

**GRANDVIEW CITY COUNCIL
SPECIAL MEETING MINUTES – BUDGET
OCTOBER 23, 2023**

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 Steve Barrientes, David Diaz, Laura Flores, Javier Rodriguez and Joan Souders

Present via teleconference: None

Absent: Councilmembers Bill Moore, Robert Ozuna and Javier Rodriguez

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

2. 2024 PRELIMINARY BUDGET

2024 Water and Sewer Rate Analysis

Stephen Hazzard, City Engineer with HLA Engineering and Land Surveying, Inc., presented the 2024 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 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. 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. However, due to decreases in revenue and the need to accumulate further reserves for the treatment plant improvements, sewer rates were increased by 6% in 2023. Water rates were also increased 4% to maintain a stable fund balance in the 10- to 15-year horizon due to future 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 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 2023 Analysis

Our recent analysis included the following major work items:

- A review of 2022 revenues and expenses;
- Projection of 2023 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 flattened in 2022. Overall revenue generated from water charges for service was projected to be about 10.5% higher than 2022. Similarly, sewer charge revenue in 2022 was expected to be about 11.1% higher than 2022. These projected increases were not expected to establish new trends, and we therefore assumed usage would remain consistent in 2024 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). 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 started 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

- 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 currently under construction for an estimated final cost of \$1,030,000.
- Another proposed sewer system capital improvement project was replacement of trunk main in 5th Street and OIE. The first phase of the improvements were currently under construction with the OIE road project, and the second phase was currently under design for an estimated final cost of \$2,400,000; split into \$1,400,000 grant and \$1,000,000 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 under design and planned for construction in 2024 for an estimated final cost of \$1,915,520 of which \$953,780 was 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

- The City was successful in applying for SIED funding in 2022 for water, sewer, and road improvements to Wine Country Road Roundabout Improvement Project. The improvements were substantially completed for an estimated final cost of \$518,100 of which \$350,000 was split between water and sewer funds:

Water - \$87,600

SIED Grant = \$43,800

SIED Loan = \$43,800

Sewer - \$262,400

SIED Grant = \$131,200

SIED Loan = \$131,200

- Grandview received \$3,578,329 from Department of Health Drinking Water State Revolving Fund (DWSRF) and \$850,000 Yakima County ARPA to complete Source Well Improvements and Source Well Rehabilitation projects in 2023 and 2024. The City anticipates using \$500,000 of City ARPA.
- Grandview's water system was nearing capacity. Therefore, this year's analysis considered the following improvements as proposed in the Water System Plan:

Balcom and Moe Well - \$615,000

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

Butternut Well (S14) Cleaning and Rehabilitation - \$1,800,000

Expenditures for these improvements were planned in 2024 and 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 was providing \$2,809,700 of local funds to complete New 3.0 MG Reservoir project in 2024 and 2025.
- Other smaller water system and sewer system O&M improvements proposed in the Water System Plan and General Sewer 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 were anticipated in the next few years, a 4% water rate increase was recommended for 2024 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

- The rate analysis includes future improvements to the WWTP needed to address potential groundwater contamination. The plan was to begin design of the future improvements in 2024, with construction proposed in 2025, 2026, and 2027. The financing plan includes accumulating reserves to pay for a portion of the project cost to reduce future debt.
- Despite the projected increase in 2023 revenue, a 8% increase in sewer rates was recommended for 2024 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 was available.

2024 Revenue and Expenditure Estimates

City Treasurer Cordray continued the presentation of the 2024 preliminary budget, as follows:

Capital Improvements

2023 Revenue Budget \$257,150

2024 Revenue Estimate \$266,500

2023 Expenditure Budget \$1,055,000

2024 Expenditure Proposed \$858,000

Notable Changes in 2024 –

- Wine Country Road/McCreadie Road Roundabout (center island treatment) – \$310,000
- Pool Splash Pad – \$200,000
- OIE Highway Grant Match – \$327,000
- Dykstra & Bren Park Restrooms – \$20,000

WCR/McCreadie Utilities – SIED Loan & Grant

2023 Revenue Budget \$518,100

2024 Revenue Proposed \$-0-

2023 Expenditure Budget \$518,100

2024 Expenditure Proposed \$-0-

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

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

2023 Revenue Budget \$1,947,000

2024 Revenue Proposed \$766,500

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2023 Expenditure Budget \$1,947,000

2024 Expenditure Proposed \$1,276,000

Notable Changes in 2024 – 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

2023 Revenue Budget \$2,400,000

2024 Revenue Proposed \$2,000,000

2023 Expenditure Budget \$2,400,000

2024 Expenditure Proposed \$2,057,000

Notable Changes in 2024 – The loan amount on 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 2025.

Water Fund

2023 Revenue Budget \$7,417,500

2024 Revenue Estimate \$9,760,750

2023 Expenditure Budget \$5,378,625

2024 Expenditure Proposed \$10,535,760

Notable Changes in 2024 –

- Water Meters – \$40,000
- New Well – \$2,142,000
- New 3 MG Reservoir – \$2,665,700
- Butternut Well (S14) – \$1,800,000
- Balcom & Moe – \$615,000
- Willoughby Irrigation System – \$40,000
- Reservoir Repainting (3MG) – \$1,020,000
- Chlorine Scale – \$16,000

Staff proposed a 4% increase in water rates.

Water Debt Service

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

- USDA Note – Water System Improvements (2009-2049)
- Public Works Board Drinking Water State Revolving Fund Loan – Old Inland Empire Water Improvements (2014-2036)

Notable Changes in 2024 – 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

2023 Revenue Budget \$5,647,105

2024 Revenue Estimate \$4,705,100

Sewer Collection

2023 Expenditure Budget \$933,440
2024 Expenditure Proposed \$980,180
Notable Changes in 2024 – None

Sewer Treatment

2023 Expenditure Budget \$2,771,140
2024 Expenditure Proposed \$2,052,490
Notable Changes in 2024 –

- WWTP Upgrades – \$1,955,000
- Large equipment replacement – \$300,000
- Drying Beds – \$50,000
- Polymer system – \$3,000
- Headworks bypass – \$70,000
- Addition of mid-management employee - \$80,000

Staff proposed an 8% increase in sewer rates.

Sewer Debt Service

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

- USDA Loan – Wastewater System Improvements (2016-2056)
- Department of Ecology Loan – 21” Sewer Trunk Main (2024-2044)

Notable Changes in 2024 – 21” Sewer Trunk Main project was completed in 2023 and the City would be making annual loan payments beginning in 2024.

Irrigation

2023 Revenue Budget \$556,300
2024 Revenue Estimate \$616,000
2023 Expenditure Budget \$639,195
2024 Expenditure Proposed \$646,940
Notable Changes in 2024 – None

Staff proposed an 8% increase in irrigation rates.

Solid Waste Collection

2023 Revenue Budget \$1,264,000
2024 Revenue Estimate \$1,324,525
2023 Expenditure Budget \$1,364,070
2024 Expenditure Proposed \$1,857,410
Notable Changes in 2024 –

- Garbage truck – \$466,000 (\$346,000 Equipment Rental/\$120,000 Solid Waste)
- DEF tote pump – \$1,000

Staff proposed a 2% increase in garbage rates.

Neighborhood Clean-up

2023 Expenditure Budget \$18,070
2024 Expenditure Proposed \$18,030
Notable Changes in 2024 – None

Equipment Rental

2023 Revenue Budget \$571,400

2024 Revenue Estimate \$602,500

2023 Expenditure Budget \$1,042,810

2024 Expenditure Proposed \$1,097,550

Notable Changes in 2024 – The following equipment to purchase or replace:

- Four Patrol Vehicles (3 from 2022/2023 that did not get purchased) – \$250,000
- Public Works Truck – \$32,000
- Street Sweeper – \$353,000
- Garbage truck – \$466,000 (\$346,000 Equipment Rental/\$120,000 Solid Waste)

American Rescue Plan Act (ARPA) Fund

2023 Expenditure Budget \$1,643,400

2024 Expenditure Proposed \$348,200

Notable Changes in 2024 – None

3. ADJOURNMENT

The special meeting adjourned at 7:20 p.m.

Mayor Gloria Mendoza

Anita Palacios, City Clerk