

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
NOVEMBER 5, 2018**

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, Gloria Mendoza, Bill Moore and Joan Souders.

Absent from the meeting were Councilmembers Dennis McDonald Javier Rodriguez.

On motion by Councilmember Souders, second by Councilmember Moore, Council excused Councilmembers McDonald and Rodriguez from the meeting.

Staff present were: City Administrator/Public Works Director Cus Arteaga, City Treasurer Matt Cordray, Wastewater Treatment Plant Superintendent Dave Lorenz and City Clerk Anita Palacios.

2. 2019 PRELIMINARY BUDGET

2019 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2019 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. Though revenues and expenditures were combined into a single Water/Sewer Fund, each department was tracked separately to ensure revenues collected for each system were enough to offset expenses. Furthermore, a long-term plan was developed to assess future needs, so revenues could be reasonably adjusted to meet capital improvement costs.

This method of analysis has served Grandview well. Modest rate increases were executed in 2015, and no water or sewer rate increases were required in 2016 and 2017. In 2018, no increase in water rates was necessary. However, sewer rates were increased 4% in 2018 in anticipation of a major project to replace the sewer trunk main between the City and the Yakima River, and treatment plant improvements to address Department of Ecology requirements.

Both water and sewer revenues have benefitted from increased industrial demand and the associated increase in user charges. While increased revenues were noteworthy, the City's control of expenditures was also an important factor. In 2018 alone, year-end water department operating expenses were projected to be \$184,000 below budget, and sewer department operating expenses were projected to be \$290,000 below budget. This control of expenses, and the conservative approach to budgeting, placed the City Water/Sewer Fund in a good financial position.

October 2018 Analysis

The recent analysis included the following major work items:

- A review of 2018 revenues and expenses;
- Projection of 2018 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 relied on reasonable revenue projections. Year-end 2016 revenues were lower than past revenue projections. The downturn was probably due to decreased water consumption and decreased industrial wastewater discharges, but in 2017 the downturn was reversed. This reversal was continuing in 2018 with a projected increase in both year-end water and sewer revenues. Though there was a two-year upward trend in water use and sewage discharges, it was assumed the projected increases in water and sewer revenues due to increased industrial demand would not continue. 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 plant. The report was submitted to Ecology and the City was awaiting final approval. Based on the report findings, improvements to the facility were planned in 2020 and 2021. The estimated cost of those improvements (\$14 million and the associated debt service) was included in the cash flow analysis.
- In late 2017, a major sewer system capital improvement project was identified: replacement of the trunk sewer line between the City and the Euclid Road Pump Station. Failures of the pipeline highlighted the poor condition of the sewer, and the City received a Department of Ecology SRF (State Revolving Fund) loan with 50% principal forgiveness (i.e., 50% grant) for funding of the \$600,000 field investigation and design of the replacement pipeline. Actual costs were expected to be lower and debt service to repay the loan was included in the analysis.
- A Department of Ecology SRF funding application for \$4 million was submitted for installation of the trunk sewer line. For financial planning purposes, it was assumed this application would also include 50% principal forgiveness, and debt service to repay the loan was included in the analysis. The financing package for the improvements was completed with a successful \$750,000 Community Development Block Grant application.
- 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 the amount budgeted in the “Large Equipment Replacement” line item was proposed to pay for the improvements.
- The sewer department paid off the PWTF (Public Works Trust Fund) 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.

- Future improvements outlined in the Water System Plan were considered in the cash flow analysis, but the dates were adjusted to reflect updated project schedules. Major improvements in 2020 (\$3,284,500) and 2021 (\$6,200,000) were proposed to be funded from reserves and through DWSRF (Drinking Water State Revolving Fund) loans, with associated debt service in the following years.
- Other smaller water system O&M improvements as recommended in the Water System Plan, funded using City money, were also included in the financial plan.
- 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 2019. 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 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 in 2020 and 2021, after the existing debt was retired, to minimize the impact to customers. The financing plan 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. The first step in the project was a detailed video inspection of the pipeline in 2018 to determine the condition and verify the length of pipe that needs to be replaced. For the 2018 Department of Ecology SRF funding application, cost estimates were prepared based on inspection results, and construction plans would be completed before the end of 2018. Construction could then begin later in 2019 and extend into 2020. The financial plan assumed a 50% forgivable principal (50% grant) on a \$4 million loan application, so the City debt was based on an equivalent \$2 million loan.
- Sewer revenues were projected to increase by \$290,000 from 2017 to 2018, which was about \$165,000 more than estimated based on the 4% rate increase implemented by the City. Industrial revenues have fluctuated in the past, so future revenue increases caused by increased sewer discharges were not considered. Discharges were held at 2018 levels and increases in revenue were due rate increases. Using this conservative

revenue projection, and the need to fund anticipated capital improvements, a 3% increase in sewer rates was recommended for 2019.

- 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 2019:

- Sewer – 3% based on sewer rate analysis
- Garbage – 1% to account for tipping fee increase from Yakima County Solid Waste Department
- Irrigation – 2% to account for rate increase from Sunnyside Valley Irrigation District

Copies of the proposed ordinances increasing utility rates were distributed.

On motion by Councilmember Everett, second by Councilmember Moore, Council moved Ordinance No. 2018-16 amending Grandview Municipal Code Section 13.28.050 setting domestic sewer rates; Ordinance No. 2018-17 amending Grandview Municipal Code Section 13.28.085 setting garbage rates; and Ordinance No. 2018-18 amending Grandview Municipal Code Section 13.28.060(B) setting irrigation water rates to the November 13, 2018 Council meeting for consideration.

2019 Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2019 preliminary budget, as follows:

Graffiti Removal

2018 Budget \$4,720

2019 Estimate \$4,665

Notable Changes in 2019 – None

Code Enforcement

2018 Budget \$70,970

2019 Estimate \$88,590

Notable Changes in 2019 – Increase in salaries and benefits to train additional staff to assist with construction of new high school and other major projects.

On motion by Councilmember Brewer, second by Councilmember Everett, Council added \$4,000 to Miscellaneous–Abatement.

Councilmembers Everett and Souders voted in opposition.

Inspections & Permits

2018 Budget \$54,090

2019 Estimate \$59,950

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Notable Changes in 2019 – Increase in salaries and benefits to train additional staff to assist with construction of new high school and other major projects.

Parks Maintenance

2018 Budget \$237,630

2019 Estimate \$269,995

Notable Changes in 2019 –

- Dykstra Park irrigation Phase 5 \$5,000
- Playground chips \$5,000
- Arbor Day Tree Planting \$1,000
- Tree pruning for Eastside Park \$15,000

On motion by Councilmember Brewer, second by Councilmember Moore, Council added \$10,000 to Office and Operating Supplies for Stassen Way/Dykstra Park landscaping.

Transfers Out and Ending Fund Balance

2018 Budget \$643,515

2019 Estimate \$504,845

Notable Changes in 2019 – A \$50,000 transfer to the Street Fund was anticipated in 2019.

Streets

2018 Revenue Budget \$1,819,935

2019 Revenue Estimate \$890,200

2018 Expenditure Budget \$1,819,935

2019 Expenditure Estimate \$899,585

Notable Changes in 2019 –

- Street tree pruning (Higgins Way) \$60,000
- Paint machine \$10,000
- Sidewalk repairs \$15,000

Transportation Benefit District

2018 Revenue Budget \$442,870

2019 Revenue Estimate \$435,160

2018 Budget \$442,870

2019 Estimate \$435,160

Notable Changes in 2019 – Increase Repairs & Maintenance for additional sealcoat, crack sealing and pothole repairs \$13,800

Cemetery

2018 Revenue Budget \$242,885

2019 Revenue Estimate \$255,645

2018 Budget \$242,885

2019 Estimate \$252,275

Notable Changes in 2019 –

- Expansion of new area (road entrance, mapping and landscaping) \$35,000
- Lowering device (Office Supplies) \$3,000
- Big gun sprinkler (Office Supplies) \$1,500

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East Wine Country Plaza Debt Service – SIED Loan

2018 Revenue Budget \$58,670

2019 Revenue Estimate \$58,675

2018 Budget \$58,670

2019 Estimate \$58,675

Notable Changes in 2019 – Project completed in 2016

Euclid/Wine Country Road Improvements Debt Service – SIED Loan

2018 Revenue Budget \$23,305

2019 Revenue Estimate \$36,105

2018 Budget \$23,605

2019 Estimate \$36,105

Notable Changes in 2019 – FruitSmart Inc., satisfied their obligation towards the loan in 2018. By doing this, the City would not have to contribute any funds for repayment again until 2020.

Capital Improvements

2018 Revenue Budget \$127,415

2019 Revenue Estimate \$185,910

2018 Budget \$127,415

2019 Estimate \$185,910

Notable Changes in 2019 – The museum facility renovation did not include a new roof. This budget included \$60,000 to replace the roof at the new location. Also included in the budget was \$60,000 earmarked for a pool splash pad in anticipation of a successful RCO grant.

Water/Sewer Fund

2018 Revenue Budget \$13,867,690

2019 Revenue Estimate \$15,071,110

Water Pumping, Treatment & Delivery

2018 Budget \$1,629,270

2019 Estimate \$1,763,135

Notable Changes in 2019 –

- Reservoir inspection (3 MG) \$15,000
- Water meter replacements \$600,000
- Chlorinator parts (Office Supplies) \$5,000
- Chlorine scales \$3,000
- Pipe locator \$5,000
- Desktop computers \$2,000
- Willoughby property irrigation \$30,000

Sewer Collection

2018 Budget \$1,474,210

2019 Estimate \$838,475

Notable Changes in 2019 –

- Desktop computers \$2,000
- Carry over funds for the 21" sewer trunk main project \$20,000

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Sewer Treatment

2018 Budget \$1,749,220

2019 Estimate \$1,911,660

Notable Changes in 2019 –

- Large Equipment Replacement Fund (metering stations, bio-solid presses, and control panels) \$250,000
- 100' x 200' bio-solid drying beds \$250,000
- Weed sprayer (Office Supplies) \$500

Water/Sewer Debt Service & Operating Transfers

2018 Budget \$13,867,690

2019 Estimate \$14,892,460

Notable Changes in 2019 – None

Irrigation

2018 Revenue Budget \$711,215

2019 Revenue Estimate \$678,825

2018 Budget \$711,215

2019 Estimate \$674,325

Notable Changes in 2019 –

- Increase of 2% in the irrigation rates to Grandview consumers was to cover the 2.6% rate increase from Sunnyside Valley Irrigation District
- Water purchased for resale \$17,000
- Main line replacement \$5,000
- Desktop computers \$2,000

Solid Waste

2018 Revenue Budget \$1,628,405

2019 Revenue Estimate \$1,747,845

2018 Budget \$1,628,405

2019 Estimate \$1,750,845

Notable Changes in 2019 –

- Increase of 1% in the collection rates to Grandview consumers was to cover the increased tipping fees from Yakima County.
- Yakima County tipping fees \$20,000
- Desktop computers \$2,000

Water/Sewer Bond Debt Service

2018 Revenue Budget \$602,630

2019 Revenue Estimate \$417,260

2018 Budget \$602,630

2019 Estimate \$417,260

Notable Changes in 2019 – Outstanding bond would be paid off this year.

Equipment Rental

2018 Revenue Budget \$2,829,215

2019 Revenue Estimate \$2,491,505

2018 Budget \$2,829,215

2019 Estimate \$2,489,955

Notable Changes in 2019 – The following equipment to purchase or replace:

- Replace #307 (2007 Chevy pickup) \$27,000
- Replace #315 (2008 JD Mower) \$14,000
- Replace #374 (1997 JD Mower) \$17,000
- Replace #386 (2001 Chevy Pickup) \$26,000
- Replace #432 (1999 Chevy Pickup) \$28,000
- Replace #121 (2009 Chevy Tahoe) \$60,000
- Replace #212 (2008 Dodge Charger) \$50,000
- Replace #213 (2010 Dodge Charger) \$50,000
- Server and 2 computers at City Hall \$16,000

The next preliminary budget meeting would be held on Tuesday, November 20, 2018 at 6:00 p.m.

3. ADJOURNMENT

The special meeting adjourned at 8:55 p.m.

Mayor Norm Childress

Anita Palacios, City Clerk