

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 24, 2022**

1. CALL TO ORDER

City Administrator Cus Arteaga called the special meeting to order at 6:05 p.m. in the Council Chambers at City Hall.

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

Present in person: Councilmembers David Diaz, Jessie Espinoza, Javier Rodriguez and Joan Souders

Present via teleconference: None

Absent: Mayor Gloria Mendoza, Councilmembers (Mayor Pro Tem) Bill Moore and Robert Ozuna

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

2. 2023 PRELIMINARY BUDGET

2023 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2023 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. Now each individual fund was examined, and a long-term financial plan updated to assess future needs, so revenues could be reasonably adjusted to meet operating expenses and capital improvement costs.

This method of analysis has served Grandview well. 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 (Ecology) requirements. In 2018 through 2022, no increase in water rates was necessary, and no sewer rate increases were recommended in 2021 or 2022.

Sewer revenues grew steadily from 2016 to 2020, with declines totaling 5.6% in 2021 and 2022. Water revenues fluctuated during this period and decreased in 2019 and 2020. Revenue changes were tied to industrial activity, crop size, and weather, which could not be controlled by the City. Therefore, the City's control of expenditures remains an important factor in financial health. In 2022, year-end water department operating expenses were projected to be \$54,000 below budget, and sewer department operating expenses were projected to be \$50,000 under budget. This control of expenses, and the conservative approach to budgeting, has historically placed the City of Grandview Water and Sewer Funds in a good financial position.

October 2022 Analysis

The recent analysis included the following major work items:

- A review of 2021 revenues and expenses;
- Projection of 2022 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 recent downward trend in water and sewer revenues is projected to flatten in 2022. Despite residential growth, overall revenue generated from water charges for service was projected to be about 0.4% lower than 2021. Similarly, sewer charge revenue in 2022 was expected to be about 3.5% lower than 2021. Although industrial activity could affect water usage and sewer discharges, it was assumed usage would remain consistent in 2023. 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:

- Ecology requested an analysis and report to address groundwater concerns at the wastewater treatment plant (WWTP). The WWTP Facility Plan was submitted to Ecology and a proposed schedule for improvements was included in the Facility Plan. Improvements to the facility were planned in 2025 and 2026, with design beginning in 2023. The estimated cost of those improvements (\$34 million and the associated debt service) was included in the cash flow analysis. Funding was proposed through a combination of local funds and low interest loans as follows:

Phase 1 Improvements (2023 to 2026) - \$34,120,000
Local Funds = \$6,730,000
Water Reuse Grant = \$890,000
Low Interest Loan = \$26,500,000

Phase 2 Improvements (2031 to 2032) - \$6,005,000
Local Funds = \$505,000
Low Interest Loan = \$5,500,000

- 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 \$6.48 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
Ecology Additional Loan.....	\$1,100,000
CDBG Grant	\$750,000
City Funds.....	<u>\$40,000</u>
Total Project Funding	\$6,479,500

The project was now substantially complete, and debt service (20 years at 2% interest) to repay the loan amounts (\$4,189,000 and \$1,100,000) was included in the analysis. Debt service payment of \$370,000 for the Trunk Main project was expected to begin in 2022.

- Another proposed sewer system capital improvement project was construction of additional paved sludge drying beds. The first phase of the improvements was completed in 2021, and the second phase was proposed in 2023 at an estimated cost of \$860,000. “Large Equipment Replacement” money would be used to pay for these improvements.
- The “Large Equipment Replacement” sewer fund line item included headworks bypass improvements (\$150,000), dewatering polymer system improvements (\$60,000), and an additional \$100,000 for other miscellaneous repairs.
- Grandview received \$3,578,329 from Department of Health Drinking Water State Revolving Fund (DWSRF) to complete Source Well Improvements and Source Well Rehabilitation projects in 2023. Design was anticipated to begin fall 2022, with construction in summer 2023.
- Grandview was currently updating its Water System Plan. Therefore, this year’s analysis considered the following improvements as proposed in the Draft Water System Plan:

3MG Standpipe Reservoir Rehabilitation and Recoating - \$985,000

Butternut Well (S14) Cleaning and Rehabilitation - \$492,000

New 3.0MG Reservoir and Transmission Main - \$7,602,000

Expenditures for these improvements were planned in 2023 and 2024. Funding using a combination of City reserves and low interest loans (\$5,000,000) was included in the analysis.

- Other smaller water system O&M improvements proposed in the Draft 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 have been discussed with City staff and were included 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 both major capital improvement projects and O&M improvements are anticipated in the next few years, a 4% water rate increase is recommended for 2023 to maintain a stable fund balance in the 10- to 15-year horizon. Based on the timing of future capital improvements, regular rate increases would be needed for several years. Previous revenue declines also contributed to a rate increase higher than considered in past analyses.

Sewer Department

- The rate analysis included future improvements to the WWTP needed to address potential groundwater contamination. The plan was to begin design of the future improvements in 2023, with construction proposed in 2025 and 2026. The financing plan included accumulating reserves to pay for a portion of the project cost to reduce future debt.
- After a decline of 2.1% from 2020 to 2021, sewer revenues were projected to decrease by more than \$125,000 from 2021 to 2022, or about -3.5%. Industrial revenues have fluctuated in the past, and likely account for the reduced revenue. As a result of the decreases in revenue and the need to accumulate reserves for future project expenses, a 6% increase in sewer rates is recommended for 2023.
- 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.

2023 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2023 preliminary budget, as follows:

Capital Improvements

2022 Revenue Budget \$1,016,500

2023 Revenue Estimate \$1,235,930

2022 Expenditure Budget \$1,016,500

2023 Expenditure Proposed \$1,235,930

Notable Changes in 2023 –

- Wine Country Road/McCreadie Road Roundabout – \$144,000
- Dykstra Park & Bren Park Restrooms – \$120,000
- OIE Highway Grant Match – \$415,000

Water Fund

2022 Revenue Budget \$10,015,975

2023 Revenue Estimate \$10,283,140

2022 Expenditure Budget \$10,015,975

2023 Expenditure Proposed \$10,331,140

Notable Changes in 2023 – The current City Administrator would be preparing a retirement/transition plan for this coming year. Included with this plan was a retirement sick leave and retirement vacation leave buyout and the addition of funds for a replacement employee's salary and benefits for a combined total of \$74,445*:

- Retirement Sick Leave and Retirement Vacation Leave Buyout – \$15,450*
- New City Administrator Salary and Benefits – \$22,025*
- New Public Works Director Salary and Benefits – \$37,970*
- Lead & Cooper Compliance Program – \$18,000
- Water meters – \$25,000
- New Well – ARPA funding – \$350,000
- New Well – \$1,640,000
- Willoughby property irrigation – \$40,000
- Reservoir repainting (3MG) – \$900,000
- Diesel generator for Well SO-10 – \$30,000

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- Ductile iron cutting saw – \$3,000
- Chlorine scale – \$3,500

Staff proposed a 4% increase in water rates.

Water Debt Service

Notable Changes in 2023 – The Public Works Board Drinking Water State Revolving Fund Loan Well Rehab debt obligation would be satisfied in 2023. This would be a reduction of \$140,000 to the Water Fund starting in 2024.

Sewer Fund

2022 Revenue Budget \$13,388,530

2023 Revenue Estimate \$11,796,015

Sewer Collection

2022 Expenditure Budget \$3,329,450

2023 Expenditure Proposed \$879,040

Notable Changes in 2023 – The current City Administrator would be preparing a retirement/transition plan for this coming year. Included with this plan was a retirement sick leave and retirement vacation leave buyout and the addition of funds for a replacement employee's salary and benefits for a combined total of \$34,050*:

- Retirement Sick Leave and Retirement Vacation Leave Buyout – \$7,725*
- New City Administrator Salary and Benefits – \$7,340*
- New Public Works Director Salary and Benefits – \$18,985*
- Replace sewer pump for Butternut Lift Station - \$12,000

Sewer Treatment

2022 Expenditure Budget \$2,530,630

2023 Expenditure Proposed \$3,609,740

Notable Changes in 2023 – The current City Administrator would be preparing a retirement/transition plan for this coming year. Included with this plan was a retirement sick leave and retirement vacation leave buyout and the addition of funds for a replacement employee's salary and benefits for a combined total of \$48,735*:

- Retirement Sick Leave and Retirement Vacation Leave Buyout – \$7,725*
- New City Administrator Salary and Benefits – \$22,025*
- New Public Works Director Salary and Benefits – \$18,985*
- WWTP Upgrades – \$980,000
- Apply towards the purchase of a new loader – \$200,000
- Large equipment replacement – \$500,000
- Upgrade polymer system at dewater – \$60,000
- Headworks bypass – \$150,000

Staff proposed a 6% increase in sewer rates.

Sewer Debt Service

2022 Expenditure Budget \$13,388,530

2023 Expenditure Proposed \$11,985,515

Notable Changes in 2023 – 21" Sewer Trunk Main project should be finished in 2022 and the City would begin making debt obligation payments.

Irrigation

2022 Revenue Budget \$640,165

2023 Revenue Estimate \$619,900

2022 Expenditure Budget \$640,165

2023 Expenditure Proposed \$645,900

Notable Changes in 2023 – The current City Administrator would be preparing a retirement/transition plan for this coming year. Included with this plan was a retirement sick leave and retirement vacation leave buyout and the addition of funds for a replacement employee's salary and benefits for a combined total of \$8,905*:

- Retirement Sick Leave and Retirement Vacation Leave Buyout – \$2,575*
- New Public Works Director Salary and Benefits – \$6,330*
- Irrigation pump replacements for Stassen Way irrigation, Wyant Way irrigation, Meadowlark irrigation and Public Works Shop irrigation – \$13,000

Staff proposed a 5% increase in irrigation rates.

Solid Waste Collection

2022 Revenue Budget \$1,917,215

2023 Revenue Estimate \$2,042,265

2022 Expenditure Budget \$1,185,380

2023 Expenditure Proposed \$1,326,000

Notable Changes in 2023 – The current City Administrator would be preparing a retirement/transition plan for this coming year. Included with this plan was a retirement sick leave and retirement vacation leave buyout and the addition of funds for a replacement employee's salary and benefits for a combined total of \$25,150*:

- Retirement Sick Leave and Retirement Vacation Leave Buyout – \$5,150*
- New City Administrator Salary and Benefits – \$7,340*
- New Public Works Director Salary and Benefits – \$12,660*
- Improvements to storage shop for two garbage trucks – \$20,000

Neighborhood Clean-up

2022 Expenditure Budget \$17,490

2023 Expenditure Proposed \$18,070

Notable Changes in 2023 – None

Equipment Rental

2022 Revenue Budget \$2,507,100

2023 Revenue Estimate \$2,676,960

2022 Expenditure Budget \$2,507,100

2023 Expenditure Proposed \$2,676,960

Notable Changes in 2023 – The following equipment to purchase or replace:

- Replace #241 2015 Ford (Patrol) – \$60,000
- Replace #242 2015 Ford (Patrol) – \$60,000
- Replace #305 2007 Chevrolet (PW) – \$30,000
- Replace #306 2007 Chevrolet (PW) – \$30,000
- Replace #308 2007 Chevrolet (PW) – \$30,000
- Replace #313 2007 Chevrolet (PW) – \$30,000
- Replace #392 2007 Chevrolet (PW) – \$30,000
- Replace #393 2007 Chevrolet (PW) – \$30,000

- Replace #364 1991 Cat Loader (PW) – \$200,000

American Rescue Plan Act (ARPA) Fund

2022 Revenue Budget \$3,059,410

2023 Revenue Estimate \$2,187,290

2022 Expenditure Budget \$3,059,410

2023 Expenditure Proposed \$2,187,290

Notable Changes in 2023 – Project lists were submitted by Department Heads and Councilmembers. ARPA Committee reviews and brings the list to Council for approval.

3. ADJOURNMENT

The special meeting adjourned at 7:40 p.m.

Mayor Gloria Mendoza

Anita Palacios, City Clerk