



GRANGER-HUNTER IMPROVEMENT DISTRICT

CULINARY WATER AND SANITARY SEWER

F. David Warr, General Manager, CEO
Wayne D. Watts, Assistant General Manager, COO
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Gordon W. Evans, Chair
Kent L. Winder, Trustee
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To the Board of Trustees Granger-Hunter Improvement District

The 2011 budget for Granger-Hunter Improvement District (District) has been prepared with the objective of the District's mission to provide dependable drinking water and to safely transport wastewater in an environmentally-friendly manner at the most reasonable cost. In addition, the District is determined to treat its customers, employees, vendors and others in a fair, dignified and respectful manner. The following discussion will provide the framework used to meet this stated objective.

Budget Process

The annual budget is created by the District's management. Directors each have a responsibility to submit their department budgets for consideration and review by management. The needs of a department are weighed against the needs of the other departments and priorities are established. Budgets for personnel and capital projects are also prepared and input is received from management and directors. The budget is then organized and presented to the Board for comment, input, additional prioritization of needs and approval. Once the budget is adopted, it is used as the framework of how the District resources can best be used to meet the needs of the customers.

Prior to the adoption of the budget, the following steps need to be met:

- The tentative budget is prepared and given to the Board on or before the first scheduled meeting in November (will be handed out on October 19). The tentative budget is then adopted at the November 9 (2:30 p.m.) board meeting.
- When the tentative budget is adopted, the Board will also establish the time and place of the public hearing to consider adoption of the final budget. The time and place can be the same as the regularly scheduled meeting in December. The scheduled meeting will be held on December 7 at 5:00 p.m. The public hearing for the budget will begin at 6:00 p.m.
- If no fee, rate or tax increases are considered, the District must publish notice of the public hearing in the newspaper at least seven days prior to the hearing. If tax, rate or fee increases are to be considered, a quarter page ad must be placed in the paper two times in the two weeks prior to the meeting. No increases are being considered.

- The Board, by resolution, can adopt the budget following the public hearing. The budget must be adopted before the beginning of the new year.

Budget Summary

As the year 2011 approaches, the District continues to be faced with challenges that did not exist a few years ago. The national economy is very fragile and continues to struggle through a recession and high unemployment. The Utah economy has been affected and the impact of that is beginning to be felt locally with slower job growth and fewer home starts. Inflation, on average, in 2007, according to the Consumer Price Index was 2.9%, while in 2008 it was 4.1%, and 2009 saw a rate of -0.7%. The CPI for the first eight months of 2010 is 1.2%. The price of oil continues to be stable and, as a result, the District continues to have stability in its budget for fuel, oil, PVC pipe, and asphalt. Utility costs for power and natural gas have also been stable.

The overall budgeted revenues for 2011 are down approximately 2.7%. This is primarily due to the lack of building within the District resulting in fewer impact fees. However, budgeted revenue for water sales have been reduced 3.4% which is a possible result of economic conditions but may also be a direct result of the District's water conservation program. The weather continues to be an impact on water sales as wetter than usual springs over the previous two years have moderated water sales. Interest rates have also been lower which has had a direct affect on the interest revenue.

Overall expenditures remain relatively flat with a projected 0.4% increase for 2011. In 2011, we will have a rate increase from both Central Valley and Jordan Valley for the processing of the wastewater and purchase of potable water. The budget for the proposed purchase of equipment is similar to last year. Payroll wages and benefits continue to be more expensive, including an estimated 10% increase in health insurance.

The 2011 budget has no rate, tax or fee increases for consideration. As part of the 2009 budget, the Board adopted the following changes to the water and sewer rates and other fees which will remain in effect for 2011:

- Implementation of a water availability fee ranging from \$6.00 per month for a 3/4" meter to \$420 per month for a 10" meter.
- The water rate remained at \$1.45 per 1,000 gallons for all customer classes and the minimum take-or-pay amount of 20,000 gallons was eliminated.
- The sewer rates were increased approximately 10% for all customer classes.
- Late fees, turn-on fees, tamper fees and other penalty fees were added or increased.

- No change to water and sewer impact fees.
- The implementation of a monthly billing cycle.

As a result of the implementation of the above changes, the District continues to have a fiscally sound budget, can meet ongoing obligations and provide cash-flow to pay for capital projects.

Summary

Despite the economic challenges, the District continues to be in great financial condition and the long-term outlook is positive. Despite the reduction in revenues, the District continues to be careful in spending. Many items asked for by each department have been deleted or postponed to future years in order to have a sound, balanced budget. The District only has one outstanding bond and has no plans to issue debt in 2011. Looking forward to 2012, the District may need to issue bonds to pay for the rebuild of the Old Main Sewer Lift Station and possibly other projects. Also, looking forward to future years, the board will need to address the continued increase in water rates and sewer processing charges and the impact to the District's budget.

If you have any questions about any part of the proposed budget, please let Dave, Wayne or me know.

Respectfully Submitted,

Clint Jensen, CPA
Chief Financial Officer

PARAMETERS FOR 2011 BUDGET PREPARATION

REVENUES

- **Metered Water Sales:** Water sales are budgeted to decline for 2011. The reduction will bring us more in line with the historical water sales over the last two years. It is not expected that the District will experience much, if any, growth and there will be no increase in the water rate or availability fee. The availability fee will generate approximately \$2,400,000 in revenue from approximately 26,000 connections. It is estimated that the District will sell approximately 7,500,000,000 (7.5 billion) gallons of water resulting in revenue of approximately \$10,875,000.
- **Sewer Service Charges:** Sewer rates have been budgeted to remain flat for all customer classes. No increase in the sewer rate or fees has been budgeted. The small increase in revenue has to do with the increase in revenue experienced in the previous year due to the billing audits that revealed some customers have been under-charged for water and sewer service and to be more in line with historical revenue.
- **Engineering/Connection/Inspection/Turn-on Fees:** No fee increase is proposed for the engineering, connection and inspection fees. Also, since the building climate is very slow, it is anticipated that fewer fees will be collected in these categories. Fewer customers are delinquent which has also resulted in fewer fees being charged for water turn-ons.
- **Property Tax Revenue:** The estimated collections for property tax revenue will decrease approximately 0.3%. The change reflects a modest amount of growth within the district which will likely be offset by an increase in the number of delinquencies. Also, state legislature has changed the law for collecting previous year's delinquencies which will have a negative impact on our collections. **No tax rate increase is budgeted for 2011.**
- **Impact Fees:** We are budgeting for 100 new connections for 2011 (budget was for 125 new connections in 2010 and 275 in 2009). The water impact fee is currently \$2,343 and the sewer impact fee is \$2,324 per residential connection – which is no change from the previous year. This has resulted in a 20.0% reduction in budgeted revenue for impact fees.

- **Interest Income:** The interest rates on the District's accounts continue to decrease. The current interest rate the District is earning on its investments is hovering around 0.5 to 1%. Plus, the District recently paid \$8.2 million to the State to pay off the Central Valley bond which means cash balances will be lower in the coming year. However, the lower interest income is offset by no budgeted amount for the Central Valley loan amortization – approximately \$680,000 annually.
- **Other Income:** Other income is comprised of the sale of surplus property, scrap metal and other miscellaneous income. Budgeted revenues have been adjusted to reflect a more accurate estimate of these items.

EXPENSES

- **Payroll Wages**

- *Salaries & Wages:* It is proposed that **no** additional staff positions be added in 2011. Base salaries have been budgeted to increase by 2.5% for all employees and represent a 2% merit increase and 0.5% COLA.
- *Overtime Wages:* Overtime pay remains unchanged.
- *On-call Pay:* On-call pay has increase 33% due to the proposed additional staff to be on-call. The District will have 4 individuals on call including: 1 supervisor, 1 regular call, 1 water operations and 1 sewer operations.
- *Vehicle Allowance:* No change is proposed in the vehicle allowances.
- *Clothing Allowance:* The clothing allowance has also been included in the personnel budget as it is now a taxable item. We have one less employee than last year. No increase is proposed.
- *Other/OPEB:* We anticipate two retirees in 2010 and have set aside \$200,000 for potential retirement buyouts.

- **Payroll Benefits**

- *State Retirement/401K Plan:* The state retirement and 401K plan budgets have been increased to reflect the higher wages. We have budgeted a rate increase to the state retirement contribution to reflect potential rate changes.
- *Health & Dental Insurance:* Health and dental insurance costs are budgeted to increase approximately 10%.
- *Medicare:* Medicare contributions are increased due to the increase in wages.
- *Workers Compensation Insurance:* Workers compensation insurance continues to move downward as the District has experienced a favorable e-mod over the last few years.
- *Life/LTD/LTC Insurance:* Small rate adjustment due to volume increase in wages.
- *State Unemployment:* No change in state unemployment budget.

- **Operations & Maintenance**

- *Repair & Replacement:* The repair and replacement budget remains flat as compared to 2010. Slight decrease due to better budgeting by Departments.
- *Building & Grounds:* This budget has been increased by approximately 32%. Most of the increase is due to the budgeted replacement of the doors and overhead lighting in the wash bay in Building C but also includes the maintenance of the fire extinguishers and fire sprinkler maintenance previously included in the safety budget.
- *Vehicles & Machinery:* Minimal change to budget due to continued stability in oil prices.

- *Tools & Supplies:* This expense has been reduced by over 63%. This is due to the reclassifying of all SCADA repair parts – approximately \$45,000 - to other budgets.
 - *Water Purchases:* Our water purchase commitment with Jordan Valley will increase to 17,500 AF for 2011. We also anticipate another rate increase of approximately 5%.
 - *Treatment Chemicals:* No change in budget.
 - *Water Lab Testing Fees:* This budget has been decreased from 2010 to more closely reflect historical averages.
 - *Utilities:* No change.
- **CVWRF:** Overall, the CVWRF budget will be approximately 2% higher than the previous year's budget. First, the operations budget will increase due to a reallocation of the O&M costs to the District based on the previous year's flows to the plant. Second, capital expenditures are budgeted to be approximately \$1.8 million. In 2010, the capital budget was \$2.5 million. The pre-treatment field budget is also increasing due to flows to the plant and additional sample testing. Lab fees are declining slightly.
- **General & Administrative**
 - *Office Supplies/Printing:* In 2010, the office supply budget including new filing cabinets and other small office furniture. In addition, we had budgeted to have a third party service our printers and provide toner, etc. However, we have determined that it was not a cost-effective option and therefore did not pursue.
 - *Postage & Mailing:* We have reduced the postage budget by approximately 7%. Many multi-account customers have elected statement billing which has helped reduce postage costs. In addition, in the 2011 budget it is proposed to purchase software for our accounting application that can send out an electronic copy of a bill to the customer rather than sending through the mail. We expect additional savings as a result.
 - *General Administrative:* This budget has increased substantially for a couple of reasons. First, in 2011 the District will hold an election for one Trustee. If we decide to do an all-mail ballot, it will cost approximately \$40,000. The second adjustment to this budget is for the annual membership dues of approximately \$15,000 that was previous included in the travel and training budget.
 - *Computer Supplies/Equipment:* This budget has been increased to reflect the license and annual maintenance fees for the SCADA, GIS and accounting software. Also, many SCADA items that were previously included in the operations budget are now included in the computer budget. A new item proposed for 2011 is storage attached network (SAN). The SAN will help to meet the ongoing needs of additional storage space as we continue to add data to our network.
 - *General Insurance:* No change.
 - *Utilities:* No change.

- *Telephone:* Slight increase (2.1%) due to adding a few employees to the plan that were not included before and the addition of data plans for executive and managerial staff.
- *Training & Education:* The training budget has been reduced by 15%. The primary reduction is due to moving the membership fees to the general administrative budget.
- *Safety:* In previous years, this budget included the fire extinguisher replacements and fire sprinkler inspection for the administration building. This amount has been moved to the building and grounds budget.
- *Legal Fees:* No change in budget
- *Auditing Fees:* No change in budget but we will be having Wisan Smith Racker and Prescott perform the audit this year rather than Piercy Bowler Taylor and Kern.
- *Professional Consulting:* The increase in this budget is due to a couple of items. First, it is proposed that the District hire a personnel consultant to perform a salary survey and job description review (\$30,000). Second, it is proposed to hire a consultant to help us assess the current situation with our SCADA system. The system is approaching 10 years old and it is felt that we need to get some help in figuring out our next steps in getting the SCADA to provide continued service into the future. Third, it is proposed to hire a consultant to help update the District's emergency response plan. The current plan is out of date and it is felt that help is needed to organize employee staff in the event of an emergency and to train us on the effective ways to seek FEMA and other reimbursement.
- *Public Relations/Conservation:* Slight decrease in budget. We will continue to seek grant money from Jordan Valley to help with our conservation program.
- *Banking and Bonding:* This budget has been increased from the previous year due to the additional bank fees charged for the increase number of checks processed – due to monthly billing. Also, increased utilization of Visa, MasterCard and Discover results more fees being paid to the third party vendors for credit card processing.
- *Administrative Contingency:* This budget represents approximately 1% of the District's total budget. It is set aside for unexpected costs that may arise during the year. It can only be used following Board approval.

- **Equipment Purchases**

- The following represents the majority of the office furniture, vehicles and equipment that the District proposes to purchase in 2011:
 - Upgrade to two-way radio system (\$50,000)
 - Asphalt roller/trailer (\$48,000)
 - New Vehicles/equipment (\$183,000)
 - SAN – Computer storage (\$25,000)
 - GIS/camera upgrade (\$25,000)
 - Computer room remodel/furniture (\$12,000)

- **Debt Service:** Bond interest expense is lower due to the pay-down of principal on the 2005 bond. Principal payments have increased \$20,000 from 2010. No debt service is included for the CVWRF bond.

INFRASTRUCTURE IMPROVEMENTS

- **Capital Projects**
 - Attached is a detail listing of the proposed projects for 2011. The major items include:
 - Old Main Sewer Lift Station Rebuild (\$600,000)
 - Tower View Road Sewer line (\$425,000)
 - Water Sampling Stations (\$341,520)
 - Sewer lining Projects (\$750,000)
 - 3600 West Sewer line (\$545,000)
 - Meter/MXU Replacement (\$155,930)
 - District-installed water lines (\$521,000)
 - 3500 S I-215 Interchange Pipeline (\$440,000)
 - PRV Upgrades (\$500,000)
 - New Generator at Well #8 (\$175,000)
 - 4100 S. & 3100 S. Pipeline at Bangerter (\$500,000)
 - Well 1 to 12 Pipeline (\$800,000)
 - Insulate Building B & C (\$75,000)

RESERVE FUNDS

- **Reserve Funds:** The following reserve funds have been established and the funding of these accounts continues.
 - **Operating Reserve:** \$2,733,700 is to be the minimum balance in the operating account to provide a “rainy day” fund for budget shortfalls or cost overruns. Current account balances cover this reserve.
 - **Repair and Replacement Reserve:** A total of \$5,200,000 is recommended but to be funded with \$1,040,000 added per year for the next five years. The current balance in this account is \$3,078,000. Additional funding is proposed as funds are available.
 - **Impact Fee Reserve:** \$2,820,000 to be maintained in the impact fee fund. However, this amount will adjust as the District’s growth slows. Current balances cover this reserve. Balance as of 9/30/10 is \$3,649,000.

- **Insurance Reserve Funds:** No funding level has been established for this reserve account. Each year, the District budgets \$100,000 to pay deductibles and claims not covered by insurance. If the entire amount is not used during the year, the balance is transferred to the reserve fund. Current balance in the reserve account is \$756,140.
- **Post Employment Benefit Reserve:** In 2008, the District established this reserve fund to help offset the cost of benefits paid for retired employees – including health insurance and state retirement buyout. The balance in this fund is approximately \$702,400. The liability currently on the books is more than \$1,000,000 and growing. Accounting rules do not require full funding of the liability. However, additional funding is proposed as funds are available.

REVENUES

	Actual 2008	Actual 2009	Budget 2010	Proposed Budget 2011	% Change
REVENUES					
Operating Revenues:					
Metered Water Sales	\$12,312,756	\$12,734,714	\$13,710,000	\$13,275,000	-3.2%
Sewer Service Charges	7,968,079	9,346,363	8,750,000	9,100,000	4.0%
Engineering Fees	6,737	5,140	40,000	20,000	-50.0%
Connection fees	83,478	14,592	130,000	60,000	-53.8%
Inspection	112,127	55,641	125,000	55,000	-56.0%
Delinquent/Turn-on Fees	131,619	39,011	50,000	40,000	-20.0%
Total Operating Revenue	<u>20,614,796</u>	<u>22,195,460</u>	<u>22,805,000</u>	<u>22,550,000</u>	<u>-1.1%</u>
Property Tax Revenue:					
Property Tax	2,873,665	2,929,713	3,341,595	3,300,000	-1.2%
Motor Vehicle	343,915	322,064	320,000	320,000	0.0%
Personal Property	290,129	308,478	250,000	300,000	20.0%
Delinquent Tax/Interest	123,416	116,692	83,405	65,000	-22.1%
Total Property Tax Revenue	<u>3,631,125</u>	<u>3,676,947</u>	<u>3,995,000</u>	<u>3,985,000</u>	<u>-0.3%</u>
Non-operating Revenue:					
Impact Fees - Water	682,128	374,261	292,875	234,300	-20.0%
Impact Fees - Sewer	519,332	264,747	290,500	232,400	-20.0%
Interest	1,051,433	558,850	660,000	250,000	-62.1%
Sale of Surplus Equipment	13,427	24,356	45,000	30,000	-33.3%
Other	413,076	157,559	20,000	55,000	175.0%
Total Non-operating Revenue	<u>2,679,396</u>	<u>1,379,773</u>	<u>1,308,375</u>	<u>801,700</u>	<u>-38.7%</u>
Total Revenues	<u>\$26,925,317</u>	<u>\$27,252,180</u>	<u>\$28,108,375</u>	<u>\$27,336,700</u>	<u>-2.7%</u>



EXPENSES

	Actual 2008	Actual 2009	Budget 2010	Proposed Budget 2011	% Change
EXPENSES					
Payroll Wages:					
Salaries & Wages	3,573,912	3,667,621	3,693,038	3,698,107	0.1%
Overtime Wages	149,360	164,034	250,000	250,000	0.0%
On-call Pay	16,000	21,160	21,900	29,200	33.3%
Incentive Pay	55,450	60,500	60,500	60,500	0.0%
Vehicle Allowance	19,200	26,400	30,600	30,600	0.0%
Clothing Allowance	18,425	18,700	18,975	18,425	-2.9%
Other/OPEB	0	0	175,000	200,000	14.3%
<i>Total Payroll Wages</i>	<u>3,832,347</u>	<u>3,958,414</u>	<u>4,250,013</u>	<u>4,286,832</u>	<u>0.9%</u>
Payroll Benefits:					
State Retirement Plan	447,161	447,540	538,201	552,990	2.7%
401K Plan	530,106	614,924	664,197	662,625	-0.2%
Health/Dental Insurance	689,897	661,708	862,816	905,627	5.0%
Medicare	40,947	45,260	48,000	48,500	1.0%
Workers Compensation Ins	43,798	38,281	55,000	50,000	-9.1%
Life/LTD/LTC Insurance	78,401	63,625	120,000	121,500	1.3%
State Unemployment	1,279	2,919	5,000	5,000	0.0%
<i>Total Payroll Benefits</i>	<u>1,831,589</u>	<u>1,874,257</u>	<u>2,293,214</u>	<u>2,346,242</u>	<u>2.3%</u>
Operations & Maintenance:					
Repair & Replacement	606,044	448,949	594,225	592,900	-0.2%
Building & Grounds	54,725	70,818	72,020	78,285	8.7%
Vehicles & Machinery	302,752	231,321	268,800	270,000	0.4%
Tools & Supplies	4,992	28,127	60,450	22,125	-63.4%
Water Purchases	6,408,388	7,060,395	7,094,588	7,500,000	5.7%
Treatment Chemicals	0	10,062	30,000	30,000	0.0%
Water Lab Testing Fees	51,101	23,260	53,300	46,250	-13.2%
Utilities	729,141	775,189	847,500	847,500	0.0%
<i>Total O&M</i>	<u>8,157,143</u>	<u>8,648,122</u>	<u>9,020,883</u>	<u>9,387,060</u>	<u>4.1%</u>
CVWRF:					
Facility Operations	1,992,840	2,413,315	2,514,342	2,785,732	10.8%
Project Betterments	503,212	469,081	604,146	373,895	-38.1%
Interceptor Monitoring	4,532	4,907	5,075	5,072	-0.1%
Pre-treatment Field	175,473	155,568	156,674	192,798	23.1%
Laboratory	128,616	152,690	152,664	146,527	-4.0%
<i>Total CVWRF</i>	<u>2,804,673</u>	<u>3,195,560</u>	<u>3,432,901</u>	<u>3,504,024</u>	<u>2.1%</u>



FINAL EXPENSES

	Actual 2008	Actual 2009	Budget 2010	Proposed Budget 2011	%
					Change
General & Administrative:					
Office Supplies/Printing	36,971	24,756	36,500	27,315	-25.2%
Postage & Mailing	86,312	172,737	194,564	180,400	-7.3%
General Administrative	33,102	53,764	29,060	85,260	193.4%
Computer Supplies/Equipment	29,620	69,182	86,645	100,050	15.5%
General Insurance	202,027	270,746	313,350	313,350	0.0%
Utilities	76,190	68,602	99,800	99,800	0.0%
Telephone	52,058	58,297	57,700	58,900	2.1%
Training & Education	101,134	95,535	145,480	123,650	-15.0%
Safety	9,886	11,211	27,375	21,850	-20.2%
Legal fees	164,838	54,224	101,000	51,000	-49.5%
Auditing Fees	13,850	14,300	14,700	14,700	0.0%
Professional Consulting	63,823	104,368	40,315	20,315	-49.6%
Public Relations/Conservation	0	15,472	29,000	22,000	-24.1%
Banking & Bonding	90,550	103,297	91,050	116,150	27.6%
Administrative Contingency	0	0	280,000	180,000	-35.7%
<i>Total General Administrative</i>	<u>960,361</u>	<u>1,116,492</u>	<u>1,546,539</u>	<u>1,414,740</u>	-8.5%
Equipment Purchases:					
New Vehicles & Equipment	191,714	732,252	415,500	363,175	
<i>Total Equipment</i>	<u>191,714</u>	<u>732,252</u>	<u>415,500</u>	<u>363,175</u>	-12.6%
Debt Service:					
Bond Interest	603,850	276,157	195,369	173,944	-11.0%
Bond Principal Payment - GHID	550,000	550,000	580,000	600,000	3.4%
Bond Debt Service - CVWRF	403,696	653,262	680,861	0	
<i>Total Debt Service</i>	<u>1,557,546</u>	<u>1,479,419</u>	<u>1,456,230</u>	<u>773,944</u>	
Total Expenses & Debt Service	<u>\$19,335,373</u>	<u>\$21,004,515</u>	<u>\$22,415,280</u>	<u>\$22,076,017</u>	-1.5%
Total Net Revenues	<u>\$7,589,944</u>	<u>\$6,247,665</u>	<u>\$5,693,095</u>	<u>\$5,260,683</u>	