

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
NOVEMBER 20, 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, Dennis McDonald, Gloria Mendoza and Bill Moore.

Councilmember Mike Everett participated telephonically at the approval of the Council.

Absent from the meeting was Councilmember Joan Souders.

Councilmember Javier Rodriguez arrived at 6:25 p.m.

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

2. 2019 PRELIMINARY BUDGET

City Administrator Arteaga summarized the following items that were added to the 2019 preliminary budget during previous budget meetings:

- 3% salary increase for all City employees
- Dykstra Park landscaping – \$10,000
- Volunteer firefighter compensation increase – \$1 per hour
- Ambulance services – \$126,000
- Code enforcement – \$4,000
- Tree planting – \$1,000
- Library books – \$2,500
- Council chairs – \$5,000

Staff presented the Mayor's 2019 preliminary annual budget for consideration. The budget was developed with Council's leadership in identifying the operating and capital priorities. This guidance provides the basis for the departments to submit their budget proposals and additional program requests for consideration as the budget was developed. The development of the 2019 annual budget required some creative thinking in order to continue to provide a balanced budget as required by law. City staff was committed in providing the citizens with a financially healthy budget with efficient service delivery within available resources. The 2019 preliminary budget, for the most part, maintained our existing services, although there could be areas where lower priority programs could be eliminated and/or reduced. Reducing and/or eliminating lower priority programs would allow the City to continue to realign resources in order to maintain the current services. Maintaining priority services was possible because of the positive planning efforts that have continued to occur over the past years.

Some of this year's accomplishments were as follows:

- Irrigation main line replacement on Zorada
- Sewer main relining of East Concord

- Design work and inspection of the 21-inch sewer trunk main
- Safe Routes to School sidewalk projects (Elm and Fir Streets)
- Arterial Preservation of East Wine Country Road
- Street tree removal on Higgins Way
- LED streetlight conversion project
- New fire truck purchase

The budget message commented on each of the key components that were important to a comprehensive understanding of the proposed budget plan for the period of January 1, 2019 to December 31, 2019.

The key components were as follows:

- 2019 Budget Highlights
- Enterprise Funds
- Personnel
- Revenue Enhancements
- Capital Improvement Needs
- Vehicle Replacement
- Summary/Recommendations

2019 BUDGET HIGHLIGHTS

- The proposed budget included 2019 expenditures of \$6,409,620 in the Current Expense Fund. This represented a .4% increase from the 2018 projected expenditures and an overall decrease of 3.6% from the adopted 2018 budget. The projected 12/31/19 Current Expense Fund balance was \$540,710, which represented a fund balance equal to approximately 8.4% of the proposed 2019 expenditures. At this time, this does not meet the City Council's direction to maintain a minimum 15% fund balance.
- The 2018/2019 Budget Summary displayed, over a 24-month period, fund balances, revenues and expenditures for each fund. The purpose of this document was to provide the Council and the public with a snapshot of the financial conditions of the City over a period of time.
- It was estimated that property tax revenue for 2019 would increase from the 2018 level of \$1,530,000. This was due to an increase in property assessed value of about 17.7%. Property tax revenue represented about 30% of the Current Expense Fund revenues. The estimated annual tax payment to the City for a house assessed at \$100,000 would be \$321.41 or \$26.78 per month. *Attachment A* entitled "Where Does Your Tax Dollar Go" was prepared to show how the total property taxes paid by the residents were distributed.
- It was estimated that sales tax revenue in the Current Expense Fund would have an increase from \$586,250 in 2018 to \$653,250 in 2019. Actual sales taxes collected in 2017 were \$577,637. Sales tax revenue represents about 12% of the Current Expense Fund revenue in 2019.

- Property taxes, sales tax, private utility taxes and City utility taxes were the primary sources to pay for services in the Current Expense Fund and account for 82% of total Current Expense Fund revenue. *Attachment B* displayed the various sources of revenue and their respective percentage allocations.
- The primary service costs in the Current Expense Fund were related to public safety services. *Attachment C* displayed the various program service costs and their respective percentage allocations.
- The proposed budget contained funding to support several community programs and/or organizations, including:
 - Association of Washington Cities – \$7,860
 - Yakima Valley Conference of Governments – \$7,910
 - Yakima County Development Association – \$10,000
 - Yakima Regional Clean Air Agency – \$4,500
 - Yakima County Emergency Management – \$10,300
 - D.R.Y.V.E – \$1,000
- The 2019 budget contained funding for a School Resource Officer with the costs being shared 50% by the School District and 50% by the City.
- As part of the budget process, Department Directors were asked to examine all current rates for fees and charges to determine if adjustments needed to be made. As a result of reviewing fees in the area, the proposed budget included a 3% rate increase for sewer, 2% rate increase for irrigation and a 1% rate increase for solid waste.
- The budget for 2019 was formatted into specific programs within each department. The purpose of this approach was to identify and segregate services provided by a department into program budgets, and to help understand the total costs of each service. A program statement was prepared for each separate program budget to provide more detailed information.

ENTERPRISE FUNDS

Utility rate increases were needed to offset the increasing cost of labor, supplies, fuel, and outside utilities. The base rates listed below were for a typical single family residence. A water and sewer rate analysis was conducted by the City's engineering firm HLA Engineering and Land Surveying, Inc., in October 2018. This was done on an annual basis to make certain that the various utility rates were sufficient to support operation and maintenance and capital projects in the respective funds. The recommended 2% irrigation rate and 1% solid waste rate increases were needed in order to sustain rate increases from Sunnyside Valley Irrigation District and Yakima County Solid Waste Department. The 2018 rate review and analysis was included as *Attachment D*. Also included as *Attachment E* was a survey which showed 2018 and 2019 utility rates of similar sized cities in the area.

Utility	Proposed Rate Increase	Proposed % Rate Increase	2018 Rate	2019 Rate	Last Rate Increase	Additional Revenue
Solid Waste	\$0.14	1%	\$13.95	\$14.09	2018	\$10,000
Water	\$0.00	N/A	\$29.24	\$29.24	2018	\$0
Wastewater	\$1.00	3%	\$33.29	\$34.29	2018	\$95,000
Irrigation	\$0.23	2%	\$11.39	\$11.62	2018	\$10,000
TOTAL	\$1.37		\$87.87	\$89.24		\$115,000

PERSONNEL

The proposed budget provided for 54 full-time and 8 part-time employees in 2019. Since 2006, the City reduced the following 15 full time employee positions (FTE):

- 1 FTE – Wastewater Treatment Plant
- 3 FTE – Public Works Department
- 1 FTE – Animal Control Officer
- 1 FTE – City Attorney
- 1 FTE – Deputy City Clerk/Treasurer
- 1 FTE – City Hall Administrative Assistant
- 1 FTE – City Administrator
- 1 FTE – Municipal Court Clerk
- 1 FTE – Deputy Recreation Director
- 1 FTE – Police Detective
- 1 FTE – Police Officer
- 1 FTE – Police Administrative Assistant
- 1 FTE – Library Technician

As positions have become vacant, the City has and would continue to evaluate and/or consider alternative staffing strategies. These included the use of seasonal labor, reduction/modification of services, or, in the case of animal control and legal/prosecution services, contracting that service. Again this year, the City would continue with the combination of the City Administrator/Public Works Director position.

The following general wage increases were incorporated into the salary schedules:

- Public Works Union Employees – 3% on 1/1/2019 (settled)
- Police Sergeants & Patrol Union Employees – 3% on 1/1/2019 (unsettled)
- Police Support Union Employees – 3% 1/1/2019 (unsettled)
- Non-Union Employees – 3% 1/1/2019

Rate increases for medical insurance were 3.5% for Plan A (Police Sgt & Patrol Union employees), 3.2% for Plan B (Public Works Union employees) and 7.8% for Plan Z (Police Support Union employees and non-union employees). There was no projected rate increases for dental/ortho and life insurance. Vision insurance rates decreased 3%.

REVENUE ENHANCEMENTS

As was mentioned previously, one of the challenges as a City was to maintain current services at their current level, particularly in the Current Expense Fund. Under current state law, cities were quite limited in terms of options available to raise additional general purpose revenue to fund services in the Current Expense Fund.

The information outlined below was meant to be for information purposes only:

<u>REVENUE SOURCE</u>	<u>APPROVING AUTHORITY</u>	<u>COMMENTS</u>
Utility tax on private utilities	Voters	1% increase = \$175,000
Utility tax on public utilities	City Council	1% increase = \$65,000
Vehicle license fee	Voters	\$100/year = \$720,000

CAPITAL IMPROVEMENT NEEDS

During the process of developing the proposed 2019 budget, a number of unfunded capital improvements were identified. The greatest challenge in this regard was in the areas of major fire apparatus and local transportation infrastructure. No financing mechanism was currently in place to make certain that we, as a community, were protecting these investments. The Grandview Transportation Benefit District (TBD) established an annual vehicle fee in the amount of \$20 which was estimated to generate approximately \$180,000 annually to be used to fund transportation improvements.

The following areas were identified as major unfunded potential capital needs:

- Street renovations/reconstruction
- Major fire apparatus
- Building Maintenance
- Wastewater Treatment Plant up-grades
- Water System upgrades

VEHICLE REPLACEMENT

The following equipment/vehicles were scheduled for replacement in 2018:

- 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

SUMMARY/RECOMMENDATIONS

In an effort to continue to reduce 2019 Current Expense Fund expenditures, only minimal proposed capital items were included in this fund. Additionally, capital replacements were either included in the EMS, Yakima County Law and Justice Tax Fund, the Capital Improvement Fund or not funded at all. Ideally, the Current Expense Fund should generate sufficient revenue so that capital outlay items needed to deliver services could be funded from that fund. Under ideal circumstances, the Capital Improvements Fund should only be used for major capital projects. Property tax revenues in 2019 were expected to increase by \$121,100 or 7.9%. While the levy increase was capped at 1%, the cost of delivering services increased approximately 3% per year. This reality necessitated the steps taken over the last several years to reduce or modify services. Sales tax levels were established by the state legislature, or were approved by the voters for specific purposes, such as criminal justice or emergency medical services. In

summary, this year's budget was fiscally healthy and responsible and would provide staff with the means to deliver priority services.

Mayor Childress thanked the Department Directors for carefully reviewing their budget submittals and for recognizing that the City continues to see limited resources to be allocated to City-wide priorities. He also recognized the employees who work diligently every day to implement the City-wide goals and objectives. The Department Directors continued to approach this year's budget process as a "TEAM" and from the perspective of identifying the services citizens expect and deserve and not from their own departmental perspectives. The City continues to make progress towards realizing the goal of building a more vibrant community for all of us to live, work and play. In addition, he encouraged Council to continue the efforts of improving the City by funding and participating in a community beautification project.

City Administrator Arteaga presented the non-union salary ordinance and volunteer firefighter compensation ordinance for review. These items were discussed during previous budget meetings.

City Administrator Arteaga requested that the non-union employees medical insurance be changed from Teamsters Plan Z (90% employer paid/10% employee paid) with a \$700 per year employer paid VEBA contribution to Teamsters Plan B (100% employer paid) and no VEBA to be identical to the union employees medical insurance benefit plan beginning January 1, 2019.

City Administrator Arteaga recommended Council begin discussions in January 2019 on the implementation of the ambulance utility fee of \$8.00 per month.

Discussion took place.

On motion by Councilmember Everett, second by Councilmember Mendoza, Council directed staff to prepare the final budget documents as presented for consideration at the December 11, 2018 Council meeting.

3. ADJOURNMENT

The special meeting adjourned at 6:40 p.m.

Mayor Norm Childress

Anita Palacios, City Clerk