



GRANGER-HUNTER IMPROVEMENT DISTRICT

CULINARY WATER AND SANITARY SEWER

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To the Board of Trustees Granger-Hunter Improvement District

The 2010 budget for Granger-Hunter Improvement District (District) has been prepared with an eye on the objective 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 maintain honesty and fairness in its dealing with its customers, vendors and others. 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. Department managers each have a responsibility to submit their respective 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 department managers. 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 20). The tentative budget is then adopted at the November 10 (9:00 a.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 1 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 2010 approaches, the District is faced with new challenges that did not exist a few years ago. The national economy is very fragile and is struggling 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 in 2007, according to the Consumer Price Index was 4.1%, while in 2008 it was 0.1%. The CPI for the first eight months of 2009 is 0.2% and is down 1.5% as compared to August 2008. The price of oil has moderated over the past few months and we are beginning to see the impact in our cost of fuel, oil, PVC pipe, and asphalt. Utility costs for power and natural gas have also been stable with some utilities seeking rate cuts.

The overall budgeted revenues for 2010 are down approximately 2.3%. This is primarily due to the lack of building within the District resulting in fewer impact fees. Interest rates have also been lower which has had a direct affect on the interest revenue. Overall expenditures are down 2.6%. In 2010, we will have no rate increases from both Central Valley and Jordan Valley for the processing of the wastewater and purchase of potable water. The budget for fuel, professional fees, and other general expenses has also gone down. The proposed purchase of equipment is also lower than previous years. Payroll wages and benefits continue to be more expensive, including an estimated 10% increase in health insurance.

The 2010 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:

- 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 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 challenges, the District continues to be in great financial condition and the long-term outlook is positive. The District only has one outstanding bond and has no plans to issue debt in the coming year.

PARAMETERS FOR 2010 BUDGET PREPARATION

REVENUES

- **Metered Water Sales:** Water sales are projected to remain flat for 2010. 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 7,800,000,000 (7.8 billion) gallons of water resulting in revenue of approximately \$11,310,000.
- **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.
- **Engineering/Connection/Inspection Fees:** No fee increase is proposed for the engineering and inspection fees. Also, since the building climate is very slow, it is anticipated that fewer fees will be collected in these categories.
- **Property Tax Revenue:** The estimated property tax collections will increase approximately 1.1%. This increase reflects a modest amount of growth within the district. However, any growth in revenue will likely be offset by an increase in the number of delinquencies. **No tax increase is budgeted for 2010.**
- **Impact Fees:** We are budgeting for 125 new connections for 2010 (budget was for 275 new connections in 2009). The water impact fee is \$2,343 and the sewer impact fee is \$2,324 per residential connection. This has resulted in a 54.5% 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 1.5 to 2%.
- **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 2010. Base salaries have been budgeted to increase by \$1.00 per hour for all employees and represent only a merit increase. It is felt that this type of merit pay increase is more favorable to the lower wage employees.
- *Overtime Wages:* Overtime pay remains unchanged.
- *On-call Pay:* No change.
- *Vehicle Allowance:* No change is proposed in the vehicle allowances for the 4 employees currently receiving the allowance. It is proposed that the Administrative Department Manager receive a reduced car allowance. The vehicle that he currently drives is scheduled to be replaced this year and this would eliminate the need for that vehicle.
- *Clothing Allowance:* The clothing allowance has also been included in the personnel budget as it is now a taxable item. The increase is due to the potential addition of three staff.
- *Other/OPEB:* We anticipate two retirees in 2010 and have set aside \$175,000 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 legislative changes to the Utah State Retirement System.
- *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:* No change
- *State Unemployment:* No change in state unemployment budget.

- **Operations & Maintenance**

- *Repair & Replacement:* The repair and replacement budget has been increased by 5%. This increase is due primarily to the continued maintenance of an aging infrastructure.
- *Building & Grounds:* This budget has been reduced by approximately 23.7%. Part of the reduction is due to the hiring of a new janitorial service. Also, fewer dollars are being spent on landscaping items as the District has been xeriscaping many of its well sites and other locations.

- *Vehicles & Machinery:* Fuel and oil cost decreases make up the reduction in this budget item.
 - *Tools & Supplies:* It is proposed that we replace some of our yard tools – weedeater, snowblower, etc. – that have worn out. A few more hand tools are also needed as they continue to break and wear out.
 - *Water Purchases:* Our water purchase commitment with Jordan Valley will remain at 17,000 AF for 2010. We do not anticipate a rate increase for at least the first half of 2010 and are uncertain if the rate will change in July 2010.
 - *Treatment Chemicals:* No change in budget.
 - *Water Lab Testing Fees:* This budget has been decreased from 2009. During 2009, the District had additional lab fees for the stage 2 disinfection byproducts tests that are completed every 5-6 years.
 - *Utilities:* No change.
- **CVWRF:** Overall, the CVWRF budget will be approximately 10% lower than the previous year's budget. First, the operations budget will remain unchanged for 2010 even though they have included 2 new staff positions. However, the cost for additional personnel will be offset by cost savings in other budget areas – fuel, utilities and chemicals. Second, capital expenditures are budgeted to be approximately \$2.5 million. In 2009, the capital budget was \$4.5 million which was primarily for the UV disinfection system.
- **General & Administrative**
 - *Office Supplies/Printing:* An increase in office supplies and printing expense is expected in 2010. The increase is due to the proposed purchase of additional filing cabinets for engineering and an increase in toner and paper usage by our GIS specialist.
 - *Postage & Mailing:* We have included a small increase in postage rates.
 - *General Administrative:* This budget has been decreased due to no election being held in 2010.
 - *Computer Supplies/Equipment:* This budget has been increased to reflect the license fees for the SCADA software that has been previously included in the operations budget. No other significant changes to this budget.
 - *General Insurance:* No change.
 - *Utilities:* No change.
 - *Telephone:* Slight decrease due to change in cell phone carriers.
 - *Training & Education:* A small increase has been included to pay for training for the GIS Specialist.
 - *Safety:* It is proposed that this budget be increase to purchase new confined space entry monitors and air blowers. In addition, this budget also includes the fire extinguisher replacements and fire sprinkler inspection for the administration building – previously included in the building and grounds budget.
 - *Legal Fees:* No change in budget

- *Auditing Fees:* We are in the third year of the three year proposal provided by our current auditors. The budget is the amount previously agreed upon when the auditors were previously selected.
 - *Professional Consulting:* Many of the consultants hired in 2009 have completed or are nearing completion of their work. Since hiring a GIS Specialist, less budget is needed for GIS services.
 - *Public Relations/Conservation:* No change 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 has resulted 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 2009:
 - New 10-wheel dump truck (\$154,000)
 - One service trucks (\$56,000)
 - Three pickups (\$82,000)
 - Security Camera System for Admin (\$45,000)
 - Telephone System (\$30,000)
 - Sonar for sewer lateral camera (\$20,000)
 - **Debt Service:** Bond interest expense is lower due to the pay-down of principal on the 2005 bond. Principal payments have increased \$30,000 from 2009.

INFRASTRUCTURE IMPROVEMENTS

- **Capital Projects**
 - Attached is a detail listing of the proposed projects for 2010. The major items include:
 - Old Main/Decker Main Lift Station Rehab/Rebuild (\$1,000,000)
 - Possible land purchase for Old Main/Decker Main (500,000)
 - 1300 West Sewer Line (1,800,000)
 - Sewer lining Projects (\$600,000)
 - Ridgeland Tank interior/exterior recoating (\$500,000)
 - Meter/MXU Replacement (\$202,700)
 - District-installed water lines (\$693,000)

- Property Acquisitions (\$450,000)
- PRV Upgrades (\$500,000)
- New Generator at Tank Farm (\$200,000)
- Building B Roof rebuild (\$150,000)

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 per year for the next five years. The current balance in this account is \$2,052,000. 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 9/30/09 is \$4,384,000.
 - **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 \$606,384.
 - **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 \$410,000. The liability currently on the books is almost \$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 2007	Actual 2008	Budget 2009	Proposed Budget 2010	% Change
REVENUES					
Operating Revenues:					
Metered Water Sales	\$13,314,457	\$12,312,756	\$13,637,500	\$13,710,000	0.5%
Sewer Service Charges	8,137,512	7,968,079	8,635,000	8,750,000	1.3%
Engineering Fees	56,887	6,737	55,000	40,000	-27.3%
Connection fees	223,979	83,478	185,350	130,000	-29.9%
Inspection	188,910	112,127	220,000	125,000	-43.2%
Delinquent/Turn-on Fees	0	131,619	0	50,000	
Total Operating Revenue	<u>21,921,745</u>	<u>20,614,796</u>	<u>22,732,850</u>	<u>22,805,000</u>	<u>0.3%</u>
Property Tax Revenue:					
Property Tax	2,850,175	2,873,665	3,288,516	3,300,000	0.3%
Motor Vehicle	342,072	343,915	400,000	320,000	-20.0%
Personal Property	298,357	290,129	161,484	250,000	54.8%
Delinquent Tax/Interest	102,092	123,416	100,000	125,000	25.0%
Total Property Tax Revenue	<u>3,592,695</u>	<u>3,631,125</u>	<u>3,950,000</u>	<u>3,995,000</u>	<u>1.1%</u>
Non-operating Revenue:					
Impact Fees - Water	890,657	682,128	644,325	292,875	-54.5%
Impact Fees - Sewer	976,682	519,332	639,100	290,500	-54.5%
Interest	1,486,631	1,051,433	750,000	660,000	-12.0%
Sale of Surplus Equipment	60,975	13,427	47,500	45,000	-5.3%
Other	0	413,076	0	20,000	
Total Non-operating Revenue	<u>3,414,945</u>	<u>2,679,396</u>	<u>2,080,925</u>	<u>1,308,375</u>	<u>-37.1%</u>
Total Revenues	<u>\$28,929,385</u>	<u>\$26,925,317</u>	<u>\$28,763,775</u>	<u>\$28,108,375</u>	<u>-2.3%</u>

TENTATIVE

EXPENSES

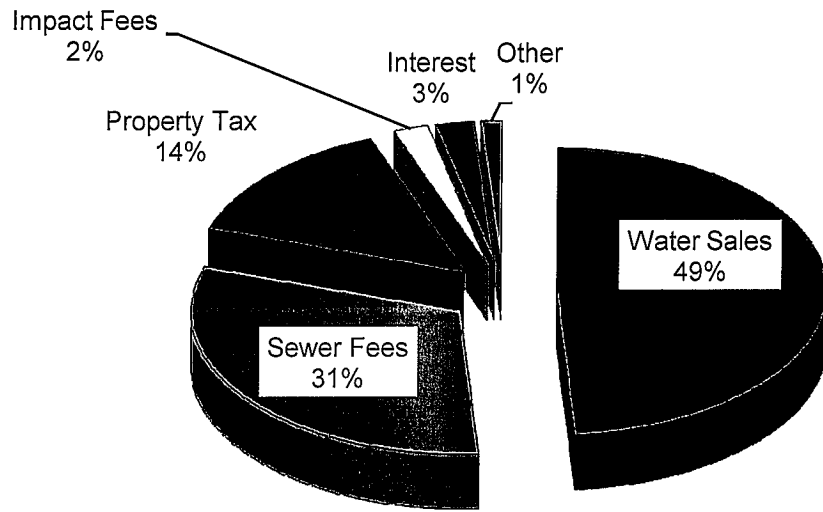
	Actual 2007	Actual 2008	Budget 2009	Proposed Budget 2010	% Change
EXPENSES					
Payroll Wages:					
Salaries & Wages	3,145,827	3,573,912	3,582,664	3,693,038	3.1%
Overtime Wages	133,485	149,360	250,000	250,000	0.0%
On-call Pay	15,600	16,000	21,900	21,900	0.0%
Incentive Pay	54,950	55,450	60,500	60,500	0.0%
Vehicle Allowance	18,000	19,200	26,400	30,600	15.9%
Clothing Allowance	18,150	18,425	18,975	18,975	0.0%
Other/OPEB	0	0	150,000	175,000	16.7%
<i>Total Payroll Wages</i>	<u>3,386,012</u>	<u>3,832,347</u>	<u>4,110,439</u>	<u>4,250,013</u>	<u>3.4%</u>
Payroll Benefits:					
State Retirement Plan	382,741	447,161	461,978	538,201	16.5%
401K Plan	537,465	530,106	645,986	664,197	2.8%
Health/Dental Insurance	701,068	689,897	782,816	862,816	10.2%
Medicare	39,932	40,947	46,076	48,000	4.2%
Workers Compensation Ins	57,405	43,798	70,000	55,000	-21.4%
Life/LTD/LTC Insurance	36,893	78,401	119,759	120,000	0.2%
State Unemployment	0	1,279	5,000	5,000	0.0%
<i>Total Payroll Benefits</i>	<u>1,755,503</u>	<u>1,831,589</u>	<u>2,131,614</u>	<u>2,293,214</u>	<u>7.6%</u>
Operations & Maintenance:					
Repair & Replacement	754,591	606,044	565,975	594,225	5.0%
Building & Grounds	57,920	54,725	94,380	72,020	-23.7%
Vehicles & Machinery	156,487	302,752	286,500	268,800	-6.2%
Tools & Supplies	3,196	4,992	54,200	60,450	11.5%
Water Purchases	6,347,230	6,408,388	7,094,588	7,094,588	0.0%
Treatment Chemicals			30,000	30,000	0.0%
Water Lab Testing Fees	29,158	51,101	88,510	53,300	-39.8%
Utilities	821,274	729,141	847,500	847,500	0.0%
<i>Total O&M</i>	<u>8,169,856</u>	<u>8,157,142</u>	<u>9,061,653</u>	<u>9,020,883</u>	<u>-0.4%</u>
CVWRF:					
Facility Operations	2,061,721	1,992,840	2,514,539	2,514,342	0.0%
Project Betterments	312,791	503,212	979,098	604,146	-38.3%
Interceptor Monitoring	3,605	4,532	6,400	5,075	-20.7%
Pre-treatment Field	376,494	175,473	185,950	156,674	-15.7%
Laboratory	149,161	128,616	137,011	152,664	11.4%
<i>Total CVWRF</i>	<u>2,903,771</u>	<u>2,804,674</u>	<u>3,822,998</u>	<u>3,432,901</u>	<u>-10.2%</u>



TENTATIVE EXPENSES

	Actual 2007	Actual 2008	Budget 2009	Proposed Budget 2010	% Change
General & Administrative:					
Office Supplies/Printing	17,054	36,971	32,680	36,500	11.7%
Postage & Mailing	93,081	86,312	192,100	194,564	1.3%
General Administrative	64,583	33,102	53,370	29,060	-45.5%
Computer Supplies/Equipment	24,424	29,620	74,100	86,645	16.9%
General Insurance	195,687	202,027	313,350	313,350	0.0%
Utilities	82,125	76,190	99,800	99,800	0.0%
Telephone	49,722	52,058	60,100	57,700	-4.0%
Training & Education	96,519	101,134	142,470	145,480	2.1%
Safety		9,886	11,350	27,375	141.2%
Legal fees	147,018	164,838	101,000	101,000	0.0%
Auditing Fees	13,250	13,850	14,300	14,700	2.8%
Professional Consulting	75,386	63,823	157,700	40,315	-74.4%
Public Relations/Conservation			29,000	29,000	0.0%
Banking & Bonding	79,550	90,550	64,650	91,050	40.8%
Administrative Contingency	0	0	285,000	280,000	-1.8%
<i>Total General Administrative</i>	<u>938,398</u>	<u>960,363</u>	<u>1,630,970</u>	<u>1,546,539</u>	-5.2%
Equipment Purchases:					
New Vehicles & Equipment	354,432	191,714	827,335	415,500	
<i>Total Equipment</i>	<u>354,432</u>	<u>191,714</u>	<u>827,335</u>	<u>415,500</u>	-49.8%
Debt Service:					
Bond Interest	855,198	603,850	213,731	195,369	-8.6%
Bond Principal Payment - GHID	525,000	550,000	550,000	580,000	5.5%
Bond Debt Service - CVWRF	400,706	403,696	652,500	680,861	4.3%
<i>Total Debt Service</i>	<u>1,780,904</u>	<u>1,557,546</u>	<u>1,416,231</u>	<u>1,456,230</u>	
Total Expenses & Debt Service	<u>\$19,288,875</u>	<u>\$19,335,376</u>	<u>\$23,001,240</u>	<u>\$22,415,280</u>	-2.5%
Total Net Revenues	<u>\$9,640,510</u>	<u>\$7,589,941</u>	<u>\$5,762,535</u>	<u>\$5,693,095</u>	

Revenues



Expenses

