

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 17, 2016**

1. CALL TO ORDER

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

Present were: Mayor Childress and Councilmembers Gaylord Brewer, Mike Everett, Dennis McDonald, Gloria Mendoza, Bill Moore and Joan Souders. Excused from the meeting was Councilmember Javier Rodriguez.

Staff present were: City Administrator/Public Works Director Cus Arteaga, City Treasurer Matt Cordray, Police Chief Kal Fuller, Library Director Elizabeth Jahnke, Wastewater Treatment Plant Superintendent Dave Lorenz and City Clerk Anita Palacios.

2. 2017 PRELIMINARY BUDGET

2017 Water and Sewer Rate Analysis

Ted Pooler, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2017 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. The analysis process began in earnest in 2008 to evaluate the loss of revenue caused by the Wild River Foods fire. Had Wild River Foods remained in operation, they would have generated an estimated \$130,000 in annual water charge revenue and \$750,000 in annual sewer charge revenue. As a result of this significant loss of revenue, a long-term plan was developed to bring water and sewer revenues back to the level where each department was self-sufficient.

Over the ensuing years, annual rate increases were implemented. In 2014, the sewer department fund balance became positive, and the water department was no longer supporting cash flow in the sewer department. Significant increases in industrial wastewater discharges from 2012 through 2015 led to this favorable revenue picture in the sewer department. In 2015, increases of 2% for water and 1% for sewer were recommended by HLA and adopted by Council. With the improved revenues in both the water department and sewer department, no rate increases were necessary in 2016.

While increased revenues were noteworthy, the City's control of expenditures was also an important factor. In 2016 alone, year-end water department operating expenses were projected to be \$190,000 below budget, and sewer department operating expenses were projected to be \$290,000 below budget. This control of expenses, and the conservative approach to budgeting, has placed Grandview in a good financial position.

October 2016 Analysis

The recent analysis included the following major work items:

- A review of 2016 revenues and expenses;
- Projection of 2016 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. Year-end 2015 revenues were in line with past revenue projections. However, a downturn in revenues in 2016 were being seen. This downturn was probably due to decreased water consumption and decreased industrial wastewater discharges. To be conservative, the lower revenues were used as the base to estimate future revenues. The cash flow analysis 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 sewer department balance was negative through 2013, but in 2014 the year-end balance in the sewer department was positive for the first time since 2007, and sewer revenues continued to exceed expenses in 2015. Even though sewer revenues were down by approximately \$150,000, both the projected 2016 year-end balance and the 2017 budget show a positive balance. Therefore, no sewer rate increase was proposed for 2017.
- Upgrades to the wastewater pumping stations (Euclid Road and Primary Clarifier Pump Stations) were included as sewer expenses in 2014 and 2015 (project construction). Debt service for this improvement was included in 2015 (interim financing interest) with principal and interest payments beginning in 2016.
- The Department of Ecology requested an analysis and report to address groundwater concerns at the wastewater treatment facility. A draft report was prepared recommending improvements at the facility in 2020. The estimated cost of those improvements (\$14 million and the associated debt service) was included in the cash flow analysis.
- The sewer department would pay 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 would be paid off in 2019, further reducing sewer expenses by \$540,750 per year.
- Water department expenses included 2016 capital expenditures for the remaining portion of the Old Inland Empire (OIE) Road water system improvements, and rehabilitation of the Asahel Curtis Well (S17). In 2017, capital improvement expenses were included for telemetry system upgrades, water meters, and the remaining costs for rehabilitation of the Asahel Curtis Well.
- Future improvements outlined in the Water System Plan were considered in the future cash flow analysis. Major improvements in 2018 (\$1,425,000), 2020 (\$1,773,000), and 2021 (\$6,200,000) were proposed to be funded by Drinking Water State Revolving Fund (DWSRF) loans, with associated debt service in the following years.
- 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 2017. 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 report, required by the City's NPDES permit and outlining recommended improvements, had not been approved by the Department of Ecology, so timing of the future improvements may change. The current plan was to construct the future improvements after the existing debt was retired to minimize the impact to customers. The financing plan also included building reserves to pay for a portion of the project cost to reduce future debt.
- Sewer revenues have decreased an estimated \$150,000 from 2015 to 2016, and sewer operating expenses were increasing about \$290,000 from 2016 to 2017. (A significant portion of this increase was offset by a reduction in debt service costs.) However, projected revenues were still expected to exceed expenses for the next several years, which would allow a reserve to grow and provide funding of future improvements. Therefore, no rate increase was required in 2017. However, the projected decrease in revenues and increase in expenditures should be monitored to see if the trend continues. Gradual adjustments to rates could then be made to pay for the proposed year 2020 treatment plant upgrades.

2017 Proposed Utility Rate Increases

City Administrator/Public Works Director Arteaga explained that staff was proposing the following utility rate increases:

- Water – 0%
- Sewer – 0%
- Garbage – 1% to account for tipping fee increase from Yakima County Solid Waste Department
 - 2016 Rate – \$13.64
 - 2017 Rate – \$13.78
- Irrigation – 1% to account for rate increase from Sunnyside Valley Irrigation District
 - 2016 Rate – \$11.17
 - 2017 Rate – \$11.28

On motion by Councilmember Moore, second by Councilmember Souders, Council directed staff to draft ordinances increasing 2017 garbage rates 1% and 2017 irrigation rates 1% for consideration at the October 25th Council meeting.

2017 Current Expense Fund Revenue Sources

City Treasurer Cordray explained that the operating revenue for the Current Expense Fund in 2017 was estimated to be \$5,163,410. The Current Expense Fund revenue estimates were as follows:

<u>Revenue Type</u>	<u>Amount</u>
Property Taxes	\$1,455,000
Sales Tax	\$ 604,500
Criminal Justice Tax	\$ 155,000
City Utility Taxes	\$ 985,000
Private Utility Taxes	\$1,005,000
Other Taxes	\$ 1,200
Licenses & Permits	\$ 126,250
Intergovernmental Revenues	\$ 330,000
Charges for Service	\$ 155,450
Fines & Forfeits	\$ 190,100
Misc. & Other Revenues	<u>\$ 152,910</u>
Total Revenue	<u>\$5,163,410</u>

A public hearing to consider the revenue sources for the 2017 Current Expense Fund budget would take place at the October 25, 2016 Council meeting.

2017 Expenditure Estimates – Current Expense Fund

City Treasurer Cordray continued the presentation of the 2017 preliminary budget, as follows:

Police Administration Services

2016 Budget \$286,580

2017 Proposed \$288,800

Notable Changes in 2017 –

- Filling the open Administrative Assistant position \$81,000 for wages and benefits (removed – to be reconsidered).
- Replace Police Chief’s vehicle \$50,000 (Equipment Rental)

Police Investigation Services

2016 Budget \$276,950

2017 Proposed \$283,800

Notable Changes in 2017 –

- Wage increase \$2,400 (This represents specialty pay of \$200 per month. This would allow the appointment of a currently employed patrol officer to detective duties.)

Police Patrol Services

2016 Budget \$1,598,200

2017 Proposed \$1,661,700

Notable Changes in 2017 –

- 1 Mobile Data Terminal replacement \$2,500 (Capital Replacement item)
- 6 Bullet Resistant Vests \$7,000 (Capital Replacement item)
- 2 TASER \$2,000 (Capital Replacement item)
- 2 Rifles \$2,500 (Capital Replacement item)
- Range Maintenance (outfit classroom) \$1,000
- Increase Travel Training (academy cost x2 officers) \$5,500

Special Meeting Minutes – Budget

October 17, 2016

Page 5

- Increase Misc Training for Ammunition \$1,000
- Uniforms (new reserves/officers) \$2,000
- Reserves Pension Fund \$2,000
- 2 new Patrol Officer positions \$180,000 (removed – to be reconsidered)

Police Community Programs

2016 Budget \$15,400

2017 Proposed \$16,350

Notable Changes in 2017 –

- Crime Prevention supplies \$500 increase (school student/Halloween handouts)

3. ADJOURNMENT

The special meeting adjourned at 8:00 p.m.

Mayor Norm Childress

Anita Palacios, City Clerk