

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 26, 2020**

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.

Governor Proclamation 20-28.10 continued the prohibition on “in-person” meetings through November 9, 2020. This meeting was available via teleconference.

Present: Mayor Mendoza and Councilmembers David Diaz, Mike Everett, Bill Moore, Robert Ozuna and Joan Souders

Absent: Councilmembers Javier Rodriguez and Diana Jennings.

Staff present were: City Administrator/Public Works Director Cus Arteaga, City Treasurer Matt Cordray, Assistant Public Works Director Todd Dorsett and City Clerk Anita Palacios

2. 2021 PRELIMINARY BUDGET

2021 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2021 Water and Sewer Rate Analysis, as follows:

Project Background

Revenues and expenditures for Grandview’s water and sewer funds were reviewed annually as part of the budget planning process. Prior to 2020, revenues and expenditures were combined into a single Water/Sewer Fund, but each department was tracked separately to ensure revenues collected for each system were enough to offset expenses. Since the funds were tracked separately, this year’s analysis of separate funds did not significantly change. The long-term financial plan was updated 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, 2019, and 2020, no increase in water rates was necessary. However, sewer rates were increased 4% in 2018 and 3% in both 2019 and 2020 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.

After a significant drop in 2016, sewer revenues have grown steadily at a rate just slightly above the sewer charge increases adopted by the Council. Conversely, water revenues decreased in 2019 and were projected to decrease further in 2020. Revenue changes were tied to industrial activity, crop size, and weather, which cannot be controlled by the City. Therefore, the City’s control of expenditures remains an important factor in financial health. In 2020, year-end water department operating expenses were projected to be \$36,000 below budget, and sewer department operating expenses were projected to be \$240,000 below budget. This control of expenses, and the conservative approach to budgeting, has placed the City’s Water and Sewer Funds in a good financial position.

October 2020 Analysis

The recent analysis included the following major work items:

- A review of 2019 revenues and expenses;
- Projection of 2020 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. The downward trend in water revenues over the last two years was assumed to flatten in 2021, so the revenue generated from water charges for service was assumed to be the same as 2020. Sewer charge revenue in 2020 was projected to be about 7.3% higher than 2019. However, it was unknown if this level of revenue could be maintained given the inherent variations in industrial discharges. Therefore, sewer charge revenue was assumed to be 4% lower in 2021 to account for the possibility of industrial discharges returning to 2019 levels. Cash flow was then updated to reflect these 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 (WWTP). The report was submitted to Ecology and the proposed schedule for improvements were included in the City’s current Ecology discharge permit. Based on the permit requirements, improvements to the facility were planned in 2022 and 2023. The estimated cost of those improvements in the amount of \$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 | \$5,339,500 |

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. HLA examined biosolids handling and variations in levels of dryness. We recommended expanding the drying beds in two phases beginning in 2021 with construction of 60,000 square feet of drying beds at an estimated cost of \$390,000. The second phase of this \$1.2 million project was flexible and could be tied to the major WWTP improvements discussed above. The 2021 budget included \$600,000 for drying bed improvements.
- The “Large Equipment Replacement” sewer fund line item included \$500,000 for miscellaneous repairs in 2021; \$250,000 was proposed in each of the three following years.
- 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 2021 (\$3,284,500) and 2022 (\$6,200,000) are proposed to be funded from reserves and through DWSRF (Drinking Water State Revolving Fund) loans, with associated debt service in the following years. The City was considering other needed improvements at a lower cost, so the costs included in the analysis may be conservative.
- Other smaller water system O&M improvements as recommended in the Water System Plan, funded with 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 provides 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 2021. 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 WWTP needed to address potential groundwater contamination. The recommendations included were incorporated into the Ecology NPDES permit in the form of a compliance schedule for the submittal of a detailed Engineering Report by December 31, 2020. Therefore, the current plan was to construct the future improvements in 2022 and 2023, 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 began in 2020 and would continue into 2021. Therefore, repayment of the \$4,189,000 loan amount was expected to begin in 2021.
- Sewer revenues were projected to increase by more than \$250,000 from 2019 to 2020, or about 7.3%, which was more than the 3% rate increase implemented by the City. Industrial revenues have fluctuated in the past, and likely account for the added revenue. Though future industrial discharges could be lower leading to reduced income, revenue demands were also reduced by shifting the scheduled WWTP improvements per the Ecology permit. As a result of the 2020 increase in revenue and a shift in construction expenses, no increase in sewer rates was recommended for 2021.
- 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.

Discussion took place.

2021 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2021 preliminary budget, as follows:

Graffiti Removal

2020 Budget \$4,705

2021 Estimate \$4,745

Notable Changes in 2021 – None

Code Enforcement

2020 Budget \$83,880

2011 Estimate \$84,030

Notable Changes in 2021 – None

Inspections & Permits

2020 Budget \$59,770

2021 Estimate \$91,340

Notable Changes in 2021 – Increase in regular salaries and benefits for additional staff to work on Grandridge Estates.

Parks Maintenance

2020 Budget \$278,030

2021 Estimate \$296,490

Notable Changes in 2021 –

- Dykstra Park Irrigation Phase 5 – \$5,000
- Playground chips – \$5,000
- Arbor Day Tree planting - \$1,000
- Improvements to Dykstra Park – basketball court, 12'x14' gazebo, pathway overlay (funded by Grandridge Subdivision project – \$20,000)

Transfers Out and Ending Fund Balance

2020 Budget \$75,000

2021 Estimate \$50,000

Notable Changes in 2021 – A \$50,000 transfer to the Street Fund was anticipated in 2021.

Streets

2020 Revenue Budget \$941,000

2021 Revenue Estimate \$660,100

2010 Expenditure Budget \$1,151,490

2021 Expenditure Estimate \$841,240

Notable Changes in 2021 –

- Sidewalk repairs – \$15,000
- Stormwater Improvement Project – \$30,450
- Upgrade signal equipment at four intersections: Grandridge & WCR, Euclid & WCR, West Second & Elm and Elm & WCR – \$20,000
- New banners – \$6,000

Transportation Benefit District

2020 Revenue Budget \$184,500

2021 Revenue Estimate \$180,000

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2020 Budget \$147,375

2021 Estimate \$53,150

Notable Changes in 2021 – The Washington Supreme Court struck down Initiative Measure 976 (I-976), which was passed by voters last year, as unconstitutional in an October 15, 2020 decision. I-976 reduced or eliminated local motor vehicle excise taxes (\$20 tab fee).

Cemetery

2020 Revenue Budget \$156,600

2021 Revenue Estimate \$153,300

2020 Budget \$233,250

2021 Estimate \$325,860

Notable Changes in 2021 –

- Expansion of new cemetery area (road entrance, mapping and landscaping) – \$50,000
- New cemetery engineering – \$70,000
- Add new niche wall – \$20,000

East Wine Country Plaza Debt Service – SIED Loan

2020 Revenue Budget \$58,670

2021 Revenue Estimate \$58,670

2020 Budget \$58,670

2021 Estimate \$58,670

Notable Changes in 2021 – None

Euclid/Wine Country Road Improvements Debt Service – SIED Loan

2020 Revenue Budget \$21,000

2021 Revenue Estimate \$23,310

2020 Budget \$23,300

2021 Estimate \$23,300

Notable Changes in 2021 – None

Capital Improvements

2020 Revenue Budget \$102,200

2021 Revenue Estimate \$101,500

2020 Budget \$128,000

2021 Estimate \$188,000

Notable Changes in 2021 – The City plans to build a splash pad at the municipal pool. Total cost was approximately \$300,000. The City has set aside \$120,000 the last two years. This budget included an additional \$60,000, bringing the total to \$180,000.

Water Fund

2020 Revenue Budget \$2,610,000

2021 Revenue Estimate \$2,529,280

Water Pumping, Treatment & Delivery

2020 Budget \$2,569,560

2021 Estimate \$2,158,780

Notable Changes in 2021 –

- Reservoir repainting (3MG) – \$200,000
- Water meter replacements – \$50,000

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- Willoughby property irrigation – \$30,000
- Water System Plan update – \$100,000
- New Well study – \$5,000
- New Well funding application – \$20,000
- New HVAC system for Willoughby Well (S13) - \$12,000
- Computer - \$2,500

Sewer Fund

2020 Revenue Budget \$13,727,850

2021 Revenue Estimate \$5,514,105

Sewer Collection

2020 Budget \$5,511,450

2021 Estimate \$2,482,500

Notable Changes in 2021 –

- Sewer System Plan update – \$84,000
- 21" Sewer Main Construction - \$1,600,000

Sewer Treatment

2020 Budget \$2,191,150

2021 Estimate \$2,749,340

Notable Changes in 2021 –

- Large equipment replacement fund (metering stations, bio-solid presses and control panels) – \$500,000
- 65,000 square foot bio-solid drying beds – \$600,000
- Utility water pump – \$5,000
- WWTP Plan update – \$5,000
- Sludge drying beds engineering – \$115,000

Irrigation

2020 Revenue Budget \$498,200

2021 Revenue Estimate \$496,000

2020 Budget \$564,640

2021 Estimate \$555,170

Notable Changes in 2021 –

- Main line replacement – \$5,000
- 2% irrigation rate increase to account for rate increase from Sunnyside Valley Irrigation District

Solid Waste Collection

2020 Revenue Budget \$1,171,930

2021 Revenue Estimate \$1,165,635

2020 Budget \$1,139,440

2021 Estimate \$1,196,500

Notable Changes in 2021 –

- Improvements to storage shed for two garbage trucks – \$25,000
- 1% solid waste collection rate increase to account for tipping fee increases from Yakima County Solid Waste

Neighborhood Clean-up

2020 Budget \$18,100
2021 Estimate \$18,100
Notable Changes in 2021 – None

Water/Sewer Bond Debt Service

2020 Revenue Budget \$-0-
2021 Revenue Estimate \$-0-
2020 Budget \$-0-
2021 Estimate \$-0-
Notable Changes in 2021 – Outstanding bond was paid off in 2019. This program statement would be off the budget documents when preparing the 2022 budget.

Equipment Rental

2020 Revenue Budget \$538,000
2021 Revenue Estimate \$556,000
2020 Budget \$988,090
2021 Estimate \$876,840
Notable Changes in 2021 – The following equipment to purchase or replace:

- Replace #121 fire vehicle (2009 Chevy Tahoe) – \$60,000
- Replace #241 police vehicle (2014 Ford Sedan) – \$75,000
- Replace #379 garbage truck (2000 Peterbilt) – \$375,000

Council concurred with the following utility rate increases for 2021:

- Irrigation – 2% to account for rate increase from Sunnyside Valley Irrigation District
- Solid Waste Collection – 1% rate increase to account for tipping fee increases from Yakima County Solid Waste

City Treasurer Cordray concluded by identifying that the following items were incorporated and/or requested to be incorporated into the 2021 preliminary budget during previous budget meetings:

- Legislative Services/Council – \$5,000 added under Professional Services for Council retreat
- Community Support Services – \$10,000 added under Professional Services for website update
- Economic Development Services – \$37,000 added under Professional Services for retail recruitment

Council concurred with staff preparing the final budget documents as presented for consideration.

3. ADJOURNMENT

The special meeting adjourned at 7:15 p.m.

Mayor Gloria Mendoza

Anita Palacios, City Clerk