

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 25, 2021**

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.

The meeting was held in person and was also available via teleconference.

Present in person: Mayor Mendoza and Councilmembers David Diaz (6:05 p.m.), Robert Ozuna, Javier Rodriguez and Joan Souders

Present via teleconference: Councilmember Mike Everett

Absent: Councilmembers Bill Moore (Mayor Pro Tem) 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. 2022 PRELIMINARY BUDGET

2022 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2022 Water and Sewer Rate Analysis, as follows:

Project Background

Revenues and expenditures for Grandview's water and sewer funds are 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. Now each individual fund is examined, and a long-term financial plan has been updated to assess future needs, so revenues can be reasonably adjusted to meet operating expenses and capital improvement costs.

This method of analysis has served Grandview well. 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. No water or sewer rate increases were recommended in 2021.

After a significant drop in 2016, sewer revenues have grown steadily at a rate just slightly above the sewer charge increases adopted by City Council. Conversely, water revenues decreased in 2019 and 2020, but are expected to increase slightly in 2021. Revenue changes are 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 2021, year-end water department operating expenses are projected to be \$15,000 below budget, and sewer department operating expenses are projected to be \$260,000 below budget. This control of expenses, and the conservative approach to budgeting, has placed the City of Grandview Water and Sewer Funds in a good financial position.

October 2021 Analysis

Our recent analysis included the following major work items:

- A review of 2020 revenues and expenses;
- Projection of 2021 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. The downward trend in water revenues over the last two years is projected to flatten in 2021, so the revenue generated from water charges for service was assumed to be about 1.3% higher than 2020. Sewer charge revenue in 2021 is also expected to be about 1.3% higher than 2020. Although industrial activity can affect water usage and sewer discharges, we anticipated water and sewer charge revenue would hold constant in 2022. 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 are 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 are included in the City’s current Ecology discharge permit. Based on the permit requirements, improvements to the facility are planned in 2023 and 2024. The estimated cost of those improvements (\$14 million and the associated debt service) is 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 is 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) is included in the analysis.

- Another proposed sewer system capital improvement project is construction of additional paved sludge drying beds. The first phase of the improvements will be completed in 2021, and the second phase is proposed in 2023 at an estimated cost of \$860,000. “Large Equipment Replacement” money will be used to pay for these improvements.
- The “Large Equipment Replacement” sewer fund line item includes an additional \$400,000 for other miscellaneous repairs in 2022.

- 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 was paid off in 2019, further reducing sewer expenses by \$420,000 per year.
- Grandview is currently updating its Water System Plan. Therefore, this year's analysis did not focus on the improvements included in the previous plan. Instead, the following projects were considered:

3MG Standpipe Reservoir Rehabilitation and Recoating – \$930,000

Butternut Well (S14) Cleaning and Rehabilitation – \$450,000

New Source Well and Reservoir – \$8,300,000

Expenditures for these improvements were planned in 2022 and 2023. Funding using a combination of City reserves and low interest loans was included in the analysis.

- Other smaller water system O&M improvements proposed in the 2022 budget, funded with City money, are also included in the financial plan.
- Ending fund balances are 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 have been discussed with City staff and will also be considered in the ongoing update to 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 is recommended for 2022. Based on the current timing of future capital improvements, rate increases may not be needed for several years.

Sewer Department

- Our rate analysis includes 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. Therefore, the current plan is to begin design of the future improvements in 2022, with construction proposed in 2023 and 2024. The financing plan includes building reserves to pay for a portion of the project cost to reduce future debt.
- Our analysis also includes replacement of the City's trunk sewer. Construction began in 2020 and will continue into 2022. Therefore, repayment of the \$4,189,000 loan amount is expected to begin in 2022.
- Sewer revenues are projected to increase by more than \$45,000 from 2020 to 2021, or about 1.3%, which is more than the 0% 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

are also reduced by shifting the scheduled WWTP improvements. As a result of the 2021 increase in revenue and a shift in construction expenses, no increase in sewer rates is recommended for 2022.

- Additional sewer rate increases will be needed in the future, but the timing and amount of the increase will depend on when capital improvements are 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 is available.

2022 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2022 preliminary budget, as follows:

Graffiti Removal

2021 Budget \$4,745

2022 Proposed \$4,615

Notable Changes in 2022 – None

Code Enforcement

2021 Budget \$83,310

2011 Estimate \$116,560

Notable Changes in 2022 –

- Increase to a full-time (FTE) Code Enforcement Officer – \$32,000

Inspections & Permits

2021 Budget \$90,540

2022 Proposed \$118,930

Notable Changes in 2022 –

- Increase to a full-time (FTE) Building Official – \$32,000

Parks Maintenance

2021 Budget \$591,175

2022 Proposed \$664,865

Notable Changes in 2022 –

- Add one full-time Employee (FTE) – \$46,000
- Dykstra Park Pathway Maintenance – \$10,000
- Dykstra Park Irrigation Phase 5 – \$5,000
- Playground chips – \$5,000
- Arbor Day Tree Planting – \$1,000
- Country Park Building Maintenance (Fire Department Building, Beavan's Building, and restroom) – \$25,000
- Dykstra Park Bathroom Upgrades (fixtures, doors and roof) – \$11,000

Transfers Out and Ending Fund Balance

2021 Budget \$220,000

2022 Proposed \$50,00

Notable Changes in 2022 – A \$50,000 transfer to the Street Fund was anticipated in 2022.

City Treasurer Cordray noted that staff decided not to transfer \$50,000 to the Street Fund in 2022.

Streets

2021 Revenue Budget \$1,368,550

2022 Revenue Estimate \$1,023,935

2021 Expenditure Budget \$1,368,550

2022 Expenditure Estimate \$1,023,935

Notable Changes in 2022 –

- Sidewalk Repairs – \$10,000
- Storm Water Improvement Project – \$50,000
- Upgrade Signal Equipment at 4 Intersections – Grandridge & WCR, Euclid & WCR, West Second & Euclid, Elm & WCR – \$20,000
- New Banners – \$6,000

Transportation Benefit District

2021 Revenue Budget \$489,600

2022 Revenue Estimate \$532,395

2021 Budget \$489,660

2022 Proposed \$532,395

Notable Changes in 2022 – None

Cemetery

2021 Revenue Budget \$333,705

2022 Revenue Estimate \$340,430

2021 Budget \$333,705

2022 Proposed \$340,430

Notable Changes in 2022 –

- Expansion of new cemetery area (road entrance, mapping and landscaping) – \$50,000
- New cemetery engineering – \$30,000

East Wine Country Plaza Debt Service – SIED Loan

2021 Revenue Budget \$332,180

2022 Revenue Estimate \$-0-

2021 Budget \$58,670

2022 Proposed \$58,670

Notable Changes in 2022 – Grandview Lumber made a payment in 2021 that satisfied the remaining debt obligation on the loan.

Euclid/Wine Country Road Improvements Debt Service – SIED Loan

2021 Revenue Budget \$23,310

2022 Revenue Estimate \$23,310

2021 Budget \$23,310

2022 Proposed \$23,310

Notable Changes in 2022 – None

Capital Improvements

Special Meeting Minutes – Budget

October 25, 2021

Page 6

2021 Revenue Budget \$493,730

2022 Revenue Estimate \$915,050

2021 Budget \$493,730

2022 Proposed \$915,050

Notable Changes in 2022 – Parks & Recreation Director asked to redirect pool funds from a pool splash pad to pool tank restoration and park pathway project. The City was also putting aside funds for the OIE Highway project grant match.

- Pool Tank Restoration – \$140,000
- Pathway Improvements – \$100,000
- OIE Highway Grant Match – \$300,000

Water Fund

2021 Revenue Budget \$9,003,280

2022 Revenue Estimate \$9,233,045

2021 Budget \$9,003,280

2022 Proposed \$9,233,045

Notable Changes in 2022 –

- Reservoir repainting (3MG) – \$600,000
- Water meter replacements – \$50,000
- Willoughby property irrigation – \$40,000
- Water System Plan update – \$20,000
- New Well study – \$12,000
- New Well funding application – \$20,000

Sewer Fund

2021 Revenue Budget \$13,017,140

2022 Revenue Estimate \$11,964,785

Sewer Collection

2021 Budget \$3,330,290

2022 Proposed \$1,209,110

Notable Changes in 2022 –

- Sewer System Plan update – \$15,000
- 21" Sewer Main Construction – \$382,000

Sewer Treatment

2021 Budget \$2,741,560

2022 Proposed \$2,533,730

Notable Changes in 2022 –

- Large equipment replacement fund (metering stations, bio-solid presses and control panels) – \$500,000
- 65,000 square foot bio-solid drying beds – \$25,000
- WWTP Plan update – \$5,000
- Sludge drying beds engineering – \$5,000
- Upgrade polymer system at dewater - \$140,000

Sewer Debt Service

2021 Budget \$13,017,140

2022 Proposed \$11,964,785

Notable Changes in 2022 – 21” Sewer Trunk Main project should be finished in 2022 and the City would begin making debt obligation payments.

Irrigation

2021 Revenue Budget \$667,400

2022 Revenue Estimate \$626,275

2021 Budget \$564,640

2022 Proposed \$555,170

Notable Changes in 2022 –

- Main line replacement – \$5,000

Staff proposed a 3% increase in irrigation rates.

Solid Waste Collection

2021 Revenue Budget \$1,871,055

2022 Revenue Estimate \$1,915,215

2021 Budget \$1,177,810

2022 Proposed \$1,183,780

Notable Changes in 2022 –

- Improvements to storage shed for two garbage trucks – \$20,000

Neighborhood Clean-up

2021 Budget \$18,100

2022 Proposed \$18,490

Notable Changes in 2022 – None

Equipment Rental

2021 Revenue Budget \$2,567,570

2022 Revenue Estimate \$2,380,100

2021 Budget \$2,567,570

2022 Proposed \$2,380,100

Notable Changes in 2022 – The following equipment to purchase or replace:

- Replace police vehicle – \$60,000
- Replace police vehicle – \$60,000

City Treasurer Cordray advised that the Current Expense Fund was still \$550,000 over budget and reductions would be necessary to balance the budget.

The next preliminary budget meeting would be held on Monday, November 1, 2021 at 6:00 p.m., to consider budget reductions.

3. ADJOURNMENT

The special meeting adjourned at 7:55 p.m.

Mayor Gloria Mendoza

Anita Palacios, City Clerk