

To the Board of Trustees Granger-Hunter Improvement District

The 2019 budget for Granger-Hunter Improvement District (District) has been prepared in accordance with the District's mission: *Stewards of water: delivered clean and safe for daily use and collected responsibly to protect public health and the environment.* This budget narrative will provide an overview of the framework we believe will help the District to meet its objective.

Budget Process

The annual budget is created by the District's management. Directors each have a responsibility to submit their department budget 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 becomes the framework for applying District resources in the best manner to meet the needs of the customers.

Prior to adoption of the budget, the following steps need to occur:

- The tentative budget is prepared and given to the Board on or before the first scheduled meeting in November (handed out on October 16th). The tentative budget (amended for any Board input) should then be adopted at the November 13th (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, which currently is to be held on December 11th at 5:00 p.m. The public hearing for the budget typically would 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 (as proposed for the coming year), a quarter page ad must be placed in the paper two times in the two weeks prior to the meeting.
- The Board, by resolution, may adopt the budget following the public hearing. The budget must be adopted before the beginning of the New Year.

Economic Conditions and Budget Changes

The Utah economy has been relatively consistent for several years now with most economic indicators being slow but steady in their improvement. Job growth has been good in Utah, with a very low unemployment rate at this time, which in and of itself has created challenges for many entities when trying to hire qualified staff. Home starts have also done well, and the prices of existing houses, as well as new construction, have seen dramatic increases. In spite of all these positive indicators, the Utah economy still has grown only slightly and is not expected to change dramatically in the coming year, though some speculate we're past due for a downturn. We have seen recent Fed increases to the interest rate in an attempt to keep the economy steady, increase inflation slightly (as reflected in the 2017 inflation rate), and give the Fed a little more future wiggle room with interest rates. The Consumer Price Index (CPI-U) inflation rate for each of the past eight years, with small exceptions in 2011 and 2015, reflects the slow consistent trend as follows:

2010 = 1.6%
2011 = 3.2%
2012 = 2.1%
2013 = 1.5%
2014 = 1.6%
2015 = 0.1%
2016 = 1.3%
2017 = 2.1%

The price of oil remained unusually low for most of the past few years, which is both a blessing and a challenge. It is very difficult to forecast whether or not prices will soon rebound, especially with the President's recent oil sanctions in Iran. As a result, the District continues to have a challenge knowing how much to budget for fuel, oil, PVC pipe, asphalt, and other petroleum-based products which we regularly use. Utility rates for power and natural gas have remained relatively stable, and we recently received a rebate for electricity conservation efforts we put in place a couple years ago. However, our total operating costs related to these resources fluctuate according to weather and demand and also due to continued experimentation with timing and the extent of utilizing wells, all of which affect the amount of pumping we must do.

Central Valley Water Reclamation Facility (CVW) continues its very aggressive plant renovation and refurbishing, resulting in significant increases to our ongoing operations and maintenance costs and our debt service requirements for the coming 20 to 25 years. A significant portion of the facility will be refurbished or even totally replaced over the next several years, as those components have reached the end of their useful life. This is driving up the budget items related to CVW, by nearly 21% in the coming year, for our share of the operating and capital costs. As noted in last year's budget documents, the Environmental Protection Agency and the Utah Division of Environmental Quality have caused new legislation requiring the removal of phosphates from wastewater, with nitrogen and similar nutrient removal expected to follow soon thereafter. Refurbishing the CVW facility and adding the required nutrient removal

infrastructure is now expected to cost nearly \$280 million over the next 20 years, which represents a significant increase over estimates of only a few years ago. This change is largely due to rapid inflation in construction costs. The first of several bonds was issued by CVW in 2016, with more to follow in 2019 and for a few years beyond. The District's share of 2019 bond payments is anticipated to be nearly \$1.49 million.

The District's proposed total revenues for 2019 reflect an increase of approximately 7.9% (\$2,894,600) over the 2018 budget. This is due to a proposed 10.0% increase in tiered water rates (but no change to the Availability charge) and a proposed 10.25% (\$2 per month) increase to sewer rates. The District increased water rates slightly (4.2%) in 2018 as part of implementing the new tiered rate structure required by the State, yet Jordan Valley Water (JVW) raised our rates for purchasing water nearly 5% the past two years and is anticipated to do so again this year and for several years to come. As a result of the most recent JVW increase, effective July 2018, our lowest tiered rate for District customers is currently less than the rate we pay to JVW. Therefore, it is necessary for us to increase our rate to cover the purchases of the needed water for our customers. As noted earlier, the CVW plant refurbishing and expansion is anticipated to cost approximately \$280 million. The increase in operating/maintenance costs and capital expense at CVW, at a rate even more aggressive than anticipated a few years ago, combined with increasing costs of maintaining our own sewer system, necessitate the noted increase in sewer rates.

There is a small decrease (\$25,000 or -0.6%) in the property tax revenues based on recent collections experience (primarily in motor vehicle and personal property taxes). We are hoping for a slight increase in general property taxes, due to a small amount of anticipated growth, but do not expect this to exceed the prior year's budget, again based on recent collections experience. For Water and Sewer Impact Fees, we are anticipating a minimal level of new construction, compared to recent years, because several large projects were started in 2018 and prior and therefore should not result in additional impact fees in 2019. As the available space for new construction diminishes, it is anticipated that impact fees also will decrease. Therefore, budgeted Water and Sewer Impact Fees are proposed to decrease by \$187,000 (24.9%) from the prior year. This scenario will similarly affect Engineering, Connection, and Inspection Fees, which are anticipated to decrease by nearly \$116,000 (25%).

The District has a number of large infrastructure projects on the horizon, as well as many smaller but important projects which we hope to accomplish in the near future. Many of these are needed sooner than later to improve our efficiency and operations, and some may help slow the rate of inflation of water purchasing expense. The District is closely monitoring its funds for these projects and proposing bonding as a way to expedite the completion of these projects while smoothing the cost over a longer period. As noted in the Proposed Capital Projects for Bonding schedules (D-1 through D-3), we are proposing a \$20 million bond issue to be utilized over a three-year period. The 20-year amortization of the bonds anticipates annual payments of approximately \$1.5 million (principal and interest), with principal payments beginning in 2020. The 2019 expense for capital projects to be funded by bonding is reflected in the Capital Sources & Outlays Budget Summary on page C-1 of the budget detail.

Because we will have a portion of the unexpended bond funds on hand while projects are underway, and because interest rates are expected to continue to rise, we anticipate an increase in interest income of approximately \$100,000 (25%) over 2018.

Finally, we have added a revenue category entitled "Conservation Grant", which represents funds to be received from Jordan Valley Water in support of preapproved conservation efforts by the District, such as our low-flow toilets for customers. The budgeted revenue for this category is \$68,500 in 2019. Virtually all other revenues are anticipated to remain very close to the levels experienced in 2018.

Overall operating expenses are projected to increase 10.1% or approximately \$2.99 million in 2019. The largest single increase (\$598,527 or 20% of the total operating cost increase) will be for CVW Debt Service. Due to competing projects such as the Salt Lake Airport and the State Prison, construction costs have rapidly inflated since original estimates were made for the CVW plant reconstruction. In addition, CVW has expedited some of the construction planned for future years. As a result, our share of debt service and operating costs has also increased earlier than initially anticipated. A \$535,499 increase (17.9% of total) is projected for Project Betterments (non-bonded pay-as-you-go capital) at CVW, and a \$298,643 increase (10.0% of total) is budgeted for CVW Operations, due to expanded and new infrastructure. \$479,312 (16.0%) of the total operating expense increase will be for water purchases. As noted previously, this reflects consistent price increases by JVW of approximately 5% per year. Purchases are contracted to be 18,500 acre feet as in the past several years. Finally, District General Administrative cost is expected to increase by \$532,382 (17.8% of total operating expense increase). This is primarily due to anticipated bonding costs, biannual election expenses, costs relating to the conservation grant, and increased professional fees for projects to be completed with bond funds. The combined impact of the increases in the JVW rate, CVW debt service and operating expenses, and General Administrative expense is \$2,394,051 or 80% of the total increase in Operating Expenses. The remaining change between years is attributable to the cumulative increases and decreases in all other accounts, with much of the increase coming from Operations & Maintenance and wages and benefits, as will be explained hereafter.

In addition to the above, the Non-Operating section of the budget indicates an increase in the District's debt service expense (for bond interest) of approximately \$292,000, an increase of 73.6% over 2018 as a result of the anticipated new bond issue. We have also budgeted for a \$46,250 increase in vehicles and equipment, primarily the result of a new hydro excavator.

Payroll related costs are anticipated to increase by approximately \$404,000 or 8.2%. We have a relatively young workforce at the District. Although we experienced slow overall wage increases in recent years, due to higher paid employees retiring, the wages of the new younger employees are now increasing. We are also proposing an overall merit increase of 4%. Finally, the addition of two new positions is proposed, with one of those being a Director of IT and the other a Division Manager in the Administration/Customer Service/Meter functions. As a partial offset, we propose eliminating a mechanic position. Increased costs for benefits related to the new

positions and an increase in overall wages are anticipated to be approximately \$154,000 (4.9%) over prior year, half of which relates to health and dental insurance (approximately \$77,565).

Consideration of Rates

In 2018 the District implemented a tiered or “inclining block” water rate structure to facilitate and expedite conservation efforts in accordance with a new law passed by the State of Utah. We pay more to JVW for water we take during certain seasons (summer) and high demand times or “peaks”. We also pump more during certain seasons to meet those peaks, thereby incurring more expense. The tiered rate is intended to pass along those increased costs to the responsible parties who trigger the costs by their level and timing of consumption. Our 2018 rates were intended to accomplish the above purposes while covering our costs to provide water, and yet not result in a windfall to the District. Due to the July 2018 rate increase by JVW, we found that our lowest tier rate for our customers is now slightly lower than the rate being charged to us by JVW. Therefore, we find it necessary to propose a 10% increase in tiered rates to catch up and keep up with JVW’s rate increases and other costs of operations, including the significant infrastructure improvements, replacements, and bonding already mentioned. We are proposing no increase to the monthly Availability charge. The anticipated 10% increase in water rates should generate approximately \$1.78 million more than budgeted in 2018. Although Granger-Hunter Improvement District already has met its mandated 25% reduction in per capita water consumption, we still must comply with the State regulations and continue using a tiered rate structure for water services.

We are proposing a tiered rate structure, based on monthly consumption, as follows:

For all customers except Multi-Unit:

- 0 – 7,000 gallons = \$1.77 per 1,000 gallons
- 7,001 – 15,000 gallons = \$1.90 per 1,000 gallons
- All > 15,000 gallons = \$2.05 per 1,000 gallons

For Multi-Unit customers, we propose a fixed rate of \$1.90 per 1,000 gallons. *(The 2018 rates were \$1.61, \$1.73, \$1.86, and \$1.73 for Multi-Unit, respectively.)* The new tiered rates will be effective on billings to be mailed in January 2019.

Due to the significant increase in operating and debt service costs at CVW, anticipated infrastructure projects within the District, and normal inflation in other costs relating to sewer services provided by the District, we find it necessary to increase the monthly sewer charge by approximately 10.25% (\$2 per month for most customers) and sewer surcharges (for commercial facilities, based on BODs and other measures) by 10.0%. This increase should result in approximately \$1.09 million more sewer revenue than budgeted in 2018.

A broad summary of the bottom line impact of the 2019 proposed budget, as compared to the 2018 budget, is as follows:

Increase in Total Revenues	\$ 2,894,600	7.9%
Increase in combined Payroll and Benefits	(558,682)	6.9%
Increase in combined CVW and O&M	(1,898,183)	9.8%
Increase in General & Administrative	(532,382)	25.5%
Increase in Vehicles & Equipment	(46,250)	12.6%
Increase in Debt Service (excluding CVW)	<u>(292,483)</u>	73.6%
 Decrease in Net Revenues	 \$ <u>(433,380)</u>	 (6.8%)

Summary

As always, there are many variables that can cause actual results to be different than budgeted expectations. However, we believe the 2019 proposed budget is very realistic considering the above-noted conditions and our best estimates of what lies ahead.

The District continues to have a fiscally sound budget, enabling us to meet ongoing obligations and provide for capital projects. However, as noted, there are significant capital items on the horizon, at both the District and the CVW facility, and these will require that we be cautious yet aggressive in our planning in order to be proactive rather than reactive. Still, we believe the District continues to be in strong financial health, with very good infrastructure and excellent maintenance efforts, and the long-term outlook continues to be positive. We continue to exercise care in our stewardship over District resources and customer trust, and we search for ways to control budgets while meeting customer needs.

If you have questions about any part of the proposed budget, please contact Kim, Clint, Louie, or Jason.

Respectfully Submitted,

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General Manager

Jason Helm, PE
Assistant General Manager

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Assistant General Manager

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CFO/Controller

PARAMETERS DETAILS FOR 2019 BUDGET PREPARATION

REVENUES

- **Metered Water Sales:** Water sales are budgeted to increase by \$1,784,500 or 10.0% to cover JVW increases and inflation. We anticipate that this increase will allow a return to our typical cycle of less dramatic increases every other year. In 2018 we implemented the tiered rate structure and estimated a total water revenue increase of 7.5%, though it was difficult to estimate because of the newness and unknowns of tiered rates. May and part of June 2018 were quite wet months, but July through September were extremely dry and hot, resulting in greater than usual total consumption. Therefore, it is very difficult to determine whether or not the tiered rates had any significant impact on conservation.
- **Sewer Service Charges:** Sewer revenues are budgeted to increase by \$1,091,000 or 10.2% in 2019, in an effort to address the significant increases in CVW operating costs, refurbishing, and new infrastructure (largely related to new EPA and State requirements).
- **Central Valley Assessment:** No increase is anticipated this year and hopefully not for quite some time into the future. This assessment was originally intended to remain unchanged for approximately 22 years, though actual infrastructure costs at CVW have increased significantly due to the unusual rapid inflation in construction prices. Future economic conditions may dictate changes to the fee.
- **Engineering/Connection/Inspection/Turn-on Fees:** A decrease of \$26,400 or 17.8% is anticipated for the engineering, connection, inspection and Turn-on Fees. Although construction around the District is booming, driving up construction costs overall, residential building within the District continues to be relatively slow and steady, especially since developable ground is becoming more limited. Several large projects were started during 2017 and 2018, but these will not result in new fees in 2019. Therefore, we expect fees will be collected at a rate somewhat less than the past two or three years. Inspection fees, the largest of these four revenues, is expected to decrease by \$16,000 (24.6%) during 2019.
- **Property Tax Revenue:** Collections for property tax revenue as a whole are anticipated to decrease by \$25,000 or .6%. While there has been a modest amount of growth within the District, which we believe will continue, collections of motor vehicle and personal property taxes have been trending downward the past few years. We believe the net effect will be the slight decrease noted above. We desire to keep our property tax revenue stream consistent which has allowed the certified rate to drop, as it functions inversely to growth. This provides a stronger position in the event we may need more property tax revenues in the future and/or need to bond. The District's property tax collections could further increase in the future when RDA's expire and that revenue returns to the District. **No tax rate increase is budgeted for 2019**, and as a result our rate will decrease very slightly (from .000562 to .000519).
- **Impact Fees:** Impact fees were adjusted in 2015, per the Lewis Young fee study, resulting in a slight increase in the Water Impact fee and a slight decrease in the Sewer Impact fee. Netted together, the change was nearly neutral. No fee

change has occurred since that time. Due to the limited number of new construction projects anticipated for next year, we are budgeting for a \$187,000 decrease (-24.9%) in total impact fees for 2019.

- **Interest Income:** The combined interest and other earnings rates on the District's investment accounts have increased this past year, due largely to Fed increases in the interest rate. Indications are that another three or four increases will occur during 2019. We also are proposing some bonding in 2019, which would likely result in the District holding some unexpended bond funds for a period of time during the year. However, during 2018 the District agreed, along with the other six entities participating in the CVW facility, to allow CVW to retain earnings previously passed along to the District as interest. This will allow CVW to accumulate some working cash. The combination of the above is expected to result in at least a \$100,000 (25.0%) increase in interest income.
- **Sale of Surplus Equipment:** In 2016 the District started leasing a number of vehicles, rather than purchasing them outright. As a result, the sale of these assets has dropped three of the past four years. 2019 sales are anticipated to increase \$79,000 (263.0%) over 2018 due to the anticipated sale of five vehicles.
- **Other Income:** Other income is comprised of the sale of surplus non-capital property and scrap metal, hydrant meter rentals, and other miscellaneous income. It is anticipated that 2019's revenues will increase very slightly, by \$10,000 (10.0%), over 2018 revenues.

EXPENSES

- **Payroll Wages**
 - **Salaries & Wages:** It is proposed that **two** full-time positions be added in 2019. One is an Information Technology Director to help address tasks and changes that need to occur to facilitate other improvements and efficiencies within the District. The second position is a Division Manager for some of the administration/customer service/ meter functions. A partial offset to the cost of these new positions would be provided by eliminating a full-time mechanic position. Per Board recommendation, we are also absorbing vehicle allowance into wages. The net effect of the above is an increase of \$447,017 (10.3%).
 - **Overtime Wages:** 2018 was the second year of our new on-call shifts. We have seen a slight increase, overall, in leaks and breaks, but are still enjoying a relatively low number compared to several years ago. Based upon 2018 experience with on-call shifts and call-outs for repairs, we feel it is appropriate to have no change in the budget for overtime wages.
 - **On-call Pay:** Similar to Overtime Wages, this seems to be working well, and there is no proposed change to on-call pay for 2019.
 - **Vehicle Allowance:** We initially proposed a \$9,600 increase as a result of moving two directors to a vehicle allowance in lieu of a vehicle previously provided by the District and to increase Director-level allowance by \$600 (14%) per year. This will now be absorbed into wages as noted above.
 - **Clothing Allowance:** A \$550 increase is proposed due to the new positions proposed.

- **Other/OPEB:** We are proposing no change in our 2018 budget for retirement buyouts. Unused excess, if any, is typically moved to the reserve account for future buyouts.

- **Payroll Benefits**
 - **State Retirement & 401K Plans:** These two are interrelated, as the contribution to the 401K plan fluctuates inversely to the Utah Retirement Systems (URS) contribution. This facilitates keeping the total retirement contribution relatively constant. Because the District does not participate in the Social Security system, we are able to contribute more toward the 401K plan. URS does not intend to increase the retirement contribution rate for 2019, so the current URS rate of 18.47% and the 401K rate of 11.53% will remain unchanged for at least one more year. The slight increase (\$83,400 combined or 6.0%) in State Retirement and 401K from 2018 is the result of new positions proposed.
 - **Health & Dental Insurance:** Health and dental insurance rates were anticipated to increase 5%, which is very minimal in today's environment.
 - **Medicare:** The proposed \$3,350 (5.0%) increase is due to the proposed new positions and wage increases.
 - **Workers Compensation Insurance:** This continues to be stable as the District has continued to experience a very favorable claims experience rating (aka "e- mod") for a number of years. We actually anticipate a slight decrease (\$5,000 or 10.0%) for 2019.
 - **Life/LTD/LTC Insurance:** Due to retirement of older and higher paid employees in recent years, we anticipate a reduction in these insurance costs in the amount of \$5,000 (6.3%) in the coming year.
 - **State Unemployment:** The District typically has experienced very few unemployment claims over the years, and our budget for this is very small. No change is proposed in the 2019 budget.

- **Operations & Maintenance**
 - **Repair & Replacement:** The 2019 budget is up \$12,563 (1.7%). This is primarily the result of anticipated inflation in costs due to rising steel and petroleum product costs. We also plan some asphalt repairs at various lift station sites.
 - **Building & Grounds:** This budget has decreased by 23.0% or \$23,138. In 2018 we budgeted for a gate motor at Building B and bird control at Building D. Because these items were completed last year, our budget in 2019 is lower.
 - **Vehicles Maintenance & Fuel:** A slight increase of \$8,000 (4.0%) is proposed this year. This is the net effect of a \$20,000 (20.0%) increase in overall fuel costs and a \$10,000 (22.7%) decrease in fleet maintenance parts, in addition to \$2,000 of other smaller reductions in anticipated expenses. After a few years of surprisingly stable fuel costs, we have recently seen a strong increase in prices, and this is anticipated to continue as a result of recent embargos against Iran. Fleet maintenance

expenses have decreased as we have leased more vehicles and reduced the amount of required internal maintenance.

- **Vehicle Lease:** An increase of \$36,409 (20.0%) is proposed, as we budgeted the addition of four trucks and one commuter vehicle to our fleet of lease vehicles. As noted above, the continued reduction in maintenance costs seems to indicate the program is working as desired. We also continue to have lower vehicle capital outlay, with the exception of the hydro excavator proposed for this year. It does not make financial sense to lease that type of large specialty vehicle.
- **Tools & Supplies:** There is a decrease of \$11,353 (24.5%) in this budget. As noted in 2018, we now have our trucks stocked fairly well in order to reduce trips back and forth between the work site and the main office. The 2019 budget represents replacements due to normal wear and tear.
- **Water Purchases:** Our water purchase commitment with Jordan Valley will again be 18,500 acre feet for 2019. We have been told the anticipated rate increase will again be somewhere between 4% and 5%. This equates to an increase of just over \$479,000 (assuming a 4.7% increase). As previously noted, we are hoping some near-future projects can be funded by bonding and allow us to have better storage to reduce peaking costs, thereby reducing future increases by JVW.
- **Treatment Chemicals:** Budgeted decrease is \$5,209 (7.0%) as we have completed the set-up for wells 12 and 17 and now have only well 1 to complete. Operations should be fairly constant in the coming year.
- **Water Lab Testing Fees:** This budget has been decreased by \$2,250 (2.1%) due to reducing our planned high-pressure pipe cleaning (\$15,000 decrease), which decrease will be partially offset by water quality testing lab expense (\$10,000) and other testing (UCMR4 testing, etc).
- **Utilities (Water & Wastewater):** An increase of \$21,492 (2.2%) is proposed as a result of new well 17 being added in the past year and other previously less active wells being utilized much more. We anticipate our natural gas costs will increase slightly (about \$2,500 or 10.2%) due to inflation and potentially colder weather, after last year's mild Fall.

- **CVWRF**

Overall, the CVWRF budget will be \$1,382,357 (20.6%) higher than the previous year's budget. The largest single increase (\$598,526 or 67.3%) is for Debt Service, as CVW continues to issue bonds and obtain loans to finance ongoing infrastructure refurbishing and replacement. Facility Operations also increased by \$298,643 (7.3%) as a result of increasing operations costs associated with expanding infrastructure and maintenance thereon. Betterments (aka "pay-as-you-go capital" increased \$535,499 (45.5%) as routine capital replacements occur and prices increase, especially those related to construction. Pretreatment Field and Laboratory expenses both saw small decreases, amounting to \$52,811 combined, as a result of CVW's efforts to contain costs and utilize new technology and infrastructure.

- **General & Administrative**
 - **Office Supplies/Printing:** \$6,900 (15.7%) decrease, due primarily to desks/furnishings budgeted in 2018 not being budgeted in 2019.
 - **Postage & Mailing:** Decrease of \$5,000 (3.0%). Paper bills continue to decrease as customers adopt the electronic format. This reduces printing and postage costs, but the anticipated decrease could change rapidly if the recently proposed USPS rate increase is approved.
 - **General Administrative:** This budget has increased by \$73,780 (143.7%) for 2019 due to anticipated bi-annual election expense.
 - **Computer Supplies/Equipment:** This budget has increased \$16,972 (4.5%). In 2019 we will utilize Sensus Analytics and Customer Portal extensively as we bring customers onto the AMI metering service. While we will eliminate some of the initial set-up cost incurred in 2018, we will increase other services for bringing on new customers and functions of the system in 2019, including \$3,500 for an additional 1,500 portal licenses. We will also have new costs for SCADA consulting and other software maintenance increases.
 - **General Insurance:** Consistent with the past several years, we are projecting an increase of \$17,000 (4.2%) in this line item (liability, O&M, etc) due to general trends in the insurance industry and continued overall increase in District property values.
 - **Utilities (General & Administrative):** No increase is anticipated for 2019.
 - **Telephone:** The 29.4% (\$25,000) increase is almost entirely due to a proposed IVR (Interactive Voice Response) system (\$20,800) that will allow customers to make payments over the phone without tying up customer service personnel, thereby allowing those employees to perform other duties. Some small increase is also due to new data/phone plans for proposed new positions.
 - **Training & Education:** A very slight increase of \$1,350 (1.0%) is proposed as a result of inflating costs and our efforts to continuously strive for highly educated and well-trained staff. We have eliminated some conferences and training and added some we feel are better.
 - **Safety:** \$3,630 (10.1%) increase in budget is due to replacing old personal protection equipment and purchasing additional vertical panels for trench reinforcement.
 - **Legal Fees:** \$2,000 (3.9%) decrease anticipated based upon recent trends in how much legal service we have utilized.
 - **Auditing Fees:** No change in budget, and fee is locked in through 2020.
 - **Professional Consulting:** Increase of \$136,000 (97.6%) is for Phase II of our Well Water Quality Treatment Study (\$110,000 increase) and UCI scanning (digitizing) of plans and documents (\$25,000).
 - **Public Relations/Conservation:** The increase of \$39,450 (131.5%) is due to “grossing up” the revenues and expenses rather than netting the reimbursement from Jordan Valley against expenses incurred. We anticipate receiving a grant of \$68,500 to help cover our costs. We have

significantly reduced our participation in the Idea House program and focused on areas where conservation is better accomplished.

- **Banking and Bonding:** This budget increase (\$233,100 or 83.0%) reflects \$198,000 anticipated one-time issuance costs for proposed bonding, as well as \$30,000 for bank lockbox services (a new process not previously used by the District) and \$3,000 (1.2%) increase in credit card fees due to increasing use of cards by our customers.
- **Administrative Contingency:** No change proposed from prior year. This budget amount is set aside for significant unexpected costs that may arise during the year. It may only be used following Board approval.
- **Equipment Purchases**
 - As noted previously, we are leasing many of our vehicles and some of our construction equipment in an effort to reduce maintenance and capital outlay costs. Therefore, for the past few years we have budgeted less for these types of purchases. However, we do continue to purchase our specialty equipment, such as the CCTV camera truck we acquired in 2018, because leasing is not practical for such equipment.

The following represent the office furniture, vehicles, and equipment we propose to purchase in 2019:

- Water Sampling Stations – 20 (ongoing) = \$14,500
- Fire Hydrant Meters - 5 (up from 3) = \$8,750
- Replace R8 Survey Antenna = \$29,000
- Hydro Excavator = \$355,000
- Large Line Kit for LETS CCTV System = \$6,800
- **Debt Service:** Overall increase of \$292,483 (73.6%). If the proposed \$20 million bond is approved and issued, the anticipated 2019 interest expense related thereto would be approximately \$298,000, with another \$110,500 from the existing 2012 DEQ bond (a slight decrease from 2018 for DEQ bond interest).

INFRASTRUCTURE IMPROVEMENTS

Included in your 2019 budget is a detailed listing of proposed infrastructure projects (pages C-2 through C-5), including priority ranking of those projects. Presented immediately thereafter (D-1 through D-3) is another listing of projects we propose to fund in the next three years with bonding proceeds. The anticipated outlay for bonding projects is \$3,900,000 in 2019, \$7,700,000 in 2020, and \$8,200,000 in 2021, though this could change somewhat depending on weather, availability of contractors, cost of materials, and other conditions beyond our control, or as we perceive a need to change the timing of projects to take advantage of pricing.

RESERVE FUNDS

The following reserve funds have been established and the funding of these accounts continues.

- **Operating Reserve:** The operating reserve target is 10% of the total District budget for the coming year. The minimum balance in the operating account should provide a “rainy day” fund for budget shortfalls or cost overruns. The desired balance, per the 2019 budget, is approximately \$3,967,510. Current account balances are down due to very high demand of summer water purchases and water production expenses, but typically recover in the fall and early winter and should be adequate to cover this reserve. We also have Capital projects reserves that could be accessed in an emergency.
- **Repair and Replacement Reserve:** A total of \$5,200,000 is our goal, and we plan to fund this over the next two years. The balance in this account at 10/15/18 was \$4,415,683 (84.9%). Additional funding is proposed as funds are available from operations. The anticipated focus on infrastructure projects over the next three years could prevent a challenge to meeting our goal.
- **Impact Fee Reserve:** The required amount fluctuates as construction projects are assessed for the cost of their added demand on our system capacity and as we use the collected fees to complete projects to satisfy that added demand. The reserve is equal to the unspent amount we have collected from construction projects, and the balance as of 10/15/18 is \$4,164,505.
- **Insurance Reserve Funds:** No funding level has been established for this reserve account. Each year the District budgets approximately \$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 to provide for emergencies and extreme claims that may arise. Current balance in this reserve account (at 10/15/18) is \$1,052,910.
- **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 \$1,328,913 as of 10/15/18. The liability currently on the books is \$1,202,046. Several retirements last year reduced this liability by over \$66,000 from the prior year, adding to the over-funding condition that currently exists. Accounting rules do not require full funding of the liability. However, the District has attempted to fund the liability as fully as possible in order to decrease the negative impacts of falling behind. At present it is proposed that we leave the small over-funding amount as is in anticipation of employees being added to the liability in the next few years.

It is our desire and intent that this document will provide a clear and detailed explanation of proposed budget changes on a line-by-line basis. Please contact Clint Jensen, General Manager or Kim Coleman, CFO if you have any questions or concerns. Thank you for your participation in and support of our budgeting efforts and ongoing operations.



REVENUES

	Actual 2016	Actual 2017	Projected 2018 as of 11/30/2018	Budget 2018	FINAL Budget 2019	% Change
REVENUES						
Operating Revenues:						
Water Sales	\$17,043,556	\$16,651,122	\$18,087,000	\$17,845,000	\$19,629,500	10.0%
Sewer Service Charges	\$10,697,462	\$10,666,484	\$10,650,000	\$10,657,000	\$11,748,000	10.2%
Central Valley Assessmt	\$0	\$2,536,157	\$2,665,000	\$2,700,000	\$2,700,000	0.0%
Engineering Fees	\$6,550	\$14,568	\$5,500	\$5,500	\$4,100	-25.5%
Connection Fees	\$42,719	\$51,494	\$37,000	\$45,000	\$34,000	-24.4%
Inspection	\$73,644	\$65,508	\$65,800	\$65,000	\$49,000	-24.6%
Delinquent/Turn-on Fees	\$35,820	\$36,205	\$39,000	\$33,000	\$35,000	6.1%
Conservation Grant	\$0	\$0	\$0	\$0	\$68,500	100.0%
Total Operating Revenue	\$27,899,751	\$30,021,538	\$31,549,300	\$31,350,500	\$34,268,100	9.3%
Property Tax Revenue:						
Property Tax	\$3,147,285	\$3,189,649	\$3,300,000	\$3,300,000	\$3,300,000	0.0%
Motor Vehicle	\$262,800	\$254,340	\$250,000	\$265,000	\$250,000	-5.7%
Personal Property	\$328,292	\$305,850	\$315,000	\$325,000	\$315,000	-3.1%
Delinquent Tax/Interest	\$82,182	\$80,811	\$80,000	\$80,000	\$80,000	0.0%
Tax Increment for RDA	\$205,325	\$204,232	\$185,787	\$239,000	\$239,000	0.0%
Total Property Tax Revenue	\$4,025,884	\$4,034,882	\$4,130,787	\$4,209,000	\$4,184,000	-0.6%
Non-Operating Revenue:						
Impact Fees - Water	\$690,261	\$684,852	\$625,000	\$500,000	\$375,000	-25.0%
Impact Fees - Sewer	\$317,295	\$421,137	\$323,500	\$250,000	\$188,000	-24.8%
Interest	\$474,221	\$547,253	\$450,000	\$400,000	\$500,000	25.0%
Sale of Surplus Equipment	\$42,779	\$131,301	\$30,600	\$30,000	\$109,000	263.3%
Other	\$114,667	\$205,197	\$130,000	\$100,000	\$110,000	10.0%
Total Non-Operating Revenue	\$1,639,223	\$1,989,740	\$1,559,100	\$1,280,000	\$1,282,000	0.2%
Total Revenues	\$33,564,858	\$36,046,160	\$37,239,187	\$36,839,500	\$39,734,100	7.9%



EXPENSES

OPERATING EXPENSES	Actual 2016	Actual 2017	Projected 2018 as of 11/30/2018	Budget 2018	FINAL Budget 2019	% Change
Payroll Wages:						
Salaries & Wages	\$3,463,510	\$3,831,752	\$4,337,500	\$4,338,000	\$4,785,017	10.3%
Overtime Wages	\$139,290	\$171,912	\$165,000	\$200,000	\$200,000	0.0%
On-Call Pay	\$29,554	\$51,156	\$54,000	\$56,280	\$56,280	0.0%
Incentive Pay	\$55,107	\$14,170	\$40,800	\$15,000	\$15,000	0.0%
Vehicle Allowance	\$40,334	\$39,107	\$40,500	\$43,200	\$0	-100.0%
Clothing Allowance	\$19,800	\$19,525	\$20,075	\$20,900	\$21,450	2.6%
Other/OPEB	\$651,100	\$189,306	\$83,815	\$250,000	\$250,000	0.0%
<i>Total Payroll Wages</i>	<u>\$4,398,695</u>	<u>\$4,316,928</u>	<u>\$4,741,690</u>	<u>\$4,923,380</u>	<u>\$5,327,747</u>	<u>8.2%</u>
Payroll Benefits:						
State Retirement Plan	\$763,386	\$762,641	\$820,000	\$855,000	\$906,300	6.0%
401(k) Plan	\$509,827	\$502,981	\$540,000	\$535,000	\$567,100	6.0%
Health/Dental Insurance	\$1,822,262	\$1,526,009	\$1,480,000	\$1,551,312	\$1,628,877	5.0%
Medicare	\$63,061	\$61,719	\$66,800	\$67,000	\$70,350	5.0%
Workers Compensation Ins	\$33,386	\$34,382	\$25,456	\$50,000	\$45,000	-10.0%
Life/LTD/LTC Insurance	\$74,636	\$69,740	\$72,522	\$80,000	\$75,000	-6.3%
State Unemployment	\$247	\$0	\$74	\$5,000	\$5,000	0.0%
<i>Total Payroll Benefits</i>	<u>\$3,266,805</u>	<u>\$2,957,472</u>	<u>\$3,004,852</u>	<u>\$3,143,312</u>	<u>\$3,297,627</u>	<u>4.9%</u>
Operations & Maintenance:						
Repair & Replacement	\$335,239	\$363,085	\$637,476	\$733,810	\$746,373	1.7%
Building & Grounds	\$72,149	\$71,877	\$96,108	\$100,600	\$77,462	-23.0%
Vehicles Maintenance & Fuel	\$196,096	\$194,106	\$190,000	\$201,000	\$209,000	4.0%
Vehicle Lease	\$36,824	\$137,526	\$177,680	\$182,000	\$218,409	20.0%
Tools & Supplies	\$30,112	\$57,235	\$47,212	\$46,353	\$35,000	-24.5%
Water Purchases	\$9,759,459	\$9,503,453	\$10,199,000	\$10,198,125	\$10,677,437	4.7%
Treatment Chemicals	\$39,983	\$50,516	\$59,000	\$74,009	\$68,800	-7.0%
Water Lab Testing Fees	\$39,584	\$50,854	\$65,000	\$108,250	\$106,000	-2.1%
Utilities	\$894,963	\$891,206	\$957,000	\$987,508	\$1,009,000	2.2%
<i>Total O&M</i>	<u>\$11,404,409</u>	<u>\$11,319,858</u>	<u>\$12,428,476</u>	<u>\$12,631,655</u>	<u>\$13,147,481</u>	<u>4.1%</u>
CVWRF:						
Facility Operations	\$2,707,762	\$3,197,661	\$3,287,134	\$4,101,771	\$4,400,414	7.3%
Project Betterments	\$1,352,103	\$923,558	\$823,949	\$1,177,050	\$1,712,549	45.5%
Interceptor Monitoring	\$4,950	\$3,775	\$2,405	\$1,375	\$3,875	181.8%
Pretreatment Field	\$161,250	\$194,936	\$263,559	\$280,653	\$243,993	-13.1%
Laboratory	\$192,092	\$222,265	\$212,818	\$255,689	\$239,538	-6.3%
CVW Debt Service	\$0	\$283,832	\$1,167,028	\$889,910	\$1,488,436	67.3%
<i>Total CVWRF</i>	<u>\$4,418,157</u>	<u>\$4,826,027</u>	<u>\$5,756,893</u>	<u>\$6,706,448</u>	<u>\$8,088,805</u>	<u>20.6%</u>



EXPENSES

	Actual 2016	Actual 2017	Projected 2018 as of 11/30/2018	Budget 2018	FINAL Budget 2019	% Change
General & Administrative:						
Office Supplies/Printing	\$27,281	\$27,659	\$33,000	\$44,000	\$37,100	-15.7%
Postage & Mailing	\$164,394	\$156,348	\$157,000	\$164,500	\$159,500	-3.0%
General Administrative	\$50,996	\$57,510	\$59,000	\$51,350	\$125,130	143.7%
Computer Supplies/Equipment	\$188,541	\$310,382	\$370,000	\$375,460	\$392,432	4.5%
General Insurance	\$319,165	\$313,498	\$422,000	\$406,600	\$423,600	4.2%
Utilities	\$94,415	\$91,131	\$91,042	\$105,500	\$105,500	0.0%
Telephone	\$70,348	\$75,881	\$73,000	\$85,000	\$110,000	29.4%
Training & Education	\$106,232	\$92,289	\$93,000	\$129,975	\$131,325	1.0%
Safety	\$31,752	\$36,341	\$34,500	\$35,970	\$39,600	10.1%
Legal fees	\$13,318	\$10,530	\$9,250	\$51,000	\$49,000	-3.9%
Auditing Fees	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	0.0%
Professional Consulting	\$50,188	\$30,007	\$142,000	\$139,300	\$275,300	97.6%
Public Relations/Conservation	\$10,917	\$25,448	\$26,750	\$30,000	\$69,450	131.5%
Banking & Bonding	\$247,169	\$336,778	\$305,000	\$280,800	\$513,900	83.0%
Administrative Contingency	\$0	\$0	\$0	\$180,000	\$180,000	0.0%
<i>Total General Administrative</i>	<u>\$1,385,716</u>	<u>\$1,574,802</u>	<u>\$1,826,542</u>	<u>\$2,090,455</u>	<u>\$2,622,837</u>	<u>25.5%</u>
Total Operating Expenses	\$24,873,782	\$24,995,087	\$27,758,454	\$29,495,250	\$32,484,497	10.1%
Net Operating Revenues	\$8,691,076	\$11,051,073	\$9,480,733	\$7,344,250	\$7,249,603	-1.3%
Indirect Operating Expenses:						
Depreciation	\$6,747,082	\$7,139,321	\$6,800,000	\$6,800,000	\$7,000,000	2.9%
RDA Pass-Through	\$205,325	\$204,232	\$185,787	\$239,000	\$239,000	0.0%
<i>Total Indirect Operating Expense</i>	<u>\$6,952,407</u>	<u>\$7,343,553</u>	<u>\$6,985,787</u>	<u>\$7,039,000</u>	<u>\$7,239,000</u>	<u>100.0%</u>
Equipment Purchases:						
New Vehicles & Equipment	\$485,520	\$139,240	\$352,000	\$367,800	\$414,050	12.6%
<i>Total Equipment</i>	<u>\$485,520</u>	<u>\$139,240</u>	<u>\$352,000</u>	<u>\$367,800</u>	<u>\$414,050</u>	<u>12.6%</u>
Debt Service:						
Bond Interest	\$147,267	\$134,648	\$123,200	\$123,200	\$408,683	231.7%
Bond Princ Pmt - 2014 Rfnd Bond	\$755,000	\$760,000	\$0	\$0	\$0	0.0%
Bond Princ Pmt - 2012 DEQ	\$261,000	\$268,000	\$274,000	\$274,000	\$281,000	2.6%
<i>Total Debt Service</i>	<u>\$1,163,267</u>	<u>\$1,162,648</u>	<u>\$397,200</u>	<u>\$397,200</u>	<u>\$689,683</u>	<u>73.6%</u>
Total Equipment & Debt Service	\$1,648,787	\$1,301,888	\$749,200	\$765,000	\$1,103,733	44.3%
Net Revenues with Depreciation	\$89,882	\$2,405,632	\$1,745,746	-\$459,750	-\$1,093,130	137.8%
Add Back Depreciation	\$6,747,082	\$7,139,321	\$6,800,000	\$6,800,000	\$7,000,000	2.9%
Net Revenues	\$6,836,964	\$9,544,953	\$8,545,746	\$6,340,250	\$5,906,870	-6.8%



GRANGER-HUNTER
IMPROVEMENT DISTRICT

Capital Sources and Outlays Budget Summary

BUDGET SUMMARY	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Budget Available at 11/30/18 (Unexpended 2018 capital budget carryover)			\$3,673,247
 Purchases			
Work in Progress at 11/30/18		\$1,838,000	
Proposed New Projects for 2019		\$7,538,600	
Proposed Bond Projects for 2019		<u>\$3,900,000</u>	
<i>Subtotal Purchases</i>		<u>\$13,276,600</u>	
 Budgeted Revenue			
Budgeted Transfer for 2018 (Budgeted Net Rev from PY available to new yr)	\$6,340,250		
Bond Proceeds 2019	<u>\$20,000,000</u>		
<i>Subtotal Revenue</i>	<u>\$26,340,250</u>		
 Ending Budget Balance			 <u><u>\$16,736,897</u></u>
 (Positive # represents funds accumulated for planned future capital projects.) *****			



GRANGER-HUNTER
IMPROVEMENT DISTRICT

Proposed Capital Projects for Bonding

Infrastructure Type	Estimated Cost
Water - Horizontal Projects	\$ 8,400,000
Water - Vertical Projects	\$ 8,300,000
Wastewater - Horizontal Projects	\$ -
Wastewater - Vertical Projects	\$ 2,250,000
Facilities	\$ 850,000
TOTAL	\$ 19,800,000

<u>Proposed Bond Projects - By Expenditure Year:</u>	
2019 Projects	\$ 3,900,000
2020 Projects	\$ 7,700,000
2021 Projects	\$ 8,200,000
Total All Years . . .	\$ 19,800,000

Rates and Fees – Effective 1/1/2019

(Water & Sewer fees are effective beginning with all bills sent in January.)

Water Rates and Fees	Rate	
Water Rate per 1,000 gallons – All customers except Multi-Unit:		
0 - 7,000 gallons per month	\$1.77	(10% increase)
7,001 - 15,000 gallons per month	\$1.90	(10% increase)
All > 15,000 gallons per month	\$2.05	(10% increase)
Water Rate per 1,000 gallons - Multi-Unit customers	\$1.90	(10% increase)
Monthly availability fee – ¾” meter	\$13.00	(no change from prior year)
Monthly availability fee – 1” meter (2X)	\$13.00	" " "
Monthly availability fee – 1 ½” meter (5X)	\$65.00	(corrected from low-flow rate)
Monthly availability fee – 2” meter (8X)	\$104.00	(corrected from low-flow rate)
Monthly availability fee – 3” meter (16X)	\$208.00	(corrected from low-flow rate)
Monthly availability fee – 4” meter (25X)	\$325.00	(corrected from low-flow rate)
Monthly availability fee – 6” meter (50X)	\$650.00	(corrected from low-flow rate)
Monthly availability fee – 8” meter (80X)	\$1,040.00	(corrected from low-flow rate)
Monthly availability fee – 10” meter (115X)	\$1,495.00	(corrected from low-flow rate)
Fireline – 4” (monthly)	\$8.12	(no change from prior year)
Fireline – 6” (monthly)	\$10.83	" " "
Fireline – 8” (monthly)	\$13.81	" " "
Fireline – 10” (monthly)	\$17.06	" " "
Fireline – 12” (monthly)	\$20.04	" " "
Fireline – 14” (monthly)	\$22.75	" " "

Sewer Rates and Fees	Rate	
Monthly sewer charge – Residential	\$21.50	(10.256% increase)
Monthly sewer charge – Commercial REU & Trailer Park REU	\$21.50	(10.256% increase)
Monthly sewer charge – Multi-Unit Residential (per unit)	\$18.50	(10% increase)
Sewer surcharge rate #1 per 1,000 gallons	\$2.10	(10% increase)
Sewer surcharge rate #2 per 1,000 gallons	\$2.53	" "
Sewer surcharge rate #3 per 1,000 gallons	\$2.88	" "
Sewer surcharge rate #4 per 1,000 gallons	\$2.97	" "
Sewer surcharge rate #5 per 1,000 gallons	\$3.12	" "
Sewer surcharge rate #6 per 1,000 gallons	\$3.38	" "
Sewer surcharge rate #7 per 1,000 gallons	\$3.75	" "
Sewer surcharge rate #8 per 1,000 gallons	\$3.83	" "
Sewer surcharge rate #9 per 1,000 gallons	\$3.89	" "
Sewer surcharge rate #10 per 1,000 gallons	\$4.10	" "
Sewer surcharge rate #11 per 1,000 gallons	\$4.15	" "
Sewer surcharge rate #12 per 1,000 gallons	\$4.82	" "
Sewer surcharge rate #13 per 1,000 gallons	\$5.20	" "
Sewer surcharge rate #14 per 1,000 gallons	\$5.24	" "
Sewer surcharge rate #15 per 1,000 gallons	\$5.34	" "
Sewer surcharge rate #16 per 1,000 gallons	\$5.41	" "
Sewer surcharge rate #17 per 1,000 gallons	\$6.09	" "
Sewer surcharge rate #18 per 1,000 gallons	\$6.29	" "
Sewer surcharge rate #19 per 1,000 gallons	\$6.55	" "
Sewer surcharge rate #20 per 1,000 gallons	\$7.91	" "
Sewer surcharge rate #21 per 1,000 gallons	\$8.33	" "
Sewer surcharge rate #22 per 1,000 gallons	\$8.81	" "
Sewer surcharge rate #23 per 1,000 gallons	\$8.95	" "
Sewer surcharge rate #24 per 1,000 gallons	\$9.97	" "
Sewer surcharge rate #25 per 1,000 gallons	\$14.18	" "
Central Valley Water Rehab/Upgrade Charge (per unit for all Residential & MU, per REU for Commercial)	\$5.00	(no change from prior year)

Penalty Fees	Rate	
Returned check fee	\$25.00	(no change from prior year)
Late fee/Turn-off fee – Amount based on statutory maximum	\$20.00	" " "
Tamper Damage fee – Statutory maximum is \$100	\$50.00	" " "
Pre-litigation collection letter	\$50.00	" " "

Other Fees/Charges	Rate	
Hydrant Meter security deposit	\$1,750.00	
Hydrant Meter daily rental (in addition to actual water consu	\$5.00	(no change from prior year)
Hydrant Meter Assembly Usage monthly charge	\$50.00	" " "
Hydrant Meter Inspection monthly charge	\$75.00	" " "
Hydrant Meter Water Use Charge per 1,000 gal (at lowest tier rate)	\$1.77	
Cross-Connection Penalty - 1st Offense	\$500.00	(no change from prior year)
Cross-Connection Penalty - 2nd Offense (may lose hydrant u:	\$1,000.00	" " "
Cross-Connection Penalty - 3rd Offense (may lose hydrant us	\$2,000.00	" " "