anyone was interested in reading more. *Green showed a site plan for the location of the new facility.* He noted a gravity fed eighteen-inch sewer line will be extended from the old facility to the new one and a purple pipe distribution system will be needed beyond that for the reclaimed water. Green stated the project financing depends on factors that make up a financial puzzle. The first factor is existing debt service, as part of the planning the city consolidated its existing debt at a lower interest rate. As a result, they are in a pretty good financial position—they don't have a lot of debt being carried forward into the new facility. The total cost of the facility, including the capital cost to construct and the operating expense to operate annually, is the biggest component. There is also a factor Business Oregon uses called the affordability index which basically states that a community, by law, must treat wastewater but can only afford so much in the rate structure. Once the affordability index has been analyzed, looking at the current rates, they will decide whether a city is too high or too low. If the city is too high, their goal is to increase the grant ratio, so you can effectively buy down the rates through grant funding to incur less capital cost. Affordability index is working in the city's favor but there are limits to the amount of grant funding that can be provided. Other factors that will affect the final rate structure (cost to customers) are the cost of capital and the repayment duration. The lower they can borrow, the lower the interest rate, the better off the city is and the longer they can stretch it out, the better to keep monthly payments low. Typically, borrowings are anywhere from 25-40 years and market rate for the loan consolidations last year was 3.4%. The city will try to borrow around 1-2% with the cost that has to be financed. The final factor is the available

funding sources. There is supposed to be a trillion-dollar infrastructure package coming from the Trump administration, if it does end up coming it will be right as John Day needs; the city will try to anticipate what some of those federal funds might be to allow rural communities to make larger capital investments at a lower cost. There are also federal and state programs. With the loan consolidation, there is about \$50,000 in annual debt service to be retired in 4.5 years. The loan for the Oregon Pine property purchase is an annual payment of about \$30,000 stretched out over a 30-year repayment window. Neither will have a big impact on the rates. The operations, maintenance, and replacement cost will have a significant impact. Once the new facility goes live, the city is anticipating the annual cost to operate will be roughly \$616,000 in the first year. Those costs, if history is any guide, will escalate at about 6% per year. To absorb the escalating cost, the city must continue to raise the sewer rates or make money; you make money by selling reclaimed water. If the city is successful in launching the greenhouses, and cash crops leave John Day, with cash coming into John Day to accrue to the sewer fund, the city will have another mechanism to buy down the sewer rates. In addition to creating local jobs and local products that can be used. Right now, the city is planning on the 6% price escalation. The facility the council has selected, the cost estimate at the time of construction is about 12.5 million dollars. It is a large investment for service area of 2,500 people. *Green showed a slide with a breakdown of the cost.* He stated the block grant could bring down the cost \$2.5 million dollars and be spread between design and construction. For the design, the city is requesting roughly \$365,000 to be funded through the CDBG program, with the city paying \$30,000 for the environmental and match on the grant. Minus the requested amount, the balance will carry forward into the construction application and would be used to offset the balance of the estimated \$12.5 million. The affordability index is based on a formula; the city ran the numbers and for John Day and Canyon City the minimum sewer rate is \$34.66 a month. Green noted it sounded good compared the current rate of \$46.00, which will climb up to \$49.00 by the time the facility goes into construction. According to Business Oregon, the city is well above their affordability rate; so hopefully the grant to loan ration will go up, to help keep the rates in check. Their goal is to get at least 60:40 grant to loan ratio; the typical ratio is about 50:50. The 50:50 ratio would drive the city out of the affordability index, so they are hopeful they will get closer to the 60:40. The rest will depend on the mix of programs the city has access to and how creative they get in applying those programs to the city's specific use case—facility. In addition to block grant funding, there are water and wastewater financing through the state and federal government; special public works fund loans through the state, and the state's clean water revolving fund loan. Federal USDA Rural Development loans have been outperforming most of the other financing sources in terms of cost of capital and lending at 1-2%. The Oregon Water Resource Department has loans and grants, one of their grants was used for the facility planning. The city may qualify for US Economic Development Administration funds because of the commercial greenhouse component of the application; the city received an EDA grant to do the economic development strategy, part of the strategy will include how to make money with reclaimed water and greenhouses. Finally, there is a program called New Market Tax Credits, a sophisticated financial program, which is hard to implement but could, in theory, net the city an additional two million in funds the city would not be obligated to repay. Green stated there are a lot of intriguing options in terms of financing. They will submit the application this month and go into facility engineering once an award and notice to proceed has been issued. Next spring, the city will meet with DEQ to discuss two things; first, the permitting pathway—what type of permit will the new facility operate on. The other will be a One-stop, when all the agencies and lenders come together—meet in John Day to discuss each of the programs and essentially bargain for the best rate structure. At that point, the city should be able to estimate where the monthly rates will need to be in order to construct the facility. The city will then move into the financing component—where they secure lending—followed by awarding a contract for construction; the goal is to award construction contracts by fall 2019, with construction proceeding through 2020, and to have the facility fully operational by 2021.

Part of the presentation requirements are a discussion about other community development programs as well as housing because some of the projects may be eligible for block grant funding. Green noted he had mentioned the area development plan, the economic development strategy, the pilot scale greenhouse, and the trail system; all of which have been fully funded. The city learned this week they were funded by ODOT for the Charolais Heights intersection improvements; reconstructing will allow better access to the north trailheads and improve traffic safety at the six-way intersection. That project was funded through the Small City Allotment grant. The previous week, the city was awarded the DEQ Brownfield grant to do the lead and asbestos abatement on the Weaver Building. They will be able to clean all the hazardous materials out and hopefully find an investor who can help redevelop the property by opening up the eight apartments upstairs and improving the overall condition and look of the prominent building downtown. The New Home Incentive Program launched earlier in the year is already showing real signs of success; the city received its eighth application for new site-built home construction. Eight in year one of the program versus three in the last decade is off to a great start. There is also an application for a manufactured home, as they come in they are seeing people get motivated to take advantage of the program. They are significant rebates—at 7% rebate based on the the change in assessed property value for new home construction, along with about \$7,000 in system prepaid development charges. Other planned projects, currently going through feasibility studies, are options for improving downtown parking, as well as creating pocket parks, and the application for sidewalk improvements between 4th street and the high school. The new pool and rec center will also be discussed, along with the new city park, which will be vetted through the city’s advisory committees. Green added there is an opportunity to turn the planar shed on the Oregon Pine property into a community events center that could hold a farmer’s market. All of these projects are actively in the works and the advisory committee members have a schedule with milestone for each of the meetings. *Green showed the schedule slide which also included the TGM schedule.* The subsequent public hearings are scheduled for January 8th, March 12th, and May 14th; each will give an opportunity for people to comment on what the city is doing and provide input on the design. There will be a joint city council-planning commission meeting in June, where they will adopt the transportation system plan updates. In the spring there will also be a regional economic development summit; where they will bring all the federal agencies, hopefully including the Federal Reserve, to John Day to show them how the city is trying to revitalize and reenergize the rural community and ask for funding assistance. In theory, each of the federal agencies has a mandate and funding to do rural development. In practice, many of them don’t know what that looks like for frontier areas, so the city is going to show and lead by example. The city has invested a significant amount of their own money into these projects and plans to present a set of viable, achievable, fundable capital improvement projects they can assist with. If done right, the city should see a very significant tranche of federal funding coming into the community to accelerate each of the projects. *Green explained the path of the trail system on display. He then showed the site plan for the greenhouse and noted the changes to an improved engineering diagram for the Charolais Heights intersection.* Green stated that ODOT had approved \$100,000 in funding; the city will resume engineering in the spring and hopes to be in construction during summer or fall. *Green displayed a full list of all the capital improvement projects the city was currently working on.* Mayor Lundbom asked if there was any public comment. Outgoing county commissioner Rob Raschio asked, in talking about reclaimed water and growing food with it, what kind of safety precautions are being put in place for the food production to make sure it is marketable. Green replied they will be following USDA’s food handling guidelines; Matt Manitsas, the Agribusiness Project Manager, has a degree in Agribusiness and has been working on this project. Green added that people associate reclaimed water with sewer water but it is pathogen free; it is cleaner than the John Day River water, which is used to irrigate all sorts of other crops. There is nothing in the water to make one sick; in California, they are drinking reclaimed water. The city is not going to use it for water but may use it to make beer one day. Also, only the roots

are in the water; the produce only encounters the water if there would be a splash. Vincent Raschio asked how the water will be stored in the winter. Green replied, originally they had proposed to inject it in the ground, deep well injection below the drinking water aquifers to be available to pump back up; DEQ was intrigued but acknowledged while there are communities that do that with clean water, they are unfamiliar with communities injecting reclaimed water and would therefore have to devise a new set of rules. Green noted, the only other option is to go horizontally; the current proposed plan is to put a perforated pipe, below the frost line but above the water table, with reclaimed water running through in the winter to naturally recharge the ground water throughout the Innovation Gateway property. Leslie Stillwater asked about obligations of water rights on the John Day River and if they needed to be changed because there would be a greater delay in the return flows. Green replied it won't affect water rights or water use, it may affect the amount of water in the river but it is such a small amount that it's probably negligible compared to seasonal variations in rainfall. He added the water is coming out of city wells and Long Gulch spring, none of which is pulled from the river. Leslie Stillwater asked if any of the houses have to be demolished to make the Charolais Heights intersection changes. Green replied no, the city council previously purchased the lot on the northeast corner of the existing intersection which allows room to straighten Bridge Street; it may impede on yards but no structures will be affected. Rob Raschio asked when they will firm up on a cost on the treatment plant. Green replied they are hoping by February or March 2019 because when they go into the One-stop it will actually be a next stop because they may not get the answer they want and will have to look at more create financing options to keep the rates down. Because the city is six months ahead of schedule, they have time to pursue additional options; they have no intention of going out for a bond for the treatment facility. Green added that at some point, the local, state, and federal government leaders have to have a meeting of the minds about how to combat rising prices, expected rising interest rates, and state mandates like prevailing wage—which requires paying three times the market rate for labor; all regulated requirements that cities have to figure out how to fund. Meanwhile, John Day is in a population decline and has been for the better part of 30 years; costs are escalating far faster than revenue and those costs are being concentrated on a smaller and smaller customer base. It makes no sense if you want rural communities to be vital and succeed. Green concluded they need to get away from a system: that mandates them to pay a certain wage, determined by bureaucrats in Salem, which is completely divorced from market rate wages locally and where laborers willing to put time into the projects cannot meet the burdensome paperwork requirements to even bid on a contract. In addition to the mismatch between price and local capacity to pay, all of the public money is being exported out of the county to companies who don't typically employ local laborers. Green noted he is actively working, through the funding process, with state agencies to help them realize all the hurdles the rural communities have to overcome in addition to all the macroeconomic factors that everyone faces. Green stated when doing the math, he figured the lowest paid prevailing wage the city can offer, on a public works contract, earns \$5.00/hour more than he does. Rob Raschio stated he agrees with Green and thinks the information being presented to the agencies, should also be put out to the local public, so they can communicate back to their political bodies and representatives in Salem and Washington those concerns. People aren't dealing with it on a day to day basis and often cannot articulate in the same way; Raschio feels the public of Grant County would be interested in having these conversations. Green replied that is a great point, if they will be spending millions on public infrastructure they should try to keep as much of the labor value local; the local contractors need and want it, but it has been made too difficult for them to participate. *There were no further comments.*

Councilor Adair moved to close the public hearing at 6:59PM. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 5—Comprehensive Economic Development Strategy (CEDS) Professional Services Agreement

Green reviewed the information provided in the agenda memo, noting ECONorthwest's bid was very competitive. Mayor Lundbom asked who was involved in the review of applications. Green noted he and Aaron Lieuallen reviewed the bids; one of ECONorthwest's project managers is a subcontractor with Walker Macy on the Innovation Gateway so there will be good synergy between the two teams.

Councilor Schuette moved to approve the professional services agreement with ECONorthwest, subject to final review and approval by the City Manager and City Attorney. The motion was seconded by Councilor Adair and passed unanimously.

Agenda Item No. 6— Public Hearing for Resolution 18-799-23, A Resolution to Change Budget Appropriations by Supplemental Budget

Councilor Haberly moved to open the public hearing. The motion was seconded by Councilor Schuette and passed unanimously.

City Manager Green noted as they bring in unanticipated grant funding they plan to spend within the same fiscal year, it needs to be appropriated. It can be done by resolution, but a supplemental budget is more appropriate in this instance due to the number of changes. Green reviewed each change included in the supplemental budget and noted on the memo. He added that of the money going to the new 9-1-1 agency, \$150,000 will be for operating expenses and roughly \$60,000 will be for the payout of accrued employee leave, which will meet all of the city's financial obligation. All of the money paid forward is either revenue from the users, tax revenue the state, or the balance from the grant received in 2017. Mayor Lundbom inquired about the 9-1-1 funding, how the amount going to the agency was configured. Green stated the amount is equitable to the amount the city would have needed to operate through the remainder of the fiscal year. *There were no comments from the public.*

Councilor Schuette moved to close the public hearing. The motion was seconded by Councilor Adair and passed unanimously.

Councilor Schuette moved to adopt Resolution 18-799-23, A Resolution to Change Budget Appropriations by Supplemental Budget. The motion was seconded by Councilor Paul Smith and passed unanimously.

Agenda Item No. 7—SCA Grant Award Agreement

City Manager Green reviewed the agenda memo, adding that once they get into the engineering they will have a better construction timeline. Mayor Lundbom asked if the county will still be able to help on the project. Green replied they have helped and it saves money being able to leverage resources, noting Davis Creek was a county road. Judge Myers noted they will help where they can, within reason.

Councilor Paul Smith moved to delegate signature authority for the Charolais Heights Intersection Agreement to the City Manager and authorize him to sign all future agreements related to this project that do not specifically require council approval. The motion was seconded by Councilor Haberly and passed unanimously.

Agenda Item No. 8—9-1-1 Greenhouse Contract Modifications & Status Update

City Manager Green stated it has taken longer to get plans approved through the state, in order to begin construction, than they had planned. Some of which, is a result of having to modify the structural engineering to meet Oregon state requirements, another example of hurdles in the state approval process, and has delayed the construction plans by about a month. Green reviewed the suggested contract modification laid out in his agenda memo. Mayor Lundbom noted that considering how gracious the company has been throughout the process, it is the least they could do.

Councilor Brandon Smith moved to amend the contract to pay half of the payment now for delivery of materials and the other half upon fifty percent completion and the final payment upon completion. The motion was seconded by Councilor Schuette and passed unanimously.

Green stated they have not been able to gather a team that is ready to work with the city to bring commercial hops to fruition. Councilor Haberly asked if they could grow produce in the extra bays until that can be organized. Green replied the first three bays were scaled to match Chester's annual purchasing in the products they anticipate growing; they would likely find markets for the overproduction but if they don't, they would be stuck with product and a loan. He noted the city could cover a lot of unknown bad scenarios but its not advisable to dip into contingency, which is in place for the unexpected. Green noted it's important to manage risk, the first three bays have been vetted and various risks mitigated, whereas the extra two bays pose a higher risk that warrants caution. Councilor Adair asked about the cost difference and cautioned that several variables between growing and selling have not been ironed out. Green replied the savings totaled about \$40,000 on a capital expense of \$180,000 for the additional greenhouse materials. Mayor Lundbom asked if the CEDS study would be done before a decision was needed. Green noted the only thing given up by waiting would be the cost savings. It was confirmed that all five greenhouse bays are currently in John Day, the plans being approved are for all five, and they do not know how long EuroMex will let the city sit on the extra bays but imagine it would be two months. Councilors pointed out concerns about all the unknowns and compounding risk and emphasized the need to be cautious with public funds by ensuring the success of the first three bays. There was a consensus to wait on committing to purchase the additional bays.

Green explained the water line was going to cross private property, so an easement will need to be in place. He confirmed they will not be paying the property owner for the easement.

Councilor Schuette moved to approve the private access easement with Cernazanu Enterprises, as described and shown in the attached sketch. The motion was seconded by Councilor Adair and passed unanimously.

Public Works Director Legg noted they are mostly done installing the line and will be ready for a hydrant.

Agenda Item No. 9—DEQ Brownfield Grant Award & Services Agreement

City Manager Green reviewed his agenda memo and added they did a walk through of the Weaver Building with Alpine Abatement so they can formulate a plan of attack before they arrive on Monday. The attorneys were going to have a draft professional services agreement but it won't be ready until the 11th; it is a standard city agreement that can be backdated. Green asked the council to accept the bid and quote so they can proceed with ordering materials and getting started.

Councilor Paul Smith moved to authorize the City Manager to sign the bid and professional services agreement with Alpine Abatement Associates, Inc. for \$75,924. The motion was seconded by Councilor Schuette and passed unanimously.

Agenda Item No. 10—Residential Commercial (RC) Zoning Application

City Manager Green restated the information included in the agenda memo. Green noted the property owners, Jim and Sandy Bay, have a business on the north side of Highway 26 and are next to Suzie Q's thrift store. There is currently a juxtaposition of land use because the thrift store is a business in a Residential General district and the Bay's own a home next to their business, which is zoned General Commercial. Green explained that under option one, they would also have to issue a conditional use permit to operate the business that is currently on the property. Councilor Smith asked about what an application to rezone would include. Green replied it would include a notification to the Department of Land Conservation and Development (DLCD) of a requested change in the comprehensive land use plan and zoning designation. He added that spot zoning is not a good practice due to eventual checkboard zoning; he recommended option two. Green noted the General Commercial zoning is restrictive, a lot of properties are stuck because they are not usable for what the market demands; there is not a demand signal for big commercial properties. In the digital era, a lot of business are now home based and moving away from the big office complexes. Councilors suggested the Residential Commercial zoning would allow for a good mix and create opportunity for nice homes being kept presentable for business purposes, noting that the applicant wants to replace an old manufactured home with a site-built home and increase the tax value. Green added the current zoning has been in place since 2005 and there has probably been a net loss of structures on the tax base.

There was a consensus to have the city manager proceed with pursuing the second option described in the agenda memo, a rezoning to Residential Commercial.

Agenda Item No. 11—Other Business & Upcoming Meetings

City Manager Green noted they are hoping to finalize some additional contracts and hopefully move forward with the greenhouse at the next council meeting. Green explained the challenge is not just the increase of capital as you scale a pool and rec facility up but also the operations and maintenance costs; they are trying to find the right mix of recreation and aquatics they can afford to operate. It is looking like the facility with more public benefit is an indoor recreation center for year-round use with an outdoor seasonal pool because operating a rec space is cheaper than an indoor pool, which doubles when you move it inside. Every community in financial trouble because of a pool has tried to operate an indoor pool year-round that they cannot afford. Green confirmed for Councilor Adair the recreation activities would be geared towards providing activities not already provided by the gym businesses and something for a variety of ages year-round. Green noted they have reviewed about twelve different designs options. Councilors discussed the various opportunities for the community to utilize a recreation center and responsibility for operations and maintenance costs. Green added that there is a multitude of factors contributing to compounding the capital cost, from natural disasters across the nation to prevailing wage to around the clock operation. There was discussion about conferring with the school to facilitate provide the gym they had budgeted for. Green stated the advantages are that the hospital bond is ending and interest rates are currently low, which can save a lot on a multi-million dollar project. He continued that they are struggling to find an option that provides a pool and rec center without raising the taxes beyond that of the current hospital bond, noting that the cost for construction is insultingly high. Green does not want to underestimate the cost and end up in the situation of other

cities who tried to overreach; building the support among public agencies involved in planning and sponsoring is also an important consideration. There is no scenario where the facility gets built without a bond measure. There was discussion about who was responsible for the cost of building, along with long term operations and maintenance. Green noted that the city does not have the tax base to fund the pool from the general fund. The Parks and Rec District was created for that very reason, but they also could not afford to finance a new pool and they currently lose money on the operations and maintenance of the existing pool. It is likely that it will have to be a county asset with a county wide tax base to operate. It won't have a significant impact on those in the Parks and Rec District today but to have enough funding it would have to expand beyond. A step-wise process would have to happen in order to successfully replace the 60-year-old pool. Green feels it is the city's responsibility to show how it would work, the necessary steps, and present a viable option for the voters to decide. Green answered Councilors Adair's question about the school's plan for a gym, noting that he does not believe they have committed to building a facility and currently they have a representative on the city's steering committee. There was discussion about the challenges to providing a facility that meets a variety of needs for the price they can afford. Councilor Paul Smith noted this is an exhausted conversation that always stalls out due to money problems. Green added that in hindsight as part of the conversation, if they recognized they weren't ready to build, they could have started setting a little money aside; to date the public agencies have not saved any money for a new facility. The sale of the city park and pool gives a strong leg up and would help secure a funding package of about a million dollars. When you are talking about a 4.5-million-dollar outdoor pool, it gets you a quarter of the way there. In contrast, a year-round, nine-million-dollar rec center is a bigger lift for the tax payers but is still in line with what is currently being paid for the hospital bond. It comes down to the value of a rec center to those outside of the Parks and Rec District. Green stated they need to divorce people from the notion that the city will somehow find money to operate the old pool; they do not have the tax base, which is why the Parks and Rec District was created. It's new pool or no pool. Councilor Paul Smith reiterated the fact that since all the infrastructure is the same age, it is all failing at once. He also noted the original cost estimate for a mechanical treatment plant was only two million less than the reclaimed water hub.

Mayor Lundbom reviewed the upcoming meetings.

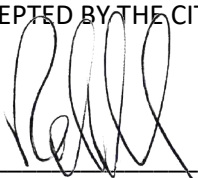
Adjourn

There being no further business before the council, Councilor Haberly moved to adjourn the meeting at 7:47PM. The motion was seconded by Councilor Schuette and passed unanimously.

Respectfully Submitted:

Nicholas Green
City Manager

ACCEPTED BY THE CITY COUNCIL ON DECEMBER 11, 2018



Mayor Ron Lundbom