

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
NOVEMBER 6, 2017**

1. CALL TO ORDER

Mayor Norm Childress called the special meeting to order at 6:00 p.m. in the Council Chambers at City Hall.

Present were: Mayor Childress and Councilmembers Gaylord Brewer, Mike Everett, Bill Moore, Javier Rodriguez and Joan Souders.

Councilmember Gloria Mendoza arrived at 6:10 p.m.

Absent from the meeting was Councilmember Dennis McDonald.

Staff present were: City Administrator/Public Works Director Cus Arteaga, City Treasurer Matt Cordray, Fire Chief Pat Mason and City Clerk Anita Palacios.

2. 2018 PRELIMINARY BUDGET

2018 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2018 Water and Sewer Rate Analysis, as follows:

Project Background – Revenues and expenditures for Grandview’s water and sewer fund were reviewed annually as part of the budget planning process. The analysis process began in earnest in 2008 to evaluate the loss of revenue caused by the Wild River Foods fire. The City would have generated an estimated \$130,000 in annual water charge revenue and \$750,000 in annual sewer charge revenue had Wild River Foods remained in operation. As a result of this significant loss of revenue, a long-term plan was developed to bring water and sewer revenues back to the level where each department was self-sufficient.

Over the ensuing years, annual rate increases were implemented. In 2014, the sewer department fund balance became positive, and the water department was no longer supporting cash flow in the sewer department. Significant increases in industrial wastewater discharges from 2012 through 2015 led to this favorable revenue picture in the sewer department. In 2015, increases of 2% for water and 1% for sewer were recommended by HLA and adopted by Council. With the improved revenues in both the water department and sewer department, no rate increases were necessary in 2016 and 2017.

While increased revenues were noteworthy, the City’s control of expenditures was also an important factor. In 2017 alone, year-end water department operating expenses were projected to be \$192,000 below budget, and sewer department operating expenses were projected to be \$254,000 below budget. This control of expenses, and the conservative approach to budgeting, has placed the City of Grandview Water/Sewer Fund in a good financial position.

October 2017 Analysis – The recent analysis included the following major work items:

- A review of 2017 revenues and expenses;
- Projection of 2017 year-end revenues and expenses using historical seasonal distribution of water consumption, sewer discharges, and expenditures;

- Examination of current and proposed capital improvements; and
- Preparation of a cash flow analysis to review projected revenue needs.

The cash flow analysis relies on reasonable revenue projections. Year-end 2016 revenues were lower than past revenue projections. This downturn was probably due to decreased water consumption and decreased industrial wastewater discharges. For 2017, projected year-end water revenues was slightly increased, and projected year-end sewer revenues was significantly increased. To be conservative, staff assumed the projected increase in water revenues would not continue, and only one-half of the projected increase in sewer revenues would apply to the estimated future revenues. The cash flow analysis was then updated to reflect the revised revenue projections and to account for adjustments in planned capital improvements. A few key items in the analysis were worth noting:

- The Department of Ecology requested an analysis and report to address groundwater concerns at the wastewater treatment facility. A draft report was prepared recommending improvements at the facility in 2020. The estimated cost of those improvements (\$14 million and the associated debt service) was included in the cash flow analysis.
- Since preparing past sewer rate analyses, a new major sewer system capital improvement project was identified: replacement of the trunk sewer line between the City and the Euclid Road Pump Station. Recent failures of the pipeline highlighted the poor condition of the sewer line, and the City has applied for Department of Ecology SRF loan funding of the \$4.6 million project to be constructed over two years (2018 and 2019). Debt service to repay the full loan amount was included in the analysis.
- Another proposed sewer system capital improvement project was construction of additional paved sludge drying beds. Timing of this \$1.2 million project was flexible and City funds were proposed to pay for the improvements.
- The sewer department paid off the Public Works Trust Fund (PWTF) portion of the sewer debt in 2016, reducing annual expenses by about \$240,000. The revenue bond portion of the sewer debt would be paid off in 2019, further reducing sewer expenses by \$420,000 per year.
- Water department expenditures included 2017 capital improvement expenses for telemetry system upgrades, water meters, and the remaining costs for rehabilitation of the Asahel Curtis Well.
- Future improvements outlined in the Water System Plan were considered in the cash flow analysis. Major improvements in 2019 (\$1,425,000), 2020 (\$1,773,000), and 2021 (\$6,200,000) were proposed to be funded from reserves and through Drinking water State Revolving Fund (DWSRF) loans, with associated debt service in the following years.
- Ending fund balances were adequate to provide a typical minimum balance of at least 50% of annual expenditures, which provided more than six months of reserve.

Results –

Water Department

- Future water system capital improvements were consistent with the recommendations found in the City's Water System Plan. Capital improvements should be re-examined each year as part of the budget process, and the long-term financial plan should be updated accordingly.

- Since projected water revenues and expenditures continue to show a positive Water Department fund balance, no water rate increase was recommended for 2018. Based on the current timing of future capital improvements, rate increases may not be needed for several years.

Sewer Department

- The rate analysis included future improvements to the wastewater treatment plant needed to address potential groundwater contamination. The AKART report, required by the City's NPDES permit and outlining recommended improvements, has not been approved by the Department of Ecology, so timing of the future improvements may change. The current plan was to construct the future improvements after the existing debt was retired to minimize the impact to customers. The financing plan also included building reserves to pay for a portion of the project cost to reduce future debt.
- The analysis also included replacement of the City's trunk sewer line. The first part of the project would be a detailed video inspection of the pipeline to determine the condition and verify the length of pipe that needed to be replaced. For the Department of Ecology State Revolving Fund (SRF) funding application, cost estimates assumed pipe replacement may need to extend northward into the industrial section of town. Depending on the results of inspection, the actual replacement length may be shorter. However, the financial plan was based on the full replacement cost.
- Sewer revenues decreased by \$186,000 from 2015 to 2016, but were projected to increase by about \$390,000 from 2016 to 2017. Given this fluctuation in sewer revenues, the projections assume only half of this increase would continue in the future. Using this conservative revenue projection, and the need to fund anticipated capital improvements, staff recommended a 4% increase in sewer rates in 2018.
- Additional sewer rate increases would be needed in the future, but the timing and amount of the increase would depend on when capital improvements were completed, as well as the type of financing. Therefore, the City should continue to monitor sewer revenues and update the rate analysis as more information concerning capital improvements was available. Gradual adjustments to rates could then be made to pay for the proposed year 2020 treatment plant upgrades.

Discussion took place.

Following discussion, City Administrator Arteaga proposed the following utility rate increases for 2018:

- Water – 1% based on water rate analysis
- Sewer – 4% based on sewer rate analysis
- Garbage – 1% to account for tipping fee increase from Yakima County Solid Waste Department
- Irrigation – 1% to account for rate increase from Sunnyside Valley Irrigation District

2018 Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2018 preliminary budget, as follows:

Graffiti Removal

2017 Budget \$4,815

2018 Estimate \$4,930

Notable Changes in 2018 – None

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Code Enforcement

2017 Budget \$68,000

2018 Estimate \$71,940

Notable Changes in 2018 – None

Inspections & Permits

2017 Budget \$53,560

2018 Estimate \$54,870

Notable Changes in 2018 – None

Parks Maintenance

2017 Budget \$234,520

2018 Estimate \$240,360

Notable Changes in 2018 –

- Irrigation system for Dykstra Park (Phase 5) – \$5,000
- Playground surfacing (chips) – \$7,000
- Tree maintenance – \$8,000

Transfers Out and Ending Fund Balance

2017 Budget \$330,000

2018 Estimate \$50,000

Notable Changes in 2018 – \$50,000 transfer to the Street Fund

Streets

2017 Budget \$1,485,220

2018 Estimate \$1,930,540

Notable Changes in 2018 –

- Higgins Way tree removal – \$20,000
- Landscape rock (Wine Country Road) – \$5,000
- Sidewalk repairs – \$15,000
- Safe Routes to School (Elm Street & Fir Street) – \$312,500
- Arterial Preservation (West Fifth Street & Wine Country Road) – \$707,100

Transportation Benefit District

2017 Budget \$333,500

2018 Estimate \$394,870

Notable Changes in 2018 –

- Safe Routes to School (Elm Street & Fir Street) – \$58,000
- Arterial Preservation (West Fifth Street & Wine Country Road) – \$78,600

Cemetery

2017 Budget \$233,325

2018 Estimate \$244,885

Notable Changes in 2018 –

- Expansion of new area (road entrance, mapping and landscaping) – \$25,000

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East Wine Country Plaza Debt Service – SIED Loan

2017 Budget \$58,700

2018 Estimate \$58,670

Notable Changes in 2018 – None

Euclid/Wine Country Road Improvements Debt Service – SIED Loan

2017 Budget \$23,300

2018 Estimate \$23,305

Notable Changes in 2018 – None

Capital Improvements

2017 Budget \$339,030

2018 Estimate \$105,415

Notable Changes in 2018 – The museum facility renovation did not include a new roof. This budget included \$30,000 to replace the roof at the new location. Also included in the budget was \$25,000 to replace old pool deck between bath house and deep end.

Water Pumping, Treatment & Delivery

2017 Budget \$1,764,520

2018 Estimate \$1,584,560

Notable Changes in 2018 –

- Water meters – \$10,000
- Reservoir inspection (3 MG) – \$15,000
- Willoughby property irrigation system – \$20,000
- Vision software (utility billing) – \$1,500

Sewer Collection

2017 Budget \$898,660

2018 Estimate \$868,560

Notable Changes in 2018 –

- East Concord sewer main relining – \$25,000
- 21” sewer transmission main repairs video – \$50,000

Sewer Treatment

2017 Budget \$1,384,800

2018 Estimate \$1,757,510

Notable Changes in 2018 –

- Large equipment replacement fund (metering stations, bio-solid presses and/or control panels) – \$250,000
- 19’ Genie lift – \$15,000
- Bio-solid drying beds 100’ x 200’ – \$100,000

Water/Sewer Debt Service & Operating Transfers

2017 Budget \$

2018 Estimate \$

Notable Changes in 2018 – None

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Irrigation

2017 Budget \$697,550

2018 Estimate \$694,365

Notable Changes in 2018 –

- Irrigation main line replacement (Zorada) – \$15,000
- Vision software (utility billing) – \$1,500

Solid Waste

2017 Budget \$1,540,820

2018 Estimate \$1,657,905

Notable Changes in 2018 –

- Garbage can replacement fund – \$10,000
- Vision software (utility billing) – \$1,500

Water/Sewer Bond Debt Service

2017 Budget \$589,100

2018 Estimate \$602,630

Notable Changes in 2018 – None

Equipment Rental

2017 Budget \$2,762,190

2018 Estimate \$2,870,515

Notable Changes in 2018 –

- Concrete mixer (Unit 355) – \$6,800
- 1984 1-ton Ford flatbed (Unit 335) – \$50,000
- 2005 Ford Explorer (Unit 396) – \$27,000
- 2007 Chevrolet pickups (Units 304, 305 and 306) – \$27,000 each (\$81,000 total)
- 2007 Peterbilt garbage truck (Unit 310) – \$335,000
- 2008 Ford Escape (Unit 311) – \$23,000
- 2008 John Deere Gator (Unit 316) – \$7,500
- 2008 Dodge Charger (Patrol Unit 211) – \$45,000

Fire Administration Services

2017 Budget \$162,390

2018 Estimate \$165,710

Notable Changes in 2018 – Salaries and associated line items were slightly increased to reflect changes made by the City Council in 2017.

Fire Suppression Services

2017 Budget \$529,270

2018 Estimate \$651,010

Notable Changes in 2018 –

- Salaries and associated line items were increased to reflect changes made by the City Council to Captain's wages and benefits in 2017.
- Addition of one full time Captain position to oversee all aspects of training for the department as well as other assigned duties.
- Increase in "Volunteer Compensation" to offset loss of funding from Yakima County Fire District #5. Volunteer Compensation costs were split between Fire Suppression (40%) and EMS (60%).

- Anticipated increase of \$1.23 per call dispatch fees as reflected in “Communications.” Dispatch fees were split between Fire Suppression (25%) and EMS (75%).
- Operating Rentals & Leases restored to full funding.
- Increase in “Public Utility Services” to reflect possible rate increases.
- Increase of \$52,000 to “Machinery & Equipment” for Self-Contained Breathing Apparatuses.
- Increase of \$50,000 for the City’s match for the USDA funding of the fire truck.
- Increase of \$35,500 for the yearly obligation on the fire truck loan from USDA.

Emergency Medical Services Fund

2017 Budget \$342,005

2018 Estimate \$341,560

Notable Changes in 2018 –

- Salaries and associated line items were adjusted to reflect changes made by the City Council in 2017 and the hiring of a new employee. In most line items this was a decrease in costs.
- Increase in “Volunteer Compensation” to offset loss of funding from Yakima County Fire District #5. Volunteer Compensation costs are split between Fire Suppression (40%) and EMS (60%).
- Anticipated increase of \$1.23 per call dispatch fees as reflected in “Communications.” Dispatch fees are split between Fire Suppression (25%) and EMS (75%).

3. ADJOURNMENT

The special meeting adjourned at 9:30 p.m.

Mayor Norm Childress

Anita Palacios, City Clerk