

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
NOVEMBER 4, 2019**

1. CALL TO ORDER

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

Present were: Mayor Mendoza and Councilmembers Gay Brewer, David Diaz, Mike Everett, Diana Jennings, Bill Moore, Javier Rodriguez and Joan Souders.

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

2. 2020 PRELIMINARY BUDGET

2020 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2020 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 were necessary. However, sewer rates were increased 4% in 2018 and 3% in 2019 in anticipation of a major project to replace the main trunk sewer 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. However, the trend of increasing demands appears to have leveled off in 2019. Therefore, the City's control of expenditures remains an important factor. In 2019, year-end water department operating expenses were projected to be \$37,000 below budget, and sewer department operating expenses were projected to be \$125,000 below budget. This control of expenses, and the conservative approach to budgeting, placed the City of Grandview Water/Sewer Fund in a good financial position.

October 2019 Analysis

The recent analysis included the following major work items:

- A review of 2018 revenues and expenses;
- Projection of 2019 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, but in 2017 the downturn reversed and increases continued in 2018 with higher year-end water and sewer revenues. However, the projected 2019 year-end revenues were showing an end to the two-year upward trend. Therefore, it was assumed increased industrial demand would not continue, which was consistent with the assumptions made in last year’s analysis. Cash flow 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 proposed schedule for improvements were included in a draft Ecology permit. Based on the report findings, improvements to the facility were planned in 2021 and 2022. 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 principal forgiveness (i.e., grant) for funding the replacement pipeline. Funding of the \$5.34 million project was summarized below:

Ecology Design Loan	\$300,500
Ecology Design Grant	\$300,500
Ecology Construction Loan	\$3,888,500
Ecology Construction Grant	\$100,000
CDBG Grant	<u>\$750,000</u>
Total Project Funding	\$5,339,400

Debt service (20 years at 2% interest) to repay the loan amounts (\$4,189,000) 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 the amount budgeted in the “Large Equipment Replacement” line item was proposed to pay for the improvements. Estimated costs of these improvements would be refined through an engineering study to be completed by the end of 2019.
- 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 was 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 2020. 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 recommendations included were incorporated into the draft Ecology NPDES permit in the form of a compliance schedule for the submittal of a detailed Engineering Report by June 2020. The draft NPDES permit was expected to become effective in January 2020. Therefore, the current plan was to construct the future improvements in 2021 and 2022, 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. Construction was expected to begin in 2020. Therefore, repayment of the \$4,189,000 loan amount would begin in 2021.
- Sewer revenues were projected to increase by only \$40,000 from 2018 to 2019, which was less than estimated based on the 3% 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 2019 levels and increases in revenue were due rate increases. Using this conservative revenue projection, and the need to fund anticipated capital improvements, a 3% recommended increase in sewer rates in 2020.
- 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 2021 treatment plant upgrades.

Discussion took place

Following discussion, the following utility rate increases were proposed for 2020:

- Sewer – 3% based on sewer rate analysis
- Irrigation – 2% to account for rate increase from Sunnyside Valley Irrigation District

Councilmember Everett questioned the differences in the sewer rates for wage usage in excess of the first 5,000 gallons per month for the three user groups residential, commercial and grocery stores/restaurants.

Copies of the proposed ordinances increasing utility rates were previously provided to Council for review.

On motion by Councilmember Jennings, second by Councilmember Moore, Council moved an ordinance amending Grandview Municipal Code Section 13.28.050 setting domestic sewer rates and an ordinance amending Grandview Municipal Code Section 13.28.060(B) setting irrigation water rates to the November 12, 2019 Council meeting for consideration.

Councilmembers Everett and Souders voted in opposition.

2020 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2020 preliminary budget, as follows:

Graffiti Removal

2019 Budget \$4,665

2020 Estimate \$4,705

Notable Changes in 2020 – None

Code Enforcement

2019 Budget \$88,590

2019 Estimate \$83,880

Notable Changes in 2020 – None

Inspections & Permits

2019 Budget \$59,950

2020 Estimate \$59,770

Notable Changes in 2020 – None

Parks Maintenance

2019 Budget \$272,845

2020 Estimate \$273,630

Notable Changes in 2020 –

- Dykstra Park Irrigation Phase 5 - \$5,000
- Playground chips - \$5,000

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- Arbor Day Tree planting - \$1,000
- Tree pruning for parks - \$5,000
- Dykstra Park canal landscaping - \$5,000

Transfers Out and Ending Fund Balance

2019 Budget \$95,000

2020 Estimate \$95,000

Notable Changes in 2020 – A \$50,000 transfer to the Street Fund was anticipated in 2020.

Streets

2019 Revenue Budget \$1,438,870

2020 Revenue Estimate \$968,640

2019 Expenditure Budget \$1,294,920

2020 Expenditure Estimate \$843,990

Notable Changes in 2020 –

- Street tree pruning (Higgins Way) - \$10,000
- Forsell tree removal - \$10,000
- Sidewalk repairs - \$15,000
- Complete Streets - \$28,000
- Stormwater Improvement Project - \$88,450

Transportation Benefit District

2019 Revenue Budget \$443,660

2020 Revenue Estimate \$417,685

2019 Budget \$261,745

2020 Estimate \$117,375

Notable Changes in 2020 – None

Cemetery

2019 Revenue Budget \$266,645

2020 Revenue Estimate \$289,280

2019 Budget \$204,790

2020 Estimate \$232,950

Notable Changes in 2020 – Expansion of new area (road entrance, mapping and landscaping) - \$50,000

East Wine Country Plaza Debt Service – SIED Loan

2019 Revenue Budget \$58,675

2020 Revenue Estimate \$58,675

2019 Budget \$58,670

2020 Estimate \$58,670

Notable Changes in 2020 – None

Euclid/Wine Country Road Improvements Debt Service – SIED Loan

2019 Revenue Budget \$25,605

2020 Revenue Estimate \$23,310

2019 Budget \$23,300

2020 Estimate \$23,300

Notable Changes in 2020 – None

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Capital Improvements

2019 Revenue Budget \$200,910

2020 Revenue Estimate \$259,710

2019 Budget \$140,000

2020 Estimate \$128,000

Notable Changes in 2020 – The City plans to build a splash pad at the municipal pool. Total cost was approximately \$300,000. In 2019, \$60,000 was put aside for construction. This budget included an additional \$60,000, bringing the total to \$120,000.

Water/Sewer Fund

2019 Revenue Budget \$15,666,780

2020 Revenue Estimate \$22,071,170

Water

2019 Budget \$2,243,135

2020 Estimate \$2,068,560

Notable Changes in 2020 –

- Reservoir inspection (3MG) - \$60,000
- Water meter replacements - \$300,000
- Willoughby Property irrigation - \$30,000
- Pump replacement for Balcom and Moe Well - \$30,000

Sewer Collection

2019 Budget \$1,021,475

2020 Estimate \$5,006,455

Notable Changes in 2020 –

- 1" Sewer Main Design - \$26,250
- 21" Sewer Main Construction - \$4,180,405
- Euclid Road manhole repairs - \$25,000

Sewer Treatment

2019 Budget \$1,983,660

2020 Estimate \$2,090,150

Notable Changes in 2020 –

- Large equipment replacement fund (metering stations, bio-solid presses and control panels) - \$250,000
- 100' x 200' bio-solid drying beds - \$300,000
- Utility water pump - \$35,000
- Computer (includes software and setup/transfer) - \$1,500

Water/Sewer Debt Service & Operating Transfers

2019 Budget \$636,005

2020 Estimate \$358,010

Notable Changes in 2020 – Two debt obligations were satisfied in 2019. One was a Public Works Trust Fund Loan for the Well Rehab project and the other was a Yakima County SIED Loan for the Downtown Water Service Improvements. In addition, there would be no transfer of funds to the Bond Redemption Fund since the 2015 Water Sewer Bond debt obligation was satisfied in 2019.

Irrigation

2019 Revenue Budget \$679,345
2020 Revenue Estimate \$656,255
2019 Budget \$553,855
2020 Estimate \$563,640
Notable Changes in 2020 – Main line replacement - \$5,000

Solid Waste Collection

2019 Revenue Budget \$1,751,905
2020 Revenue Estimate \$1,846,245
2019 Budget \$1,108,890
2020 Estimate \$1,120,340
Notable Changes in 2020 – None

Neighborhood Clean-up

2019 Budget \$18,335
2020 Estimate \$18,100
Notable Changes in 2020 – None

Water/Sewer Bond Debt Service

2018 Revenue Budget \$417,260
2019 Revenue Estimate \$-0-
2018 Budget \$417,150
2019 Estimate \$-0-
Notable Changes in 2019 – Outstanding bond was paid off in 2019.

Equipment Rental

2019 Revenue Budget \$2,823,505
2020 Revenue Estimate \$2,448,790
2019 Budget \$968,155
2020 Estimate \$843,090
Notable Changes in 2020 – The following equipment to purchase or replace:

- Replace #216 Patrol (Dodge Charger) - \$50,000
- Replace #217 Patrol (Dodge Charger) - \$50,000
- Garbage Truck Public Works - \$375,000
- City Hall computers and projector - \$12,000

The next preliminary budget meeting would be held on Monday, November 18, 2019 at 6:00 p.m.

3. ADJOURNMENT

The special meeting adjourned at 8:05 p.m.

Mayor Gloria Mendoza

Anita Palacios, City Clerk