

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 21, 2024**

1. CALL TO ORDER

Mayor Ashley Lara 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 Lara and Councilmembers Laura Flores, Bill Moore, Robert Ozuna and Joan Souders

Present via teleconference: Councilmembers Steve Barrientes and David Diaz

Absent: Councilmember Javier Rodriguez

Staff present were: City Administrator Shane Fisher, City Treasurer Matt Cordray, Public Works Director Hector Mejia and City Clerk Anita Palacios

2. 2025 PRELIMINARY BUDGET

2025 Water and Sewer Rate Analysis

Jakob Michael, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2025 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. Individual water and sewer funds were examined separately, and a long-term financial plan is updated to assess future needs, so revenues can be reasonably adjusted to meet operating expenses and capital improvement costs.

Sewer rates were increased 6% in 2023 and 8% in 2024 in anticipation of a major treatment plant improvement project to address Department of Ecology (Ecology) requirements. Water rates increased by 4% in 2023 and 2024 in anticipation of source well and reservoir storage improvements. These rate increases helped Grandview to maintain a stable fund balance in the 10- to 15-year horizon while completing major capital improvement projects and O&M improvements.

Sewer revenues grew steadily from 2016 to 2020, with declines totaling 2.21% in 2021 and 2022. Water revenues fluctuated during this same period, with 2022 water revenues only \$30,000 more than 2019 water revenues. Revenue changes were tied to industrial activity, crop size, and weather, which cannot be controlled by the City. The City's control of expenditures and the conservative approach to budgeting has historically placed the City of Grandview Water and Sewer Funds in a good financial position.

October 2024 Analysis

The recent analysis included the following major work items:

- A review of 2023 revenues and expenses.
- Projection of 2024 year-end revenues and expenses using historical seasonal distribution of water consumption, sewer discharges, and expenditures.
- Examination of current and proposed capital improvements.
- Preparation of a cash flow analysis to review projected revenue needs.

The cash flow analysis relies on reasonable revenue projections. The past downward trend in water and sewer revenues flattened in 2022. Overall revenue generated from water charges for service in 2024 is projected to be about 7.7% higher than 2023. Similarly, sewer charge revenue in 2024 is expected to be about 7.9% higher than 2023. These projected revenue increases were not expected to establish new trends, and we therefore assumed usage would remain consistent in 2025 for conservative analysis. 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). A WWTP Facility Plan was submitted and approved by Ecology and included a proposed schedule for improvements. Design of the WWTP improvements began in 2023 and would continue through 2025 with construction in 2026, finishing in 2027. The estimated cost of those improvements (\$42 million and the associated debt service) is included in the cash flow analysis. Funding is proposed through a combination of local funds and low interest loans as follows:

Phase 1 Improvements (2023 to 2027) - \$36,001,000

Local Funds = \$4,475,000

Water Reuse Grant = \$890,000

Ecology Forgivable Principal (Design) = \$2,255,000

Low Interest Loan = \$28,381,000

Phase 2 Improvements (2031 to 2032) - \$6,005,000

Local Funds = \$505,000

Low Interest Loan = \$5,500,000

- Another proposed sewer system capital improvement project is replacement of trunk main in 5th Street and Old Inland Empire Highway (OIE). The phased improvements were anticipated to be completed in late fall 2024. The final cost of the project is approximately \$2,400,000; split into \$1,400,000 grant and \$1,000,000 Yakima County Supporting Investments in Economic Development (SIED) loan.
- The City was successful in applying for SIED funding in 2023 for water, sewer, and road improvements to Wine Country Road and Higgins Way. The improvements were currently under construction for an estimated final cost of \$1,915,520, of which \$953,780 is for water and sewer improvements and split between water and sewer funds:

Water - \$475,380

Local Funds = \$95,340

SIED Grant = \$190,020

SIED Loan = \$190,020

Sewer - \$478,400

Local Funds = \$95,300

SIED Grant = \$191,550

SIED Loan = \$191,550

- Grandview received \$3,578,329 from Department of Health Drinking Water State Revolving Fund (DWSRF) and \$850,000 from Yakima County American Rescue Plan Act (ARPA) to complete Source Well Improvements and Source Well Rehabilitation projects. The new well has been drilled, and the wellhouse design is anticipated to be completed this year for early 2025 construction.
- Grandview's water system is nearing capacity. Therefore, this year's analysis considered the following improvements as proposed in the Water System Plan:

Balcom and Moe Well Aeration Improvements - \$615,000

3MG Standpipe Reservoir Rehabilitation and Recoating - \$1,020,000

Expenditures for these improvements were planned in 2025. Funding using City reserves was included in the analysis.

- Grandview received \$9,090,000 from Department of Health Drinking Water State Revolving Fund (DWSRF) and is providing \$2,809,700 of local funds to complete the New 3.0 MG Reservoir project. The design has begun and is anticipated to be completed in early 2025 for construction to begin in summer 2025 and be completed in 2026.
- The City was successful in applying for SIED and Community Economic Revitalization Board (CERB) funding in 2024 for the Northwest Grandview Infrastructure Improvements (truck stop) project. The developer is committed to paying \$20,000,000 for the project and would reimburse Grandview for the SIED/CERB loans to fund sewer and water improvements, which were approximately \$3,649,465. The design is projected to be completed in 2025, and construction anticipated to begin in 2025 and end in 2026.

Water - \$1,630,305

CERB Loan = \$1,139,605

SIED Loan = \$490,700

Sewer - \$2,019,160

CERB Loan = \$1,412,160

SIED Loan = \$607,000

- 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 were anticipated in the next few years, an 8% water rate increase is recommended for 2025 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.

Sewer Department

- Our rate analysis includes future improvements to the WWTP needed to address potential groundwater contamination. The plan is to complete design of the future improvements in 2025, with construction proposed in 2026 and 2027. The financing plan includes accumulating reserves to pay for a portion of the project cost to reduce future debt.
- Since the new WWTP and other sewer system improvement projects were anticipated in the short term, an 8% increase in sewer rates is recommended for 2025 to meet the need to accumulate reserves for future project expenses.
- 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 is available.

2025 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2025 preliminary budget, as follows:

Capital Improvements

2024 Revenue Budget \$266,500

2025 Revenue Estimate \$320,000

2024 Expenditure Budget \$1,018,000

2025 Expenditure Proposed \$503,050

Notable Changes in 2025 –

- Pool splash pad - \$500,000

WCR/McCreadie Utilities – SIED Loan & Grant

2024 Revenue Budget \$53,000

2025 Revenue Proposed \$-0-

2024 Expenditure Budget \$53,000

2025 Expenditure Proposed \$-0-

Notable Changes in 2025 – The loan amount on this project was \$259,050. The repayment period on the loan would be 10 years and the first annual payment was made in June 2024.

WCR & Higgins Improvements (Truck Plaza) – SIED Loan & Grant

2024 Revenue Budget \$1,697,000

2025 Revenue Proposed \$-0-

2024 Expenditure Budget \$1,697,000

2025 Expenditure Proposed \$-0-

Notable Changes in 2025 – The loan amount on this project was \$766,208. The repayment period on the loan was 10 years and the first annual payment would be made in June 2025. The developer of the truck plaza would be making the payment to the City and the City would then turn around and make the payment to Yakima County.

OIE (Welch's) & West Fifth Street Sewer Improvements – SIED Loan & Grant

2024 Revenue Budget \$2,205,000

2025 Revenue Proposed \$-0-

2024 Expenditure Budget \$2,205,000

2025 Expenditure Proposed \$-0-

Notable Changes in 2025 – The loan amount of this project was \$1,000,000. The repayment period on the loan was 10 years and the first annual payment would be made in June 2026.

NW Grandview Infrastructure Improvements – SIED Loan & Grant

2024 Revenue Budget \$100,000

2025 Revenue Proposed \$6,550,000

2024 Expenditure Budget \$100,000

2025 Expenditure Proposed \$6,550,000

Notable Changes in 2025 – The repayment of the loans would most likely not take place until at least 2026.

Water Fund

2024 Revenue Budget \$10,080,750

2025 Revenue Estimate \$9,547,400

2024 Expenditure Budget \$13,044,790

2025 Expenditure Proposed \$10,229,400

Notable Changes in 2025 –

- Water Meters – \$140,000
- New Well – \$1,500,000
- New 3 MG Reservoir – \$4,660,000
- Butternut Well (S14) – \$100,000
- Balcom & Moe Well – \$615,000
- Willoughby Irrigation System – \$40,000
- Reservoir Repainting (3MG) – \$920,000
- Chlorine Scale – \$16,000
- Reservoir Vent Replacement – \$35,000

Staff proposed an 8% increase in water rates.

Water Debt Service

Following were the outstanding loans with their respective years of origin and maturity.

- U.S.D.A. Note – Water System Improvements
 - 2009 – 2049
- Public Works Board, Drinking Water State Revolving Fund Loan – Old Inland Empire Water Improvements
 - 2014 – 2036
- Yakima County SIED Loan – WCR & McCreddie Utilities
 - 2024 – 2033
- Yakima County SIED Loan – WCR & Higgins Way (Truck Plaza)
 - 2025 – 2034
- Commerce DWSRF Loan – New Source Well
 - 2025 – 2044

Notable Changes in 2025 – Wine Country Road/McCreddie Utilities and Wine Country Road Higgins Way projects were completed in 2024. The City would begin making payments to the

loans in 2025. The City would also begin to make payments on the Department of Commerce Loan for the new source well.

Sewer Fund

2024 Revenue Budget \$4,990,600
2025 Revenue Estimate \$5,842,700

Sewer Collection

2024 Expenditure Budget \$1,422,180
2025 Expenditure Proposed \$1,084,880
Notable Changes in 2024 – None

Sewer Treatment

2024 Expenditure Budget \$4,718,580
2025 Expenditure Proposed \$4,973,340
Notable Changes in 2025 –

- WWTP upgrade – \$1,500,000
- Large equipment replacement – \$115,000

Staff proposed an 8% increase in sewer rates.

Sewer Debt Service

Following outstanding loans with their respective years of origin and maturity:

- U.S.D.A. Note – Wastewater System Improvements
 - 2016 – 2056
- Department of Ecology Loan – 21” Sewer Trunk Main
 - 2024 – 2044
- Yakima County SIED Loan – WCR & McCreddie Utilities
 - 2024 – 2033
- Yakima County SIED Loan – WCR & Higgins Way (Truck Plaza)
 - 2025 – 2034

Notable Changes in 2025 – Wine Country Road/McCreddie Utilities and Wine Country Road/Higgins Way projects were completed in 2024. The City would begin making payments to the loans in 2025.

Irrigation

2024 Revenue Budget \$616,000
2025 Revenue Estimate \$633,500
2024 Expenditure Budget \$653,940
2025 Expenditure Proposed \$682,350
Notable Changes in 2025 – Anticipated 5% increase in water being purchased from Sunnyside Valley Irrigation District.

Staff proposed a 6% increase in irrigation rates.

Solid Waste Collection

2024 Revenue Budget \$1,324,525
2025 Revenue Estimate \$1,403,530
2024 Expenditure Budget \$1,623,410
2025 Expenditure Proposed \$1,558,750

Notable Changes in 2025 –

- DEF Tote – \$3,000
- Increase in tipping fees – \$21,000

Staff proposed a 4% increase in garbage rates.

Neighborhood Clean-up

2024 Expenditure Budget \$18,030

2025 Expenditure Proposed \$25,410

Notable Changes in 2025 – Increase cost in tipping fees

Equipment Rental

2024 Revenue Budget \$647,500

2025 Revenue Estimate \$605,000

2024 Expenditure Budget \$1,167,550

2025 Expenditure Proposed \$656,260

Notable Changes in 2025 – The following equipment to purchase or replace:

- One patrol vehicle – \$75,000

American Rescue Plan Act (ARPA) Fund

2024 Expenditure Budget \$1,605,300

2025 Expenditure Proposed \$459,840

Notable Changes in 2025 – All funds have been obligated. There would be no new services or projects implemented in the future.

The next preliminary budget meeting would be held on Monday, October 28, 2024 at 6:00 p.m., to discuss utility rate increases.

3. ADJOURNMENT

On motion by Councilmember Moore, second by Councilmember Souders, the special meeting adjourned at 7:20 p.m.

Mayor Ashley Lara

Anita Palacios, City Clerk