HERMISTON CITY COUNCIL

180 NE 2nd Street – Hermiston, OR 97838

Regular Meeting **August 22nd, 2016**

A G E N D A

1. **CALL MEETING TO ORDER**– 7:00 pm

2. **DECLARATION OF QUORUM**

3. **FLAG SALUTE**

4. **PROCLAMATIONS, PRESENTATIONS & RECOGNITIONS**

5. **CITIZEN INPUT ON NON-AGENDA ITEMS** (Anyone wishing to bring anything before the council that is not on the agenda is asked to please do the following: 1. Limit discussion to not more than FIVE minutes; 2. State your name and address; 3. Direct your comments to the Mayor.)

6. **CONSENT AGENDA**
   A) Minutes of the August 8th, work session and regular City Council meeting.

   B) Minutes of the July 18th, Hispanic Advisory Committee meeting.

   C) Minutes of the July 25th, Public Safety Committee meeting.

   D) Liquor License Application - "Off-Premises Sales, Change Ownership" for Eastside Market located at 582 E. Main Street.

   Action – Motion to approve consent agenda items. Roll Call

7. **ITEMS REMOVED FROM CONSENT AGENDA**

8. **PUBLIC HEARINGS**

9. **RESOLUTIONS & ORDINANCES**
   A) Resolution 2035- Consider approval of the School District Lease for the Senior Center and the Senior Center Design.
   Motion to approve and lay upon the record. Roll Call

   B) Resolution 2036- Consider approval of a lease agreement to allow Umatilla County Fire District #1 (UCFD1) to occupy a portion of the Robert Shannon Safety Center.
   Motion to approve and lay upon the record. Roll Call

C) Resolution 2037- Consider adoption of the fee schedule modification to utilize Accela provided free of charge by the State of Oregon and to increase the minimum building permit fee.
Motion to adopt and lay upon the record. Roll Call

10. OTHER

A) Newport area Insurance Decision.
Motion. Roll Call

B) EOTEC Monthly Report.

C) July Financial Report- Amy Palmer
Motion to approve. Roll Call

11. COMMITTEE REPORTS

A) City Committees and Liaison: Airport Advisory, Budget, Hispanic Advisory, Library Board, Parks & Recreation, Planning Commission, Recreation Projects Fund, Faith-Based Advisory Committee, Community Enhancement Committee, Public Safety Committee, Public Infrastructure Committee.

B) Mayor's Report –

C) Council Report –

D) Manager's Report-
   i. Banking RFP.

12. EXECUTIVE SESSION

A) An Executive Session will convene pursuant to ORS 192.660 (2) (i) which allows the Council to meet in Executive Session for the purpose of discussing matters pertaining to the review and evaluation of employment-related performance of the City Manager.
Call Recess.

UPCOMING MEETINGS AND EVENTS
(At City Hall unless otherwise specified)

Aug 22	5:00pm	Public Infrastructure Committee Meeting
Aug 22	7:00pm	City Council Meeting
Aug 24	4:00pm	Library Board Meeting (Library)
Sept 2	7:00 **am**	EOTEC Meeting (1705 E. Airport Rd)
Sept 5	**Labor Day**	**City Offices Closed**
Sept 6	4:30pm	Faith-Based Advisory Committee Meeting
Sept 7	4:00pm	Airport Advisory Committee Meeting (Airport)
Sept 8	5:30pm	Parks and Recreation Committee Meeting
Sept 12	6:00 pm	City Council Work Session
Sept 12	7:00pm	City Council Meeting
Sept 14	7:00pm	Planning Commission Meeting
Sept 19	7:00pm	Hispanic Advisory Committee Meeting

13. RECONVENE

A) Consider and possibly adopt amendments to the City Manager's contract.
Motion to adopt. Roll Call

14. ADJOURNMENT

Happy Labor Day!

HERMISTON OREGON
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HERMISTON CITY COUNCIL

Work Session August 8th, 2016

Mayor Drotzmann called the work session meeting to order at 6:00 pm. Present were Councilors Myers, Primmer, Hardin, Beas-Fitzgerald, Gutierrez, Davis and Smith. Staff members in attendance were City Manager Byron Smith, City Attorney Gary Luisi, Assistant City Manager Mark Morgan, City Planner Clinton Spencer, Chief Edmiston, Bill Schmittle, Ron Sivey, and Heather LaBeau. News media present was Jade McDowell of the East Oregonian.

CTUIR Fixed-Route Transit

Assistant Manager Mark Morgan and J.D. Tovey, the Tribal Planning Director, presented the options for transportation within the city. In January the city met with Mr. Tovey and started looking at options outside of Oregon Department of Transportation (ODOT) funding. The Dial-A-Ride system was considered. ODOT feels that a fixed route system is more efficient at serving more people in Hermiston than a Dial-A-Ride system. January 2nd is the targeted start date for the Fixed Route system. The taxi ticket program will still be available.

There are numerous planning and legal requirements to start a regional transit system. The CTUIR has the experience and staff to do the reporting and coordinating of services among other jurisdictions. Partnering with CTUIR, dollars that the City currently spends on the taxi ticket program could be better leveraged with federal funding. This would create a higher rate of service to the citizens.

Assistant Manager Morgan proposes a committee be created for a 5 month duration. The committee would be made up of two councilors, a planning commissioner, current taxi ticket program representative, senior care facility/medical provider representative, Chamber of Commerce representative and a member from the general public. Their purpose would be to meet with CTUIR and the City to go over what the transit system would look like and how to implement it.

Mr. Tovey answered questions from the councilors. The state and federal reporting would be completed by CTUIR. The existing routes are on-time almost all the time. The bus service includes paratransit for qualified disabilities. The buses have bike racks. The hours of operation, routes, and costs are all scalable and have not been decided. Riders are not currently charged a fare. The drivers are trained for security situations that may arise and all the buses are equipped with cameras. The jurisdiction the bus is in when an incident occurs determines what law enforcement agency responds. The MOU is enforceable and would be reviewed by legal counsel. CTUIR would want the contract for a minimum of two years, as that is the funding cycle for grants. The committee should include discussion on shuttles to the fairgrounds. The route design would include conversations with ODOT for traffic safety considerations.

Several councilors expressed interest in serving on the committee. Mayor Drotzmann will make appointments for that committee.

Mayor Drotzmann ended the work session at 6:58 pm. The Councilors took a short break before the regular City Council meeting convened at 7:00 pm.

HERMISTON CITY COUNCIL

Regular Meeting August 8th, 2016

Mayor Drotzmann called the regular meeting to order at 7:00 pm. Present were Councilors Myers, Hardin, Gutierrez, Primmer, Davis, Beas-Fitzgerald and Smith. Councilor Kirwan was excused. Staff members in attendance were City Manager Byron Smith, City Attorney Gary Luisi, Assistant City Manager Mark Morgan, Larry Fetter, Clinton Spencer, Chief Edmiston, Bill Schmittle, Judge Creasing, Ron Sivey and Heather LaBeau. News media present were Jade McDowell of the East Oregonian and Michael Kane of NE Oregon Now. The pledge of allegiance was given.

Consent Items

Councilor Hardin moved and Councilor Smith seconded to approve all Consent Agenda items, to include:

1. Minutes of the July 25th, regular City Council meeting.
2. Minutes of the June 7th and July 5th, Faith-Based Advisory Committee meetings.
3. Minutes of the June 20th, Hispanic Advisory Committee meeting.

Motion carried unanimously.

Other

2016 City of Hermiston Public Art Plan: Assistant City Manager Mark Morgan presented the City's Public Art Plan and Policies. This is a community based plan. There are no public funds earmarked for this plan. The plan helps logically facilitate donations of art and funding from the community. The plan was developed using a consultant, Rebecca Couch. Ms. Couch worked with the Community Enhancement Committee as well as receiving public input at several events.

The five themes and values developed as important aspects of life in Hermiston and that should be represented through the public art are Water, Agriculture, Heritage, Transportation and Watermelons.

The plan includes a list of recommended public art locations and suggested concepts of art for that location. There is also a list of the ten most preferred sites based on public comment. Community groups who want to install public art can refer to the Art Plan and work with the City to plan accordingly. The plan includes a process whereby the City will create up to five accounts which can receive donated funds for specific projects in the Public Art Plan. This is similar to how the Christmas Express Fund is administered.

Councilor Primmer moved and Councilor Gutierrez seconded to adopt the 2016 City of Hermiston Public Art Plan. Motion passed unanimously.

Committee Reports

Hispanic Advisory Committee: Councilor Gutierrez stated the Hispanic Advisory Committee has two new members and officers were elected.

Faith-Based Advisory Committee: Councilor Hardin reported that the committee is considering working with Kriss Dammeyer to oversee the family promise program.

Mayor's Report

Mayor Drotzmann reported that he met with the Business Oregon Director and some of his staff on Tuesday prior to the West End Manager and Mayor's committee meeting. There were able to discuss ways to partner together to help economic development in our region. Tuesday evening was National Night Out. Thank you for the police and fire departments and Erica for their participation. Mayor Drotzmann and others went to Portland on Thursday and had dinner with Commissioner Fish, Elizabeth Edwards, and Martha Pellegrino. There were 6,000 pounds of watermelons given away in seventeen minutes on Friday. Councilor Primmer was the winner of the watermelon seed spitting contest. Mayor Drotzmann attended the fair appreciation dinner and parade on Saturday. The mayor thanked everyone who helped with the parade. A bicycle helmet was given to Mayor Drotzmann from Portland. It was decided the helmet would be displayed in the case in the Council Chambers. An additional helmet will be donated to the police department for a child in need.

Council Report

Councilor Gutierrez was in downtown Seattle during the evening hours and was impressed with the number of people at the businesses.

Councilor Myers thanked the councilors who participated in the many events the past week.

Manager's Report

The Environmental Quality Commission and the Water Resources Department will be given a tour of the recycled water plant next week. They are highlighting the plant as a unique and innovative project.

City Manager Smith reported back that the Altrusa water project raised $2,500 that was given to a well rehabilitation project in Kenya.

La Grande will host the upcoming City Hall Week. The League of Cities conference is scheduled for the last week in September.

Recess

Mayor Drotzmann recessed the regular meeting at 7:47 pm and announced that an executive session will convene in accordance with ORS 192.660 (2)(h), which allows the Council to meet in Executive Session to consult regarding the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

Representatives of the news media and designated staff will be allowed to attend the executive session. All other members of the audience are excluded. Representatives of the news media are specifically directed not to report on any of the deliberations during the executive session, except to state the general subject of the session as previously announced. No final decision may be made in executive session. At the end of the executive session, the council will return to open session which the audience may attend.

Reconvened

Mayor Drotzmann reconvened the regular meeting at 8:26 p.m. There were no further comments.

Adjournment

Mayor Drotzmann adjourned the regular meeting at 8:26pm.

SIGNED:
/s/Dave Drotzmann
MAYOR

ATTEST:
/s/Heather LaBeau
ZONING CLERK

Chairperson Eddie De La Cruz called the meeting to order at 7:00 pm. Committee members present were Hector Ramirez, Manuel Gutierrez, Jesus Rome, Roy Nayar Barron, and Jose Garcia. Clara Beas-Fitzgerald was excused. City representatives present were Assistant City Manager Mark Morgan, Officer Erica Sandoval, and Executive Assistant Lilly Alarcon-Strong. The Pledge of Allegiance was given.

Minutes

Manuel moved and Jesus seconded to approve the minutes of the June meeting. Motion carried unanimously.

New Business

New Committee Member Jose Garcia

New Committee Member Jose Garcia thanked the City for allowing him to be on the committee. Jose has been in the community since 1989 and thought it was important to be able to help the community by providing his services in any way he can.

New Committee Member Roy Nayar Barron

New Committee Member Roy Nayar Barron stated he is new to the area and moved to Hermiston in 2015. Roy stated he is very eager to help the Hispanic population succeed by informing them on the many resources available that they may not know about.

The Committee welcomed Jose and Roy and thanked them for their interest and participation in the Committee.

Vice Chair Nomination

Manuel moved and Eddie seconded to nominate Hector as Vice Chairman of the Hispanic Advisory Committee. There were no other nominations and the motion carried unanimously.

Chair Nomination

Hector moved and Jesus seconded to nominate Eddie as Chairman of the Hispanic Advisory Committee. There were no other nominations and the motion carried unanimously.

Closing Comments

Public

Virgina Rome welcomed both members. Virgina suggested that HAC and the Hispanic Community come together to support the Hermiston Police Department and the Fire Department, especially with all the negativity that is happening in our county.

Eddie stated the Dallas Police Department is a strong group of police officers with great leadership. Communities must learn to work together, respond and not react, focus on positive and not the negatives.

Hector stated he is a Chaplin at the Hermiston Police Department. He stated HPD's Chief of Police Jason Edmiston, is an amazing Chief who loves the community and his officers and has asked that the Chaplin's be readily available for officers and prayer at least three times a week.

Jesus thanked Officer Erica Sandoval and all the officers as they go above and beyond the call of duty.

Jose stated the emotional state in the community is very important and it is important for communities to unite and stay strong.

Manuel stated Hermiston has done a great job to protect their officers and the City by installing body cameras.

Roy stated often times, officers are victims, but people do not see it this way because it is a part of their job. People become ungrateful because they do not see what officers go through.

7:24pm to 7:26pm Clara joined the Committee via/facetime and welcomed the members.

Ken May brought in citizenship information for all those interested.

City Representative

Assistant City Manager Morgan invited the public to participate in the Fiesta de Salud Health Fair on July 31st, from 1pm to 5pm at Marisol Family Health Center. Specific information will be available for the Hermiston Taxi Ticket Program for seniors and those with disabilities. Mark stated the City would like to specifically reach out to the Hispanic population regarding this program, and if possible, would like participation from HAC.

Mark revealed the City's new logo and tag line to the Committee and members of the public.

Officer Erica Sandoval stated Thursday, August 2nd is National Night Out. The public is encouraged to have block parties to meet their neighbors and find the City's medallion through clues offered in the newspaper. The person(s) who finds the medallion will have ice cream served to their block party participants by the City Council. All those interested in having a block party please contact Officer Sandoval if they would like to have the police and fire departments stop by.

Committee

Eddie stated OPB has contacted him and is interested in learning more about the Hispanic Advisory Committee, especially since Milton-Freewater in interested in forming a similar Committee. OPB feels like it might be something that Portland will consider looking into as well. They will be interviewing him regarding the Committee; the interview will be broadcasted over 20 different radio stations in the state.

Eddie thanked the City of Hermiston for forming the Hispanic Advisory Committee, as the Committee does work and is being recognized not only by this community but by other communities as well.

Next Scheduled Meeting

The next scheduled meeting will be Monday, August 15th, at 7:00 pm.

Meeting Adjourned at 7:43pm

PUBLIC SAFETY COMMITTEE MEETING

July 25, 2016

Councilor Kirwan called the meeting to order at 6:15 pm. Present were Councilor Hardin (arrived at 6:18), City Manager Byron Smith, Chief Edmiston, Captain Travis Eynon, Sergeant Scott Clark, Communications Manager Amanda Hartsteen, Sergeant Kelly Parsons, Officer Erica Sandoval, Lilly Alarcon-Strong and members of the audience.

Personnel Update

Chief Edmiston stated Captain Johnson has given a retirement date of June 2017, and is confident the department will be able to fill Captain Johnson's position internally.

Chief Edmiston stated Officer Victor Gutierrez has completed his Associate's Degree and Sergeant Kelly Parsons has completed his Master's Degree.

Chief Edmiston stated Captain Eynon and Captain Johnson have switched positions. Captain Eynon is now the patrol captain and Captain Johnson is the administrative captain. The switch was made to introduce different leadership styles to all personnel in the department.

(Councilor Hardin arrived 6:18pm)

2nd Quarter Crime Report

Chief Edmiston stated calls for service are relatively flat, but arrests are up by 1%, which shows officers are staying active. There have been an unusual number of incidents that have resulted in aggravated assaults. Although the numbers of assaults are in the normal range, it will continue to be monitored. Auto theft has decreased, which Chief Edmiston hopes is due to the fact people are starting to understand that by not leaving valuables in vehicles and locking vehicles there is less chance of theft.

Councilor Kirwan asked what the statistics are for officer involved use of force.

Chief Edmiston stated he feels the percentage is about the same as the year prior, but will have Captain Eynon get the specific numbers and percentages with total arrests made and use of force. Chief Edmiston stated use of force is less then what is perceived. When there is a use of force incident, the officer reports the incident and it goes up the chain of command for review, including viewing the body camera footage.

Councilor Hardin asked if there are follow up service calls regarding incidents.

Chief Edmiston stated depending on the circumstances and incidents, usually yes, within 72 hours.

1-year Snapshot of Youth Officer Position

Officer Sandoval stated the new position has been a very good experience. The position works specifically with the School District dealing with mostly truancy issues for ages K-5. The position also helps build relationships with law enforcement and children at an early age with interaction on a more personal basis and positive setting and manner: having lunch, reading with children, promoting safety, and higher education, etc. Officer Sandoval stated she has been provided an office at the School District and meets with families regarding truancy when scheduled by School District Administration.

She provides resources for at risk families and helps parents understand their responsibilities, as well as perform welfare checks. Officer Sandoval stated she is looking forward to another successful year.

Councilor Kirwan asked what the process is for parents who receive truancy citations.

Officer Sandoval stated the School District Administration issues the citation; she is invited to the meeting to inform the parents or guardians of the process. But, she and the School District make every attempt to correct the truancy issues before a citation is given.

Councilor Hardin stated he believes this is a great program that is able to reach out to children at an earlier age in their life. And it is great to see officers interact with the youth and community in a positive manner.

Chief Edmiston stated Officers Cobian and Wallace played basketball with the community at the 3 on 3 Taking it to the Streets basketball event. Officer Cobian is also the officer known as the dancing cop.

Umatilla County Fair Preparation

Chief Edmiston stated the police department continues to work with the Sheriff's Office for security at the fairgrounds during the Umatilla County Fair and Rodeo. There may-be changes to the security detail once the fairgrounds move to the EOTEC site.

National Night Out

Chief Edmiston stated there will be a proclamation read during the City Council meeting regarding National Night Out which will be held Thursday, August 2nd. Medallion clues will start being mentioned in the paper starting tomorrow, the winner of the medallion will have an ice cream social served by the City Council at their event.

There was no other business and the meeting was adjourned at 6:43 pm.

HERMISTON POLICE DEPARTMENT

330 S. First Street ★ Hermiston, OR 97838
PHONE (541) 567-5519 **FAX** (541) 567-8469
EMAIL records@hermiston.or.us

TO: City Manager Byron Smith
FROM: Chief Jason Edmiston
DATE: August 12th, 2016
SUBJECT: Liquor License Application – Eastside Market

After review of the liquor license application for the "Off-Premises Sales, Change Ownership" for Eastside Market located at 582 E Main Street, Hermiston, I find nothing of substance after performing a criminal history check consistent with established parameters utilized by the city, to deny the application submitted by Jatinder Singh and Ramandeep Malhi.

It is therefore my recommendation this license be granted.

OREGON LIQUOR CONTROL COMMISSION

LIQUOR LICENSE APPLICATION

Application is being made for:

LICENSE TYPES

- ☐ Full On-Premises Sales ($402.60/yr)
  - ☐ Commercial Establishment
  - ☐ Caterer
  - ☐ Passenger Carrier
  - ☐ Other Public Location
  - ☐ Private Club
- ☐ Limited On-Premises Sales ($202.60/yr)
- ☑ Off-Premises Sales ($100/yr)
  - ☐ with Fuel Pumps
- ☐ Brewery Public House ($252.60)
- ☐ Winery ($250/yr)
- ☐ Other: _____

ACTIONS

- ☑ Change Ownership
- ☐ New Outlet
- ☐ Greater Privilege
- ☐ Additional Privilege
- ☐ Other _____

RECEIVED
AUG 03 2016
Oregon Liquor Control Commission

90-DAY AUTHORITY

☑ Check here if you are applying for a change of ownership at a business that has a current liquor license, or if you are applying for an Off-Premises Sales license and are requesting a 90-Day Temporary Authority

APPLYING AS:

☐ Limited Partnership ☐ Corporation ☑ Limited Liability Company ☐ Individuals

CITY AND COUNTY USE ONLY

Date application received: 08·10·2016

The City Council or County Commission: City of Hermiston (name of city or county)

recommends that this license be: ☐ Granted ☐ Denied

By: _____ (signature) (date)

Name: Lilly Alarcon-Strong

Title: Assistant City Recorder

OLCC USE ONLY

Application Rec'd by: FETTERHOFF

Date: 8/3/16

90-day authority: ☑ Yes ☐ No

1. Entity or Individuals applying for the license: [See SECTION 1 of the Guide]
   ① JRKS NW LLC ③ _____
   ② _____ ④ _____
2. Trade Name (dba): Eastside market
3. Business Location: 582 E MAIN Street HERMISTON UMATILLA OR 97838 (number, street, rural route) (city) (county) (state) (ZIP code)
4. Business Mailing Address: 1942 SKY meadow Ave Richland WA 99352 (PO box, number, street, rural route) (city) (state) (ZIP code)
5. Business Numbers: 541-567-5811 (phone) (fax)
6. Is the business at this location currently licensed by OLCC? ☑ Yes ☐ No
7. If yes to whom: THOMPSON Green Inc Type of License: OFF
8. Former Business Name: EASTSIDE MARKET
9. Will you have a manager? ☑ Yes ☐ No Name: JATINDER D SINGH (manager must fill out an Individual History form)
10. What is the local governing body where your business is located? HERMISTON (name of city or county)
11. Contact person for this application: RAMAN MAKH (name) 360-201-8071 (phone number(s))
    1942 SKY meadow Ave Richland WA 99352 (address) (fax number) RAMANZIRA@HOTMAIL.com (e-mail address)

I understand that if my answers are not true and complete, the OLCC may deny my license application.

Applicant(s) Signature(s) and Date:

① Raman makh Date 8/3/16 ③ _____ Date _____

② _____ Date _____ ④ _____ Date _____

HERMISTON OREGON Where Life is Sweet

Staff Report

For the Meeting of August 22, 2016

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item :
Res. No. 2035

Approving the Hermiston School District Lease for the Harkenrider Center and adopting the final design plan.

Subject
Harkenrider Center Lease and Design Approval

Background:
Council has taken a series of actions to support the acquisition and development of the Harkenrider Center which will includes the Hermiston Senior Center program as the primary use. These actions have included:

Resolution No. 1952 – Agreement between City and Senior Board	Passed February 24, 2014
Resolution No. 1972 - Accepting a $2M grant from CDBG	Passed January 7, 2015
Resolution No. 1980 - Adopting the Aspen Site for the center	Passed April 27, 2015
Resolution No. 1981 – Naming the facility Harkenrider Center	Passed April 27, 2015
Resolution No. 1994 – Fair Housing Resolution	Passed July 27, 2015
Resolution No. 1995 – Ascent Architect Selection	Passed August 24, 2015
Resolution No. 2012 – Adopting the Ridgeway Site	Passed December 28, 2015
Motion to add a basement and enhanced parking	Passed May 9, 2016
Conditional Use Permit	Passed June 8, 2016

With the addition of the basement and enhanced parking lot, the project budget was adjusted as represented in Figure 1. The total square footage is twice that of the existing senior center. The Senior Board is discussing ways to expand their program with the support of the Parks and Recreation Department and Good Shephard Hospital.

Figure 1

Building Area	Square Feet	Cost per SF	Estimate
Permits and design			$443,150
First Floor	7,200	$226	$1,629,850
Basement	3,800	$130	$550,000
Parking Enhancement			$250,000
Total	11,000		$2,873,000
Existing Senior Center	5,500		

Attachment A- Lease Agreement:
With the selection of the Ridgeway site owned by the Hermiston School District for the Harkenrider Center, a lease agreement needs to be executed between the District and the City. The terms of the lease agreement (Agreement -Exhibit A), are summarized as follows:

- Landlord – Hermiston School District
- Tenant – City of Hermiston

- Improvements – City owns and maintains the building
- Consideration - $1 per year
- Term – 50 years
- Termination – By either party with notice

Once approved by City Council, the lease agreement must be approved by Hermiston School District. The lease is an essential element for the development of the Harkenrider Center on School District Property.

Development Timeline:

- Oct. 19th: Submit for Building Permit
- Oct. 31st: Issue for Bid
- Nov. 16th: Anticipated Issuance of Building Permit
- Nov. 21st: Last day for Bid Questions
- Dec. 8th @ 3pm: Close Bid
- Dec. 12th: Award Bid @ City Council Meeting
- Aug 31st: Anticipated project completion

Attachment B- Design:
The facility design represents 90% completion by Ascent Architecture. The design (Design - Attachment B) has been enhanced with feedback from the Council meeting of May 9 and ongoing review by the Senior Board. It is recommended that Council approve as-is or modify the design for completion. The Senior Board has requested that the fireplace be relocated to the entrance of the building and janitor closet be relocated near the Great Hall as represented in Attachment B. Additionally, it is recommended that Council approve as-is or modify the design for completion.

Summary:
Approval of Resolution No. 2035 authorizing the Mayor to execute a lease agreement with the Hermiston School District is a necessary next step in the development of the Harkenrider Center. The lease agreement has been prepared under the guidance of legal and insurance counsel for the District and the City.

Alternatives:
Following are alternatives related to the Hermiston School District Lease:

1. Approve Resolution No. 2035 authorizing the Mayor to execute a lease agreement with the Hermiston School District for the development of the Harkenrider Center.
2. Modify Resolution No. 2035 authorizing the Mayor to execute a lease agreement with the Hermiston School District for the development of the Harkenrider Center.
3. Reject Resolution No. 2035 authorizing the Mayor to execute a lease agreement with the Hermiston School District for the development of the Harkenrider Center. This alternative would result in the termination of the CDBG Contract and the City would be obligated to return funds already received.

Recommendation:
Approve Resolution No. 2035 authorizing the Mayor to execute a lease agreement with the Hermiston School District for the development of the Harkenrider Center.

Reviewed by:

Department Head:

City Manager Approval:

Lease - Attachment A

STANDARD GROUND LEASE AGREEMENT

LANDLORD: **Hermiston School District No. 8R**

TENANT: **City of Hermiston, Oregon**
180 NE 2nd Street
Hermiston, OR 97838

Real Property in Umatilla County, Oregon
as Described in Exhibit A

SUMMARY OF LEASE TERMS

1. **Leased Property**. Approximate gross ground area in Real Property: 1.19 acres.

2. **Lease Term**. Fifty (50) years, commencing with the Commencement Date specified in this Lease.

3. **Construction**. Tenant will be responsible for construction of any Improvements on the Real Property, in accordance with the terms of this Lease.

4. **Rent**. The rent of fifty dollars ($50) is due on the Commencement Date referenced in this Lease.

5. **Insurance, Maintenance**. Tenant will insure the property. Tenant will maintain the Property in good condition and repair during the lease term, in accordance with the terms of this Lease.

6. **Utilities; Taxes**. Tenant will pay for all utilities serving the Property and in the event governmental entities are required to pay property taxes and assessments will pay all property taxes and assessments on the Property during the lease term.

7. **Permitted Use**. Construction and operation of the Harkenrider Center with programs including the Hermiston Senior Center and other educational and recreational programs and services that benefit the community, subject to Landlord's right to review any proposed changes to the Permitted Use.

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STANDARD
GROUND LEASE

DATED: **May 1, 2016**

BETWEEN: **Hermiston School District No. 8R**
502 W Standard Avenue
Hermiston, OR 97838 LANDLORD

AND: **City of Hermiston**
180 NE 2nd Street
Hermiston, OR 97838 TENANT

Tenant wishes to lease from Landlord the following real property (the "**Real Property**") located in the City of Hermiston, County of Umatilla and State of Oregon.

Certain land, containing approximately 1.19 acres of gross land area, as more particularly described in Exhibit A hereto.

NOW, THEREFORE, Landlord hereby leases the Real Property to Tenant, and Tenant herby leases the Real Property from Landlord, subject to and within the following terms and conditions of this Lease:

1. Definitions; Term; Possession.

1.1 Certain Definitions. The following terms shall, when capitalized, have the meanings set forth below:

(a) "**Improvements**": any and all buildings, parking improvements and signs, and all grading, paving, drainage, striping, lighting, landscaping and other site improvements constructed on the Real Property at any time by Tenant or its subtenants.

(b) "**Property**": Real Property and all Improvements now or hereafter located thereon, including Improvements constructed by Tenant consistent with the terms of this Lease.

1.2 Term. The term of this Lease shall be for a period of fifty (50) full lease years (six hundred (600) calendar months), beginning on _____ (the "**Commencement Date**"). Notwithstanding the provisions of this paragraph, the parties acknowledge that they are bound to each other in accordance with the terms of this Lease from and after the date of mutual execution of this Lease, subject to the conditions set forth in this Lease.

1.3 Tenant's Work. Tenant shall develop the Property in accordance with this Lease, and the terms attached as Exhibit C.

1.4 Site Plan and Architectural Review. Landlord will have the right of prior review and approval of: (1) the site plan and the architectural plans and specifications for Improvements to the Property, including without limitation any changes to elevations within the Property, the size and location of Improvements constructed on the Real Property, and the design of the parking area and drive aisles to be located on the Real Property; (2) any additions or modifications to the exterior of any Improvements on the Property; and (3) the location, design, and size of any signs installed on the Property. All approvals by Landlord must be in writing (including e-mail communication). Landlord's review of architectural and signage matters will include architectural design, style, exterior color, quality of materials and construction, and compatibility of the Improvement or change with Landlord's potential future use of the Property. Landlord's review of a site plan may be based in part on Landlord's judgment of the parking requirements of Tenant's proposed buildings or use subject to city parking regulations. Landlord shall not unreasonably withhold approval under this section.

1.5 Acceptance of Property. Tenant accepts the land and all other aspects of the Property in its present condition, AS IS. Landlord shall not be required to perform any work to ready the Property for Tenant's occupancy.

2. Rental.

2.1 Rental Payment. At the commencement of this Lease, Tenant will make a one-time payment of fifty dollars ($50) to Landlord for a rental term of fifty (50) years when Landlord invoices Tenant.

3. Taxes; Utilities; Insurance.

3.1 Net Lease. It is the intent and effect of this Lease that rental paid by Tenant shall be a net return to Landlord. Landlord shall not be responsible for payment of any taxes and assessments, operating expenses, or any other costs, expense, charge or premium under this Lease relative to the Property. Such rental shall be paid to Landlord throughout the lease term, free of any charges, assessments, impositions or deductions of any kind. Under no circumstances or conditions, whether now existing or hereafter arising, or whether beyond the present contemplation of the parties, shall Landlord be expected or required to make any payment of any kind whatsoever or be under any other obligation or liability hereunder. Tenant shall pay all costs, expenses and charges of every kind and nature relating to the Property which may arise or become due or payable during or after (but attributable to a period falling within) the lease term.

3.2 Taxes.

(a) Personal Property Taxes. In the event the Property ever becomes subject to personal property taxes, Tenant shall pay when due all personal property taxes assessed against its personal property, equipment or trade fixtures on the Property.

(b) Real Property Taxes and Assessments. In the event the Property ever becomes subject to real property taxes, Tenant shall pay any and all taxes, assessments and public charges ("**taxes**") pertaining to the Property, and other land and improvements (if any) covered by the tax statement. Tenant's obligation to pay taxes will begin on the Commencement Date. Taxes for the year in which the Lease commences and terminates will be prorated and adjusted for any partial year. Tenant will pay taxes within ten (10) days after receipt of Landlord's notice of the amount due from Tenant. Should Tenant wish to secure a property tax exemption, Tenant shall be responsible for complying with all applicable filing and application requirements related to such exemption, including the requirements described in ORS 307.147, ORS 307.166, and OAR 150-307.166.

(c) Tenant's Election to Contest. If the Property is separately assessed, Tenant may withhold payment of any tax or assessment on the Property if a good-faith dispute exists as to the obligation to pay, so long as Landlord's property interest is not jeopardized. If the Property is subjected to a lien as a result of nonpayment, Tenant shall provide Landlord with security or assurances reasonably acceptable to Landlord that Tenant can and will satisfy the lien before enforcement against the Property.

(d) Additional Impositions. If at any time during the lease term, a tax, excise or assessment is levied or assessed against the Property or against Landlord by reason of Landlord's interest therein or the rentals payable under this Lease, or with respect to the development of income by this Lease, such taxes, excises on rent or assessments shall, to the extent of the amount, be deemed to be additional taxes which are the obligation of Tenant to pay pursuant to this Lease, provided that the foregoing shall not apply to (i) any estate, inheritance or succession tax, (ii) any county, state or federal transfer tax imposed on account of any transfer of Landlord's interest in the Property or this Lease, (iii) any capital tax or similar tax, and (iv) except only to the extent of any new governmental imposition in substitute (in whole or in part) for taxes and assessments referenced in paragraph 3.2(b), any income, business and occupation or other tax on the net income of Landlord with respect to this Lease.

3.3 Utilities. Tenant will be responsible for all charges for services and utilities incurred in connection with the use, occupancy and operation of the Property, including (without limitation) charges for electricity, gas, telephone service, telecommunications, water and sewer. Tenant agrees to pay, prior to delinquency, all charges for such utilities used by Tenant at the Property.

3.4 Insurance and Damage. Tenant shall comply with the insurance requirements as described in Exhibit D.

4. Use of Property.

4.1 Permitted Use. Tenant shall use the Property only for conducting the following business and for no other purpose without Landlord's written consent: constructing and operating the Harkenrider Center including the Hermiston Senior Center and other programs of the City's Parks and Recreation Department. Any attempted or requested change to such permitted use or other material change to the marketing orientation or quality of operation of the business within the Property (whether by Tenant or by any proposed assignee, subtenant or transferee, subject

nevertheless to the restrictions on transfer stated in paragraph 8 below) is subject to the advance written approval of Landlord in its sole discretion.

4.2 Compliance with Legal Requirements. In connection with its use, Tenant shall, at its expense, put, keep and maintain the Property at all times in compliance with all applicable laws, rules, regulations and ordinances of all federal, state, county, municipal and other public authorities having or claiming jurisdiction, and all recorded covenants, conditions and restrictions affecting the Property (collectively, the "**Legal Requirements**"), including those regarding maintenance, operation, and use of the Property and appliances on the Property (including signs).

4.3 Hazardous Substances. Tenant shall comply fully with all applicable Legal Requirements pertaining to the protection of human health and the environment, including, but not limited to, employee and community right-to-know laws and all Legal Requirements regarding the use, generation, storage, transportation, treatment, disposal or other handling of hazardous substances ("**Environmental Requirements**"). Tenant shall promptly advise Landlord in writing of any hazardous substances regulated by such laws that are used, generated, manufactured, stored, transported or otherwise handled on the Property. Tenant shall exercise extreme care in handling any hazardous substances and shall not cause or permit hazardous substances to be spilled, leaked, disposed of or otherwise released on or from the Property or on, under or into the remainder of the Property. The only hazardous substances permitted on the Property are cleaning products and other materials in ordinary quantities which are used in the ordinary course of business and necessary for the conduct of Tenant's business and which Tenant uses in strict compliance with all applicable Environmental Requirements. The term "hazardous substances" is used in its very broadest sense, and refers to materials which because of their quantity, concentration, or physical, chemical, or infectious characteristics may cause or pose a present or potential hazard to human health or the environment when improperly handled, treated, stored, transported, disposed of, or otherwise managed. The term shall include, but is not limited to, all hazardous substances, hazardous materials and hazardous wastes listed by the U.S. Environmental Protection Agency and the state in which the Property is located under the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act, and the Federal Water Pollution Control Act, and comparable state statutes and other Environmental Requirements, whether currently in effect or subsequently adopted or promulgated.

4.4 Infectious Wastes. Subject to the limitations stated in paragraphs 4.1 and 4.3, Tenant shall cause any infectious wastes to be stored, discarded, treated, transported and disposed of in strict compliance with all applicable Legal Requirements and Environmental Requirements. Tenant shall defend, indemnify and hold Landlord harmless for, from, and against any and all claims threatened or made in any way related to infectious wastes, and shall reimburse Landlord for any expenses incurred, including (without limitation) the cost of professional services and experts' and attorneys' fees.

4.5 No Offensive Activities. Tenant shall not conduct or permit any activities on the Property that create a nuisance or damage the reputation of the Property, or are offensive to Landlord or other owners or users of adjoining property.

4.6 Supervision. Tenant shall keep the Property clean and orderly and in accordance with the professional operation of Tenant's business. Tenant will supervise its employees and cause Tenant's agents, independent contractors, employees, customers, suppliers and invitees to conduct their activities in such a manner as to comply with the requirements of this Lease.

5. Maintenance and Alterations.

5.1 Tenant's Obligations. Tenant, at its expense, shall put, keep and maintain at all times the Property (including, without limitation, the land, parking areas, sidewalks, landscaping, Improvements, HVAC system, roof, walls, foundations, doors, glass and all above ground and underground water and utility lines servicing the Property from the point of connection on the Property to the main line, whether on-site or outside the boundaries of the Property, and all personal property, fixtures and equipment) in good repair, operating condition, working order and appearance, and shall make all exterior and interior repairs, renewals, and replacements necessary to that end. Landlord shall have no obligation to make any repairs or perform any maintenance on the Property.

5.2 Alterations. Tenant shall make no exterior alterations (including, without limitation, changes in color, removals, replacements and additions) or structural alterations to the Property without Landlord's prior written consent. Tenant shall notify Landlord of any interior alterations costing more than one hundred thousand dollars ($100,000) prior to commencing same, but Landlord's consent thereto shall not be required unless such alterations may reduce the value, alter the exterior appearance, or affect the structural integrity of the Improvements. All alterations shall be made in a good and workmanlike manner. Any alterations and fixtures installed by Tenant (other than trade fixtures and equipment) shall become part of the Property and belong to Landlord on expiration or termination of this Lease, except as Landlord may otherwise require pursuant to paragraph 11.2 or as specifically approved in writing.

5.3 Restoration After Damage. If fire or other casualty causes damage to the Property, there shall be no rent abatement or reduction. Tenant shall proceed promptly to restore the Property to a condition comparable in function and value to that existing prior to the damage, provided that Tenant shall have the right to terminate this Lease, upon written notice to Landlord within sixty (60) days after the date of casualty, if in the last thirty-six (36) months of the lease term or any renewal term, there is damage to the Property that makes it impracticable or economically unreasonable for Tenant to rebuild (in which event Tenant shall raze any damaged Improvements whose removal is required by Landlord, and clean up any debris, and the proceeds of Tenant's casualty insurance, and/or amounts covered by deductibles or self-insured arrangements, applicable to the damaged Improvements and fixtures, shall be paid to Landlord).

6. Indemnification and Liability.

6.1 Indemnification of Landlord. To the fullest extent permitted by law, including but not limited to ORS 271.380, Tenant shall indemnify, defend, reimburse, and hold harmless Landlord and its officers, employees, and agents (the "**Indemnified Parties**") for, from, and against any and all threatened, alleged, or actual claims, suits, allegations, damages, losses, liabilities, expenses, and judgments, including, but not limited to, those which relate to personal or real property damage (including to the Property itself or otherwise), personal injury

or death, attorney and expert/consultant fees and costs, and both economic and non-economic losses, to the extent arising out of or related to (a) Tenant's use of the Property; (b) any action or inaction of Tenant or its agents, design professionals, consultants, contractors, subcontractors, suppliers, employees, customers, or invitees at any tier; (c) any condition of the Property which is the responsibility of Tenant under this Lease; (d) the conduct of Tenant's business or any activity, work or things done, permitted or suffered by Tenant in or about the Property (including, but not limited to, Tenant's work under paragraph 1.3; (e) any breach or default in the performance of any obligation of Tenant under this Lease; and/or (f) any goods sold by Tenant from the Property (including product liability and other claims). If claims are asserted against any Indemnified Party by Tenant, anyone directly or indirectly employed by Tenant, or anyone for whose acts Tenant may be liable, Tenant's indemnification obligation and other obligations under this paragraph shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable to the employee by or for Tenant under workers' compensation acts, disability benefit acts, or other employee benefit acts.

6.2 Landlord's Liability. Landlord shall have no liability to Tenant for acts of other tenants or users of adjacent property or acts of any third party, or for any defect in the Property which is the responsibility of Tenant under this Lease, or for any interruption or failure in the supply of utilities or services to the Property.

6.3 Disclaimer of Landlord's Responsibilities. Landlord shall not under any circumstances be liable to pay for any work, labor or services rendered or materials furnished to or for the account of Tenant. Nothing contained in this Lease shall be deemed or construed in any way as constituting the request or consent of Landlord, either express or implied, to any contractor, subcontractor, laborer or materialman for the performance of any labor or the furnishing of any materials for any specific improvement of, alteration to, or repair of the Property or any part thereof, nor as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials on behalf of Landlord that would give rise to the filing of any claim against Landlord's interest in the Property.

7. Condemnation.

7.1 Substantial Taking. If the entire Property is condemned, or if a portion is taken which causes the remainder to be unsuited to the use permitted hereunder (even if restoration or alteration of the Property or other areas were made pursuant to paragraph 7.2), then this Lease shall terminate as of the date upon which possession of the Property is taken by the condemning authority. The net condemnation proceeds shall be divided between Landlord and Tenant in proportion to the value of their respective interests in the Property immediately prior to the termination of this Lease. Landlord shall have the right to offset any amounts in default that Tenant owes Landlord pursuant to this Lease against any proceeds payable to Tenant under this paragraph.

7.2 Partial Taking. In the event of a partial taking by condemnation of the Property, means of access or roadway as described above, and paragraph 7.1 does not apply, the net condemnation proceeds attributable to the partial taking of the Property shall be made available to Tenant to make necessary repairs and alterations to the Property (as appropriate) so as to permit Tenant to continue its operations and to restore the Property. The base rent shall be abated during

the period of restoration to the extent the Property is not reasonably usable for Tenant's use during the course of restoration. Any net condemnation proceeds from the taking which are not used to repair, alter and restore the Property shall belong to Landlord. After restoration, the base rent shall not be reduced.

7.3 Transfer in Lieu of Condemnation. Sale of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation.

8. Transfers by Tenant.

8.1 Prohibition of Transfer. Tenant shall not assign, mortgage, pledge, hypothecate or encumber the Property or Tenant's leasehold estate, or sublet any portion of the Property, or license the use of any portion of the Property, or otherwise transfer any interest in the Property (whether voluntary, involuntary, by operation of law or otherwise) (collectively, all of the foregoing are a "**transfer**"), without the prior written consent of Landlord, which will not be unreasonably withheld. Landlord may withhold consent in its discretion to any proposed transfer for which Landlord's consent is required under this paragraph and shall not be liable in any respect for failure to give consent. Any attempted transfer without consent shall be null and void and, at the option of Landlord, will cause termination of this Lease. If Tenant requests consent to a proposed transfer, Tenant or the prospective transferee will pay a review fee of five hundred dollars ($500) at the time of the request, for application to Landlord's expenses (legal and administrative) in reviewing the request for consent to transfer, which expenses will be paid by Tenant or the prospective transferee, but will not exceed five hundred dollars ($500).

8.2 Notice and Consent. If Tenant desires to transfer any interest for which Landlord's consent is required under paragraph 8.1, Tenant shall, in each instance, notify Landlord at least thirty (30) days before the effective date of such intended transfer and will pay the review fee stated above. Tenant's notice will contain reasonable detail concerning the nature of the proposed transaction, the date thereof, the identity of the transferee and nature of its business, the financial worth of the transferee and its prior business experience (if applicable), the transferee's business and financial references, and such financial statements and other information as Landlord may require. If Landlord consents to the proposed transfer, a condition to such consent is that the transferee shall agree in writing for the benefit of Landlord to be bound by and to comply with the terms of this Lease (except that this sentence will not apply to any lender who only holds a secured interest in Tenant's personal property).

8.3 Obligations After Transfer. The giving of such consent in one instance shall not preclude the need for Tenant to obtain Landlord's consent to further transfers. If Tenant is permitted to make any transfer, Tenant and any guarantor(s) or co-obligors of Tenant's obligations under this Lease shall not be relieved of their respective obligations, but shall remain primarily liable to Landlord for performance of all such obligations.

8.4 Transfer to Private Entity. In the event Landlord consents to Tenant's transfer of any interest in the Property to a private entity ("**Successor Entity**"), the following additional provisions shall govern Landlord's relationship with Successor Entity:

(a) Notice of Nonresponsibility. If Successor Entity constructs Improvements, Landlord shall be entitled to post upon the Property a Notice of Nonresponsibility and maintain the same upon the Property throughout the construction period.

(b) Selection of Contractor. If Successor Entity constructs Improvements, Successor Entity shall obtain Landlord's approval of Successor Entity's contractor before commencement of construction.

(c) Liens. Successor Entity shall pay as due all claims for work done on or for services rendered or material furnished to the Property, and shall keep the Property free from any liens, except that Successor Entity may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, so long as Landlord's property interest is not jeopardized. If Successor Entity fails to pay such claim or to discharge any lien, Landlord may do so and collect such amount as additional rent. Amounts paid by Landlord hereunder shall bear interest and be repaid by Successor Entity as provided in paragraph 10.4. Such payment by Landlord shall not constitute a waiver of any right or remedy Landlord may have because of Successor Entity's default.

(d) Contest by Successor Entity. If Successor Entity withholds payment of a claim and a lien is filed as a result of nonpayment, Successor Entity shall (within ten (10) days after knowledge of the filing) secure the discharge of the lien or deposit with Landlord cash or sufficient corporate surety bond or other security satisfactory to Landlord in an amount sufficient to discharge the lien plus any costs, attorneys' fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

9. Default.

The following shall be events of default:

9.1 Payment Default. Failure of Tenant to make any rent or other payment under this Lease within five (5) days after receipt of written notice or invoice that such rent or other payment was not received when due.

9.2 Unauthorized Transfer. Tenant makes any transfer without Landlord's prior written consent, as (and to the extent) required under paragraph 8.1.

9.3 Abandonment of Property. Tenant abandons the Property, for which purpose "abandons" means a failure by Tenant to occupy and use the Property for one or more of the purposes permitted under this Lease for a total of six (6) months or more during the lease term, unless such failure is excused under other provisions of this Lease.

9.4 Default in Other Covenants. Failure of Tenant to comply with any other term or condition or fulfill any other obligation of this Lease within twenty (20) days after written notice by Landlord specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be remedied fully within the twenty (20) day period, this requirement shall be satisfied if Tenant begins correction of the default within the twenty (20) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as

practicable (but shall nevertheless cause the default to be fully remedied not later than sixty (60) days after the date of Landlord's first notice).

10. Remedies on Default.

Upon default, Landlord may exercise any one or more of the following remedies, or any other remedy available under applicable law:

10.1 Termination. Landlord may terminate Tenant's right to possession of the Property and Tenant's rights under this Lease by giving written notice to Tenant of Landlord's election to terminate Tenant's right to possession of the Property, and this Lease shall terminate as of the date of such notice. In the event of such termination, Landlord may recover damages from Tenant as provided in paragraph 10.4.

10.2 Retake Possession. Landlord may re-enter and retake possession of the Property, without notice, by summary proceedings, force, any other applicable action or proceeding, or otherwise. Landlord may use the Property for Landlord's own purposes or relet it upon any reasonable terms without prejudice to any other remedies that Landlord may have by reason of Tenant's default. None of these actions will be deemed an acceptance of surrender by Tenant.

10.3 Continuation of Lease. Landlord may, at Landlord's option, elect not to terminate this Lease, in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent and any other charges as they may become due under this Lease. Notwithstanding any provision of this Lease, upon an event of default by Tenant, Landlord shall mitigate its damages to the extent required by and in accordance with Oregon law.

10.4 Damages for Default. Whether or not Landlord retakes possession or relets the Property, Landlord may recover all damages caused by the default (including, but not limited to, attorneys' fees relating to the default, and costs of reletting). In addition to all charges required by this Lease and the reasonable cost of necessary physical changes to relet the Property, Landlord shall be entitled to recover from Tenant all damages and expenses reasonably incurred by Landlord by reason of Tenant's default, including, but not limited to, the reasonable cost of recovering possession of the Property, reasonable expenses of re-leasing, including necessary alteration or repair of the Property required in connection with the re-leasing of the Property, and reasonable attorneys' fees. Tenant shall immediately pay such sums to Landlord upon demand, together with interest at the lesser of either nine percent (9%) per annum or the maximum rate of interest permitted by law.

10.5 Cure of Tenant's Default. Without prejudice to any other remedy for default, Landlord may perform any obligation or make any payment required to cure a default by Tenant. The cost of performance, including attorneys' fees and all disbursements, shall immediately be repaid by Tenant upon demand, together with interest from the date of expenditure until fully paid at the lesser of either nine percent (9%) per annum or the maximum rate of interest permitted by law.

11. Obligations and Rights at Expiration.

11.1 Condition of Property. Upon expiration of the lease term or earlier termination on account of default, Tenant shall deliver all keys to Landlord and surrender the Property in a good and orderly condition. Depreciation and wear from ordinary use for the purpose for which the Property was let need not be restored, but all repairs for which Tenant is responsible shall be completed to the latest practical date prior to such surrender.

11.2 Improvements. All Improvements that Tenant may construct on the Property will be the property of Tenant during the term of this Lease and any such Improvements remaining on the Property at the expiration or earlier termination of this Lease (if any) will become a part of the realty and will be the property of Landlord. Landlord will also have the right to require Tenant to demolish and remove any Improvements. Should Landlord so elect, it will provide written notice to Tenant to remove the Improvements at least thirty (30) days before the end of the lease term or early termination of the Lease by Landlord. Upon receipt of such notice, Tenant shall demolish and remove any Improvements, fill any excavation, and restore all damage caused by such removal within a period not to exceed ninety (90) days. If Tenant fails to do so, this shall be an abandonment of the Improvements and Landlord may retain the Improvements and all rights of Tenant with respect to it shall cease or, by notice in writing given to Tenant within twenty (20) days after removal was required, Landlord may elect to hold Tenant to its obligation of removal. If Landlord elects to require Tenant to remove, Landlord may effect a removal and place any personal property in public storage for Tenant's account. Tenant shall be liable to Landlord for the cost of removal, restoration, transportation to storage, and storage, with interest on all such expenses as provided in paragraph 10.4.

11.3 Fixtures. Upon expiration of the lease term or earlier termination on account of default or other event, Tenant shall remove all of its furnishings, furniture, and trade fixtures that remain the property of Tenant and restore all damage caused by such removal.

11.4 Holdover. If Tenant does not vacate the leased premises at the time required, Landlord shall have the option to treat Tenant as a tenant from month to month, subject to all of the provisions of this Lease (except that the term will be month to month), or to eject or otherwise lawfully remove Tenant from the Property and recover damages caused by wrongful holdover. Failure of Tenant to remove Improvements, furniture, furnishings, or trade fixtures which Tenant is required to remove under this Lease shall constitute a failure to vacate to which this paragraph shall apply if the property not removed substantially interferes with occupancy of the Property by another tenant or with occupancy by Landlord for any purpose including preparation for a new tenant. If a month-to-month tenancy results from a holdover by Tenant, the tenancy shall be terminable at the end of any monthly rental period on written notice from

Landlord given not less than thirty (30) days prior to the termination date which shall be specified in the notice.

12. Warranty of Quiet Enjoyment; Prior Matters.

12.1 Warranty of Quiet Enjoyment. Subject to paragraph 12.2, so long as Tenant complies with all terms of this Lease, Tenant shall be entitled to peaceable and undisturbed possession of the Property free from any interference by Landlord or those claiming through Landlord.

12.2 Prior Matters. Landlord's estate in the Property and Tenant's leasehold estate in the Property are subject to the liens or restrictions of (a) any matters or documents of record (the "**Matters of Record**"), including the effect of any covenants, conditions, restrictions, easements, mortgages or deeds of trust, rights of way or any construction, operation and reciprocal easement agreement (the "**REA**"); and (b) the effect of any zoning laws of the state, county and municipality in which the Property is located. Tenant agrees that (i) Tenant and all persons in possession of Tenant's leasehold estate or holding under Tenant will conform to and will not violate the terms of any REA or any other Matters of Record, and (ii) this Lease is subordinate to the REA, if any, and any amendments or modifications thereto. If the REA, if any, is not of record as of the date of this Lease, then this Lease shall automatically become subordinate to the REA upon recordation of the REA. Tenant agrees to execute and return to Landlord within ten (10) days after written demand therefor by Landlord an agreement in recordable form satisfactory to Landlord subordinating this Lease to the REA. Any REA shall not prevent Tenant from using the Property for the purposes set forth in paragraph 4.1.

13. General Provisions.

13.1 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this Lease.

13.2 Modifications. This Lease may not be modified except by instrument in writing, dated and signed by the parties. Landlord shall not be bound by any statement of any agent or employee modifying this Lease.

13.3 No Appurtenances. This Lease does not create any rights to light and air, any rights or interests in parking facilities, any view rights, or any other rights, easements or licenses, by implication or otherwise, except as expressly set forth in this Lease or its exhibits. This Lease is an unsubordinated lease covering the Property, and any financing by Tenant will encumber only Tenant's leasehold interest. Landlord will not subordinate the fee title or Landlord's interest to any mortgage or other lien securing any financing by Tenant.

13.4 Nonwaiver. No waiver will be effective unless it is in writing, is signed by an authorized person, and otherwise meets the requirements for a modification of this Lease. Waiver of performance of any provision shall not be a waiver of nor prejudice the party's right otherwise to require performance of the same provision or any other provision.

13.5 Succession. Subject to the limitations on transfer of Tenant's interest, this Lease

shall bind and inure to the benefit of the parties and their respective heirs, successors, and assigns.

13.6 Inspection. Landlord or its authorized representatives may enter at any reasonable time after such advance notice as is reasonable under the circumstances (except in cases of emergency, for which no advance notice is required) to determine Tenant's compliance with this Lease, to make necessary repairs, to show the Property to a prospective party desiring to acquire Landlord's interest, or (during the last eighteen (18) months of the lease term) to show the Property to any prospective tenants.

13.7 Attornment. In the event of the exercise of the power of sale under any mortgage or trust deed made by Landlord covering the Property, Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as Landlord under this Lease.

13.8 Estoppel Certificates. Within ten (10) days after Landlord's written request, Tenant shall deliver a written statement stating the date to which the rent and other charges have been paid, whether the Lease is unmodified and in full force and effect, and any other matters that may reasonably be requested by Landlord. Failure to do so within such ten (10) day period will be a default under this Lease and will not require further notice from Landlord or grace period to cure. In addition, Tenant hereby grants to Landlord an irrevocable power of attorney, coupled with an interest, to execute, in Tenant's name and stead, any estoppel certificate or subordination instrument required under this paragraph, if Tenant fails to do so within such ten (10) day period.

13.9 Notices. Any consent, approval, notice, or demand (individually, and collectively, a "**Notice**" or "**Notices**") which may be or is required or permitted to be given by either party to the other hereunder shall be in writing. All Notices shall be sent by United States mail, certified or registered mail, return receipt requested, or by a recognized overnight courier service (such as Federal Express), or personally. Notices are effective on receipt. Each party shall give notice to the other or to its address for Notices by written Notice to the other. Unless a party designates another address for Notice (by Notice given pursuant to this paragraph), Notices shall be sent to the following addresses:

If to Landlord, then to:

Hermiston School District No. 8R
502 W Standard Avenue
Hermiston, OR 97838

Attn: Mike Kay
Telephone No.: 541-667-6013

If to Tenant, then to:

City of Hermiston, Oregon
180 NE 2nd Street
Hermiston, OR 97838

Attn: Byron Smith
Telephone No.: 541-567-5521

For the purpose of this Lease, the term "receipt" shall mean the earlier of any of the following: (i) the date of delivery of the Notice to the address specified pursuant to this paragraph as shown on the return receipt or by the records of the courier, (ii) the date of actual receipt of the Notice by the office of the person or entity specified pursuant to this paragraph, or (iii) in the case of refusal to accept delivery or inability to deliver the Notice, the earlier of (A) the date of the attempted delivery or refusal to accept delivery, (B) the date of the postmark on the return receipt, or (C) the date of receipt by the sending party of the Notice that the Notice has been refused or cannot be delivered.

13.10 No Attorneys' Fees. The parties to this Lease expressly waive and release any rights either has to recover attorneys' fees and costs and expert fees and costs incurred in connection with any and all disputes or claims of any kind arising out of this Lease, including, without limitation, any rights to recover such fees and costs granted by any federal or state statute, regulation, or rule, including, but not limited to, lien statutes. This waiver and release applies to any and all claims of any kind, regardless of legal or equitable theory, and applies to fees and costs incurred before, during and after any mediation, arbitration, or court proceeding. This paragraph shall not be interpreted to prohibit recovery of attorneys' fees as damages as described in paragraph 10.4.

If applicable law prevents either party's or both parties' full waiver of attorneys' fees as provided in the paragraph above, then the above paragraph shall be inapplicable and the prevailing party in any dispute shall be awarded their attorneys' fees and costs and expert fees and costs incurred before trial or arbitration, during trial or arbitration, upon any appeal, upon petition for reconsideration or petition for review, and upon any bankruptcy, insolvency or collection.

13.11 Relationship of Parties. The relationship of the parties to this Lease is that of landlord and tenant. Landlord is not a partner or joint venturer or joint employer with Tenant in any respect or for any purpose in the conduct of Tenant's business or otherwise.

13.12 Applicable Law. The Property is located in the State of Oregon. The parties agree that the law of that state shall be applicable for all purposes, including construing and determining the validity of this Lease, determining the rights and remedies of Landlord in the event of default by Tenant and other matters.

13.13 Prior Agreements. This Lease is the entire, final, and complete agreement of the parties with respect to the matters set forth in this Lease, and supersedes and replaces all written and oral agreements previously made or existing by and between the parties or their

representatives (including, without limitation, any letter of intent) with respect to such matters.

13.14 Validity of Provisions. If any of the provisions contained in this Lease shall be invalid, illegal, or unenforceable in any respect, the validity of the remaining provisions contained in this Lease shall not be affected.

13.15 Paragraph Headings. The headings to the paragraphs in this Lease are included only for the convenience of the parties and shall not have the effect of enlarging, diminishing, or affecting the interpretation of its terms.

13.16 Joint and Several Liability. In the event Tenant now or subsequently consists of more than one person, firm, entity or agency, then all such persons, firms, entities or agencies shall be jointly and severally liable as Tenant under this Lease.

13.17 Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity, except to the extent specifically waived or modified by this Lease.

13.18 Landlord's Obligations. The term "Landlord" (as used in this Lease) shall be limited to mean and include only the person or entity holding the interest of lessor/landlord under this Lease (or any mortgagee-in-possession, during the time period of its possession), at the time in question. In the event of any transfer(s) of the title of the Property, Landlord (and in case of any subsequent transfers or conveyances, the then grantor) shall be automatically freed and relieved of its liabilities accruing from and after the date of such transfer.

Notwithstanding anything contained in the preceding paragraph or in any other provision of this Lease, Tenant shall look solely to the interest of Landlord and its successors and assigns in the Property (and any insurance or other proceeds thereof) for the collection of any judgment (or other judicial process) against Landlord based upon the breach by Landlord of any of the terms, conditions or covenants of this Lease on the part of Landlord to be performed, and no other property or assets of Landlord shall be subject to levy, execution or other enforcement procedures for the satisfaction of Tenant's remedies under or with respect to either this Lease, the relationship of Landlord and Tenant under this Lease, or Tenant's use and occupancy of the Property. No officer, director, trustee, partner, principal, agent or other third person, other than Landlord, will be liable for any default or breach by Landlord. If Landlord now or hereafter is a partnership, trustee(s) of a trust, limited liability company or other entity, then the partners, trustee(s), members of the limited liability company or owners of the entity will not be liable personally for the performance of this Lease by Landlord. Under no circumstances will Landlord be responsible or liable for any consequential or indirect damages. The performance by Tenant of each and all of its obligations under this Lease are pre-conditions and requirements for Tenant's right to require Landlord to perform its obligations under this Lease.

13.19 No Offer or Option. The submission of this Lease for examination by Tenant does not constitute an offer or an option to lease the Property, nor is it intended as a reservation of the Property for the benefit of Tenant. On the contrary, it is expressly understood that this Lease shall not be effective or binding upon the parties until it is fully executed by both Tenant and Landlord.

13.20 Recording; Quitclaim. Tenant shall NOT file or record this Lease without the specific prior written consent of Landlord, but Landlord will execute a good and sufficient memorandum of lease for purposes of recording (if required by Tenant), which Tenant may record at Tenant's expense. Upon expiration or earlier termination of this Lease, Tenant shall promptly execute, acknowledge and deliver to Landlord any quitclaim deed or other document required by Landlord or a title company to remove the cloud of this Lease from the Property and to evidence the termination of interests in the Property held by the parties by, through, or under Tenant (including, without limitation, any security interests).

13.21 Authorship. This Agreement is a jointly negotiated work product and authorship shall not be ascribed to any particular party.

13.22 Third Parties. Nothing in this Lease, expressed or implied, is intended to confer on any person, other than the parties or their respective heirs, executors, administrators, successors, assigns and sublessees, any rights or remedies by reason of this Lease and in no event shall any third party be deemed a third-party beneficiary hereunder.

13.23 Exhibits. The following exhibits to this Lease are attached hereto and by this reference incorporated herein.

EXHIBIT A	Legal Description of the Property
EXHIBIT B	Basic Rules and Regulations
EXHIBIT C	Construction Obligations of Tenant
EXHIBIT D	Insurance Requirements

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

LANDLORD:	TENANT:
HERMISTON SCHOOL DISTRICT No. 8R	CITY OF HERMISTON, OREGON
By:_____	By:_____
Name:	Name:
Title:	Title:

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

1+/- acre parcel, Lot 1 of Tax Lot 13900 on Map 4N 28 11 CB, known as the Ridgeway Site, identified below.

BK 15 PG 61

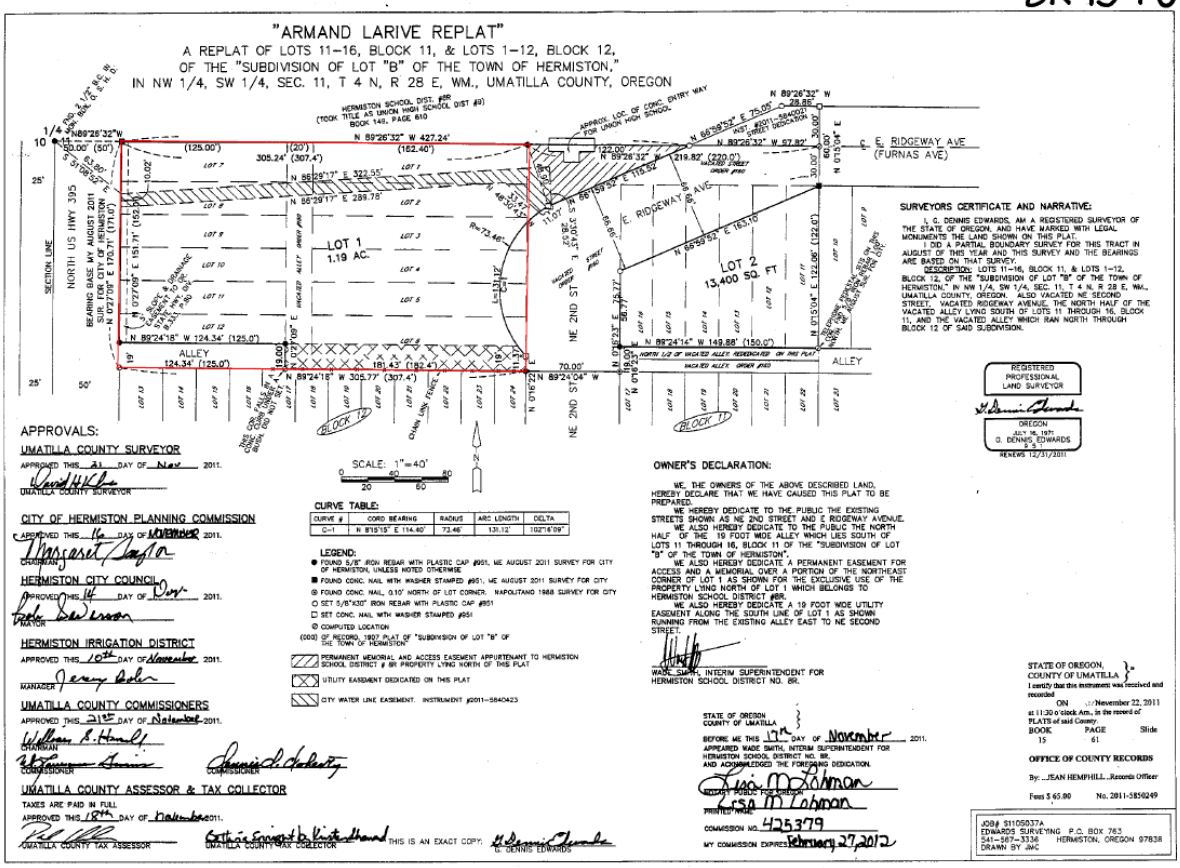


EXHIBIT B

BASIC
RULES AND REGULATIONS

At all times during the lease term, Tenant will comply with the following rules and regulations at its sole cost and expense:

1. Condition of Property. Tenant will maintain the Property in clean, neat, sanitary and orderly condition.

2. Lighting. Tenant will keep the Property suitably lighted during such hours as Landlord may reasonably require, including periods in addition to the business hours of Tenant.

3. Odor; Other Conditions. Tenant will refrain from burning any incense or waste materials of any kind or otherwise creating noxious odors. Tenant will store all trash and garbage within the Property in containers acceptable to Landlord so located as to avoid any health or fire hazard, and arrange for their prompt and regular removal during hours to be specified by Landlord.

4. No Property Entrusted to Employees. Any employee of Landlord to whom property is entrusted by or on behalf of Tenant shall be deemed to be acting as Tenant's agent. Landlord shall not be liable for any damage to any property entrusted by employees of Landlord, or for the loss of or damage to any property of Tenant by theft or otherwise.

EXHIBIT C

CONSTRUCTION OBLIGATIONS OF TENANT

1. Delivery of Property. Landlord will not be required to perform any work to ready the Property for Tenant's occupancy.

2. Acceptance of the Property. Tenant accepts the Property, AS IS. Tenant waives any right or claim against Landlord for any cause directly or indirectly arising out of the condition of the Property, and Tenant shall save and hold Landlord harmless from liability as provided in the Lease.

3. Construction Matters. Tenant shall construct its Improvements in accordance with the terms of the Lease and this exhibit. Tenant's plans are subject to Landlord's review and approval in accordance with paragraph 1.4 of the Lease. Tenant shall cause all of Tenant's work to be performed in conformance with a valid building permit, diligently to completion, and in a good and workmanlike manner.

3.1 Type and Design of Building.

(a) General Standard. The Improvements shall be of professional construction and architecturally designed so that the Property's exterior elevations and appearance (including, without limitation, signs and color) will, in Landlord's reasonable judgment, be architecturally and aesthetically compatible and harmonious with Landlord's potential future use of the Property.

(b) Safety. Improvements shall be constructed to meet or exceed the requirements of all applicable codes, laws, statutes or ordinances relating to building, zoning, fire, health or safety as adopted by any governmental authority having jurisdiction. No building shall be built in such a manner as to adversely affect the safety of any other building on the Property.

3.2 Utilities. Tenant shall be responsible for installing any utilities required for any Improvements. If utilities exist in public streets or easements adjoining the Property, Tenant shall obtain access to the utilities in such streets or easements.

3.3 Insurance. Prior to any entry on the Property or any commencement of construction Tenant shall (i) require its design professionals, contractors, and subcontractors ("**Consultants**") to maintain insurance for the Property in accordance with the requirements set forth in the attached Exhibit D; (ii) deliver to Landlord certificates of insurance evidencing coverage for "builder's risk" and naming Landlord as an additional insured in an amount and with coverage customary for compatible projects in the area; and (iii) deliver to Landlord evidence that all insurance required by the Lease has been obtained by Tenant.

3.4 Bonds. Tenant shall provide or cause the contractor to provide payment and/or performance bonds, from a surety and in a form acceptable to Landlord, naming Landlord and/or Landlord's lender or master lessor as co-obligees.

3.5 Completion. Upon completion of construction Tenant shall furnish to Landlord a copy of the Certificate of Occupancy for the Property, and with a certification from Tenant's architect that any Improvements have been completed in accordance with the plans and specifications approved by Landlord. Tenant shall provide to Landlord a complete set of "as built" construction drawings of Improvements.

4. Work Product to Landlord. If for any reason the Lease is terminated prior to completion of construction of Improvements, Tenant shall deliver Tenant's entire written work product pertaining to the construction work to Landlord, including all plans, drawings, supporting data, studies, and any surveys.

5. Disclaimer. No examination, inspection or approval of work by Landlord will be construed to place on Landlord any responsibility or liability for Tenant's work or for any noncompliance of Tenant's work with applicable Legal Requirements (defined in paragraph 4.2 of the Lease) or otherwise to waive or affect the requirements of the Lease.

EXHIBIT D

INSURANCE REQUIREMENTS

Unless specifically noted below, Tenant will at all times specified herein provide and maintain for itself and require its design professionals, contractors, and subcontractors ("**Consultants**") to provide and maintain the following types and the following minimum limits of insurance written on an occurrence basis by a company or companies rated A/IX or better in the most recent edition of "Best's Insurance Guide" (or such lesser rating as may be approved by Landlord in writing) and authorized to do business in the State of Oregon or City County Insurance Services.

A. Workers' Compensation and Employer's Liability:

(i) Workers' Compensation, with limits as required by applicable law. Coverage will be maintained for the duration of the applicable statute of repose.

(ii) Employer's Liability:

$1,000,000 Each Accident

$1,000,000 Disease, Policy Limit

$1,000,000 Disease, Each Employee

(iii) Consultants' coverage will be maintained for the duration of the applicable statute of repose. Tenant's coverage will be maintained for the duration of the Lease.

B. Commercial General Liability (Occurrence Form):

(i) Combined Bodily Injury and Property Damage:

$1,000,000 Each Occurrence

$1,000,000 Personal and Advertising Injury

$2,000,000 General Aggregate

$2,000,000 Products/Completed Operations Aggregate

(ii) The scope of coverage must meet the following:

(1) Premises Operations must be included.

(2) Elevators and Escalators must be included.

(3) Pollution Liability and Hazardous Materials Liability must be included. Tenant's obligation to maintain such coverage shall be limited to coverage in the amount of $100,000.

(4) Contractual Liabilities must be included (including the contract obligations specified in the indemnification paragraph(s) of the Lease). Tenant's obligation to maintain such coverage shall be limited to liabilities arising out of Tenant's own negligence.

(5) There can be no exclusions for subsidence, collapse, explosion or underground property damage. This requirement applies only to Consultants.

(6) There can be no insured-versus-insured cross-suit exclusion. The policies will provide for cross-liability coverage as would be achieved under the standard Insurance Services Office "separation of insureds" clause.

(7) There can be no Montrose language, anti-pyramiding exclusion, or exclusion limiting coverage to damages which first begin to occur within the policy period. This requirement applies only to Consultants.

(8) There can be no exclusion for mold, fungus, water intrusion or water damage. This requirement applies only to Consultants.

(9) The limits will not be eroded or wasted by defense costs.

(iii) Consultants' coverage will be maintained for the duration of the applicable statute of repose. Tenant's coverage will be maintained for the duration of the Lease.

C. Commercial Business Auto:

(i) Combined Bodily Injury and Property Damage

$1,000,000 Each Accident

(ii) The following coverages must be included:

(1) Owned Automobiles

(2) Non-Owned and Hired Automobiles

(iii) Consultants' coverage will be maintained for the duration of the applicable statute of repose. Tenant's coverage will be maintained for the duration of the Lease.

D. Professional Liability Coverage:

(i) $1,000,000 Each Claim

(ii) $2,000,000 Aggregate

(iii) There can be no exclusion for mold, fungus, water intrusion or water damage. This requirement applies only to Consultants.

(iv) Coverage will be maintained for the duration of the applicable statute of repose.

E. Excess/Umbrella Liability Coverage:

(i) $3,000,000 Each Occurrence

(ii) $3,000,000 Aggregate

(iii) Coverage will be at least as broad as all liability policies described above.

(iv) Consultants' coverage shall be carried for the duration of the applicable statute of repose. Tenant's coverage shall be maintained for the duration of the Lease.

(v) The policy must provide that coverage will be triggered by exhaustion of the applicable policies above only and not any other policies; exhaustion of the

applicable policies above shall be achieved by reasonable compromise for amounts less than the full limits of such applicable policies.

F. Property Insurance Coverage (applies only to Tenant):

(i) In the amount of the appraised value of any and all Tenant improvements.

(ii) Written on a builder's risk "all-risk" or equivalent policy, on a replacement cost basis without optional deductibles and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements.

(iii) Coverage shall be maintained for the duration of the Lease.

(iv) Property insurance shall be on an "all-risk" or equivalent policy form and shall cover reasonable compensation for architect's and contractor's services and expenses required as a result of such insured loss.

(v) If the property insurance requires deductibles, Tenant shall pay costs not covered because of such deductibles.

G. Evidence of Insurance; Certified Copies of Policies. Evidence of Tenant's and Consultants' insurance, along with copies of all endorsements necessary to evidence compliance with all insurance requirements, will be maintained by Tenant and will be provided to Landlord upon Landlord's request at any time.

H. Notice of Cancellation, Reduction or Expiration. The insurance policies required by this Exhibit will be endorsed to include a covenant that coverages or limits afforded under the policies will not be canceled, reduced or allowed to expire until at least thirty (30) days' prior written notice has been given to Landlord. In addition, Tenant will give written notice to Landlord immediately upon learning that Tenant's or Consultants' coverages may be canceled or reduced or their limits impaired by claims. Information concerning reduction of limits on account of claims paid or to be paid will be furnished by Tenant to Landlord not more than three (3) business days after Tenant learns that revised or reduced limits are likely. When Tenant becomes aware of cancellation, expiration or reduction in coverage or available limits, Tenant within three (3) business days will procure, or cause Consultants to procure, other policies of insurance that meet all requirements of this Exhibit.

I. Landlord's Right to Terminate or Cure. Failure of Tenant or a Consultant to secure and maintain insurance with the coverages and limits required by this Exhibit will be a material breach of this Lease entitling Landlord, in its discretion and without waiving any other remedies, to (i) terminate Tenant for cause, and (ii) purchase any additional insurance it deems reasonably necessary to protect itself at the expense of Tenant. Tenant consents to Landlord procuring replacement insurance in Tenant's name and will cooperate in all respects with Landlord's efforts in procuring additional or replacement insurance. Landlord will have the discretion to purchase a Landlord's protective policy or

other similar policy that affords to Landlord coverages and limits providing reasonably equivalent protections as Landlord would have received if Tenant and the Consultants maintained the insurance required by this Exhibit. Landlord's costs incurred in finding replacement insurance or a Landlord's protective policy will be reimbursed directly by Tenant. These requirements will remain enforceable for the duration of the applicable statute of repose.

J. **Insurance in Excess of Requirements.** If Tenant or any Consultant purchases insurance in excess of the coverages or limits required under this Exhibit, such excess coverages or limits will apply to the Property and inure to the benefit of Landlord.

K. **No Waiver by Landlord.** The insurance requirements under this Exhibit can only be waived or modified by Landlord by an express written instrument signed by Landlord acknowledging the reduced coverages or limits. No other act or omission by Landlord or its agents, including, but not limited to, (i) implicit or verbal acceptance or approval of reduced coverages or limits or (ii) failure to require proof of compliant insurance, will amount to Landlord's waiver of the insurance requirements of this Exhibit.

L. **Waiver of Subrogation.** All of Consultants' liability insurance policies, including workers' compensation, will contain a waiver of subrogation against Landlord and its managers, officers, employees and agents.

M. **Additional Insureds.** All of Tenant's and the Consultants' liability insurance policies (except professional liability insurance) will be endorsed to name Landlord and its managers, officers, employees and agents as additional insureds (using ISO endorsements CG 20 10 07 04 and CG 20 37 04 13 or equivalent for Landlord and CG 20 38 04 13 and CG 20 37 04 13 for other additional insureds). The coverage under the additional insured endorsement will (i) be primary and noncontributory with respect to any insurance of the additional insureds, and (ii) be maintained for the same durations as the coverages afforded to the primary insured as required by this Exhibit and blanket endorsements will not be acceptable. Furthermore, the coverage under the additional insured endorsement in Consultants' liability insurance policies (except professional liability insurance) will (i) provide the same coverages and limits to the additional insured as are afforded to the primary insured as required by this Exhibit, and will not be limited to vicarious liability, and (ii) not be limited to ongoing operations, and (iii) the following persons or entities affiliated with Landlord will be expressly named as additional insureds: None.

N. **Limits of Coverage for Architect.** Notwithstanding the foregoing, and without otherwise altering the obligations of Tenant's architect to maintain coverage as provided in this Exhibit, Tenant's architect shall not be required to maintain excess or umbrella liability insurance, and it shall maintain insurance coverage in the following amounts:

(i) Employer's Liability:

$500,000 Each Accident

$500,000 Disease, Policy Limit

$500,000 Disease, Each Employee

(ii) Commercial General Liability (Occurrence Form), Combined Bodily Injury and Property Damage:

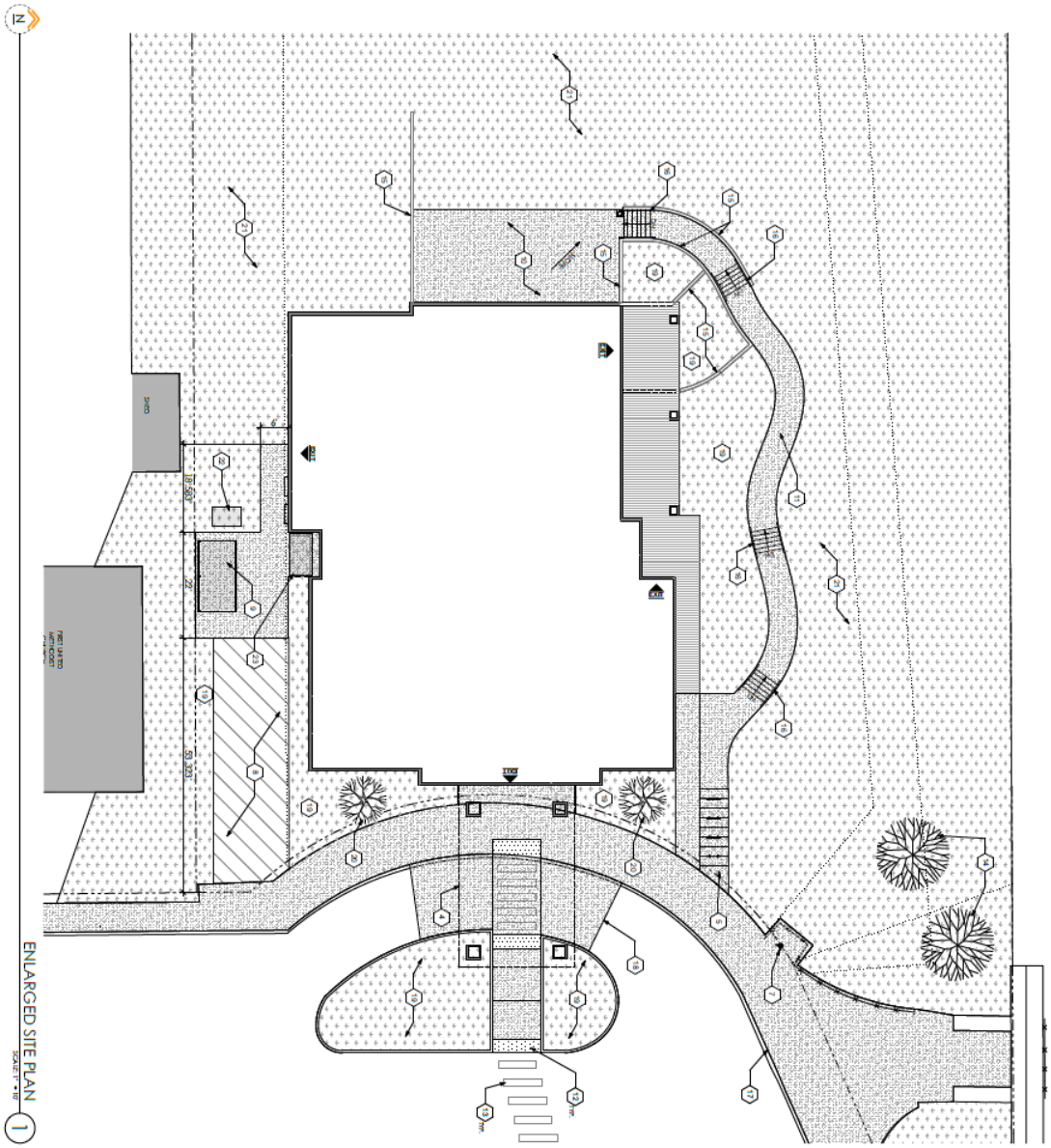
$2,000,000 Each Occurrence

$2,000,000 Personal and Advertising Injury

$4,000,000 General Aggregate

$4,000,000 Products/Completed Operations Aggregate

Design - Attachment B



HARKENRIDER CENTER
255 NE 2nd Street
Hermiston, OR 97838

ENLARGED SITE PLAN

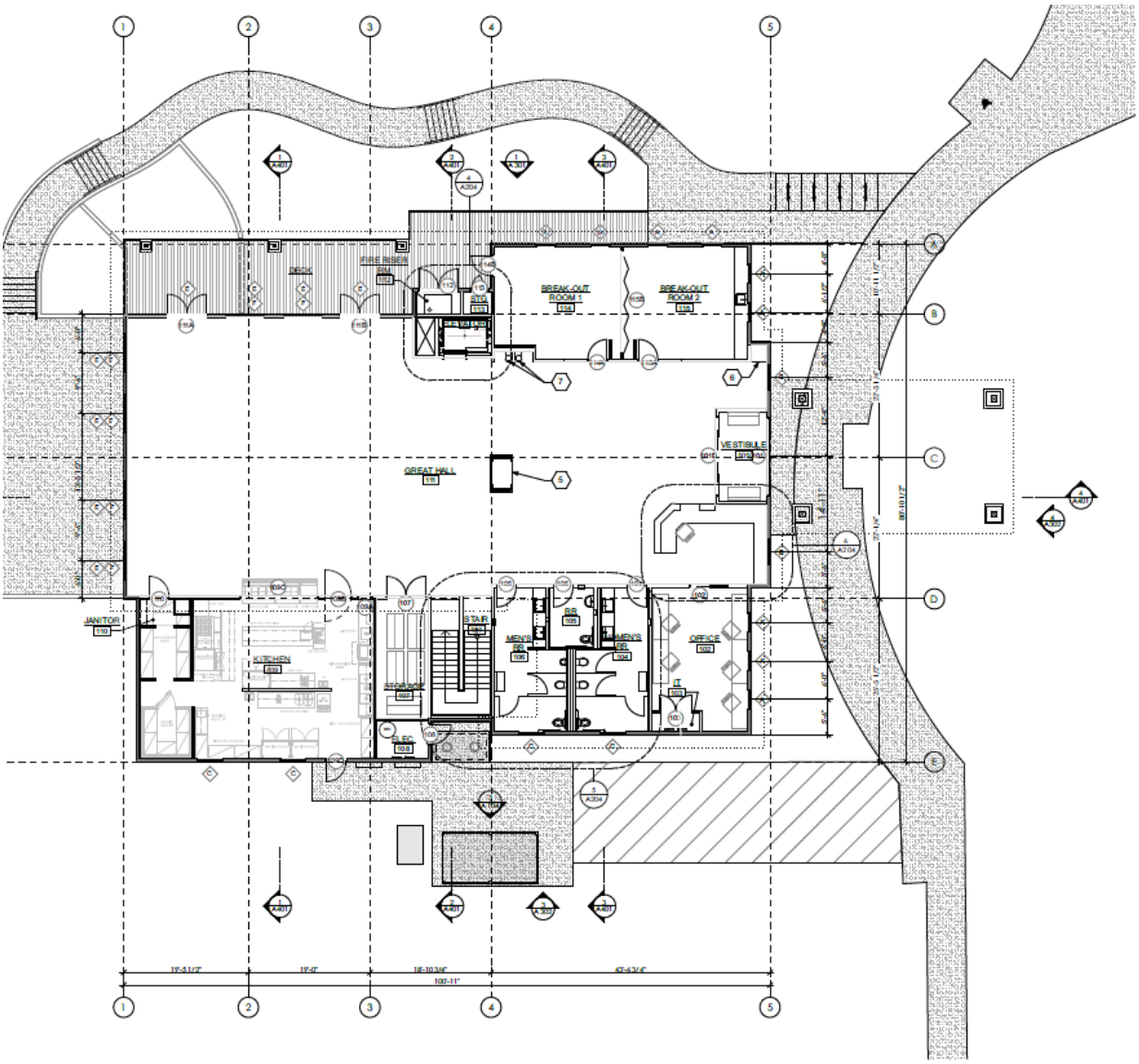
DESIGN DEVELOPMENT SET

REGISTERED ARCHITECT
PRELIMINARY
STATE OF OREGON

ASCENT ARCHITECTURE and Interiors
920 NW Bond Street
Suite 204
Bend, Oregon 97703
t | 541-647-5675

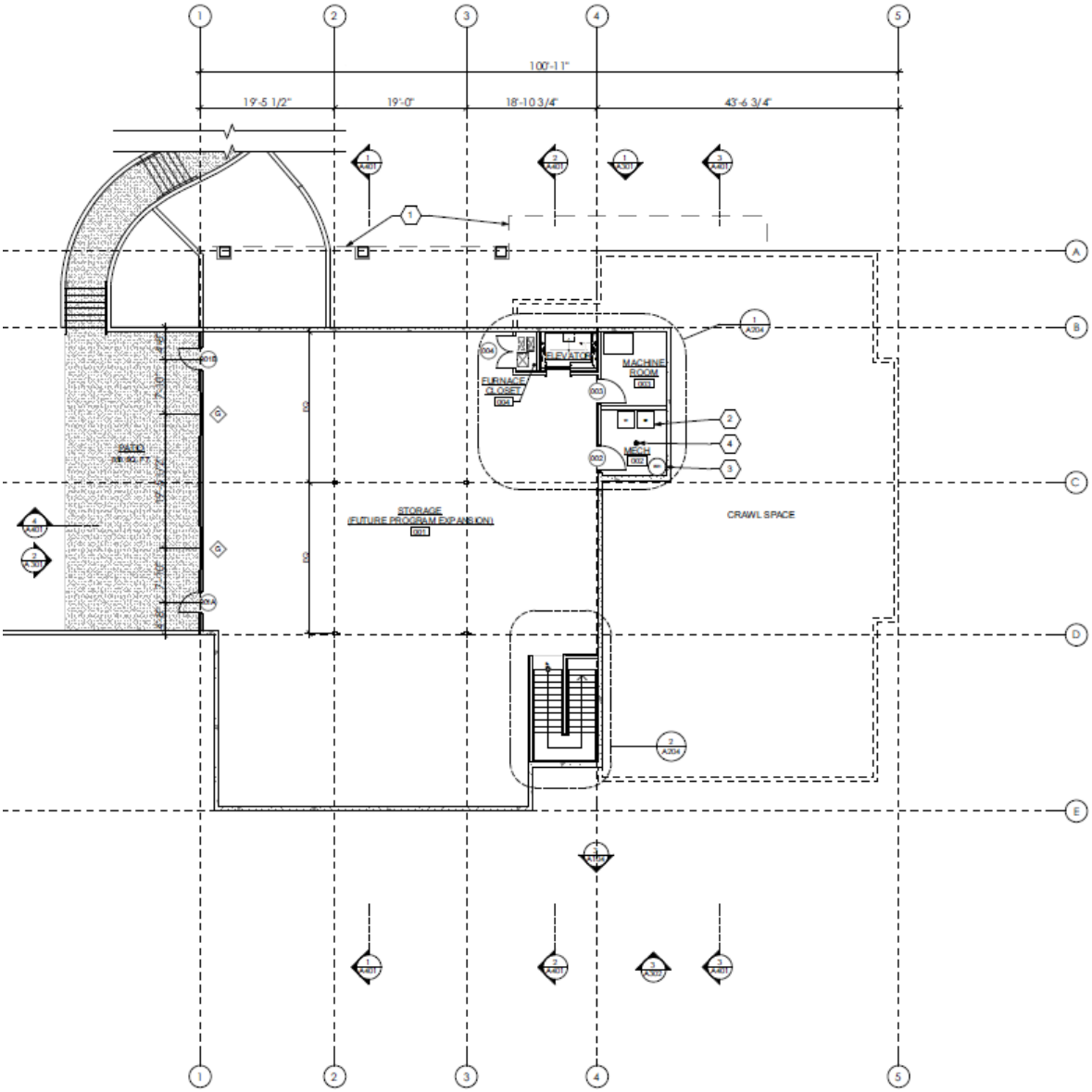
Project: 13-46
Date: 7/29/2014
Carmel Hawkins

A102



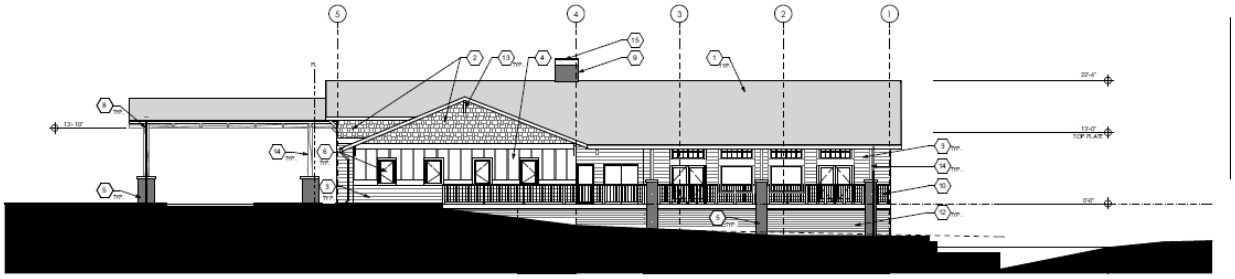
FIRST FLOOR PLAN 1

SCALE: 1/8" = 1'-0"



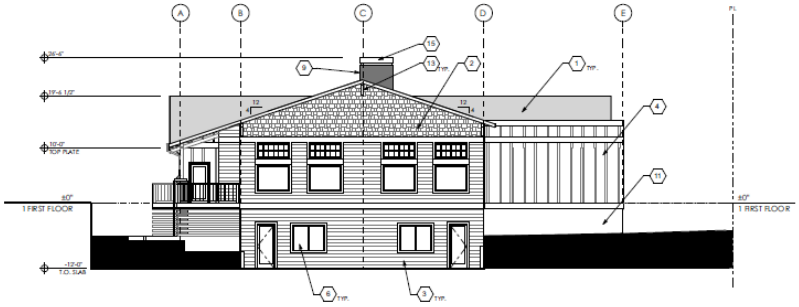
BASEMENT FLOOR PLAN 1

SCALE: 1/8" = 1'-0"



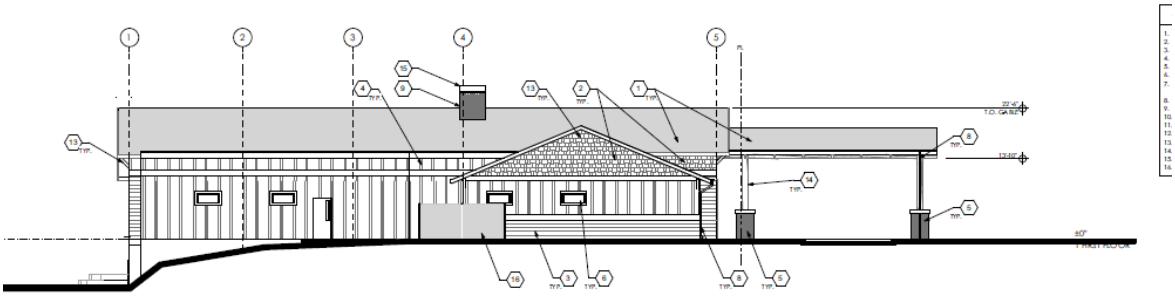
NORTH ELEVATION 1

SCALE: 1/8" = 1'-0"



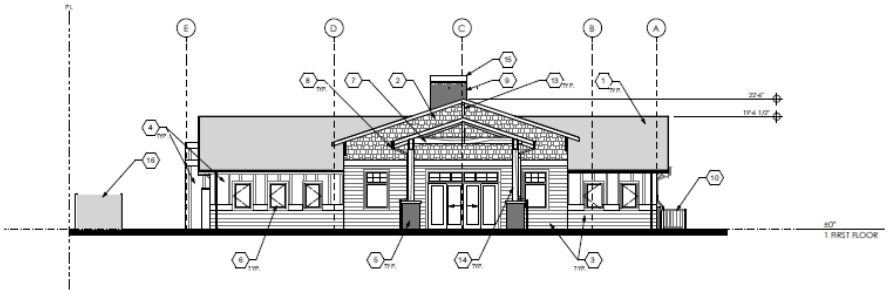
WEST ELEVATION 2

SCALE: 1/8" = 1'-0"



SOUTH ELEVATION 3

SCALE: 1/8" = 1'-0"



EAST ELEVATION 4

SCALE: 1/8" = 1'-0"

RESOLUTION NO. 2035
Hermiston School District Ground Lease for Senior Center

The City of Hermiston resolves as follows:

That the form, terms and provisions of the draft of the Hermiston School District Ground Lease, by and between the Hermiston School District and the City of Hermiston, and the transactions contemplated thereby, providing for, among other things, a fifty year lease of approximately 1.19 acres at 255 NE 2nd Street, Hermiston, Oregon, for the construction of a new senior center, copies of which have been presented to and reviewed by the Common Council be, and they are, in all respects, hereby approved and adopted; and

That the Mayor and/or the City Manager of the City of Hermiston be, and each of them singly is, hereby authorized to execute and deliver the Ground Lease substantially in the form heretofore approved and adopted with such changes, additions, deletions and modifications as such executing officer or officers may approve, such execution to be conclusive evidence of such approval and of the authorization thereof by the Common Council, and

That the Mayor and/or the City Manager of the City of Hermiston be, and each of them singly is, hereby authorized and directed to prepare, execute, deliver, acknowledge and file such additional documents, agreements, certificates, forms, receipts and other instruments, in the name of and on behalf of the City of Hermiston and under its corporate seal, if so desired, and to take all such other actions as such officer or officers shall, in his or her or their sole discretion, approve in order to carry out the transactions heretofore approved and perform and discharge the City of Hemiston's obligations under or in connection with the Ground Lease, such actions and execution to be conclusive evidence of such approval and of the authorization thereof by the Common Council.

Effective Date. This resolution is effective immediately upon its passage as of the date and year set out below.

PASSED by the Common Council the 22nd day of August, 2016.
SIGNED by the Mayor the 22nd day of August, 2016.

_____
MAYOR

ATTEST:

_____
DEPUTY CITY RECORDER

STAFF REPORT For Meeting of August 22, 2016 MAYOR AND MEMBERS OF THE CITY COUNCIL	Agenda Item # NO. 2016- **SUBJECT:** Res. 2036 Safety Center Lease

Subject

Approve a lease agreement to allow Umatilla County Fire District #1 (UCFD1) to occupy a portion of the Robert Shannon Safety Center.

Summary and Background

The City of Hermiston's General Fund, which pays for the Police, Streets, Parks & Recreation, Library, Airport, etc. will lose approximately $130,000 per year due to compression as a result of the newly formed UCFD1. This equates to approximately 2.6% of the General Fund's revenue from property taxes. Hermiston Fire & Emergency Services (HFES), during a presentation to the City Council in October, 2014 about the Fire District Consolidation, offered to help the city absorb this major loss from compression, which at that time was projected to be $190,000 per year.

Voters in May, 2016 approved consolidating the Hermiston & Stanfield Fire Districts in to the new legal entity UCFD1. The City, which owns the Safety Center, has an existing lease with HFES, which doesn't allow HFES to transfer the agreement to another party without consent of the City Council. The proposed lease will take care of the transfer of HFES' lease to UCFD1 and serve as the mechanism to handle HFES' original offer to help offset compression loss.

The Lease is substantially similar to the previous lease, with the main changes being that UCFD1 will pay a graduated rent schedule for the first four years, and will be able to apply those payments toward any future purchase of the building. The lease makes it clear that the City has no intentions of ever selling the Safety Center. However, the lease simply provides that if the City ever did decide to relocate out of the Safety Center, then UCFD1 will be able to apply the total rent paid to whatever purchase price the City asks for at the time.

The UCFD1 Board unanimously approved this proposed Lease August 10th.

Financial Information

Although this lease will result in new payments from UCFD1 of $75,000, $50,000, $50,000, and $25,000 for the next four years, the net impact, when coupled with the Compression Loss & accounting for regular Property Tax growth means that the average growth in General Fund Tax revenues will slow. However, receiving this de-escalating payment schedule from UCFD1 will allow the City to more easily normalize service levels as property taxes catch up to the "new normal." The table below shows the impact on General Fund tax revenue with and without these graduated payments.

	Actual GF Property Tax Growth	Projected Net GF Property

						Tax Growth*			
Fiscal Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
With UCFD1 Payments	1.99%	4.37%	0.50%	4.25%	2.46%	2.30%	1.86%	1.91%	1.51%
Without Payments	1.99%	4.37%	0.50%	4.25%	2.46%	0.81%	0.90%	0.98%	1.06%

**Assumes regular average growth in tax revenue of 3.39% minus Compression Loss of $130,000/yr.*

Alternatives and Recommendation

Alternatives

1. Motion to Approve the Safety Center Lease
2. Motion to Deny the Safety Center Lease
3. Motion to Amend the Safety Center Lease

Recommendation

Staff recommends approval of the Safety Center Lease

Requested Action/Motion

Motion to approve the Safety Center Lease

Department Head- Mark Morgan, Assistant City Manager

City Attorney- Gary Luisi, City Attorney

City Manager Approval- Byron Smith, City Manager

SAFETY CENTER LEASE

Effective Date: July 1, 2016

Between: City of Hermiston ("Landlord")
Attn: City Manager
180 NE Second St
Hermiston OR 97838

And: Umatilla County Fire District #1 ("Tenant")
Attn: Fire Chief
330 S First St
Hermiston OR 97838

Landlord leases to Tenant and Tenant leases from Landlord the following described property (the "Premises") on the terms and conditions stated below:

That portion of the Robert Shannon Safety Center building at 330 South First Street, Hermiston, Oregon, north of the Hermiston Police Department offices as shown on the attached sketch, Exhibit A.

Section 1. Termination of Prior Lease. The January 1, 2007, lease of the Premises between the Landlord and the former tenant Hermiston Fire and Emergency Services district was terminated as of June 30, 2016, due to the fact that the former tenant was dissolved by law when the Stanfield Fire District and the Hermiston Fire and Emergency Services districts merged and became Umatilla County Fire District #1 on July 1, 2016.

Section 2. Term. The term of this lease is 99 years commencing July 1, 2016, and ending June 30, 2115, unless terminated as hereinafter provided.

Section 3. Rent. Tenant shall pay to Landlord as rent the following sums:

3.1 First year's rent: $75,000 payable on December 1, 2016;

3.2 Second year's rent: $50,000 payable on December 1, 2017;

3.3 Third year's rent: $50,000 payable on December 1, 2018;

3.4 Fourth year's rent: $25,000 payable on December 1, 2019; and

3.5 Succeeding annual rents: annual payments of $1.00 payable in advance on December 1, 2020, and on each December 1st of successive years until this lease expires.

Section 4. Use of the Premises. The Premises can and will be used for any and all activities

related to fire suppression and prevention, safety, training, search and rescue, ambulance and emergency responses, and any other activity related thereto without limitation.

Section 5. Repairs, Maintenance and Improvements.

5.1 Condition. Tenant takes the Premises in its present condition AS–IS.

5.2 Tenant's Obligations. Tenant, at its expense, shall keep the Premises in first class repair, operating condition, working order, and appearance, including but not limited to:

1. Repairing or replacing the exterior, including painting the trim and repointing the masonry.
2. Repairing or replacing all doors, windows and other appliances and maintaining them in good and proper working order.
3. Repairing or replacing the roof on the Tenant's portion of the premises.
4. Repairing or replacing the sidewalks, driveways and parking areas that are specifically designated for the use of and adjacent to the Premises during other than emergency response.
5. Repairing or replacing electrical wiring, plumbing or other utilities beginning at the point of entry to the Premises. If such utilities are from a separate meter, then from the location of that meter forward to the Premises.
6. Renovating the Premises to meet seismic codes for public emergency buildings, if required by federal or state law.

.

Expenses for all repairs, replacements and improvements to the Premises shall be paid by the Tenant, unless the Landlord determines otherwise.

5.3 Coordination of Major Repairs. Major repairs to the Premises, including the brick walls, roof, sidewalk, driveway and parking areas shall be coordinated with Landlord. It shall be the goal of the Parties to make such repairs to maintain the building aesthetics and achieve economies of scale by doing joint repair where practical. Such coordination by Tenant shall not be required if immediate repair is necessary to avoid damage to the Premises or to avoid interference with Tenant's necessary activities.

Section 6. Insurance

6.1 Insurance Required. Landlord shall keep the entire Premises insured, at Landlord's expense, against fire and other risks. Tenant is to reimburse the Landlord for the portion of the premium related to the Premises as determined by the parties based on the square footage lease to tenant in relation to the total square footage of the building, including the addition built by the tenant. If there is a dispute regarding this allocation, it shall be resolved through Section 16 of this lease. If Tenant wants its property contents to be similarly insured against such risks, it must carry similar insurance at its own expense.

6.2 Waiver of Subrogation. Neither party shall be liable to the other (or to the other's successors or assigns) for any loss or damage caused by fire or any of the risks enumerated in a standard fire insurance policy with an extended coverage endorsement, and in the event of insured loss, neither party's insurance company shall have a subrogated claim against the other.

Section 7. Payment of Utilities Charges. Tenant shall pay when due all charges for services and utilities incurred in connection with the use, occupancy, operation, and maintenance of the Premises, including (but not limited to) charges for fuel, water, gas, electricity, sewage disposal, power, refrigeration, air conditioning, telephone, and janitorial services. If any utility services are provided by or through Landlord, charges to Tenant shall be comparable with prevailing rates for comparable services. If the charges are not separately metered or stated, Landlord shall apportion the charges on an equitable basis, and Tenant shall pay its apportioned share on demand.

Section 8. Parking. Tenant, its agents, members and customers, regularly shall have the exclusive right to park in all parking spaces marked on the diagram attached as Exhibit A; and in emergencies may park wherever possible.

Section 9. Damage and Destruction.

9.1 Partial Damage. If the Premises are partly damaged and Section 9.3 does not apply, the Premises shall be repaired by Landlord at Landlord's expense. Repairs shall be accomplished with all reasonable dispatch subject to interruptions and delays from labor disputes and matters beyond the control of Landlord and shall be performed in accordance with the provisions of Section 9.2.

9.2 Casualty Damage. If the building is damaged or destroyed by fire or other casualties to such a degree that the Premises are unusable for the purpose leased, and if repairs cannot reasonably be made within 90 days, Tenant may elect to cancel this lease. Landlord shall, in all cases, promptly repair the damage or ascertain whether repairs can be made within 90 days, and shall promptly notify Tenant of the time required to complete necessary repairs or reconstruction. If Landlord’s estimate for damage requires a total reconstruction then Landlord, at its sole option, may elect not to restore the premises. If the repairs will take longer than 90 days, Landlord will notify Tenant of that fact and Tenant may have 21 days after such notice in which to cancel or reaffirm this lease.

9.3 Tenant’s Equity. If the Landlord determines not to restore the Premises under Section 9.2 or if the Tenant elects to cancel this lese under Section 9.2, then damages received from insurance shall be allocated to the parties according to the square footage of the building originally constructed by that party as follows:

A. Fire engine bays. Landlord shall receive all of the insurance proceeds since it paid

for all of the construction of the building south of the new addition, which currently includes the police department, municipal court and the fire engine bays.

B. Addition, including the operations center and offices, etc. Tenant constructed an addition on the north side of the safety center which cost 1.2 million dollars. Landlord contributed $200,000 to the construction of the new addition built by Tenant. Accordingly, the portion of the insurance proceeds allocated to this fire station addition should be shared between Landlord and Tenant, with 83% of the proceeds to the Tenant and 17% to the Landlord. The fire station addition is set out in Exhibit A, attached hereto, for identification.

Section 10. Liability and Indemnity.

10.1 Liens

(1) Except with respect to activities for which Landlord is responsible, Tenant shall pay as due all claims for work done on and for services rendered or material furnished to the Premises, and shall keep the Premises free from any liens. If Tenant fails to pay any such claims or to discharge any lien, Landlord may do so and collect the cost as additional rent. Any amount so added shall bear interest at the rate of 9% per annum from the date expended by Landlord and shall be payable on demand. Such action by Landlord shall not constitute a waiver of any right or remedy which Landlord may have on account of Tenant's default.

(2) Tenant may withhold payment of any claim in connection with a good-faith dispute over the obligation to pay, as long as Landlord's property interests are not jeopardized. If a lien is filed as a result of nonpayment, Tenant shall, within 10 days after knowledge of the filing, secure the discharge of the lien or deposit with Landlord cash or sufficient corporate surety bond or other surety satisfactory to Landlord in an amount sufficient to discharge the lien plus any costs, attorney fees, and other charges that could accrue as a result of a foreclosure or sale under the lien.

10.2 Indemnification. Landlord and Tenant shall each indemnify and defend the other from any claim, loss or liability arising out of the activity of either party, its officers, contractors, employees or agents on the Premises or any condition of the Premises in the possession or under the control of the Tenant. Landlord shall have no liability to Tenant for any injury, loss or damage caused by third parties or by any condition of the premises in control of the Tenant.

10.3 Liability Insurance. Tenant shall obtain and keep in effect during the term of this lease, a comprehensive general liability policy or a commercial general liability policy for the leased premises, covering personal injury and property damage from an insurance company authorized to do business in the State of Oregon. Coverage limits shall be not less than the tort claim limits for injury or death as determined by the methodology in ORS 30.272 or any amendments or replacements thereof. The insurance policy must name the Landlord as an additional insured, as it is related to and limited by the Tenant’s indemnification of the Landlord

contained above. As evidence of this insurance coverage, Tenant shall furnish to Landlord an original certificate of insurance naming Landlord as an additional insured and as certificate holder. Valid certificates of insurance shall be provided to the Landlord as changes occur or annually throughout the term of this lease.

Section 11. Quiet Enjoyment. Landlord warrants that it is the owner of the Premises and has the right to lease them. Landlord will defend Tenant's right to quiet enjoyment of the Premises from the lawful claims of all persons during the lease term.

Section 12. Assignment and Subletting. No part of the Premises may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the property be conferred on any third person by any other means, without the prior written consent of Landlord. This provision shall apply to all transfers by operation of law. No consent in one instance shall prevent the provision from applying to a subsequent instance. Landlord shall consent to a transaction covered by this provision when withholding such consent would be unreasonable in the circumstances.

Section 13. Default. The following shall be events of default:

13.1 Default in Payment of Utility Charges or Insurance. Failure of Tenant to pay any utility charges or its portion of the insurance premium withing ten days of its presentment.

13.2 Default in Other Covenants. Failure of Tenant to comply with any term or condition or fulfill any obligation of the Lease (other than 13.1 above) within twenty-one (21) days after written notice by Landlord specifying the nature of the default with reasonable particularity shall be deemed an event in default. If the default is of such a nature that it cannot be completely remedied within the twenty-one (21) day period, Tenant shall be in compliance with this provision if Tenant begins correction of the default within the twenty-one (21) day period and thereafter proceeds with reasonable diligence, and in good faith, to effect the remedy as soon as practicable.

13.3 Abandonment. Failure of Tenant for 120 days or more to occupy the Premises for one or more of the purposes permitted under this lease, unless such failure is excused under other provisions of this lease.

Section 14. Remedies on Default.

14.1 Termination. In the event of a default the lease may be terminated at the option of Landlord by written notice to Tenant. Whether or not the lease is terminated by the election of Landlord or otherwise, Landlord shall be entitled to recover damages from Tenant for the default, and Landlord may reenter, take possession of the premises, and remove any persons or property only by legal action.

14.2 Damages. In the event of lease termination due to default or abandonment, Landlord shall be entitled to recover reasonable costs of reentry, including the costs of any cleanup, removal of tenant's property and fixtures, costs incurred under Section 13, any repairs that were Tenant's obligation under Section 5.2 of this lease, and any attorneys fees, although no legal action is filed.

14.3 Landlord's Right to Cure Defaults. If Tenant fails to perform any obligation under this lease, Landlord shall have the option to do so after 30 days' written notice to Tenant. All of Landlord's expenditures to correct the default shall be reimbursed by Tenant on demand with interest at the rate of 9% annum from the date of expenditure by Landlord. Such action by Landlord shall not waive any other remedies available to Landlord because of the default. If there is a dispute regarding whether or not the obligation was that of the Tenant, that dispute shall be resolved through Section 16 of this agreement.

Section 15. Surrender at Expiration

15.1 Condition of Premises. Upon expiration of the lease term or earlier termination on account of default, Tenant shall deliver all keys to Landlord and surrender the Premises in first-class condition and broom clean. Alterations constructed by Tenant with permission from Landlord shall not be removed or restored to the original condition unless the terms of permission for the alteration so require. Tenant's obligations under this section shall be subordinate to the provisions of Section 9 relating to destruction.

15.2 Fixtures All fixtures placed upon the Premises during the term, other than Tenant's trade fixtures, shall, at Landlord's option, become the property of Landlord. If Landlord so elects, Tenant shall remove any or all fixtures that would otherwise remain the property of Landlord, and shall repair any physical damage resulting from the removal. If Tenant fails to remove such fixtures, Landlord may do so and charge the cost to Tenant with interest at the legal rate from the date of expenditure.

Section 16. Dispute Resolution.

16.1 Arbitration of Disputes. Except for provisional remedies, no litigation concerning any dispute arising under this Agreement shall be instituted before any court and all such disputes shall be submitted to binding arbitration pursuant to the Uniform Arbitration Act, ORS 36.600 et seq., as amended or renumbered.

16.2 Procedure for Arbitration. The arbitrator shall proceed according to the Oregon statutes governing arbitration, and the award of the arbitrators shall have the effect therein provided. The arbitration shall take place in the county where the leased premises are located. Costs of the arbitration shall be shared equally by the parties, but each party shall pay its own attorney fees incurred in connection with the arbitration.

Section 17. Miscellaneous

17.1 Nonwaiver. Waiver by either party of strict performance of any provision of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

17.2 Attorney Fees. Subject to section 16, in case suit or action is instituted to seek a provisional remedy relating to any provisions of this lease or to enforce the decision of an arbitrator under section 16, the prevailing party shall be entitled to recover in addition to costs such sum as the court or court annexed arbitrator may judge reasonable as attorney fees; if an appeal is taken the prevailing party shall be entitled to recover such sum as the appellate court may judge reasonable as attorney fees on appeal, together with costs and disbursements incurred in such court annexed arbitration, trial and or appeal.

17.3 Notices. Any notice required or permitted under this lease shall be given when actually delivered or 48 hours after deposited in United States mail addressed to the address first given in this lease or to such other address as may be specified from time to time by either of the parties in writing.

17.4 Succession. Subject to the above-stated limitations on transfer of Tenant's interest, this lease shall be binding on and inure to the benefit of the parties and their respective successors and assigns.

17.5 Recordation. This lease shall not be recorded without the written consent of Landlord.

17.6 Entry for Inspection. Landlord shall have the right to enter upon the Premises at any time to determine Tenant's compliance with this lease, to make necessary repairs to the building or to the Premises.

17.7 Time of Essence. Time is of the essence of the performance of each of Tenant's obligations under this lease.

17.8 Emergency Operations Center. Funding for the Emergency Operations Center portion of the new construction was provided by the Chemical Stockpile Emergency Preparedness Program to Tenant. The Parties agree that the portion of the Fire Station known as the Emergency Operations Center is a part of the Fire Station and subject to the provisions of this lease. Tenant agrees to make this area available for use by other emergency response organizations. The scheduling and use by other agencies will be through Tenant but the Landlord and Tenant will have priority for all scheduling purposes.

17.9 Preferential Right of Purchase. Tenant is interested in purchasing the premises if Landlord ever decides to sell the premises during the term of this lease. Currently, Landlord has

no desire or intention whatsoever of ever selling the premises. Nevertheless, Landlord grants to Tenant a 30-day preference period to purchase the premises at the asking price to be set by Landlord, in its sole discretion, when and if it ever decides to sell the premises during the term of this lease. Price and terms of sale will be determined by Landlord at that time, except rental payments paid by Tenant will be applied toward the purchase of the Premises if Landlord and Tenant can come to an agreement for purchase and sell of the Premises during the 30-day preference period.

WHEREFORE, the parties have executed this lease in duplicate original and it is effective the date first above written.

CITY OF HERMISTON	**UMATILLA COUNTY FIRE DISTRICT #1**
By: _____	By: _____
Mayor Dr. David Drotzmann	Chairperson
Attest:	Attest:
_____	_____
Deputy City Recorder	Clerk
Date: _____, 2016	Date: _____, 2016

RESOLUTION NO. 2036

The City of Hermiston resolves as follows:

That the form, terms and provisions of the Safety Center Lease, effective July 1, 2106, by and between the City of Hermiston and the Umatilla County Fire District #1, and the transactions contemplated thereby, providing for, among other things, lease of a portion of the Robert Shannon Safety Center building at 330 S. First St., Hermiston, Oregon, for 99 years commencing July 1, 2016, copies of which have been presented to and reviewed by the Common Council be, and it is, in all respects, hereby approved and adopted; and

That the Mayor and Deputy City Recorder of the City of Hermiston be, and each of them singly is, hereby authorized to execute and deliver the Safety Center Lease substantially in the form heretofore approved and adopted with such changes, additions, deletions and modifications as such executing officer or officers may approve, to the Umatilla County Fire District #1, such execution to be conclusive evidence of such approval and of the authorization thereof by the Common Council, and

That the Mayor or City Manager of the City of Hermiston be, and each of them singly is, hereby authorized and directed to prepare, execute, deliver, acknowledge and file such additional documents, agreements, certificates, forms, receipts and other instruments, in the name of and on behalf of the City of Hermiston and under its corporate seal, if so desired, and to take all such other actions as such officer or officers shall, in his or her or their sole discretion, approve in order to carry out the transactions heretofore approved and perform and discharge the City of Hemiston's obligations under or in connection with the Safety Center Lease, such actions and execution to be conclusive evidence of such approval and of the authorization thereof by the Common Council.

Effective Date. This resolution is effective immediately upon its passage as of the date and year set out below.

PASSED by the Common Council the 22nd day of August, 2016.
SIGNED by the Mayor the 22nd day of August, 2016.

_____
MAYOR

ATTEST:

_____
DEPUTY CITY RECORDER

STAFF REPORT

For Meeting of August 22nd, 2016

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2016-

SUBJECT: Building Permit minimum fee increase

Subject
Building permits fee changes/additions.

Summary and Background
The City of Hermiston's Building Department is utilizing a free building permit program provided by the State of Oregon called Accela. One of the conditions when using this program is cities must have their fee schedule up to date with requirements set forth by the State of Oregon. Currently, the City of Hermiston is not current with the established fees required by the State of Oregon.

Also, to help provide adequate funds and other resources necessary to administer and enforce the City of Hermiston's inspection program, the City is asking to raise the minimum building permit fee. The last fee increase was 15 years ago.

Fiscal Information
The minimum fee would be raised from $13 to $42.25 for work being done with a valuation between $1-$500. In-turn, this will slightly raise all permits.

Alternatives and Recommendation
Alternatives:
No longer use the State of Oregon's free program and find another permit program that will work for the current fees. These programs generally cost up to $35,000 or more for a one time purchase fee. If any upgrades or customer service is needed that could be additional costs.

Recommendation:
Staff recommends the adoption of the fee schedule modification to utilize Accela provided free of charge by the State of Oregon and to increase the minimum building permit fee.

Requested Action/Motion
Motion: Approve increase to fee schedule as mandated by the State of Oregon and raise the minimum permit fee.

Submitted by:

Department Head

City Manager Approval

City of Hermiston

BUILDING PERMIT FEE TABLE

(current) TABLE 1A

1 & 2 Family Dwelling: New, Additions, Alterations, Repairs, Accessory Structures **Commercial:** New, Alterations, Additions, Repairs, Accessory Structure, & Fire Systems **Multifamily:** New, Alterations, Additions, Repairs, Accessory Structure, & Fire	
Total Valuation	**Building Permit Fee**
$.00 to $ 500.00	$13.00
$501.00 to $2000.00	$13.00 for the first $500.00 plus $ 1.95 for each additional $100, or fraction thereof, to and including
$2001.00 to $25,000.00	$42.25 for the first $2,000.00 plus $7.80 for each additional $1,000, or fraction thereof, to and including
$25,001.00 to $50,000.00	$221.65 for the first $25,000.00 plus $5.85 for each additional $1,000, or fraction thereof, to and including
$50,001.00 to $100,000.00	$367.90 for the first $50,000.00 plus $3.90 for each additional $1,000, or fraction thereof, to and including
$100,001.00 and up	$562.90 for the first $100,000.00 plus $3.25 for each additional $1,000, or fraction thereof

Building Plan Review Fee	65% of the building permit fee
Fire Life Safety Review	40% of the building permit fee
General State Surcharge: ORS 455.210	As set by the State of Oregon

RESOLUTION NO. 2037

A RESOLUTION ESTABLISHING A NEW FEE SCHEDULE FOR
THE BUILDING OFFICIAL AND REPEALING RESOLUTION NO. 1644

WHEREAS, ORS 445.210 and provides that cities may adopt by ordinance or regulation reasonable and necessary fees for building permits and other charges; and

WHEREAS, Chapter 152.26 of the Hermiston Code of Ordinances requires that fees for permits requested by the Building Official shall be set by resolution of the Council; now, therefore,

The City of Hermiston resolves as follows:

That the schedule of new fees for building permits and other charges requested by the Building Official, a copy of which is attached hereto, be, and they are hereby, approved and adopted as the "Fee Schedule (9/19/16)" for the building code program administered by the Building Official. That these fees shall become effective on September 19, 2016.

That a copy of the Fee Schedule (09/19/16) shall be kept on file at the building department.

That this resolution shall take effect on September 19, 2016, and will repeal Resolution 1644.

PASSED by the Common council this 22nd day of August, 2016.
SIGNED by the Mayor this 22nd day of August, 2016.

_____
MAYOR

ATTEST:

_____
DEPUTY CITY RECORDER

City of Hermiston

FEE SCHEDULE (09/19/16)

The final determination of valuation, occupancy, and/or construction type under any of the provisions of this order shall be made by the Building Official.

A. Building Permits

The valuation to be used in computing the building permit and the building plan review fees shall be the total value (rounded up to the nearest dollar) of all construction work for which the permit is issued, as well as all finish work, painting, roofing, electrical, plumbing, heating, air conditioning, elevators, fire extinguishing systems and any other permanent equipment. It also includes the contractor's profit which should not be omitted.

The fees for each permit shall be as set forth in Tables A-1 and A-2. Valuation will be calculated using the City's Building Permit Fee table based on the International Code Council (ICC) Building Valuation Data Table as of April 1 of the current year, multiplied by the square footage of the structure or as stated by the applicant, whichever is greater. The cost per square foot of carports, decks, 1 & 2 Family Dwelling pole buildings, and covered porches/patios shall be 50% of the valuation indicated for "Private Garages" on the City's valuation table.

Table A-1: Building Permit Fee

1 & 2 Family Dwelling: New, Additions, Alterations, Repairs, Accessory Structure, & Fire Systems (Plumbing permit required for potable water fire systems; see Table E-4)
Commercial: New, Alterations, Additions, Repairs, Accessory Structure, Fire Systems, & Medical Gas Systems (based on value of installation costs)
Multifamily: New, Alterations, Additions, Repairs, Accessory Structure, & Fire Systems

Total Valuation			Building Permit Fee
$.00	to	$500.00	$42.25 minimum
$500.01	to	$2,000.00	$42.25 for the first $500.00 plus $1.95 for each additional $100, or fraction thereof, to and including
$2000.01	to	$25,000.00	$71.50 for the first $2,000.00 plus $7.80 for each additional $1,000, or fraction thereof, to and
$25,000.01	to	$50,000.00	$250.90 for the first $25,000.00 plus $5.85 for each additional $1,000, or fraction thereof, to and
$50,000.01	to	$100,000.00	$397.15 for the first $50,000.00 plus $3.90 for each additional $1,000, or fraction thereof, to and
$100,000.01		and up	$592.15 for the first $100,000.00 plus $3.25 for each additional $1,000, or fraction thereof.

Table A-2: Building Permits – Related Fees:

Description	Permit Fee
Building Plan Review Fee	65% of the building permit fee based on Table
Additional Building Plan Review required due to revisions to the	$80.00 / hour
Fire Life Safety Review on State Allowed Plans	40% of the building permit fee based on Table
Third Party Plan Review	$80.00 / hour
Master Plan Review – 1. Setup fee 2. Initial Plan Review 3. Second & Subsequent Reviews	1. $ 100.00 2. 65% of the building permit fee based on Table A-1 3. 50% of the initial plan review fee
Deferred Submittals – Plan Review Fee (All building types)	See Customized Permit Services: Table G-2, Deferred Plan Submittal
Investigation Fee	$120.00 / hour (one hour minimum)
Reinspection, extra inspections, special	$75.00 each
Inspections outside of normal business hours	$80.00 / hour (one hour minimum)
Inspections for which no fee is specifically indicated (includes counsel inspections)	$75.00 / hour
Demolition of Structure	$42.25
Solar Photovoltaic Systems installed using the prescriptive path described in section 305.4 of the Oregon Solar Installation Specialty	$150 (includes application fee and one inspection) (Does not include the plan review fees)
Non-prescriptive Solar Photovoltaic Systems	See Building Permit Fee Table A-1
Structural minimum fee	$42.25

Residential Structural Fire Suppression Standalone 13R

(Fees based on total square footage of the dwelling unit to be covered by the system)

Total Square Footage	Permit Fee
0 to 2,000 square feet	$150.00
2,001 to 3,600 square feet	$218.00
3,601 to 7,200 square feet	$354.00
Over 7,200 square feet	$488.00

B. Manufactured Dwelling Placement Permits:

One single permit fee is assessed to cover the placement of the manufactured dwelling, earthquake-resistant bracing system, plumbing connection including 30 feet each of sewer and water lines; electrical feeder connection; and mechanical connection. This permit does not include an electrical service.

Manufactured Dwelling Placement Permit Fee (includes plan review) $185.00

Manufactured Dwelling & Cabana installation administrative fee (as required by the State).... $30.00
State Surcharge As required by the State

C. Camp and Park Permits:

The Area Development Fee is to be calculated based on the valuations shown in Table 2 of OAR 918-600-0030 for Manufactured Dwelling/Mobile Home Parks and Table 2 of OAR 918-650-0030 for Recreational Park & Organizational Camp Valuation Table, and then applying the valuation amount to the valuation fee table in the Building Permit Fee Table A-1.

Plan Review Fee is 65% of total permit fee.
State Surcharge as required by the State.

D. Mechanical Permits:

The fees for each permit shall be as set forth in Table D-1, D-2, and D-3.

The valuation used to determine the commercial mechanical permit fee using Table D-1 shall include the value (rounded up to the nearest dollar) of all mechanical materials, equipment, labor, overhead and profit.

Table D-1: Commercial Mechanical Permit Fees

Commercial: New, Alterations, Additions, Repairs, & Accessory Structure **Multifamily:** New, Alterations, Additions, Repairs, & Accessory Structure			
Total			**Permit Fee**
$1	to	$5,000.00	$50.00 minimum
$5,000.01	to	$10,000.00	$50.00 for the first $5,000.00 plus $0.80 for each additional $100, or fraction thereof, to and
$10,000.01	to	$100,000.00	$90 for the first $10,000.00 plus $2.00 for each additional $1,000, or fraction thereof, to and
$100,000.01		and up	$270 for the first $100,000.00 plus $1.00 for each additional $1,000, or fraction thereof

Table D-2: 1 & 2 Family Dwelling Mechanical Permit Fees

1 & 2 Family Dwelling: New, Additions, Alterations, Repairs, & Accessory Structure **Manufactured Dwellings:** New, Additions, Alterations, Repairs, & Accessory Structure	
Air conditioner	$11.00
Air handling unit of up to 10,000 cfm	$9.50
Air handling unit 10,001 cfm and over	$12.50
Appliance or piece of equipment regulated by code but not classified in other appliance categories	$9.50
Appliance vent installation, relocation or replacement not included in an	$8.00
Attic/crawl space fans	$8.00
Boiler/compressor/absorption system up to 30 HP or 1,000,000 BTU	$20.00
Boiler/compressor/absorption system up to 50 HP or 1,750,000 BTU	$27.50
Boiler/compressor/absorption system up to 15 HP or 500,000 BTU	$16.00
Boiler/compressor/absorption system up to 3 HP or 100,000 BTU	$11.00
Boiler/compressor/absorption system over 50 HP or 1,750,000 BTU	$42.50
Barbecue	$9.50
Chimney/liner/flue/vent	$9.50
Clothes dryer exhaust	$8.00
Decorative gas fireplace	$9.50
Evaporative cooler other than portable	$9.50
Floor furnace, including vent	$11.00
Flue vent for water heater or gas fireplace	$8.00
Furnace - greater than 100,000 BTU	$12.50
Furnace - up to 100,000 BTU	$11.00
Furnace/burner including duct work/vent/liner	$12.50
Gas or wood fireplace/insert	$9.50
Gas fuel piping outlets (four or less connections)	$7.00
Gas fuel piping outlets (more than four)	$5.50
Heat pump	$11.00
Hood served by mechanical exhaust, including ducts for hood	$12.50
Hydronic hot water system	$11.00
Installation or relocation domestic-type incinerator	$12.50
Mini split system	$11.00
Oil tank/gas/diesel generators	$12.50
Pool or spa heater, kiln	$11.00
Radon mitigation	$11.00
Range hood/other kitchen equipment	$11.00
Repair, alteration, or addition to mechanical appliance including installation of	$11.00
Suspended heater, recessed wall heater, or floor mounted unit heater	$11.00
Ventilation fan connected to single duct	$8.00
Ventilation system not a portion of heating or air-conditioning system authorized	$8.00
Water heater	$9.50
Wood/pellet stove	$9.50
Other heating/cooling	**$9.50**
Other fuel appliance	**$9.50**
Other environment exhaust/ventilation	**$8.00**

Minimum Permit Fee	**$30.00**

Table D-3: Mechanical Permits – Related Fees

Other Inspections and Fees	Fee
Mechanical Plan Review – when Required or requested	25 % of the permit fee
Additional Mechanical Plan Review required due to revisions to the construction documents	$46.00/ hour
Re-inspection Fee	$46.00 each
Inspections outside of normal business hours	$60.00/ hour (one hour minimum)
Inspections for which no fee is specifically	$60.00/ hour (one hour minimum)
Investigation Fee	$60.00 / hour
General State Surcharge: ORS 455.210	As set by the State of Oregon

E. Plumbing Permits:

Table E-1: Plumbing Permit Fees

1 & 2 Family Dwelling: New		
Description (**Note**: A "half" bath is equivalent to a single bathroom)		**Fee**
One Bathroom	**Includes one kitchen and up to 100 feet each of water, sewer, and storm lines.**	$191.00
Two Bathroom		$251.00
Three Bathroom		$311.00
Each additional Bath/Kitchen		$60.00
Each additional 100 ft of water, sewer, or storm line or fraction thereof.		$22.00 per type
1 & 2 Family Dwelling Fire Sprinkler System		**See Table E-4**

Table E-2: Plumbing Permit Fees

1 & 2 Family Dwelling: Additions, Alterations, Repairs, & Accessory Structure
Commercial: New, Additions, Alterations, Repairs, Accessory Structure, & Fire Systems
Multifamily: New, Additions, Alteration, Repairs, Accessory Structure & Fire Systems
Manufactured Dwellings: New (utilities beyond 30 ft), Additions, Alterations, Repairs, & Accessory Structure

Site Utilities:	**Fee/Unit**	
Sanitary sewer –first 100 feet	$28.00	
-- each additional 100 feet, or fraction thereof	$22.00	
Storm sewer including trench drains, leach lines, and drywells –first	$28.00	
-- each additional 100 feet, or fraction thereof	$22.00	
Water service –first 100 feet	$28.00	
-- each additional 100 feet, or fraction thereof	$22.00	
Fixtures or Items:	**Residential Fee/Unit**	**Commercial Fee/Unit**
Backflow preventer	$40.00	$46.00
Backwater valve	$40.00	$46.00
Clothes washer	$15.00	$20.00
Dishwasher	$15.00	$20.00
Drinking fountain	$15.00	$20.00
Ejectors/sump pump	$15.00	$46.00
Expansion tank	$15.00	$46.00
Floor drain/floor sink/hub drain	$15.00	$20.00
Garbage disposal	$15.00	$20.00
Hose bib	$15.00	$20.00
Ice maker	$15.00	$20.00
Primer	$15.00	$20.00
Sink/basin/lavatory	$15.00	$20.00
Tub/shower/shower pan	$15.00	$20.00
Urinal	$15.00	$20.00
Water closet	$15.00	$20.00
Water heater	$15.00	$20.00
Other - plumbing	$15.00	$46.00
Medical Gas Installations (Plan	Based on valuation using Table A-1	
Minimum Permit Fee	**$40.00**	**$60.00**

Table E-3: Plumbing Permits - Related Fees

Other Inspections and Fees	Fee
Plumbing Plan Review – when required or requested (Plan review is required for Medical Gas Installations, Fire Suppression Systems, and complex structures as defined by OAR Chapter	25% of the permit fee
Additional Plumbing Plan Review required due to revisions to the construction documents	$46.00 / hour
Re-inspection Fee	$46.00 each
Inspections outside of normal Business hours	$60.00 / hour (one hour minimum)
Inspections for which no fee is specifically	$46.00 / hour
Investigation Fee – work done without permits	$ 60.00 / hour
General State Surcharge: ORS 455.210	As set by the State of Oregon

Table E-4: Plumbing Permits – 1 & 2 Family Dwelling Fire Suppression [1]

Multipurpose or Continuous Loop Fire Suppression Systems (13D)
(Fees based on total square footage of the dwelling unit to be covered by the system)

Total Square Footage	Permit Fee
0 to 2,000 square feet	$87.00
2,001 to 3,600 square feet	$129.00
3,601 to 7,200 square feet	$164.00
Over 7,200 square feet	$200.00
Plumbing plan review	25% of the permit fee

[1] **Stand-alone systems are permitted under separate building permits. However, a plumbing permit for a backflow prevention device (in the event of connectivity to potable water supply) is required.**
Plan review is required on all 1 & 2 Family Dwelling Fire Suppression Systems.

F. Electrical Permits

Table F-1: Electrical Permit Fees

1 & 2 Family Dwelling: New, Additions, Alterations, Repairs, & Accessory Structure **Commercial:** New, Alterations, Additions, Repairs, & Accessory Structure **Multifamily:** New, Alterations, Additions, Repairs, & Accessory Structure	
A. 1 & 2 Family Dwelling-New or Multi-Family Dwelling Building - New: Service Included	**Fee/Equipment**
1000 square feet or less	$106.00
--Each additional 500 square feet, or fraction	$19.00
--Limited energy, for New 1 & 2 Family Dwelling NOTE: *If a limited energy permit is purchased separately from the new building electrical permit, use fee listed in the "Miscellaneous" section.*	$25.00
New Multi-family Construction Largest unit uses above sq. ft.; each additional unit Limited Energy Protective Signaling	50% of largest unit rate $56.00 / floor $56.00 / floor
B. Services or Feeders Installation, Alterations or Relocation (Does not include branch	
200 amps or less	$63.00
201 amps to 400 amps	$75.00
401 amps to 600 amps	$125.00
601 amps to 1000 amps	$163.00
Over 1000 amps or volts	$375.00
C. Temporary Services/Feeders Installation, Alteration, or Relocation	
200 amps or less	$50.00
201 amps to 400 amps	$69.00
401 amps to 600 amps	$100.00
601 amps to 1000 amps	$163.00
Over 1000 amps or 1000 volts	$375.00
D. Branch Circuits - New, Alterations or Extension, per Panel	
Feeder for branch circuits with above service or feeder fee -- each branch circuit	$3.00
Fee for branch circuits **without** service or feeder -- First branch circuit -- Each additional branch circuit	$43.00 $3.00
E. Miscellaneous (Service or Feeder Not Included)	
Each manufactured or modular dwelling, service and/or	$50.00
Reconnect only	$50.00
Pump or irrigation circle	$50.00
Sign or outline lighting	$50.00
Each signal circuit(s) or each limited-energy panel alteration or extension	$50.00
F. Renewable Electrical Energy	
5 kva or less (all renewable types)	$79.00
5.01 to 15.00 kva(all renewable types)	$94.00
15.01 to 25.00 kva (all renewable types)	$156.00
For wind generation systems in excess of 25 kva: 25.01 kva to 50.00 kva 50.01 kva to 100 kva Over 100 kva	 $204.00 $469.00 Use sections B or C, plus D

Base fee for solar generation systems in excess of 25 kva Add for each additional kva, or fraction thereof over 25	$156.00 $6.24

Table F-2: Electrical Permits - Related Fees

Other Inspections and Fees	Fee
Electrical Plan Review – when requested or required by OAR Chapter 918, Division 311	25% of the permit fee
Additional Electrical Plan Review required due to revisions to the construction documents	$86 / hour
Re-inspection Fee	$44.00 each
Inspections outside of normal Business hours	$86.00 / hour (one hour minimum)
Inspections for which no fee is specifically	$44.00 / hour
Investigation Fee	$86.00 / hour
Master Permit Inspection Program OAR 918-309-0100 (a) Application fee: 1st time only, no charge for renewals (b) Inspection fee (includes	$100.0 0
General State Surcharge: ORS	As set by the State of Oregon

G. Customized Permit Services

Table G-1: Phased Plan Review

Allows construction to begin on a portion or portions of a building before the construction documents for the whole building have been submitted.

Service Option	Fee
Phased Plan Review – in addition to standard plan review fees	$250.00 application fee per phase plus 10% of the total building permit fee not to exceed $1,500.00 per phase

Table G-2: Deferred Plans Submittal

Portions of a building design are allowed to be submitted separately. Does not apply to deferred permits.

Service Option	Fee
Deferred Plans Submittal – in addition to the project plan review fee based on total project value	65% of the structural permit fee calculated using the value of the particular deferred portion or portions of the project, with a minimum fee of $150.00.

J. Miscellaneous Fees

Table J-1: Miscellaneous Fees

Description	Fee

Copy Costs Letter (8.5x11) 18 x 24 24 x 36 36 x 40+	$0.25 / sheet (1-10 copies); $0.10 / sheet (11+ copies) $2.00 / sheet $3.00 / sheet $4.00 / sheet

Monthly Financial Report

Includes the Hermiston Urban Renewal Agency

Finance Department
July 2016
(Unaudited)

2016-2017 Monthly Financial Report

Hermiston Urban Renewal Agency (HURA)

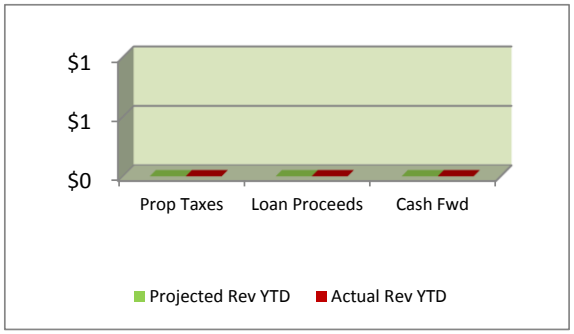
For the Month Ending July 31, 2016

Resources

by Category

Through July 31, 2016

(in $1,000)



	Annual Proj Rev	Projected Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Prop Taxes	$ 29	$ -	$ -	$ -	0%
Loan Proceeds	100	-	-	-	0%
Cash Fwd	74	-	-	-	0%
Total	**$ 203**	**$ -**	**$ -**	**$ -**	**0%**

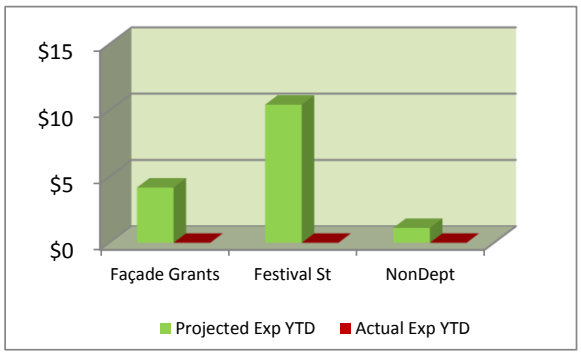
Note: variance is calculated as a percent of the projected revenue YTD.

Expenditures

by Character

Through July 31, 2016

(in $1,000)



	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Façade Grants	$ 50	$ 4	$ -	$ 4	100.0%
Festival St	125	10	-	10	98%
NonDept	14	1	-	1	94%
Res for Fut Exp	14	-	-	-	0%
Total	**$ 203**	**$ 15**	**$ -**	**$ 15**	**100%**

Note: variance is calculated as a percent of the projected expenditures YTD.

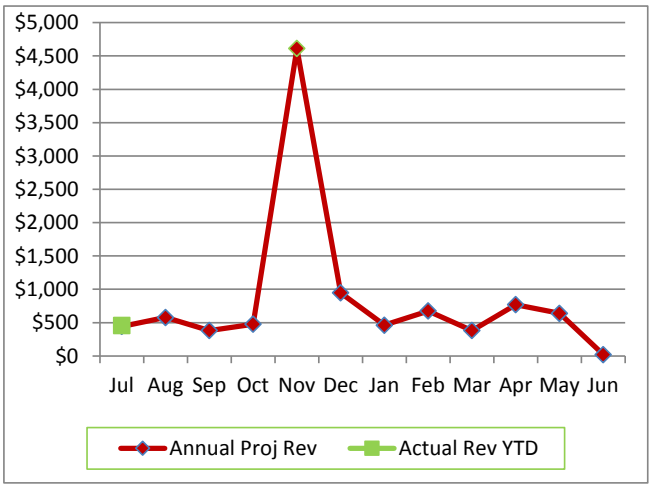
The 2016-17 budget for the Urban Renewal Agency is $203,000. This includes $50,000 for façade grants, $125,000 for the Festival Street project, $14,000 in administrative costs and $14,000 which is reserved for future expenditure. Resources for the 2016-17 fiscal year include $29,000 in property tax, a $100,000 loan from the City and $74,000 in beginning cash. No revenues were received nor expenditures made in July.

2016-2017 Monthly Financial Report

City of Hermiston, Oregon
General Fund Resources
For the Month Ending July 31, 2016

Through July 31, 2016

All Resources (in $1,000)

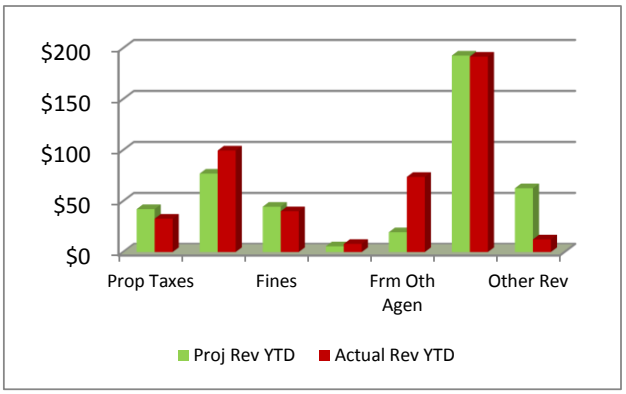


	Annual Proj Rev	Proj Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Jul	$ 444	$ 444	$ 458	$ 14	3%
Aug	578				
Sep	382				
Oct	477				
Nov	4,613				
Dec	946				
Jan	462				
Feb	675				
Mar	382				
Apr	768				
May	640				
Jun	21				
Total	**10,387**	**444**	**458**	**14**	**3%**
Cash Fwd	4,800	-	-	-	0%
Total	**$ 15,187**	**$ 444**	**$ 458**	**$ 14**	**3%**

Estimated General Fund revenues for the 16-17 fiscal year are $10.4 million. Projected revenues for July were $444,000 and actual revenues were $458,000, a positive 3% variance.

General Fund Revenue **Through July 31, 2016**

by Category (in $1,000)



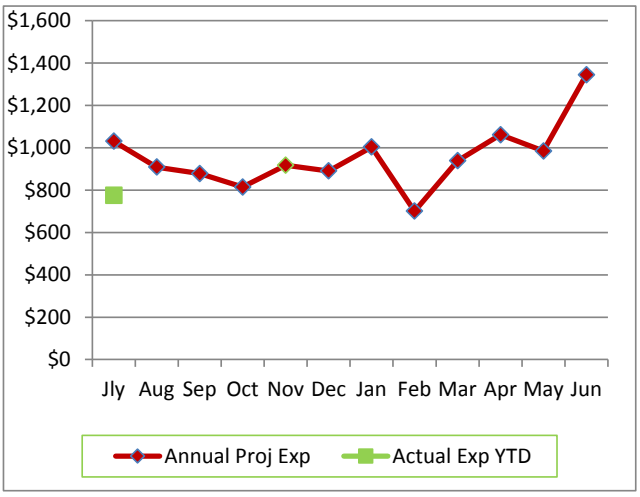
	Annual Proj Rev	Proj Rev YTD	Actual Rev YTD	Var Fav/ (Unfav)	% Var
Prop Taxes	$ 5,202	$ 42	$ 33	$ (9)	(22%)
Lic	851	77	100	23	29%
Fines	570	44	40	(4)	(10%)
Interest Rev	50	6	8	2	42%
Frm Oth Agen	499	19	74	54	280%
Svc Chgs	1,424	193	192	(1)	(1%)
Other Rev	1,791	63	12	(50)	(80%)
Cash Fwd	4,800	-	-	-	0%
Total	**$ 15,187**	**$ 444**	**$ 458**	**$ 14**	**3%**

Note: variance is calculated as a percent of the projected revenue YTD.

2016-2017 Monthly Financial Report

City of Hermiston, Oregon
General Fund Expenditures
For the Month Ending July 31, 2016

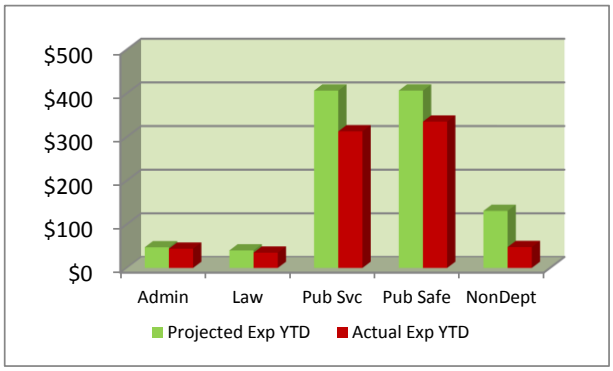
General Fund Expenditure Summary — **Through July 31, 2016**
All Requirements — (in $1,000)



	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Jly	$ 1,031	$ 1,031	$ 775	$ 256	25%
Aug	$ 909				
Sep	$ 878				
Oct	$ 814				
Nov	$ 917				
Dec	$ 890				
Jan	$ 1,003				
Feb	$ 701				
Mar	$ 939				
Apr	$ 1,061				
May	$ 985				
Jun	$ 1,345				
Total	**11,472**	**1,031**	**775**	**256**	**25%**
Unapp	3,715	-	-	-	0%
Total	**$ 15,187**	**$ 1,031**	**$ 775**	**$ 256**	**25%**

Projected General Fund department expenditures for July were $1,031,000. Actual expenditures were $256,000 lower than that at $775,000. Public Services, Public Safety and Non-Departmental had the highest savings at $93,000, $71,000 and $83,000 respectively.

General Fund Expenditures — **Through July 31, 2016**
by Consolidated Department — (in $1,000)



	Annual Proj Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var
Admin	$ 564	47	44	$ 3	7%
Law	497	40	35	5	13%
Pub Svc	3,139	406	313	93	23%
Pub Safe	4,517	406	335	71	17%
NonDept	6,470	131	48	83	63%
Unapp	0	-	-	-	-
Total	**$ 15,187**	**$ 1,031**	**$ 775**	**$ 256**	**25%**

Note: variance is calculated as a percent of the projected expenditures YTD.

2016-2017 Monthly Financial Report

General Fund Expenditure Detail

For the Month Ending July 31, 2016

General Fund Expenditures
by Department

	Annual Projected Exp	Projected Exp YTD	Actual Exp YTD	Var Fav/ (Unfav)	% Var Fav/ (Unfav)
City Council	45,719	4,801	4,059	742	15%
City Manager/Planning	438,624	35,716	35,272	444	1%
Finance	79,295	6,763	4,690	2,073	31%
Total Admin & Finance	***563,638***	***47,280***	***44,021***	***3,259***	***7%***
Legal	83,700	6,181	4,440	1,741	0%
Court	413,186	33,903	30,548	3,355	10%
Total Dept of Law	***496,886***	***40,083***	***34,988***	***5,095***	***13%***
Transportation	248,300	16,611	10,300	6,311	38%
Airport	252,450	31,143	22,882	8,261	27%
Bldg Inspection	355,617	29,760	28,022	1,738	6%
Parks	490,819	46,750	36,402	10,348	22%
Parks/Utility Landscaping	39,475	3,290	2,457	833	25%
Pool	433,333	144,876	106,546	38,330	26%
Municipal Buildings	18,500	1,414	446	968	68%
Library	734,775	64,330	44,621	19,709	31%
Recreation	565,808	68,051	61,249	6,802	10%
Total Public Services	***3,139,077***	***406,225***	***312,925***	***93,299***	***23%***
Public Safety Center	82,000	8,323	4,164	4,159	50%
Police Operations	4,434,616	397,994	331,065	66,929	17%
Total Public Safety	***4,516,616***	***406,316***	***335,229***	***71,087***	***17%***
Non-Departmental	2,756,190	130,638	47,749	82,889	63%
Unappropriated	3,714,718	0	0	0	0%
Total Non-Dept	***6,470,908***	***130,638***	***47,749***	***82,889***	***63%***
Total	**15,187,125**	**1,030,542**	**774,912**	**255,630**	**25%**

Within the Public Services category, the Pool had the greatest amount of savings dollar-wise at $38,330. Since this is the first month of the fiscal year it is a little early to determine the significance of the expenditure trends.

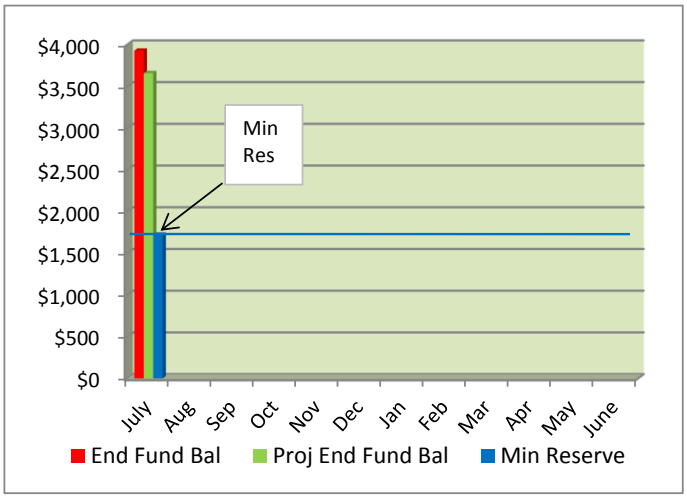
2016-2017 Monthly Financial Report

Fund Balance - General Fund

For the Month Ending July 31, 2016

General Fund — **Through July 31, 2016**

Ending Fund Balance — (in $1,000)



Minimum Reserve = $1,720,861

	Begin Fund Bal	Rev	Exp	End Fund Bal	Proj End Fund Bal
July	$ 4,244	$ 458	$ (775)	$ 3,927	$ 3,658
Aug					
Sep					
Oct					
Nov					
Dec					
Jan					
Feb					
Mar					
Apr					
May					
June					
Total	**$ 4,244**	**$ 458**	**$ (775)**	**$ 3,927**	**$ 3,658**

The beginning fund balance for the 2016-17 fiscal year is $4.2 million, which is $2.5 million above the minimum reserve of $1.7 million. Expecting that the revenues and expenditures follow normal historical patterns the balance will decrease steadily until November when the property taxes come in at which point it will begin to increase.

2016-2017 Monthly Financial Report

Special Revenue Funds Report

For the Month Ending July 31, 2016

Special Revenue Funds

Resources & Requirements

	2016-17 Annual Budget	Actual YTD	Remaining Budget
Bonded Debt Fund			
Resources	699,925	1,855	698,070
Expenditures	510,275	281,975	228,300
Unappropriated Balance	189,650	N/A	N/A
Transient Room Tax (TRT)			
Resources	830,460	93,614	736,846
Expenditures	767,860	-	767,860
Unappropriated Balance	62,600	N/A	N/A
Recreation Special Revenue			
Resources	375,000	-	375,000
Expenditures	-	-	-
Unappropriated Balance	375,000	N/A	N/A
Reserve Fund			
Resources	6,330,090	18,131	6,311,959
Expenditures	5,337,317	47,997	5,289,320
Unappropriated Balance	992,773	N/A	N/A
Municipal Court Special Revenue			
Resources	281,900	19,436	262,464
Expenditures	260,100	18,799	241,301
Unappropriated Balance	21,800	N/A	N/A
Miscellaneous Special Revenue			
Resources	35,000	2,589	32,411
Expenditures	35,000	2,606	32,394
Unappropriated Balance	-	N/A	N/A
Conference Center			
Resources	237,525	13,042	224,483
Expenditures	187,525	1,694	185,831
Unappropriated Balance	50,000	N/A	N/A
Christmas Express Special Revenue			
Resources	34,690	19,691	14,999
Expenditures	34,690	-	34,690
Unappropriated Balance	-	N/A	N/A
Law Enforcemnent Special Revenue			
Resources	78,880	3,069	75,811
Expenditures	65,880	19,691	46,189
Unappropriated Balance	13,000	N/A	N/A

Beginning with the 2016-17 fiscal year the City began distinguishing within the funds some part of ending fund balance as contingency and some as reserved for future expenditure. The contingency is included in appropriations while the reserve for future expenditures is unappropriated.

The City uses multiple Special Revenue funds to account for revenues that are restricted to expenditure for particular purposes. They include funds for debt service, economic development, parks and recreation, capital projects, and grants.
Since these funds are not operational in nature and are used for specific purposes from year-to-year, their expenditures do not typically follow a predictable pattern so budget variances are not calculated for them.

2016-2017 Monthly Financial Report

Special Revenue Funds Report

For the Month Ending July 31, 2016

Special Revenue Funds

Resources & Requirements

	2016-17 Annual Budget	Actual YTD	Remaining Budget
Library Special Revenue			
Resources	57,200	1,795	55,405
Expenditures	44,000	636	43,364
Unappropriated Balance	13,200	N/A	N/A
Senior Center Const			
Resources	2,706,300	-	2,706,300
Expenditures	2,706,300	-	2,706,300
Unappropriated Balance	-	N/A	N/A

2016-2017 Monthly Financial Report

Utility and Street Funds Report

For the Month Ending July 31, 2016

Utility and Street Funds Report

Resources & Expenditures

	2016-17 Annual Budget	Projected YTD	Actual YTD	Variance Fav/(Unfav)	% Variance
Street Fund					
Resources	1,730,474	83,333	91,859	8,526	10%
Expenditures	1,184,879	58,673	47,046	11,627	20%
Contingency/Unapp Balance	545,595	N/A	N/A	N/A	N/A
Utility Fund					
Resources	7,310,820	549,607	602,489	52,882	10%
Expenditures	6,535,820	303,268	330,326	(27,058)	(9%)
Contingency/Unapp Balance	775,000	N/A	N/A	N/A	N/A
HES Fund					
Resources	11,970,249	781,737	648,266	(133,471)	(17%)
Expenditures	9,151,094	645,869	642,589	3,280	1%
Contingency/Unapp Balance	2,819,155	N/A	N/A	N/A	N/A
Regional Water Fund					
Resources	1,317,060	43,164	70,501	27,337	63%
Expenditures	723,530	60,294	37,595	22,699	38%
Contingency/Unapp Balance	593,530	N/A	N/A	N/A	N/A

As was noted in the previous section the funds now show estimated ending fund balance as either contingency or unappropriated balance. In the Street fund $545,000 is budgeted as contingency. The variances in both revenues and expenditures are large percentage-wise but not that large in dollar amount. Also as noted earlier, it is too early to determine the significance of the variances.

Revenues in the Utility Fund were about $53,000 over the estimate in July and expenditures were approximately $28,000 under projections.

Revenues in the HES came in lower than estimates by about $133,500. Last July revenues were about $74,500 higher than this year, likely due to the higher average temperatures we experienced in the area last year. Expenditures came in very nearly on target at approximately $643,000.

The Regional Water revenues came in $27,000 higher than expected and expenditures were about $23,000 lower than projected.

2016-2017 Monthly Financial Report

Utility and HES Funds Report

For the Month Ending July 31, 2016

Utility and HES Funds Report

Reserve Balances

	Beginning Reserve	Ending Reserve	% Ending Reserve	Minimum Reserve Requirement	Difference
Utility Fund	3,445,748	2,708,408	41.4%	805,786	1,902,622
HES Fund	3,531,269	3,568,871	39.0%	1,128,217	2,440,654
Total	6,977,017	6,277,279	-	1,934,003	4,343,276

The reserves in both the Utility Fund and HES Fund remain healthy into the beginning of the 2016-17 fiscal year. The Utility Fund reserve is $1.9 million above the minimum and the HES Fund is $2.4 million above the minimum. The funds combined total reserve is approximately $6.3 million.

2016-17 Monthly Financial Report

City of Hermiston, Oregon
Capital Projects Report
For the Month Ending July 31, 2016

Capital Projects

	2016-2017 Budget	YTD Expenditures	LTD Budget	LTD Expenditures	% Complete
Airport Improvements	$ 643,350	$ -	$ 3,562,000	$ 2,867,842	81%
Senior Center	2,706,300	-	2,823,360	108,304	0%
11th & Elm	813,710	-	813,710	-	0%
West Highland Trail	130,000	-	130,000	-	0%
Total	**$ 4,293,360**	**$ -**	**$ 7,329,070**	**$ 2,976,146**	

Airport Improvements

The contractor finished all on-site work on July 8 and re-opened the taxiway. There continues to be some minor punch-list items that will be addressed over the next couple of months. From a grant-tracking standpoint, we will still be drawing approximately $300,000 in funding from our taxiway construction grant in order to complete the AGIS (Airport GIS) mapping project this Fall.

Senior Center

In January 2015 the City was awarded a $2 million Oregon Community Development Block Grant through the Oregon Infrastructure Finance Authority for construction of a new Senior Center. The City must provide a cash contribution of $73,242 and complete the project by January 29, 2018. In June 2016, City Council added $750,000 to the project for a 3,800 sf basement and elevator. The City has incurred a little over $108,000 on design, survey and appraisal costs.

Traffic Control – 11th & Elm

This project is a $1.6M ODOT-led project to install a full traffic signal at the intersection of Elm Avenue and NW 11th as well as a left-turn lane for southbound traffic into Good Shepherd Medical Center's entrance on NW 11th. It will also complete a bike/pedestrian crossing with flashing beacon at GSMC's NW 11th entrance where the Oxbow Trail currently terminates. The City of Hermiston partnered with GSMC to provide the $813,000 in local match funding necessary for the project as part of an ODOT Immediate Opportunity Fund Grant, which carries a job-creation requirement. As of January, 2016, GSMC had already met the new job creation requirement by adding 58 new FTE. Design of the signal/turn lane/bike crossing is approximately 40% complete. ODOT is leading the design and construction. Construction is expected to begin in spring 2017.

West Highland Trail

This project is to create a bike lane and/or separated trail on the south side of West Highland Avenue between SW 11th Street and Riverfront Park. A bike lane will be striped where there are existing sidewalks on the south side of West Highland and a separated path will be built where there are no existing curbs or sidewalks. A portion of the project will include creating a left turn pocket at Gotta Stop/SW 14th Place. The project is funded by a grant from ODOT.

The city and ODOT entered into an IGA for project funding and management in March, 2016 per Resolution 2018. ODOT has since determined that the project funding will be better served through a fund exchange program where the federal requirements are removed from the cost sharing. This change to a fund exchange will require a new IGA and more city responsibility. Under the fund exchange the project will be managed by the city with ODOT oversight. Under the previous IGA ODOT would design, build, and manage the project on behalf of the city and invoice the city for the required match. ODOT anticipates sending a new IGA in early fall.

2016-2017 Monthly Financial Report
City of Hermiston, Oregon
Investments
For the Month Ending July 31, 2016

Investment Report
by Type

Cusip No.	Par Value	Principal Cost	Market Value	Issuer	Rating Moody's/S&P	Days to Maturity	Callable Y/N	Yield to Worst Call	Yield to Maturity (YTM)
3135G0G31	$ 2,000,000	$ 1,993,600	$ 2,000,906	FNMA	Aaa/AA+	912	Y	1.28	1.28
76116FAA5	$ 2,062,000	$ 1,999,998	$ 1,992,775	REFCORP	Aaa/AA+	1,171	N	0.95	0.95
3133EGLA1	$ 1,000,000	$ 1,001,020	$ 997,726	FFCB	Aaa/AA+	1,261	Y	1.07	1.14
3137EADN6	$ 1,000,000	$ 978,757	$ 999,256	FHLMC	Aaa/AA+	530	N	1.29	1.29
3135G0GY3	$ 1,000,000	$ 1,013,901	$ 1,003,795	FNMA	Aaa/AA+	183	N	0.78	0.78
US Agencies	**$ 7,062,000**	**$ 6,987,276**	**$ 6,994,458**	---	---	---	---	---	---
LGIP (1) (2)	$ 4,106,759	$ 4,106,759	$ 4,106,759	Varies	---/AA	1	N	0.88	0.88
LGIP	**$ 4,106,759**	**$ 4,106,759**	**$ 4,106,759**	---	---	---	---	---	---
TOTAL	**$ 11,168,759**	**$ 11,094,035**	**$ 11,101,217**	---	---	---	---	---	---

The City of Hermiston has established certain policies for its investments. In order to limit credit and interest rate risk, investments are diversified by security type, maturity, issuer, and call provisions. At least 25% of funds available for investing will be invested in the Local Government Investment Pool (LGIP), with a qualified depository institution, or investments maturing in less than 90 days. 50% or more of the portfolio will be invested in securities maturing in less than three years. The maximum average maturity for the portfolio shall be 3 years and the maximum maturity of individual securities in the portfolio shall be 5 years. No more than 75% of the portfolio may be callable. The minimum weighted average credit rating of the portfolio's investments shall be Aa/AA by Moody's and Standard & Poor's respectively. The breakdown of the City's portfolio is shown below.

Maturity	Par Value	% of Total Portfolio
< 90 Days	$ 4,106,759	36.8%
90 Days - 3 Yrs	$ 4,000,000	35.8%
3 - 5 Yrs	$ 3,062,000	27.4%
	$11,168,759	100.0%

Type of Inv	Par Value	% of Total Portfolio
US Agency	$ 7,062,000	63.2%
Other	$ -	0.0%
LGIP	$ 4,106,759	36.8%
	$11,168,759	100.0%

Various Investment Parameters	With LGIP	Without LGIP
WTD Avg Days to Mat	557	557
Wtd Avg Yield to Mat	1.01%	1.09%
Percent Callable	26.7%	42.5%
Wtd Avg Credit Rating	Aaa/AA+	Aaa/AA+

HERMISTON OREGON
Where Life is Sweet