

January 5, 2009
6:00 P.M.
Newport, Oregon

The City Council of the City of Newport met on the above date in the Council Chambers of the Newport City Hall.

OATH OF OFFICE – NEWLY-ELECTED MAYOR AND COUNCILORS

Hawker administered the oath of office to the newly-elected Mayor, Bill Bain, and Councilors Bertuleit, Brusselback, and McConnell. Obtshka participated via telephone.

ROLL CALL

On roll call, Bain, Kilbride, Brusselback, Patrick, McConnell, and Bertuleit were present. Obtshka was present via telephone.

Staff attending was as follows: City Manager Shaddox, City Recorder Hawker, City Attorney Firestone, Finance Director Riessbeck, Community Development Director Bassingthwaite, Public Works Director Ritzman, and Police Chief Miranda.

SELECTION OF COUNCIL PRESIDENT

MOTION was made by Patrick, seconded by Obtshka, to nominate Bertuleit as Council President. MOTION was made by Kilbride to nominate McConnell as Council President. McConnell declined the nomination. Voting aye in a roll call vote were Kilbride, Bertuleit, Patrick, Brusselback, Bain, and Obtshka. McConnell abstained. The motion carried in a voice vote.

PROCLAMATIONS, RECOGNITIONS, SPECIAL PRESENTATIONS

Childcare presentation by the Association for Family Community Education.
Nina Roll and Betty Kamikawa appeared before Council to discuss childcare in the community. They presented a video entitled, “Childcare – Making the Case in Newport.” They reported that childcare is a workforce issue, noting that the demographics have changed significantly in the last decade; adequate childcare is important to economic development; childcare is also an important part of the infrastructure. It was noted that people should be concerned about who is taking care of our children; and that childcare is important because today’s kids are tomorrow’s workforce. Roll thanked supporters of the childcare initiative in Newport. Kamikawa reported that a childcare center would open in Toledo with slots for 74 kids. She reviewed the center funding, and Patrick asked what donation Kamikawa was requesting. Kamikawa reported that the center needs \$6,000. Bertuleit asked whether the group has a webpage, and noted that this is a good resource for requesting local donations. Obtshka asked whether it is possible to share facilities

with Headstart. Kamikawa noted that sharing facilities with Headstart is not an option at this point. Brusselback asked how many students the center can accept, and Kamikawa reported that number is 74. McConnell requested that staff look at the city's budget to determine whether there is any way the city could help out. Bain asked about timing, and Kamikawa reported that the center needs to open as soon as possible. She also reported that there is no space in the public schools, for this facility, at this time. Patrick noted that the Headstart location would be ideal. McConnell asked if a recommendation from staff could be available at the next meeting. MOTION was made by McConnell, seconded by Patrick, to direct staff to look for money in this year's budget, and get back to Council at the next meeting. Shaddox asked whether the group is looking for operational or infrastructure assistance. The motion carried unanimously in a voice vote.

INTRODUCTIONS

Bain introduced Pro-Tem City Manager Dale Shaddox. He noted that he had planned to introduce the Library Director Ted Smith, but that Smith had departed.

Bloch Legacy presentation. Frank Geltner appeared on behalf of the Bloch Legacy Foundation. He thanked supporters for all their work. He displayed a YouTube video entitled, "Composer in Nature's University – Ernest Bloch – 1880 – 1959." Geltner introduced Casey Miller who spoke in support of the project. Geltner introduced David Ogden Stiers, who also spoke in support of the project. Geltner reported that a request for funding will be submitted at a later date. Geltner reported that a request will be made to State Parks, on January 20, to purchase the Bloch house from its current owner. He reported that the house is currently under consideration as a National Historic Landmark. He asked Council support of the efforts of the Bloch Legacy Foundation. MOTION was made by Bertuleit, seconded by McConnell, to prepare a letter of support for the project, and authorize the Mayor to sign it. Patrick asked how much money is being requested. It was reported that State Parks would buy and maintain the property, but support would be needed for operating the visitor center. It was reported that it would take little effort to restore the home to its previous look. McConnell reported on the potential for purchasing land northeast of the Bloch property to create contiguous land to the highway. Patrick asked whether there are any other historical landmarks on the Oregon coast. Firestone noted that Council could adopt a resolution at the next meeting. Shaddox asked whether the request is for a letter or a resolution. Geltner requested a letter of support. The motion carried unanimously in a voice vote.

ACTION ITEMS

Special Event/Activity Grant application – Friends of Yaquina Lighthouses. Doug Wills, president of the Friends of Yaquina Lighthouses, appeared before Council on this request. He reported that the Friends of Yaquina Lighthouses is a non-profit organization that maintains the historic lighthouses in Newport, provides interpreters, and education programs for kids and visitors to Yaquina Head and Yaquina Bay. He reported that there are more than 350,000 visitors annually to the Yaquina Head lighthouse, and that the Yaquina Bay lighthouse is the oldest wooden structure in Newport. He reported

that one method of support is through the Yaquina Lights jazz fundraiser in January. He stated that the grant, if approved, would help with mailing and printings to send throughout the state. McConnell asked how many locals and how many visitors typically attend the event. Wills noted that the bulk of attendees would probably be locals, and that 25% of the attendees come from hotels or become aware of the program from mailers sent throughout the state. Bertuleit asked about the attendance at the Bay lighthouse, and Wills noted that it is approximately 200,000 annually. Wills reported that there are approximately 100 weddings annually held at the Bay lighthouse. McConnell asked where the requested \$1,000 fits into the proposed revenues and expenditures, and whether it is included in the \$8,900, or over and above that amount. Wills reported that it would be in addition to the \$8,900. Kilbride asked whether the expenses would be increased if the request is granted. Wills reported that the money would help defray current costs. Kilbride stated that he does not see the need. He added that the proposed budget does not include the requested \$1,000. He added that if you needed the money, he would look at it differently. Kilbride added that the intent is to bring people to town to support the hospitality industry, rather than for shutters and gutters. He added that he is concerned that the request does not meet the intent of the fund. Wills stated that the group's overall activity, throughout the years, has been to maintain the tourist quota. He added that this is one instance where a fundraiser is dedicated to helping maintain the lighthouses to continue tourist visits throughout the entire year. Patrick asked whether the group has held fundraising events at the lighthouse previously. It was noted that this funding is basically to get people to the city to spend the night, and it was designed for first time events, rather than new events. McConnell noted that if Wills wants to have a weekend event with 500 people attending, and conduct mega-marketing outside the area, to enjoy the lighthouses in winter, that would be great, but that this event is on the 17th of this month, so there could not be a whole lot of marketing going out. Wills reported that the lighthouses are the second largest tourist draw in Lincoln County, noting that it is interesting that he has not seen folks from the city and county attending this event. He added that he has tickets. Bertuleit suggested that if information regarding future events could be distributed at this event, to encourage folks to come back, that he would look at that. McConnell suggested that a discussion about the grant application guidelines would be in order. MOTION was made by Patrick, seconded by McConnell, to deny the special event/activity grant application for the Friends of Yaquina Lighthouses. Obteshka noted that he supports this motion because this program is for new events to promote tourism, and the request does not fit with the intent of the program. The motion carried unanimously in a voice vote.

Request for fee waiver – Greater Newport Chamber of Commerce for the 2009 Seafood and Wine Festival. Lorna Davis was present and explained the request is for a fee waiver from the Council. She noted that it was specifically for a wavier of the fees for wastewater removal from the port-a-potties. Obteshka asked about the value of the wastewater removal. Ritzman reported that the cost is approximately \$200 – \$300. Obteshka suggested expanded shuttle service on Saturday night. It was reported that the total requested fee waiver is approximately \$3,300, and this includes the time of three police officers plus the waste disposal. Brusselback asked whether financial statements are provided with the application. Davis reported that the event generates approximately

\$1.5 – \$2 million dollars for the community, and the total net is approximately \$120,000 which is used to support tourism development, leadership, and other community programs. MOTION was made by Bertuleit, seconded by McConnell, to approve the fee waiver requested by the Chamber of Commerce for the 2009 Seafood and Wine Festival. The motion carried unanimously in a voice vote.

CONSENT CALENDAR

The consent calendar consisted of the following items:

- A. Approval of City Council minutes from the special meeting of December 12, 2008; executive session of December 12, 2008; and the regular meetings of December 15, 2008.

MOTION was made by Patrick, seconded by McConnell, to approve the consent calendar as presented. Bertuleit rebutted a comment made by Steve Shuster regarding a gun being pulled. The motion carried in a voice vote with Brusselback abstaining.

COUNCILOR'S REPORTS AND COMMENTS

Kilbride reported that the Library Foundation Board had sent a solicitation letter before the end of the year and received positive response. He reported that the Board has exceeded its donation budget for this year. He added that this is a credit to those who assist the library.

McConnell noted that the work session agenda included an item for establishing a Council communication work session, and he recommended that this be held on Friday at noon if it was agreeable to everyone. He distributed a hand-out that outlined how the Council could start talking about communication issues. He added that he would e-mail the information to Obtshka. He asked whether Council would be able to return the information by Thursday, and whether Council would like it to be anonymous. It was noted that there is no facilitator for Friday's session yet. Brusselback reported that he had spoken with Cathy Briggs and she could attend. It was noted that it would take time for a facilitator to get instructions. McConnell noted that Council needs to learn how to work on this together. He asked that responses to the hand-out be sent to him, and he will compile them for the Friday meeting. He added that Council could try to go through the session in 90 minutes, or as much as possible in that timeframe.

OFFICER'S REPORTS

Report of the Mayor. Bain reported that he had previously appointed these folks to the Georgia-Pacific Task Force: Charlie Plybon, Franz Cosenza, John Clark, Peggy Sabanskas, and Gil Sylvia. He appointed the following people to the Georgia-Pacific Task Force: Roger Hart, Sandy Roumagoux, Daniel McCarthy, Tim Johnson, and George Ragsdale. He reported that the task force will receive a written charge and that he would personally deliver the charge at the first meeting. He added that the group will be working on a conclusion that would bring a recommendation to Council for adoption that

would result in a contract for a license agreement for GP at the end of the process. He suggested that the entire process should come to fruition in at least 90 days for final resolution through the City Council. Bertuleit noted that the composition of the task force looks good and well-balanced. It was noted that nothing precludes others from attending meetings, as they will be noticed public meetings. MOTION was made by Patrick, seconded by Brusselback, to approve the additional five appointees to the Georgia-Pacific Task Force. Obteshka noted that the task force has a good balance, good people, and should produce a good project in the end. The motion carried unanimously in a voice vote. Bain reported that the staff contact would be Firestone, and the Council liaison would be Brusselback.

Bain read a letter that he had received from the Mayor of Mombetsu. McConnell reported that the youth delegation to Mombetsu, last summer, plans to make a presentation to Council.

Bain appointed the following people:

Planning Commission

Dawn Newman
John Rehfuss
Mark Fisher
Dick Beemer

Senior Citizen Advisory Committee

John Paquette
Betty Krause

Budget Committee

Dac Wilde
Roger Snelling

Destination Newport Committee

Deborah Trusty
John Clark
Ric Rabourn
Gabrielle McEntee-Wilson
Lil Patrick
Carrie Lewis
Lorna Davis

Parks and Recreation Committee

Roger Holstein
Ed Simon

Susan Boehlert
Karen Smith

McConnell inquired as to whether the Planning Commission vacancy had been advertised. Bain withdrew the appointment of Dick Beemer for the Planning Commission. It was agreed to advertise for the Planning Commission vacancy. Kilbride asked whether there were any other applicants for any of these positions. MOTION was made by Patrick, seconded by Brusselback, to ratify the Mayor's appointments. The motion carried unanimously in a voice vote.

Bain appointed Kilbride as the city's representative to the COG. He appointed McConnell as the liaison to the Destination Newport Committee. He appointed Brusselback as the liaison to the Parks and Recreation Committee.

Report of the City Manager. Shaddox stated that he is happy to be here and to be of service to the Council and staff. He reported that his intention is to maintain momentum, take care of day-to-day operations, and make sure staff is complying with the Council goals. He added that a new set of eyes can take a fresh look at the organization, its structure, finances, and identify service levels.

Hawker reported that the city had received two grants that would partially fund the preparation of emergency action plans for the city's two earthen dams. Ritzman requested that Council authorize Firestone to review the grant agreements, and if satisfactory, authorize Shaddox to sign them. MOTION was made by Bertuleit, seconded by McConnell, to have CA review, and if acceptable, have CM sign agreement. The motion carried unanimously in a voice vote.

Shaddox reminded Council that the "City at 5:30" program would be held on Thursday and feature the police department. It was noted that the reception for Library Director, Ted Smith, would also be held on Thursday, from 4:30 – 6:30 P.M.

Air service agreement – status report, discussion, and direction from Council. Firestone reported on the status of negotiations between the Port of Astoria, City of Newport, and Seaport Airlines. He noted that a proposed agreement had been developed. He added that Council could accept the agreement, reject the agreement, or direct staff to negotiate change on key issues contained in the agreement. Firestone reported that the key issues include the interline ticketing and baggage requirement; cost numbers; and the number of daily flights. McConnell stated that at least one interline ticketing and baggage agreement needs to be in place at the outset of the service. He asked whether Seaport would need an agreement with each airline. It was noted that the RFP required at least one interline ticketing and baggage agreement, and it is anticipated that it would be with a major airline operating into PDX. Mike Schulz was in attendance. It was reported that he had been asked by the city attorney to assist in the development of an agreement. Schulz reported that he had participated in two conference calls. He asked for specific questions from Council. Schulz described himself as a frequent traveler, and he asked himself whether the service, as described in the draft agreement, is something he would use. He noted that he wants a cost effective way to fly to PDX, and the way the current agreement is structured, he would not use it due to the lack of an interline agreement. He noted that he does not think the fare is competitive. He added that the fare

has got to be a fare you can live with, and at \$100+ for a one-way ticket, it is a fare that he likely would not use, especially if he is connecting to another flight. He suggested that Seaport is overestimating the number of people flying to Portland as a final destination. Firestone noted that the business model is not conducive for making connections. Bertuleit asked about the overnighing of planes. It was reported that a plane would be overnighed in Newport. A discussion ensued regarding a flight that would go from Newport to Astoria to Portland. Firestone noted that this flight would result in only a little shorter time than driving, and that the stop in Astoria would lose passengers to people who drive. Bain noted that an early morning flight to PDX, without the stop in Astoria, would be necessary for success. Firestone reported that one of the RFP criteria required a response to the number of planes a company would have to devote to this market. He noted that Seaport has four planes total, and it is also flying PDX to SEA and PDX to Pendleton. He added that the RFP called for an average of three flights per day. McConnell asked whether there is a way to test flight schedules for profitability. Kilbride asked whether there was a discussion on fares for the ONP to AST to PDX flight. He asked whether Astoria would try to pursue service to Seattle. Firestone noted that there is no funding to subsidize flights to Seattle. Firestone noted that the first flight of the day should arrive at PDX in time for the first bank of flights of the day, and the last flight must leave PDX after 6 PM. Firestone reported that Seaport does not want to set prices, but would set the price structure. Patrick stated that she does not like the agreement due to lack of the interline agreement, cost numbers, and the termination timeline. She noted that she would be inclined to reject it outright. Brusselback addressed sustainability of the project, noting that the only way to insure sustainability is to get Seaport to agree to a maximum monthly payment. Schulz stated that a lot of work has been done over the last few years, and he would hate to see the agreement rejected outright. He added that his preference would be continued direction on which way to negotiate this agreement so it is compatible with all desires. It was noted that there must be an interline agreement with an airline other than Kenmore when they start flying; a maximum monthly payment should be established that would make the money last for two years; and allow for additional flights per day, even if it is a circular flight. Bertuleit stated that he would like to delete the Pilatus requirement. Kilbride suggested that Firestone contact Dan Clem and Betsy Johnson to ask if they could use their best efforts to provide additional funds when these grant monies run out. He added that if the city could get a commitment from them to use their best efforts to keep the service going, then he would be in favor of it. McConnell suggested that there might be alternatives to investigate in terms of ground transportation. Kilbride noted that the real question is whether we should take this on. Bain stated that there is a need for a mid-point review at one year. Patrick asked when the city would hear from Seaport regarding their plan to keep the service going. Firestone noted that the city would have to look at passenger numbers and revenue. Schulz added that if Seaport could find an airline that could operate the flight for \$600 – \$650, it would have a chance of sustainability. Bain asked what the penalty is for the airline if they walk. Firestone noted that the penalty is that they do not get the revenue from Newport and Astoria. It was asked whether anyone has seen Seaport's financials. Firestone noted that Seaport said they would show them privately, but they have yet to be seen. McConnell asked whether Astoria would be able to take all the money if Newport said they did not want to participate. Firestone noted that it might be possible to ask the state to provide half the

funding to Astoria if the city agreed. Bain asked whether that would be possible with the Air 21 grant monies. Firestone noted that the city would have to talk with the federal government. Firestone noted that if Seaport terminates, the obligation to pay is gone, and the city could issue another RFP to try to find a replacement. Bertuleit suggested that there should be a penalty for termination without notice. Firestone noted that Seaport is not allowed to terminate unilaterally. Bain stated that it is his sense that Council is interested in a mid-point evaluation, a maximum monthly cost, interline agreements; two flights daily, review of the financials, a liquidated damages provision, and the amount of the lease payment on the plane. It was noted that the interline agreement should be online the day that service begins. Kilbride asked whether there is a date that the agreement must be in place to satisfy the state. Firestone noted that there is not much time left, as the state wanted the agreement signed by last year. He recommended that if the terms are agreeable, Council could authorize it to be signed by the city, subject to an air service agreement being in place, or a drop dead deadline. McConnell expressed concern with attitudes toward Seaport. He added that Council needs to be careful in discussing their business practices and model. Kilbride noted that he would hate to start out in an experiment knowing that it will never break even. He added that if we just want to spend the state's money, it does not make much sense. He recalled that Cape Air flies 402's, adding that if that is a more economical airplane, do we really want to continue with Seaport. Firestone noted that 402's cost much less than the Pilatus, although passengers would probably prefer to fly on the Pilatus rather than the 402 because the 402 does not look big enough, even though they carry the same number of passengers. MOTION was made by Patrick, seconded by McConnell, to further negotiate the issues identified this evening. Firestone informed Council to expect the possibility of a special meeting to discuss the matter. The agreement provides for a startup date of March 16, and there are some things that must be in place sixty days before startup. The motion carried unanimously in a voice vote. Council thanked Schulz for his input and participation.

Consideration of Connect Oregon II grant agreement – discussion and potential approval of the agreement. Firestone asked for a motion to authorize the execution of the Connect Oregon II grant agreement, subject to getting airline service agreement in place first, or if there is a drop dead deadline, and no service agreement in place, Firestone should use his discretion. MOTION was made by McConnell, seconded by Patrick, to authorize the execution of the Connect Oregon II grant agreement, subject to getting airline service agreement in place first, or if there is a drop dead deadline, and no service agreement in place, Firestone should use his discretion. The motion carried unanimously in a voice vote.

Request to form LID – NE 56th Street sewer line extension. Ritzman reported that the residents of NE 56th Street are requesting the formation of an LID for a sewer line extension. He recommended approval of the request and direction to staff to prepare an engineering report. MOTION was made by Patrick, seconded by McConnell to approve the request to form a LID for a sewer line extension on NE 56th Street, and to direct staff to prepare an engineering report. The motion carried unanimously in a voice vote.

Qwest settlement agreement. Firestone updated Council on the Qwest settlement agreement. He reported that the plan was that Newport would audit Qwest, and Qwest would have to pay if a shortfall was revealed. By negotiation, Qwest has agreed to pay to avoid the audit, and the amount they have agreed to pay the city is \$5,054. If approved, this would be the final settlement for any underpayments of franchise fees during time period. Firestone reported that the form of the agreement is acceptable. MOTION was made by Kilbride, seconded by Patrick, to approve the Qwest settlement agreement, and authorize the city manager to sign the agreement. Brusselback asked what the usual payment is, and how it is paid. Riessbeck stated that the amount is approximately \$60,000, and it is paid annually. The motion carried unanimously in a voice vote.

ADJOURNMENT

Having no further business, the meeting adjourned at 9:33 P.M.

Margaret M. Hawker, City Recorder

William D. Bain, Mayor