

# Minutes of the Veneta City Council

## February 27, 2012

Present: Mayor Sharon Hobart, Brittany Boothe, Thomas Cotter, Marion Esty, and Sandra Larson

Others: Ric Ingham, City Administrator; Shauna Hartz, Finance Director; Brian Issa, Community Services Director; Chris Workman, City Recorder/Human Resources and Risk Management Administrator; Darci Henneman, Assistant City Recorder; Braeden Cornelius, Cody Utter, Jim Merkner, Pony Gilbert and Michelle Ossowski, Fern Ridge Review

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Mayor Hobart called the Veneta City Council to order at 7:00 p.m.

Mayor Hobart welcomed two Elmira High School students who were attending tonight's meeting as part of their Leadership Class. She asked them to introduce themselves.

Braeden Cornelius and Cody Utter introduced themselves.

### 1. PUBLIC COMMENT

#### **Jim Merkner, 25125 Hunter Rd., Veneta, OR**

Mr. Merkner is a retired resident who drives to Eugene to play tennis. He asked the Council if the tennis court near Veneta Veterinary Clinic, currently a parking lot, could be refurbished and used as a tennis court again. He said a lot of money went into the skate park for area youth but all ages could benefit from a tennis court.

In response to a question from Mayor Hobart, Ric said the tennis court near the Veneta Veterinary Clinic is owned by the school district.

Mayor Hobart suggested Mr. Merkner contact the school district.

### 2. CONSENT AGENDA

**MOTION: Thomas Cotter made a motion to approve the consent agenda as presented.  
Marion Esty seconded the motion.**

**Vote: Marion Esty, aye; Thomas Cotter, aye; Mayor Hobart, aye; Sandra Larson, aye; and Brittany Boothe, aye.**

The consent agenda as approved included City Council Minutes for January 23, 2012, Accounts Payable through February 21, 2012, Civic Calendar for March 2012, Council Directive Status Report, and Changes to Resolution Numbering.

### 3. DEPARTMENT REPORTS

#### a. FROM MAYOR/COUNCILORS

##### (1) Law Enforcement Update, Sgt. Osborne, LCSO

Mayor Hobart said Sgt. Osborne was not able to attend tonight's meeting.

Marion Esty said Senior Services continues to work on their planned projects but there are little funds to work with.

Mayor Hobart received a letter from the Arbor Day Foundation congratulating the City on receiving Tree City USA status for 2011. She said she attended the Lane Council of Governments (LCOG) board meeting last week which was a very long meeting with a mixed

agenda. A major topic on the agenda was the panel being voted in at the state level last week which discussed coordinated care organization for the purpose of providing Medicare and low income residents, specifically those people on the Oregon Health Plan, a coordinated approach to health care and, more importantly, how to make the best use of the scarce resources available for the benefit of the patient. The entire service focuses on the patient which is a great concept. The panel consisted of a doctor, a county health department representative, and an insurance company. It was extremely well done. Also discussed was the broadband situation in Veneta and it appears work will start in the later part of this year.

Sandra Larson attended the most recent school board meeting held at Elmira High School. She said the High School has two new programs: a new volunteer mentoring program called "Aspire" which provides one-on-one volunteer mentoring to assist students with finding scholarships and completing college applications, and a new drop-in learning center. A few Elmira High School students took the regional title of the "Oregon Battle of the Book" competition. She also said that there will be an organizing meeting of the Fern Ridge Educational Foundation spearheaded by Twinkle Morton, a school board member. The meeting will be held tomorrow, February 28<sup>th</sup> at 6:00 p.m., in the Sam Konnie Room at the Library.

- b. City Councilors/Committee Liaisons
  - (1) Veneta's 50<sup>th</sup> Birthday Celebration

Sandra Larson said the Steering Committee met February 16<sup>th</sup> and Tucker Barnes cannot work on the timeline because he has been recruited to attend a science conference at Stanford University. She said Pat Behrens will complete the timeline project. She also provided a sample 50<sup>th</sup> Anniversary decal that will be distributed to local businesses to display in their store windows. She said the Art Committee is working on getting the photography contest launched. Greta King, a young journalist at Elmira High School, is on the Art Committee and has written a press release to be published in the newspaper. Ms. King and Garrett Lewellen, also an Elmira High School student, are working on the time capsule. Sandra Larson asked for ideas for the time capsule. She said both of these projects are moving along nicely.

#### 4. STAFF REPORTS

- a. Finance Director.....Shauna Hartz
  - (1) Proposed Water Rate Change
    - (a) Public Comment

Mr. Gilbert said his comment may not pertain to Resolution 1077 but there have been recent news reports about the new demands put on the McKenzie River which may or may not affect the pipeline project. He said everyone should keep in mind the potential negative issues this will have. He said many residents are following this very closely.

Shauna said Resolution 1077 is very similar to previous water rate resolutions except that it will create a new type of user for the water use fees. Included in that user group is the City's Governmental Facilities i.e., the pool, irrigation, City Hall. The past practice has been to charge for the services from the Water and Sewer funds because they're considered business or enterprise funds as a way to track the actual expense of the governmental facilities and to help offset the expense of providing water and sewer services.

- (b) **Resolution No. 1077** - A RESOLUTION ESTABLISHING WATER FEES AND RATES FOR USERS OF THE VENETA MUNICIPAL WATER SYSTEM AND REPEALING RESOLUTION NO. 1072

**MOTION: Thomas Cotter made a motion to approve Resolution 1077. Marion Esty seconded the motion which passed with a vote of 5-0.**

- b. Community Services Director.....Brian Issa

Brian said because of a software glitch at USDA they had to create two resolutions. USDA wants the resolutions passed prior to approving the construction bid. Brian said the design phase is wrapping up and the project is on target with meeting the July 31<sup>st</sup> timeline. He said Resolutions 1080 and 1081 will not indebt the City.

In response to questions from Mayor Hobart, Brian said the final design revisions are being reviewed and hopefully construction bids will be out by March or April. He is hoping to be in the negotiation process with the contractor by May or June, with construction beginning in July. He said because this is a large project that will take about 14 months and also because some of the required work is very specialized, including some of the pipe materials being used, we could see bids come in from all over the state as well as out of state.

- (1) **Resolution No. 1080** – A RESOLUTION AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER PIPELINE IN THE PRINCIPAL SUM OF \$7,033,000
- (2) **Resolution No. 1081** – A RESOLUTION AUTHORIZING AND PROVIDING FOR THE INCURRENCE OF INDEBTEDNESS FOR THE PURPOSE OF PROVIDING PORTION OF THE COST OF ACQUIRING, CONSTRUCTING, ENLARGING, IMPROVING, AND/OR EXTENDING ITS WATER PIPELINE IN THE PRINCIPAL SUM OF \$6,000,000

**MOTION: Thomas Cotter made a motion to approve Resolutions 1080 and 1081. Marion Esty seconded the motion which passed with a vote of 5-0.**

- c. City Administrator.....Ric Ingham
  - (1) Modification to Business Assistance Fund Guidelines & Criteria

At the October 10, 2011 meeting the City Council adopted Resolution 1068 establishing the Business Assistance Fund (BAF). The Council then adopted program guidelines and criteria outlining the goals, eligibility standards and finance policies that would aid City staff, the Loan Committee, and the Council in rendering BAF funding decisions. From mid-October to mid-December staff responded to six inquires requesting information on applying for grant or loan assistance. Of those six inquiries, staff requested that two applicants complete a full application. Both of those applications were eventually forward to the BAF Loan Committee for review. The other four inquires were from local and non-Veneta based businesses seeking grant funding to help with the capitalization of their businesses. None of the inquiries would have led to additional industry development or creation of new jobs, both of which were identified goals of the program. On January 9, 2012, staff recommended the Council suspend the BAF program and the Loan Committee provide modifications to the program guidelines and criteria to tighten up the threshold for applicants invited to submit a full application. On January 27, 2012 the Loan Committee met to discuss proposed modifications which focused on two areas they felt would clarify the criteria for applicants

seeking either a loan or grant and the required ratio of BAF assistance to non-BAF resources needed to be eligible for funding.

Ric said that since then the BAF Loan Committee made several recommended changes to the guidelines and criteria. He reviewed the changes with Council members and asked if they had any questions.

In response to a question from Mayor Hobart, Ric said bridge financing is referenced in a section of the guidelines and criteria and is meant to assist with leveraging other resources.

Thomas Cotter said typically bridge funding is used as supplemental funding until permanent financing is in place. For example a construction loan is used as bridge funding until the project is financed permanently with a conventional loan.

Ric said loans were lowered to \$5,000 with a maximum of \$50,000 and micro loans were lowered to \$2,000 and up to \$5,000 and the maximum for any grant would still be \$25,000. The Loan Committee worked through several recommendations and determined that this language would preserve the overall loan fund.

Mayor Hobart said this would allow us to maintain the \$100,000 in the grant fund so it would be available for smaller projects.

Thomas Cotter said the \$100,000 doesn't have to be sitting in the account but could be lent out. For example; five \$20,000 loans could be made but will eventually be paid back so the fund continues to provide a revolving loan fund.

Sandra Larson said it refers to outstanding "loans or grants" but grants would not be repaid so maybe the word "grant" should be removed.

Ric said the Loan Committee recommended a change to the title to maintain a minimum balance, etc. He agreed to remove the word "grant".

In response to questions from Brittany Boothe, Ric said four of the six applications received were for grants and one of those was from the Moose Lodge which started out as a request for a loan that will be converted to a grant if the loan conditions are met. Ric said it became apparent to the Loan Committee that people wanted additional dollars to assist with capitalizing their business but they weren't bringing their own funding to the table. Ric said the intent of this section is preservation of those funds by keeping cash in the account or eventually there will be no grant dollars available.

Ric said this is such a new territory for the City right now and the ideal situation is to assist a business with their expansion and not just additional capital to keep their business afloat. The applicant needs to show that they've worked with a bank but they're not quite there yet. They could also seek assistance from LCOG who may recommend the City provide some assistance with an equity grant so the applicant's borrowing ratios are more acceptable to a conventional bank. That's the intent of the grant/loan program; to create a viable package so the applicant can secure greater loan resources. It was never intended to be a 100% grant program. Ric said if in the future the Council decides the program rules need to be updated, then the Loan Committee will do so.

Thomas Cotter agreed that Brittany Boothe brought up a good point. It's confusing for people to understand the difference between a loan and a grant. He asked if the wording

should be changed to make it more clear that the City is not here to give away money. He's not comfortable with the grant leveraging language on page five or the definition.

Sandra Larson said it was not intended to provide the total amount that the business needs but to be accompanied by other funding.

Ric suggested that Council members not accept the documents at this time and get more feedback from Steve Dingman. The Loan Committee would then bring the documents back to the Council in a month or so.

Marion Esty said if it's necessary to clarify the language then we should. The documents aren't realistic at this time.

Mayor Hobart said the program is on hiatus until the Council makes a recommendation. She made the following recommendations: (1) The program is marketed as a loan program for businesses and a grant program for non-profits, (2) Rewrite some of the definitions so the end result clearly reflects the intent of the program. She agreed that input from Steve Dingman and the City of Junction City should be requested prior to the Loan Committee reviewing it again.

Ric said Mr. Dingham is likely to recommend that the City not be in the grant business, but we could get tighter guidelines and criteria to allow the Council to reach their goals with this program.

Mayor Hobart said getting some input from Cottage Grove may also be helpful.

Thomas Cotter said it's worth getting the BAF guidelines right to include as much detail as needed so that the documents can better assist our community.

Mayor Hobart said the six applications received technically didn't meet the criteria. She suggested more clarification is needed to make it easier for applicants to determine whether or not they are eligible for the program.

**MOTION: Thomas Cotter made a motion to direct the Business Assistance Loan Committee to make additional recommendations focused on certain areas as outlined. Marion Esty seconded the motion which passed with a vote of 5-0.**

(2) Appeal of Long Tom Custom Sawmill's Business Assistance Fund Decision

The City Council is being asked to either validate or invalidate the funding decision rendered by the Business Assistance Fund (BAF) Loan Committee for the Long Tom Custom Saw Mill. If the decision is to invalidate the Loan Committee's recommendation, the Council will be asked to set aside time at their March 12, 2012 Council meeting to review the application in detail and render a decision other than what was provided by the Loan Committee.

On December 9, 2011 the Loan Committee met to review the \$25,000 BAF grant application submitted by Pony Gilbert, dba Long Tom Custom Saw Mill. On December 20, 2011 staff sent Mr. Gilbert a response denying the request for an outright grant but outlined a path he could follow to secure \$20,000 in grant funding and a potential \$5000 BAF loan. In early January staff responded to Mr. Gilbert's request for additional information. It was at that time Mr. Gilbert was notified he could appeal the Loan Committee's decision to the City

Council and at the January 23, 2012 Council meeting Mr. Gilbert personally submitted his request for an appeal.

Mayor Hobart said the BAF is a new program and this is the first appeal brought to the Council.

Ric provided the Council members with copies of Mr. Gilbert's application, appeal letter, and the denial letter. Ric said various supplemental materials provided by Mr. Gilbert are available for Council's review upon request. Ric said there were four areas the Loan Committee focused on when reviewing the application. Overall the Loan Committee was very supportive of the business and offered some suggestions; however, it felt there wasn't adequate documentation on new job creation or how new jobs would be sustained. Committee members were also concerned about the lack of a business plan and how assistance from the BAF would get the business to the next level. Lastly, the Loan Committee was uncomfortable providing 100% of the financing, as no other funding sources or leverage dollars were referenced in the application.

As stated in the denial letter, the original request for a \$25,000 grant was denied but the Loan Committee offered the applicant a path to follow which included a 1 to 1 dollar match if Mr. Gilbert participated in eDev's program. By bringing his own resources to the table, he could have seen a possible 3 to 1 eDev dollar match and the City's 1 to 1 dollar match. This 4 to 1 dollar match required a business plan which eDev indicated it would expedite for Mr. Gilbert.

In response to questions from Mayor Hobart, Ric said when Mr. Gilbert submitted his application the BAF did not require a business plan. There was no information in Mr. Gilbert's grant application to suggest the level of financing he was requesting had been sought from other banks or resources.

In response to a question from Sandra Larson, Ric said the original checklist didn't require a business plan but it could be included in the updated document.

In response to a question from Sandra Larson, Mr. Gilbert said about five or six years ago he completed the Lane Micro Business entrepreneurial development program which is now referred to as "eDev". He said part of the program included creating a business plan. He said he would have included a copy of his business plan if it was included on the BAF loan application checklist. He felt including the national trade magazine articles highlighting where his business fits within its industry were more important to include than a business plan because again, the business plan wasn't required.

He understands the BAF program is a work in progress and it will take a while to get it right. He said in the future there will be many businesses that will attempt the same process. He agreed with Brittany; why would businesses apply for a loan if the option was available to apply for a grant? This is probably the biggest issue the BAF program is facing, but also how the applications are being presented. He said even if the BAF isn't able to assist him he is willing to give what feedback he can to help create a better program for future applicants, rather than creating a program that no one in Veneta qualifies for.

In response to a question from Sandra Larson, Mr. Gilbert said he is interested in working with eDev for possible funding. He said a portion of the funding process was completed several years ago when eDev was previously known as Lane Micro Enterprise.

In response to a question from Brittany Boothe, Ric said the business plan was not on the checklist and it did not come up in the pre-review process. He said in the future the checklist could request a business plan and proof that an applicant attempted to secure other funding. He said the Loan Committee didn't reject Mr. Gilbert's application based on one of the four items listed. He said including a business plan on the checklist needs to be addressed.

In response to questions from Brittany Boothe, Mr. Gilbert said he's very interested in seeing the program get utilized in Veneta but if the criteria are based on conventional loan funding the program may find it hard to identify businesses that fit the criteria. He suggested giving thought to which businesses will apply and also what businesses may qualify. Mr. Gilbert said portions of the path outlined from the Loan Committee have been completed and had he been asked to supply that information he would have done so.

In response to a question from Mayor Hobart, Mr. Gilbert said he received an email from an eDev representative a couple of days ago but he didn't respond to it nor did he request a response. He said his contact with eDev has mainly been through their program called "Score".

In response to questions from Thomas Cotter, Mr. Gilbert said his contact with eDev consists of receiving emails but he doesn't recall what kind of presentation they were offering. He said at this time he has not requested matching funding from eDev.

In response to a question from Mayor Hobart, Mr. Gilbert said he was frustrated by the four points referenced in Ric's denial letter because he felt he covered them in his application. He sent a letter to Ric expressing his concern about this and asked Ric to clarify how the denial process took place. He felt his application packet was complete and specifically covered the four areas in the denial letter. He said although he didn't follow the steps suggested he did feel that some of the items have already been accomplished, i.e. the business plan and his participation with Lane Micro Enterprise, now known as eDev.

Mayor Hobart said the focus of the eDev program has shifted from the previous Lane Micro Business, so to say that Mr. Gilbert completed the process is probably not accurate. The new program requirements they are operating under are different requirements than the previous program.

Mr. Gilbert said he felt he hit all the points of the BAF application and that's why he requested an appeal. He felt his application was meritorious and satisfied the requirements of the program.

Ric responded to Mr. Gilbert that the Loan Committee stated one of the requirements of the BAF program focuses on leveraging, which his application did not meet.

Mr. Gilbert said when he wrote his proposal and application he was applying for a grant not a loan. If he had presented it differently with the vision of a different process, he would have included those points he left out. The program doesn't help him but he's hopeful it will help future applicants.

Thomas Cotter said Mr. Gilbert's application was put together well but looked more like a promotional packet than a business plan and that's why the Loan Committee suggested the other steps. He felt the Loan Committee was being asked to risk everything on just Mr. Gilbert's word. He said it wasn't that Mr. Gilbert was refused the grant but that he was provided a path to follow which it appears he is choosing not to do so.

Mr. Gilbert said he understood but unfortunately, he felt the Loan Committee wanted to see an investment on his part. Rather than committing to the steps outlined in the denial, he chose to appeal directly to the City Council. He hoped that doesn't count against him.

Thomas Cotter felt coming to the Council helped the process by fine tuning the program but Mr. Gilbert didn't do what the Loan Committee suggested he do – to request assistance from eDev and indicate what the loan/grant would be for, i.e. what kind of equipment would be refurbished, what jobs would be created, and not that he just planned on hiring employees.

Mr. Gilbert said from his standpoint he felt he had already accomplished that.

Brittany Boothe said, in her opinion, it seems as though his application wasn't denied based on the value of his business, it's the application process and a business plan should be a requirement.

In response to a question from Brittany Boothe, Ric said Mr. Gilbert submitted a full application.

In response to a question from Brittany Boothe, Mr. Gilbert said he is not interested in applying for a loan with eDev but if it would assist him with his grant application with the City then yes, he would contact eDev.

Sandra Larson said the Loan Committee recommended a combination of loan/grant funds if Mr. Gilbert was able to provide matching funds.

Mr. Gilbert said the Loan Committee will see a lot of applications just like his.

Mayor Hobart said no governmental agency has ever provided free money to businesses in the private sector. She's concerned about the misconception that there is a pot of money that's being given away freely. The intent of the BAF is to look into how the Council can improve the economic stability of our community. Businesses would be available to apply for loans and non-profits could apply for grants. The program guidelines need more clarification. She said Mr. Gilbert has a wonderful business and he's done wonderful things in our community.

Mr. Gilbert said as a sole proprietor he would like nothing more than to take his business to the next level by taking on more full time employees. He thought the assistance part of his application answered where the grant funds would go – capital improvements in order to lift him up from sole proprietorship to providing more jobs.

Mayor Hobart said she understands the program is evolving but she felt she needed to see the technical detail regarding how many customers he currently has, how many more customers his business could accommodate, how will he bring more customers in, what would he do to provide more jobs, and also provide a timeline showing how he planned to accomplish these things.

Mr. Gilbert felt the information wasn't lacking, it simply wasn't requested. Perhaps if he was given the opportunity to provide that information - but it now seems as though the Council isn't interested in providing a grant.

Thomas Cotter said that isn't necessarily so. The 100% financing that the Loan Committee was being asked of and he not bringing any financing to the table was the biggest stumbling block.

Mr. Gilbert said he has a lot of equipment that he has either developed or created himself or that he has purchased over the years. He's worked pretty hard to get what he has and it's gotten him pretty far. He said he doesn't feel like he brings nothing to the table. He was using national trade magazine articles to do his talking for him and perhaps he should have put that in a different form.

Mayor Hobart asked the Council members if they had any more questions or if they would like to further deliberate this subject.

Thomas Cotter abstained from voting because he is a member of the BAF Loan Committee.

**MOTION: Mayor Hobart made a motion to accept the decision of the BAF Loan Committee. Sandra Larson seconded the motion which passed with a vote of 4 to 0. Thomas Cotter abstained from voting.**

Mr. Gilbert hoped that his appeal of the Loan Committee's decision will help future applicants even if it didn't help him.

Sandra Larson said she doesn't see why the program can't help Mr. Gilbert in the future.

Mr. Gilbert suggested he could provide more feedback on the program.

**5. OTHER**

None

**6. ADJOURN**

Mayor Hobart adjourned the Veneta City Council at 8:35 p.m.

  
Sharon Hobart, Mayor

ATTEST:



Darci Henneman, Assistant City Recorder  
(minutes prepared by Dhennehan)