



## **To the Board of Trustees Granger-Hunter Improvement District**

The 2015 budget for Granger-Hunter Improvement District (District) has been prepared with the objective of the District's mission: "Improving quality of life today- creating a better tomorrow". 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 21<sup>st</sup>). The tentative budget is then adopted at the November 18<sup>th</sup> (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 18<sup>th</sup> 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.
- 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***

The Utah economy has been affected and the impact of that continues to be felt locally with slower job growth and fewer home starts. Inflation rates for 2009 according to the Consumer Price Index was 0.4%, 2010 saw a rate of 1.6%, the CPI for 2011 was 3.6%, for 2012 it was 1.7%, 1.8% for 2013 and the CPI for the first 9 months of 2014 is 1.7%. The price of oil continues to fluctuate and, as a result, the District continues to have a challenge in budgeting for fuel, oil, PVC pipe, and asphalt. Utility costs for power and natural gas have been stable but we are starting to see some increase in the power rates.

The overall budgeted revenues for 2015 are up slightly 0.4%. This is primarily due to having a wet weather cycle during 2014. However, budgeted revenue for some of the other items in the budget have been reduced as a result of economic conditions. The weather continues to be a driving force on water sales as “wet” weather cycles were experienced during 2014. Interest rates have also been stable with a slight increase which will have a direct effect on the interest revenue.

Overall operating expenses are projected to increase 6.5% for 2015. In 2015, we expect to have a rate increase from Jordan Valley of 5% for the purchase of potable water. The contract amount for JWCD water will be 18,500 acre feet. The budget for the proposed purchase of equipment is up 13.2%. The salary and wages budget is up with the addition of a Scada Technician and new Asst. General Manager. We have budgeted a 3.4% increase in health & dental insurance, and adding 3 employees to the post-retirement plan.

As part of the 2014 budget, the Board adopted the following to the water and sewer rates and other fees which will remain in effect for 2015:

- The water rate will remain at \$1.45 per 1,000 gallons for all customer classes. No water or wastewater rate change is proposed in the 2015 budget.
- Late fees, turn-on fees, tamper fees and other penalty fees will remain the same.
- The water availability will remain at \$12.00 per month for a 3/4” meter to \$840.00 per month for a 10” meter.

### **2015**

- Water and sewer impact fees will likely change for 2015.

The District continues to have a fiscally sound budget, can meet ongoing obligations and provide cash-flow to pay for capital projects.

The bottom line impact, generally, of the 2015 budget as compared to the 2014 budget is as follows:

Increase in revenues:	\$105,000
Increase in JWCD expense:	(433,125)
Increase in debt service:	(32,000)
Net increase in all other expenses:	(1,073,649)
 Net decrease:	 \$(1,433,774)

## Summary

The District continues to be in great financial condition and the long-term outlook continues to be positive. The District continues to be careful in spending and vigorously looks for ways to reduce wasteful spending. Many items asked for by each department have been deleted or postponed to future years in order to have a sound, balanced budget.

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

Respectfully Submitted,

*Clint Jensen, CPA*  
*General Manager*

*Wayne Watts*  
*Assistant General Manager*

*Kim Coleman*  
*Controller*

## PARAMETERS FOR 2014 BUDGET PREPARATION

### REVENUES

- **Metered Water Sales:** Water sales are budgeted to increase slightly in 2015. It is not expected that the District will experience much, if any, growth and there will be an increase in the availability fee. It is estimated that the District will sell approximately 7,900,000,000 (7.9 billion) gallons of water resulting in revenue of approximately \$11,461,000. Availability fee revenue is projected to be \$3,789,000.
- **Sewer Service Charges:** Sewer revenues are budgeted to remain unchanged for 2015. No increase in the sewer rate or fees has been budgeted.
- **Engineering/Connection/Inspection/Turn-on Fees:** No fee increase is proposed for the engineering, connection and inspection fees. Also, since the building climate is coming up, it is anticipated that more fees will be collected in these categories. Delinquent & Turn-on fees have increased due to customers not having their delinquent fees waived.
- **Property Tax Revenue:** The estimated collections for property tax revenue will remain relatively flat. There has been a modest amount of growth within the district which will likely be offset by an increase in the number of delinquencies. The District's property tax collections are also declining due to the increase in the number of RDAs that divert current tax collections. **No tax rate increase is budgeted for 2015.**
- **Impact Fees:** We are budgeting for 120 new connections for 2015 (budget was for 120 new connections in 2014, 120 for 2013, 120 for 2012 and 100 in 2011).
- **Interest Income:** The interest rates on the District's accounts continue to remain at historical lows. The current interest rate the District is earning on its investments is hovering around 0.7 to 1.25%. We have budgeted an increase in interest income since we have moved many of the District's idle funds to higher performing investments and away from the PTIF.
- **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 based on historical averages.

## EXPENSES

- **Payroll Wages**

- *Salaries & Wages:* It is proposed that **one** additional staff position be added in 2015 and the added effects of the new Asst. General Manager Base salaries have been budgeted to increase by 3.0% for all employees and represent a 1.5% merit increase and 1.5% COLA.
- *Overtime Wages:* Overtime pay remains unchanged.
- *On-call Pay:* No change to budget.
- *Vehicle Allowance:* The vehicle allowance will increase as compared to the 2014 budget with the addition of the new Assistant GM.
- *Clothing Allowance:* The clothing allowance has also been included in the personnel budget as it is a taxable item. An increase is proposed of 500.00 for the addition of the new employees.
- *Other/OPEB:* We are anticipating three retirees in 2015 and are budgeting \$250,000 for retirement buyouts, any excess can be moved to the reserve account.

- **Payroll Benefits**

- *State Retirement Plan/401K Plan:* Utah Retirement Systems (URS) does not propose an increase to the retirement contribution rate effective 7/1/2015. The current rate is 18.47% of payroll keeping the 401K rate at 11.53%. Together, these rates work together to help control the fluctuations in the URS rates.
- *Health & Dental Insurance:* Health and dental insurance costs are budgeted to increase approximately 3.4%. Preliminary rates show an increase in health insurance premium of 2.8% plus the addition of one new employee and the retirees.
- *Medicare:* Medicare contributions are increased due to the increase in wages.
- *Workers Compensation Insurance:* Workers compensation insurance continues to be stable as the District has experienced a favorable e-mod over the last few years.
- *Life/LTD/LTC Insurance:* The rates for life, LTD and long-term care insurance are very favorable and we don't anticipate any change in rate.
- *State Unemployment:* No change in state unemployment budget.

- **Operations & Maintenance**

- *Repair & Replacement:* The repair and replacement budget is up 7% in 2015 to handle the needs in the water department for repairs.
- *Building & Grounds:* This budget has decreased by 6.2%.

- *Vehicles Maintenance & Fuel:* Slight increase due to an increase in oil prices but fairly flat.
- *Tools & Supplies:* There is a slight increase in this budget based on the need in each department.
- *Water Purchases:* Our water purchase commitment with Jordan Valley will be 18,500 acre feet for 2015. 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 2014 because of the UCMR3's is only done on a 3-4 year cycle.
- *Utilities:* This budget has been increased to be in line with more historical average for utility expense and rate increases.

- **CVWRF**

Overall, the CVWRF budget will be approximately 12% higher than the previous year's budget. All of the line items went up but one from the previous year. Last year's budget actually went down from the 2013 budget by 4%, but it is within the trend of a 3-5% increase that we anticipate.

- **General & Administrative**

- *Office Supplies/Printing:* No change.
- *Postage & Mailing:* No change in budget from previous year.
- *General Administrative:* This budget has increased substantially (\$40,000) for 2015 because it is an election year.
- *Computer Supplies/Equipment:* This budget has increased approximately 40%. We are increasing this budget to cover the annual maintenance expenses and licenses, additional tools for field personnel to capture data on location.
- *General Insurance:* We are projecting a slight increase in the general insurance budget due to general trends in the insurance industry and an increase in the property values of district assets.
- *Utilities:* 10% increase in budget projected for the new building E and increases in rates.
- *Telephone:* 5.8% increase due to Increased Blue Stake tickets and additional data plans for cell phones.
- *Training & Education:* The training budget has been increased by 2.84% due to more employees taking advantage of tuition re-imburement. We continue to see significant savings in airline tickets as we utilize AMEX points to pay for the tickets.
- *Safety:* No change in budget.
- *Legal Fees:* No change in budget
- *Auditing Fees:* Down 31% with the selection of a new firm.

- *Professional Consulting:* Is going up \$20,000. Two master plans, one for water and one for sewer. This makes up the majority of the consulting budget.
  - *Public Relations/Conservation:* Up \$6,000 from previous year's budget.
  - *Banking and Bonding:* This budget has been increased from the previous year due to the increased utilization of Visa, MasterCard and Discover Card by our customers.
  - *Administrative Contingency:* This budget amount 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 2015:
      - Bldg. A (\$20,000)
      - Water Sampling Stations (\$6,000)
      - New Vehicles – replace 2 trucks (\$101,000)
      - Fire Hydrant Meters (3) @ 1000.00 (\$3,000)
      - New Case 580 Tractor Backhoe (\$83,000)
      - Chemical Root Control System, truck mounted (\$45,000)
  - **Debt Service:** Bond interest remains unchanged from 2014. Principal payments on the 2005 and DEQ bond have increased \$32,000 from 2014.

## **INFRASTRUCTURE IMPROVEMENTS**

- **Capital Projects**
  - Attached is a detail listing of the proposed projects for 2015. The major items include:
    - PRV Station Upgrades (\$250,000)
    - Meter Infrastructure (\$471,320)
    - Chesterfield Force Main (\$750,000)
    - Sewer Lining Projects (\$750,000)
    - 4100 S 5400-6000 W Waterline (\$1,000,000)
    - Well #1 to Well #12 pipeline & Connect (\$550,000)
    - Well #8 Upgrades (\$640,000)
    - Well #17 Pump house & Site Development (\$1,500,000)
    - GHID Projects – (\$1,002,340)
    - Well #4 Electrical Upgrades & Meter Replacement (\$375,000)

## RESERVE FUNDS

- **Reserve Funds:** The following reserve funds have been established and the funding of these accounts continues.
  - **Operating Reserve:** The operating reserve represents 10% of the total District budget. The minimum balance in the operating account to provide a “rainy day” fund for budget shortfalls or cost overruns for 2015 is \$3,006,350. Current account balances cover this reserve.
  - **Repair and Replacement Reserve:** A total of \$5,200,000 is recommended but to be funded with \$355,715 added per year for the next five years. The current balance in this account is \$3,421,418. Additional funding is proposed as funds are available.
  - **Impact Fee Reserve:** \$2,820,000 is to be maintained in the impact fee fund. However, this amount will adjust as the District’s growth slows. Balance as of 09/30/14 is \$3,014,211.
  - **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 \$860,190.
  - **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 \$1,054,071. The liability currently on the books is more than \$1,481,467 and growing. Accounting rules do not require full funding of the liability. However, additional funding is proposed as funds are available.





## REVENUES

	Actual 2012	Actual 2013	Projected 2014 as of 12/08/14	Budget 2014	Proposed Budget 2015	% Change
<b>REVENUES</b>						
<b>Operating Revenues:</b>						
Metered Water Sales	\$15,362,465	\$14,275,795	\$15,061,575	\$15,250,000	<b>\$15,250,000</b>	0.0%
Sewer Service Charges	9,622,120	9,265,740	9,617,636	9,350,000	<b>9,350,000</b>	0.0%
Engineering Fees	4,300	5,300	6,000	8,500	<b>8,500</b>	0.0%
Connection fees	68,200	57,011	37,317	55,000	<b>55,000</b>	0.0%
Inspection	170,797	103,698	69,425	100,000	<b>100,000</b>	0.0%
Delinquent/Turn-on Fees	20,475	19,729	53,209	25,000	<b>45,000</b>	80.0%
Total Operating Revenue	<u>25,248,357</u>	<u>23,727,273</u>	<u>24,845,162</u>	<u>24,788,500</u>	<u><b>24,808,500</b></u>	<u>0.1%</u>
<b>Property Tax Revenue:</b>						
Property Tax	3,136,664	3,039,955	3,064,525	3,200,000	<b>3,200,000</b>	0.0%
Motor Vehicle	258,207	258,917	251,329	300,000	<b>300,000</b>	0.0%
Personal Property	240,053	360,381	349,686	300,000	<b>325,000</b>	8.3%
Delinquent Tax/Interest	155,050	124,120	118,648	135,000	<b>135,000</b>	0.0%
Total Property Tax Revenue	<u>3,789,974</u>	<u>3,783,373</u>	<u>3,784,188</u>	<u>3,935,000</u>	<u><b>3,960,000</b></u>	<u>0.6%</u>
<b>Non-operating Revenue:</b>						
Impact Fees - Water	395,495	889,981	425,581	400,000	<b>475,000</b>	18.8%
Impact Fees - Sewer	379,203	774,292	309,412	400,000	<b>325,000</b>	-18.8%
Interest	338,283	328,055	396,720	310,000	<b>370,000</b>	19.4%
Sale of Surplus Equipment	17,981	78,691	44,933	30,000	<b>30,000</b>	0.0%
Other	104,992	127,691	85,530	95,000	<b>95,000</b>	0.0%
Total Non-operating Revenue	<u>1,235,954</u>	<u>2,198,710</u>	<u>1,262,176</u>	<u>1,235,000</u>	<u><b>1,295,000</b></u>	<u>4.9%</u>
<b>Total Revenues</b>	<u><b>\$30,274,285</b></u>	<u><b>\$29,709,356</b></u>	<u><b>\$29,891,526</b></u>	<u><b>\$29,958,500</b></u>	<u><b>\$30,063,500</b></u>	<u><b>0.4%</b></u>



**EXPENSES**

	Actual 2012	Actual 2013	Projected 2014 as of 12/08/14	Budget 2014	Proposed Budget 2015	% Change
<b>OPERATING EXPENSES</b>						
<b>Payroll Wages:</b>						
Salaries & Wages	3,837,574	3,524,195	3,737,980	3,817,874	4,108,922	7.6%
Overtime Wages	142,881	88,573	147,250	250,000	250,000	0.0%
On-call Pay	30,240	28,000	30,340	29,200	29,200	0.0%
Bonus Pay	55,600	58,450	61,400	61,500	49,575	-19.4%
Vehicle Allowance	28,823	30,577	37,546	35,400	43,200	22.0%
Clothing Allowance	18,425	18,425	18,975	18,975	19,525	2.9%
Other/OPEB	0	293,041	0	200,000	250,000	25.0%
<i>Total Payroll Wages</i>	<u>4,113,543</u>	<u>4,041,261</u>	<u>4,033,491</u>	<u>4,412,949</u>	<u>4,750,422</u>	<u>7.6%</u>
<b>Payroll Benefits:</b>						
State Retirement Plan	577,431	642,219	683,158	667,035	815,000	22.2%
401K Plan	563,661	527,248	508,086	580,537	519,000	-10.6%
Health/Dental Insurance	914,511	1,175,670	1,131,600	1,257,355	1,300,000	3.4%
Medicare	50,562	56,733	57,900	60,300	64,000	6.1%
Workers Compensation Ins	42,922	40,215	33,636	50,000	50,000	0.0%
Life/LTD/LTC Insurance	65,161	64,996	70,864	80,000	80,000	0.0%
State Unemployment	0	0	8,095	5,000	5,000	0.0%
<i>Total Payroll Benefits</i>	<u>2,214,248</u>	<u>2,507,081</u>	<u>2,493,339</u>	<u>2,700,227</u>	<u>2,833,000</u>	<u>4.9%</u>
<b>Operations &amp; Maintenance:</b>						
Repair & Replacement	442,331	629,325	642,117	650,050	683,455	5.1%
Building & Grounds	72,122	85,433	82,492	85,950	80,600	-6.2%
Vehicles Maintenance & Fuel	327,484	336,437	327,873	339,500	340,500	0.3%
Tools & Supplies	25,865	18,913	17,088	17,900	21,440	19.8%
Water Purchases	8,932,922	8,579,801	8,464,851	8,662,500	9,095,625	5.0%
Treatment Chemicals	21,850	25,233	27,001	30,000	30,000	0.0%
Water Lab Testing Fees	29,564	21,102	53,656	55,200	35,700	-35.3%
Utilities	890,102	910,426	939,519	917,500	926,500	1.0%
<i>Total O&amp;M</i>	<u>10,742,240</u>	<u>10,606,670</u>	<u>10,554,597</u>	<u>10,758,600</u>	<u>11,213,820</u>	<u>4.2%</u>
<b>CVWRF:</b>						
Facility Operations	2,463,363	2,414,847	2,295,174	2,551,665	2,873,385	12.6%
Project Betterments	457,815	536,837	446,552	533,905	642,584	20.4%
Interceptor Monitoring	3,510	3,175	3,569	4,063	4,187	3.1%
Pre-treatment Field	143,160	152,883	139,474	128,563	124,562	-3.1%
Laboratory	163,044	156,642	154,699	147,433	178,558	21.1%
<i>Total CVWRF</i>	<u>3,230,892</u>	<u>3,264,384</u>	<u>3,039,468</u>	<u>3,365,629</u>	<u>3,823,276</u>	<u>13.6%</u>



# Final

## EXPENSES

	Actual 2012	Actual 2013	Projected 2014 as of 12/08/14	Budget 2014	Proposed Budget 2015	% Change
<b>General &amp; Administrative:</b>						
Office Supplies/Printing	27,023	29,674	27,345	27,700	27,700	0.0%
Postage & Mailing	157,658	161,829	165,565	176,000	176,000	0.0%
General Administrative	60,106	81,660	43,229	45,010	94,670	110.3%
Computer Supplies/Equipment	89,450	113,472	121,716	119,946	168,799	40.7%
General Insurance	265,046	259,359	255,945	339,600	351,450	3.5%
Utilities	73,731	83,021	92,284	89,600	98,540	10.0%
Telephone	55,318	57,554	57,305	66,450	70,280	5.8%
Training & Education	51,595	80,071	91,123	103,900	106,850	2.8%
Safety	32,480	33,127	36,355	37,400	37,400	0.0%
Legal fees	20,532	8,390	22,139	51,000	51,000	0.0%
Auditing Fees	14,700	15,000	15,500	16,000	11,000	-31.3%
Professional Consulting	59,091	84,354	45,072	149,515	169,700	13.5%
Public Relations/Conservation	33,694	17,715	12,930	20,000	26,000	30.0%
Banking & Bonding	159,225	170,590	157,966	152,850	169,150	10.7%
Administrative Contingency	0	0	0	180,000	180,000	0.0%
<i>Total General Administrative</i>	<u>1,099,649</u>	<u>1,195,816</u>	<u>1,144,474</u>	<u>1,574,971</u>	<u>1,738,539</u>	<u>10.4%</u>
<b>Total Operating Expenses</b>	<b><u>21,400,572</u></b>	<b><u>21,615,212</u></b>	<b><u>21,265,369</u></b>	<b><u>22,812,376</u></b>	<b><u>24,359,057</u></b>	<b>6.8%</b>
<b>Net Operating Revenues</b>	<b><u>\$8,873,713</u></b>	<b><u>\$8,094,144</u></b>	<b><u>\$8,626,157</u></b>	<b><u>\$7,146,124</u></b>	<b><u>\$5,704,443</u></b>	<b>-20.2%</b>
<b>Equipment Purchases:</b>						
New Vehicles & Equipment	344,846	464,177	228,092	240,005	271,720	
<i>Total Equipment</i>	<u>344,846</u>	<u>464,177</u>	<u>228,092</u>	<u>240,005</u>	<u>271,720</u>	<u>13.2%</u>
<b>Debt Service:</b>						
Bond Interest	230,552	235,010	229,130	246,944	219,244	-11.2%
Bond Princ Pmt ('05 Issue/'15 Rfnd)	600,000	660,000	680,000	680,000	735,000	8.1%
Bond Debt Service - CV/DEQ	0	0	248,000	248,000	255,000	2.8%
<i>Total Debt Service</i>	<u>830,552</u>	<u>895,010</u>	<u>1,157,130</u>	<u>1,174,944</u>	<u>1,209,244</u>	<u>2.9%</u>
<b>Total Equipment &amp; Debt Service</b>	<b><u>\$1,175,398</u></b>	<b><u>\$1,359,187</u></b>	<b><u>\$1,385,222</u></b>	<b><u>\$1,414,949</u></b>	<b><u>\$1,480,964</u></b>	<b>4.7%</b>
<b>Net Revenues Before Capital</b>	<b><u>\$7,698,315</u></b>	<b><u>\$6,734,957</u></b>	<b><u>\$7,240,935</u></b>	<b><u>\$5,731,175</u></b>	<b><u>\$4,223,479</u></b>	<b>-26.3%</b>