



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

The 2014 budget for Granger-Hunter Improvement District (District) has been prepared with the objective of the District's mission to provide high value to our customers through effective, courteous and responsive service in the delivery of high quality drinking water, and safe collection of sanitary sewer. 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 15<sup>th</sup>). The tentative budget is then adopted at the November 19<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 17<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. There will be an increase in fees presented for consideration as part of the 2014 budget.
- The Board, by resolution, can adopt the budget following the public hearing. The budget must be adopted before the beginning of the new year.

## ***Budget Summary***

As the year 2014 approaches, the District continues to be faced with challenges that did not exist a few years ago. The national economy is very fragile and continues to struggle through a recession and high unemployment. The Utah economy has been affected and the impact of that continues to be felt locally with slower job growth and fewer home starts. Inflation, on average, in 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% and the CPI for the first 8 months of 2013 is 1.8%. 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 2014 are up approximately 2.8%. This is primarily due to having a more normal weather cycle during 2013 and a proposal for increasing the water availability fee by \$3.00. 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 “normal” weather cycles were experienced during 2013. 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 2.1% for 2014. In 2014, we expect to have a rate increase from Jordan Valley of 5% for the purchase of potable water. The contract amount for JVVCD water will be 18,500 acre feet. The budget for the proposed purchase of equipment is down 50.7%. The salary and wages budget is up with the addition of a Help Desk Technician, two seasonal employees and an engineering intern. We budgeted a 10% increase in health & dental insurance, but do not anticipate adding anyone to the post-retirement plan.

As part of the 2013 budget, the Board adopted the following to the water and sewer rates and other fees which will remain in effect for 2014:

- 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 2014 budget.
- Late fees, turn-on fees, tamper fees and other penalty fees will remain the same.
- No change to water and sewer impact fees.

### **2014**

- Increase the water availability fee up to \$12.00 per month for a 3/4” meter to \$840.00 per month for a 10” meter.

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 2014 budget as compared to the 2013 budget is as follows:

Increase in revenues:	\$ 805,000
Increase in JVWCD expense:	(412,500)
Increase in debt service:	(24,200)
Net decrease in all other expenses:	46,368
 Net increase:	 \$ 414,668

## Summary

Despite the economic challenges, 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. The District currently has two outstanding bonds. Looking forward to future years, the board will need to continue to address the increases in water rates and sewer processing charges and the impact to the District's budget.

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

Respectfully Submitted,

*Clint Jensen, CPA*  
*General Manager*

*Wayne Watts*  
*Assistant General Manager*

*Brad Jeppson*  
*Controller*

## PARAMETERS FOR 2014 BUDGET PREPARATION

### REVENUES

- **Metered Water Sales:** Water sales are budgeted to increase a little in 2014. 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 2014. 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. Fewer customers are delinquent which has also resulted in fewer fees being charged for water turn-ons.
- **Property Tax Revenue:** The estimated collections for property tax revenue will 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. Also, the state legislature has changed the law for collecting previous year's delinquencies which will have a negative impact on our collections. **No tax rate increase is budgeted for 2014.**
- **Impact Fees:** We are budgeting for 120 new connections for 2014 (budget was for 120 new connections in 2013, 120 for 2013, 100 for 2011 and 125 in 2010). The water impact fee is currently \$2,343 and the sewer impact fee is \$2,324 per residential connection – which is no change from the previous year. This has resulted in a 0% increase in budgeted revenue for impact fees.
- **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 anticipate being able to increase some of our cash reserve accounts from the surplus of 2013 due to a normal weather season. We have budgeted a slight 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 2014 and three seasonal positions. One of seasonal positions is an engineering intern. 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:* On-call pay will remained unchanged as compared to last year. The District currently has 4 individuals on call including: 1 supervisor, 1 regular call, 1 water operations and 1 sewer operations.
- *Vehicle Allowance:* The vehicle allowance will increase as compared to the 2013 budget. It is proposed that we eliminate the purchase of a District vehicle for Joel Johnson and include him in getting a vehicle allowance (comparable to other directors) for 2014.
- *Clothing Allowance:* The clothing allowance has also been included in the personnel budget as it is a taxable item. An increase is proposed of 275.00 for the addition of the new employee.
- *Other/OPEB:* We do not anticipate any retirees in 2014 but still are setting aside \$200,000 for potential retirement buyouts which can be moved to the reserve account if there are no retirees.

- **Payroll Benefits**

- *State Retirement Plan/401K Plan:* Utah Retirement Systems (URS) proposed an increase to the retirement contribution rate effective 7/1/2013. The current rate is 17.29% of payroll but is expected to go up to 18.47%. We have included a rate increase to the state retirement budget to reflect the rate changes but have decreased the contribution to the 401K from 13.96% to 12.71% to offset this increase. 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 10%. Preliminary rates show an increase in health insurance premium of 7.8% plus the addition of one new employee.
- *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 slightly higher in 2014.
- *Building & Grounds:* This budget has been increased slightly due to security monitoring.
- *Vehicles & Machinery:* This budget has increase due to an increase in oil prices.
- *Tools & Supplies:* There is a slight decrease 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 2014. 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 2013 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.

- **CVWRF**

Overall, the CVWRF budget will be approximately 4.1% lower than the previous year's budget. First, the operations budget will decrease due to a reallocation of the O&M costs to the District based on the previous year's flows to the plant. Second, capital expenditures will now be charged to the entity based on previous year's flow rather than ownership. Other line items are adjusted based on how CVWRF will classify certain expenses.

- **General & Administrative**

- *Office Supplies/Printing:* In 2014, the office supply budget has decreased slightly because of office chairs and other small office furniture needs have decreased.
- *Postage & Mailing:* No change in budget from previous year.
- *General Administrative:* This budget has decreased substantially (\$40,000) for 2014 because it not an election year.
- *Computer Supplies/Equipment:* This budget has increased approximately 4.85%. We are increasing this budget to cover the annual maintenance expenses, additional tools for field personnel to capture data on location and additional access points for the new building.
- *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:* 8.76% increase due to Increased Blue Stake tickets and additional data plans for cell phones.
  - *Training & Education:* The training budget has been increased by 4.7% 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:* The safety budget has increased approximately 10.32% due mainly to buying candlestick cones for the entire company and respirator fit test & medical clearance fees. These items were transferred over from other line items.
  - *Legal Fees:* No change in budget
  - *Auditing Fees:* 2.5% increase in budget.
  - *Professional Consulting:* The increase in this budget is due to a couple of items. First, it is proposed that the District hire a Public Relations Consultant to assist with our Emergency Response communication (\$25,000). Another study we are proposing is developing a SCADA Master Plan (\$40,000). This plan will identify our weaknesses and holes in our system and maximize the effectiveness of our SCADA system.
  - *Public Relations/Conservation:* No change 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 2014:
      - New Plotter (\$10,000)
      - Water Sampling Stations (\$6,000)
      - Trimble R10 GPS w/ TCS Handheld GPS (\$30,000)
      - New Vehicles – replace 2 pick-up trucks (\$58,000)
      - Fire Hydrant Meters (5) @ 1000.00 (\$5,000)
      - New Case 580 Tractor Backhoe (\$75,500)
      - Okada 1000 Hydraulic Breaker (\$12,105)
      - 1 ½ Ton w/ Dump Bed (\$63,000)
      - Rebush front end loader (\$12,000)
  - **Debt Service:** Bond interest remains unchanged from 2013. Principal payments on the 2005 and DEQ bond have increased \$24,200 from 2013.



## INFRASTRUCTURE IMPROVEMENTS

- **Capital Projects**
  - Attached is a detail listing of the proposed projects for 2014. The major items include:
    - PRV Station Upgrades (\$300,000)
    - Meter Infrastructure (\$250,000)
    - Well #1 Rehab- (\$425,000)
    - Old Main/Decker Main Bypass (\$600,000)
    - Sewer Lining Projects (\$750,000)
    - 5400 W. to 5600 W. on 4700 S Casing (\$400,000)
    - Montec Waste Water Station (\$800,000)
    - Well #1 to Well #12 pipeline & Connect (\$500,000)
    - 2400 S. 5600 W. to Frontage Rd (1,500,000)
    - Enclosures at East Rec. WWPS's (\$300,000)
    - Well 17 Drilling (\$1,000,000)
    - GHID Projects – (\$988,740)

## 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 2014 is \$2,915,000. Current account balances cover this reserve.
  - **Repair and Replacement Reserve:** A total of \$5,200,000 is recommended but to be funded with \$1,040,000 added per year for the next five years. The current balance in this account is \$3,182,928. 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 10/07/13 is \$2,409,407.
  - **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 \$781,822.
  - **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 \$843,582. The liability currently on the books is more than \$1,300,000 and growing. Accounting rules do not require full funding of the liability. However, additional funding is proposed as funds are available.



## REVENUES

	Actual 2011	Actual 2012	Projected 2013 as of 10/10/13	Budget 2013	Proposed Budget 2014	% Change
<b>REVENUES</b>						
<b>Operating Revenues:</b>						
Metered Water Sales	\$12,140,623	\$15,362,465	\$14,661,782	\$14,500,000	<b>\$15,250,000</b>	5.2%
Sewer Service Charges	9,313,841	9,622,120	9,408,952	9,350,000	<b>9,350,000</b>	0.0%
Engineering Fees	7,133	4,300	5,000	8,500	<b>8,500</b>	0.0%
Connection fees	37,256	68,200	56,152	50,000	<b>55,000</b>	10.0%
Inspection	59,930	170,797	95,504	75,000	<b>100,000</b>	33.3%
Delinquent/Turn-on Fees	23,057	20,475	17,915	25,000	<b>25,000</b>	0.0%
Total Operating Revenue	<u>21,581,840</u>	<u>25,248,357</u>	<u>24,245,305</u>	<u>24,008,500</u>	<u><b>24,788,500</b></u>	<u>3.2%</u>
<b>Property Tax Revenue:</b>						
Property Tax	2,953,524	3,136,664	3,024,756	3,200,000	<b>3,200,000</b>	0.0%
Motor Vehicle	267,323	258,207	247,537	300,000	<b>300,000</b>	0.0%
Personal Property	317,270	240,053	373,064	295,000	<b>300,000</b>	1.7%
Delinquent Tax/Interest	137,594	155,050	123,308	135,000	<b>135,000</b>	0.0%
Total Property Tax Revenue	<u>3,675,711</u>	<u>3,789,974</u>	<u>3,768,665</u>	<u>3,930,000</u>	<u><b>3,935,000</b></u>	<u>0.1%</u>
<b>Non-operating Revenue:</b>						
Impact Fees - Water	440,435	395,495	873,480	400,000	<b>400,000</b>	0.0%
Impact Fees - Sewer	327,912	379,203	776,516	400,000	<b>400,000</b>	0.0%
Interest	272,319	338,283	320,189	300,000	<b>310,000</b>	3.3%
Sale of Surplus Equipment	27,155	17,981	50,534	30,000	<b>30,000</b>	0.0%
Other	118,072	104,992	123,600	85,000	<b>95,000</b>	11.8%
Total Non-operating Revenue	<u>1,185,893</u>	<u>1,235,954</u>	<u>2,144,319</u>	<u>1,215,000</u>	<u><b>1,235,000</b></u>	<u>1.6%</u>
<b>Total Revenues</b>	<u><b>\$26,443,444</b></u>	<u><b>\$30,274,285</b></u>	<u><b>\$30,158,289</b></u>	<u><b>\$29,153,500</b></u>	<u><b>\$29,958,500</b></u>	<u><b>2.8%</b></u>



**EXPENSES**

	Actual 2011	Actual 2012	Projected 2013 as of 10/10/13	Budget 2013	Proposed Budget 2014	% Change
<b>OPERATING EXPENSES</b>						
<b>Payroll Wages:</b>						
Salaries & Wages	3,564,058	3,837,574	3,735,831	3,752,880	3,817,874	1.7%
Overtime Wages	162,903	142,881	149,754	250,000	250,000	0.0%
On-call Pay	28,620	30,240	29,120	29,200	29,200	0.0%
Incentive Pay	55,550	55,600	61,000	61,000	61,500	0.8%
Vehicle Allowance	23,677	28,823	31,800	31,200	35,400	13.5%
Clothing Allowance	18,425	18,425	18,425	18,700	18,975	1.5%
Other/OPEB	59,770	0	293,041	200,000	200,000	0.0%
<i>Total Payroll Wages</i>	<u>3,913,003</u>	<u>4,113,543</u>	<u>4,318,971</u>	<u>4,342,980</u>	<u>4,412,949</u>	<u>1.6%</u>
<b>Payroll Benefits:</b>						
State Retirement Plan	503,037	577,431	618,893	653,091	667,035	2.1%
401K Plan	626,155	563,661	530,029	571,367	580,537	1.6%
Health/Dental Insurance	934,708	914,511	1,069,087	1,143,050	1,257,355	10.0%
Medicare	49,486	50,562	53,611	51,607	60,300	16.8%
Workers Compensation Ins	43,899	42,922	40,008	50,000	50,000	0.0%
Life/LTD/LTC Insurance	65,344	65,161	62,002	80,000	80,000	0.0%
State Unemployment	50	0	0	5,000	5,000	0.0%
<i>Total Payroll Benefits</i>	<u>2,222,679</u>	<u>2,214,248</u>	<u>2,373,630</u>	<u>2,554,115</u>	<u>2,700,227</u>	<u>5.7%</u>
<b>Operations &amp; Maintenance:</b>						
Repair & Replacement	474,865	442,331	563,821	607,193	650,050	7.1%
Building & Grounds	67,053	72,122	78,863	83,650	85,950	2.7%
Vehicles Maintenance & Fuel	337,981	327,484	347,412	332,500	339,500	2.1%
Tools & Supplies	21,229	25,865	19,990	20,330	17,900	-12.0%
Water Purchases	7,124,628	8,932,922	8,342,170	8,250,000	8,662,500	5.0%
Treatment Chemicals	21,433	21,850	21,178	30,000	30,000	0.0%
Water Lab Testing Fees	24,934	29,564	22,507	66,700	55,200	-17.2%
Utilities	792,580	890,102	915,039	827,500	917,500	10.9%
<i>Total O&amp;M</i>	<u>8,864,703</u>	<u>10,742,240</u>	<u>10,310,980</u>	<u>10,217,873</u>	<u>10,758,600</u>	<u>5.3%</u>
<b>CVWRF:</b>						
Facility Operations	2,707,146	2,463,363	2,454,522	2,790,309	2,551,665	-8.6%
Project Betterments	361,050	457,815	509,411	540,804	533,905	-1.3%
Interceptor Monitoring	4,208	3,510	3,179	4,023	4,063	1.0%
Pre-treatment Field	152,227	143,160	153,779	157,795	128,563	-18.5%
Laboratory	166,703	163,044	154,326	155,741	147,433	-5.3%
<i>Total CVWRF</i>	<u>3,391,334</u>	<u>3,230,892</u>	<u>3,275,217</u>	<u>3,648,672</u>	<u>3,365,629</u>	<u>-7.8%</u>



## EXPENSES

	Actual 2011	Actual 2012	Projected 2013 as of 10/10/13	Budget 2013	Proposed Budget 2014	% Change
<b>General &amp; Administrative:</b>						
Office Supplies/Printing	29,184	27,023	30,760	32,590	27,700	-15.0%
Postage & Mailing	159,056	157,658	160,569	176,000	176,000	0.0%
General Administrative	50,710	60,106	61,971	84,610	45,010	-46.8%
Computer Supplies/Equipment	88,436	89,450	106,736	114,400	119,946	4.8%
General Insurance	287,823	265,046	247,383	328,350	339,600	3.4%
Utilities	76,589	73,731	79,577	81,800	89,600	9.5%
Telephone	54,782	55,318	55,719	61,100	66,450	8.8%
Training & Education	58,745	51,595	83,298	99,250	103,900	4.7%
Safety	21,945	32,480	30,543	33,900	37,400	10.3%
Legal fees	12,945	20,532	11,378	51,000	51,000	0.0%
Auditing Fees	14,700	14,700	15,000	15,600	16,000	2.6%
Professional Consulting	7,552	59,091	53,166	144,515	149,515	3.5%
Public Relations/Conservation	17,029	33,694	41,855	20,000	20,000	0.0%
Banking & Bonding	149,476	159,225	151,959	148,150	152,850	3.2%
Administrative Contingency	0	0	0	180,000	180,000	0.0%
<i>Total General Administrative</i>	<u>1,028,972</u>	<u>1,099,649</u>	<u>1,129,914</u>	<u>1,571,265</u>	<u>1,574,971</u>	0.2%
<b>Total Operating Expenses</b>	<b>19,420,691</b>	<b>21,400,572</b>	<b>21,408,712</b>	<b>22,334,905</b>	<b>22,812,376</b>	2.1%
<b>Net Operating Revenues</b>	<b><u>\$7,022,753</u></b>	<b><u>\$8,873,713</u></b>	<b><u>\$8,749,577</u></b>	<b><u>\$6,818,595</u></b>	<b><u>\$7,146,124</u></b>	4.8%
<b>Equipment Purchases:</b>						
New Vehicles & Equipment	299,415	288,016	460,411	486,500	240,005	
<i>Total Equipment</i>	<u>299,415</u>	<u>288,016</u>	<u>460,411</u>	<u>486,500</u>	<u>240,005</u>	-50.7%
<b>Debt Service:</b>						
Bond Interest	205,180	230,552	218,661	248,744	246,944	-0.7%
Bond Principal Payment - 2005	600,000	600,000	660,000	660,000	680,000	3.0%
Bond Debt Service - CV/DEQ	0	0	0	242,000	248,000	2.5%
<i>Total Debt Service</i>	<u>805,180</u>	<u>830,552</u>	<u>878,661</u>	<u>1,150,744</u>	<u>1,174,944</u>	2.1%
<b>Total Equipment &amp; Debt Service</b>	<b><u>\$1,104,595</u></b>	<b><u>\$1,118,568</u></b>	<b><u>\$1,339,072</u></b>	<b><u>\$1,637,244</u></b>	<b><u>\$1,414,949</u></b>	-13.6%
<b>Net Revenues</b>	<b><u>\$5,918,158</u></b>	<b><u>\$7,755,145</u></b>	<b><u>\$7,410,505</u></b>	<b><u>\$5,181,351</u></b>	<b><u>\$5,731,175</u></b>	10.6%