



To the Board of Trustees Granger-Hunter Improvement District

The 2020 budget for Granger-Hunter Improvement District (the District) has been prepared in accordance with the District's **vision**: *Improving quality of life today – creating a better tomorrow* and 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 all 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 15th). The tentative budget (amended for any Board input) should then be adopted at the November 12th (6:00 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 10th at 5:00 p.m. The public hearing for the budget typically would begin at 6:00 p.m., and we propose such for this year.
- If no fee, rate or tax increases are considered (as is the case for the coming year), 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, 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 continued at a good level 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 continued to see dramatic increases. In spite of all these positive indicators, the Utah economy still has grown only slightly and is not expected to improve dramatically in the coming year. Some continue to speculate that we're past due for a downturn. The Fed has adjusted the interest rate multiple times in an attempt to keep the economy steady, and we experienced an inverted yield curve (where long-term rates move lower than short-term) in March of this year. Many consider this to be a definite indicator of a near-term recession. The Consumer Price Index (CPI-U) inflation rate for each of the past nine years, with a small exception in 2011, 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%
2018 = 2.4%

The price of crude oil remained relatively low for most of the past few years, with October 2019 prices being 15% lower than a year prior. Due to the Middle East's efforts to keep prices low and drive out U.S. competition, coupled with the President's continued sanctions in the Middle East, it is very difficult to forecast whether or not oil prices will increase in the coming year. As a result, it's a challenge to know 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. However, our total operating costs related to these resources can 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 District pumping.

Central Valley Water Reclamation Facility (CVW) continues its very aggressive plant renovation and refurbishing, resulting in continued increases to our ongoing operations and maintenance costs and our debt service requirements. A significant portion of the facility will be refurbished or 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 3% in the coming year, for our share of the operating and capital costs. That is, however, a less substantial increase than the 14% budgeted increase of the prior year. 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 expectation of issuing a \$65 million bond in late 2019, a large portion of which the District will repay over the coming 20 years. The District's share of bond payments in 2020 is anticipated to be just over \$1.94 million.

District proposed total revenues for 2020 reflect an increase of only .3% (\$102,400) over the 2019 budget. This is the result of very minimal anticipated growth, as we have proposed no increase to any rates or property taxes. In 2019 the District increased tiered water rates by 10.0% and sewer rates by 10.25% (\$2.00 per month). Jordan Valley Water (JVW) raised our rates for purchasing water nearly 5% last year and is anticipating another increase in 2020 and for at least several years to come. As a result of the consistent JVW rate increases, the District has typically had to increase water rates every other year. Similarly, due to the construction at CVW and related increasing maintenance expenses, we have needed to increase sewer rates regularly as well, including the implementation of the \$5 per month per equivalent unit charge relating specifically to the construction costs at CVW.

There is a small increase (\$71,000 or 1.7%) in the property tax revenues, representing a minimal amount of anticipated growth and new infrastructure. In spite of this growth, Water and Sewer Impact Fees are expected to fall slightly (by \$113,000 or 20.1%) due to a reduced level of new construction compared to recent years. As the available space for new construction diminishes, it is anticipated that impact fees will continue a decreasing trend in the future.

The District itself has a number of infrastructure projects to be completed in the near future to improve our efficiency and operations, and some may help slow the rate increases for water purchased from JVW. The District is closely monitoring its funds for these projects, and in 2019 issued a \$20 million bond to facilitate expedited completion of these projects while smoothing the cost over a longer period. The bond was issued through the Federal SRF (state revolving fund) Loan Fund administered by the Utah Water Finance Agency (WFA) with an interest rate of 1.25%. The bond funds are to be utilized primarily over a three-year period. The 20-year amortization of the bonds requires annual payments of approximately \$1.2 million (principal and interest), with payments beginning April 2020.

As the work is performed on projects which qualify for use of bond funds, the District will pay the cost of such work and then obtain reimbursement from the bond funds held by WFA. As a result of this payment process, District cash will experience some up and down activity, but typically not for long periods of time. This activity, coupled with slightly higher interest rates than in 2019, results in a budgeted increase in interest income of approximately \$25,000 (5%) over the prior year.

Finally, with the completion of the sale of surplus generators in 2018 and 2019, combined with more leasing of vehicles, we do not anticipate selling any generators and no more than five or six vehicles in 2020. Therefore, we have forecasted a \$50,000 (45.9%) reduction in revenues from the sale of surplus equipment. Virtually all other revenues are anticipated to remain very close to the levels experienced in 2019.

Overall operating expenses are projected to increase 1.5% or approximately \$496,000 in 2020. This is the net effect of multiple increases and decreases in budget line items. The largest single increase is for CVW debt service, with the District's share of that debt service anticipated to be over \$1.95 million, an increase of \$466,563. This will be somewhat offset by a net decrease of \$233,691 in all other CVW budget categories combined. A \$332,963 increase is also anticipated for water purchases, reflecting consistent price increases by JVW of approximately 4.5 to 5% per year. We have contracted to purchase 18,500 acre feet of water, consistent with the past several years. District Payroll is expected to increase by \$242,605 (4.6% over the prior year) due primarily to the addition of two new positions, a Controller and a Human Resources Manager, and a proposed overall wage increase of 4%. Related Benefits are budgeted for a \$119,962 (3.6%) increase. General Administrative cost is expected to decrease by nearly \$327,000 (12.5% below 2019). This is due almost entirely to no election expense, no bond issuance fees, and no well water quality treatment study in 2020. These decreases were somewhat offset by an increase in Computer Supplies/Equipment. However, a portion of that increase was also due to reclassifying of IT related expenses previously included in other accounts and departments.

In addition to the above, the Non-Operating section of the budget indicates an increase of \$700,000 (10%) in the District's depreciation expense to more accurately reflect actual experience of recent years. Debt service expense (for bond interest) of approximately \$245,000 represents a decrease of nearly \$164,000 (40.1%) from 2019 due to the WFA bond having such a low interest rate. All other changes in Non-Operating line items were insignificant.

Consideration of Rates

In 2018 the District implemented a tiered or "inclining block" water rate structure to encourage conservation efforts in accordance with a new law passed by the State of Utah. We pay more to JVW for water we take during the summer and high demand times or "peaks". We also pump more during certain seasons to meet those peaks, thereby incurring more cost. The tiered rate is intended to pass along those increased costs to the responsible parties who trigger the costs by their elevated level and timing of consumption. In 2019 the District implemented a 10% increase in tiered rates to catch up and try to keep up with JVW's rate increases and other costs of operations, including the significant infrastructure improvements and replacements and bonding already mentioned. We did not increase the monthly Availability charge and have not done so since the \$1.00 (8.3%) increase in 2016. 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.

The 2020 tiered rate structure, based on monthly consumption, will continue 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 apply a fixed rate of \$1.90 per 1,000 gallons.

In 2019 we increased the monthly sewer charge by approximately 10.25% 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. Sewer surcharges (for commercial facilities, based on BODs and other measures) were increased by 10.0%. There is no sewer fee increase budgeted in 2020.

A broad summary of the bottom line impact of the 2020 proposed budget, as compared to the 2019 budget, is as follows:

Increase in Total Revenues	\$ 102,400	0.3%
Increase in combined Payroll and Benefits	(362,567)	(4.2%)
Increase in combined CVW and O&M	(460,282)	(2.2%)
Decrease in General & Administrative	326,722	12.5%
Decrease in RDA Pass-Through	39,000	16.3%
Decrease in Vehicles & Equipment	4,303	1.0%
Increase in Debt Service (other than CVW)	<u>(153,312)</u>	(13.5%)
Decrease in Net Revenues	\$ <u>(503,736)</u>	(8.5%)

Summary

As always, there are many variables that may cause actual results to differ from budgeted expectations. We believe the 2020 proposed budget is very realistic considering those variables and the above-noted conditions.

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 meticulous and cautious in our planning in order to be proactive rather than reactive. We believe the District continues to be in strong financial health, with very good infrastructure and excellent maintenance efforts, and the long-term outlook, while containing some challenges, continues to be positive. We 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

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PARAMETERS DETAILS FOR 2020 BUDGET PREPARATION

REVENUES

- **Metered Water Sales:** Water sales are budgeted to increase by \$98,500 or 0.5%, which represents very minimal anticipated growth. We propose no rate increase this year, consistent with our typical cycle of less dramatic increases every other year. In 2019 we increased tiered rates by 10.0%, a bit more significantly than in the past, for an anticipated total water revenue increase of \$1.78 million. However, April through June and September 2019 were unusually wet and cool months, resulting in much lower consumption than anticipated. Therefore, 2019 revenues are expected to fall short of the budget. The weather conditions make it is very difficult to determine whether or not the tiered rates are having any significant impact on conservation.
- **Sewer Service Charges:** Sewer revenues are budgeted to increase by \$59,000 or 0.5% in 2020, due entirely to anticipated minimal growth.
- **Central Valley Assessment:** Once again no increase is anticipated this year. This assessment, started in 2017, was originally intended to cover the CVW refurbishing and replacement project and hopefully would remain unchanged for many years. Actual infrastructure costs at CVW have increased significantly (more than 15%) due to the unusual rapid inflation in construction prices. Future economic conditions may dictate changes to the fee.
- **Engineering/Connection/Inspection/Turn-on Fees:** An increase of \$1,900 (46.3%) is anticipated for the engineering fees, but this simply reflects an estimate consistent with average results of the prior three years. Connection, inspection and Turn-on Fees are expected to remain virtually unchanged from 2019. New Construction within the District continues to be relatively slow, especially since developable ground is becoming more limited. There are very few new projects anticipated for 2020, and therefore we expect related fees will be relatively flat.
- **Property Tax Revenue:** Collections for property tax revenue as a whole are anticipated to increase by \$71,000 (1.7%). There has been a very modest amount of growth within the District, which we believe will continue, while collections of motor vehicle taxes have been trending downward the past few years. The RDA Tax Increment budget decreased slightly to reflect collections more consistent with that of the past three years. We believe the net effect of all the above will be the slight increase 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 issue bonds. 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 2020, and as a result our rate will decrease very slightly (from .000519 to .000485) to offset the effects of rising property values.
- **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 \$113,000 decrease (20.1%) in total impact fees for 2020.

- **Interest Income:** The combined interest and other earnings rates on the District's investment accounts increased slightly this past year, due largely to Fed adjustments. However, in March of 2019 the yield curve inverted, leaving long-term rates lower than short-term rates. The net impact is an anticipated increase in interest income of approximately \$25,000 (5%) over the prior year.
- **Sale of Surplus Equipment:** In 2016 the District began leasing a number of vehicles rather than purchasing them outright. As a result, the sale of owned vehicles has dropped for several years. In 2018 and 2019 we sold several surplus generators that were unreliable. We do not anticipate any generator sales and only five or six vehicle sales in 2020. Therefore, Sale of Surplus Equipment revenues are expected to decrease by \$50,000 (45.9%) in 2020.
- **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 2020 Other Income will increase very slightly, by \$10,000 (9.1%) over 2020 revenues.

EXPENSES

- **Payroll Wages**
 - **Salaries & Wages:** It is proposed that **two** full-time positions be added in 2020. One is a Controller position and the other a Human Resources Manager. We also propose a 4% increase for merit. The net effect of the above is an increase of \$243,055 (5.1%).
 - **Overtime Wages:** 2019 was the third year of restructured on-call shifts which, combined with the trend in leaks, have seen a downward trend in overtime. Therefore, we feel it is appropriate to reduce the budget for overtime wages by \$25,000 (12.5%).
 - **On-call Pay:** We are experiencing some challenges finding employees willing to take the calls because they must be within a 30-minute response distance and restrict those personal activities and travel which might preclude them being available during on-call periods. Therefore, we propose an increase to the on-call pay rates. Monday through Thursday will increase from \$20/day to \$40/day, and Friday through Sunday and holidays will increase from \$40/day to \$50/day. As a result, we propose increasing the on-call pay budget by \$15,000 (26.7%).
 - **Vehicle Allowance:** A \$9,000 increase is proposed per board member instruction. This is to provide a monthly allowance for the four members of executive management.
 - **Clothing Allowance:** A \$550 (2.6%) increase is proposed due to the new positions proposed.
 - **Other/OPEB:** We are proposing no change in our 2020 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 2020, 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 (\$80,322 combined or 5.2%) in State Retirement and 401K from 2019 is the result of proposed new positions and the merit increase.
- **Health & Dental Insurance:** Health and dental insurance rates are anticipated to increase approximately 5%. We also have nearly depleted our dental reserves, which will need to be rebuilt somewhat in 2020. In 2019 we budgeted for a rate increase, but fortunately did not experience one. The Board granted an extra \$500 per employee HSA that year as a reward for employee efforts to keep insurance costs down. In 2020 that amount may be used to help defray the anticipated rate increase, thereby reducing the proposed budget increase to only 2.5% or \$41,433.
- **Medicare:** The proposed \$3,197 (4.5%) 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. Due to our positive rating, our trend has been lower expense for the past several years, and therefore we anticipate a second year of slight decrease (\$5,000 or 11.1%) for 2020.
- **Life/LTD/LTC Insurance:** Due to retirement of older and higher paid employees in recent years, we anticipate this expense to remained unchanged, even with the proposed addition of positions.
- **State Unemployment:** The District typically has experienced very few unemployment claims over the years, and our budget for this is very small (\$5,000). No change is proposed in the 2020 budget.

- **Operations & Maintenance**

- **Repair & Replacement:** The 2020 budget is down \$66,813 (9.0%). Much of this reduction is due to restructuring and putting our “Operations” group under the Information Systems budget, since the SCADA and much of the operating equipment is technologically interrelated to IT functions. You will note a significant increase in expenses in the Computer Supplies/ Equipment category. This reduced budget also reflects elimination of any built-in contingencies, relying completely on the “Administrative Contingency” account if there are any significant repair/replacement surprises in the coming year.
- **Building & Grounds:** This budget has increased by 6.4% or \$4,988. This is primarily the net effect of completing fire alarm upgrades in 2019 (\$17,362 not in the 2020 budget) and adding new HVAC maintenance of

- \$5,000 per year and one-time expenses for north gate equipment (\$10,000) and outdoor lighting upgrades (\$7,000).
- **Vehicles Maintenance & Fuel:** A decrease of \$34,569 (16.5%) is proposed this year. This is the net effect of a \$10,000 (8.3%) decrease in anticipated fuel costs and decreased fleet maintenance expense. Some of this is due to change in operation of the shop, some due to leasing, and some the result of eliminating any contingency built into the budget for very large unanticipated repairs.
- **Vehicle Lease:** An increase of \$36,191 (16.6%) is proposed, as we budgeted the addition of five trucks to our fleet of lease vehicles. As noted above, the reduction in maintenance costs seems to indicate the program is working as desired. Naturally this results in lower vehicle capital outlay in most years, with the exception of occasional purchases such as the crane truck and hydrant/valve crew truck proposed for this year. It does not make financial sense to lease these types of specialty vehicles.
- **Tools & Supplies:** Following an \$11,000 decrease in 2019, there is a proposed increase of \$38,400 (109.7%) in this budget. The 2020 budget proposes replacement of several larger items, including shoring panels and equipment (\$10,000), 2 compactors (\$7,600), impact tools (\$1,400), and a snow blower for pump/lift stations and headquarters (\$1,800). The remaining increase is due to the combined effect of a number of new smaller maintenance items and replacement tools.
- **Water Purchases:** The 2020 budget proposes a 3.1% increase (nearly \$333,000). Our water purchase commitment to Jordan Valley for 2020 will again be 18,500 acre feet. We were told several years ago that anticipated rate increases would be somewhere between 4% and 5% for many years into the future, and this has typically held true. This year, however, JVW has committed to utilize some of its reserves to help reduce the usual rate increases to member entities, including GHID. Therefore, we have budgeted a slightly smaller increase in water purchase expense this coming year. We are hoping some near-future projects, to be funded by bonding, will allow us to have better storage to reduce peaking costs, thereby reducing future increases by JVW.
- **Treatment Chemicals:** Budgeted decrease is \$27,500 (40.0%) as we have completed the set-up for our wells and feel we are better managing our treatment operations. Salt purchases provide the largest reduction, dropping by nearly \$20,000, with sequestering agent providing most of the remaining decrease in budget.
- **Water Lab Testing Fees:** This budget has been decreased by \$29,250 (27.6%). This is the net effect of reducing UCMR4 testing by \$25,000 (as it nears completion), eliminating water quality study testing lab (\$10,000), and adding required backflow testing/repairs (\$2,500) and SL1000 & DR1900 calibration (\$3,250).
- **Utilities (Water & Wastewater):** A decrease of \$27,000 (2.7%) is proposed. This reflects the average expense and trend of the past three or four years, which is not anticipated to change dramatically in 2020. We anticipate costs will increase slightly due to inflation, weather, and potentially running pumps more in the coming year.

- **CVWRF**

Overall, the CVWRF budget will be \$232,872 (2.9%) higher than the previous year's budget. The largest single increase (\$466,563 or 31.3%) is for Debt Service, as CVW continues to issue bonds and obtain loans to finance ongoing infrastructure refurbishing and replacement. As noted previously, CVWRF is anticipating a 2019 bond issue of \$65 million. Facility Operations increased by \$94,446 (2.1%) as a result of increasing costs associated with expanding infrastructure and maintenance thereon. Betterments (aka "pay-go capital") is decreasing nearly \$352,000 (20.5%) as some routine capital replacements have been eliminated by new construction. Interceptor Monitoring and Laboratory expenses both saw decreases, amounting to \$15,995 (6.6%) combined, largely as a result of CVW's utilization of new technology and infrastructure. Pretreatment Field expense, on the other hand, is expected to increase \$39,682 (16.3%) as GHID's flows continue to increase as a percent of CVW's total flows.

- **General & Administrative**

- **Office Supplies/Printing:** A \$3,160 (8.5%) decrease is budgeted, which more closely reflects the consistent expense level of the past three to four years and the reclassification of a few items to the Computer Supplies expense category.
- **Postage & Mailing:** No change is proposed. Paper bills continue to decrease as more customers adopt the electronic format. However, increases in printing and postage costs are expected to offset any savings from reduced paper bills.
- **General Administrative:** This budget has decreased by \$64,130 (51.3%) for 2020, mostly due to no bi-annual election expense in the coming year (\$71,000 in 2019). This is offset slightly by inflation in other costs, including various organizational memberships and employee incentives.
- **Computer Supplies/Equipment:** This budget has increased \$101,811 (25.9%). As noted previously (see Repair & Replacement in Operations and Maintenance section), we moved the operations functions to the Information Technology department during 2019. This resulted in a corresponding shift of expenses (in 2020) from the Repair & Replacement budget into this Computer Supplies/Equipment budget, and accounts for the majority of the increase in 2020. The reclassified expenses relate primarily to operations and maintenance of the SCADA system, dosing equipment, and lift station control systems. Outside SCADA consulting and programming is also budgeted to increase by \$20,000 as we endeavor to upgrade and fine tune our systems. And finally, all of our servers are approximately 11 years old and must be replaced at an anticipated cost of \$24,000. In the future, these will be budgeted on a staggered rotating basis to avoid such significant cost in any one year and to enhance reliability.

- **General Insurance:** Consistent with the past several years, we are projecting an increase of approximately \$16,000 (3.8%) in this line item (liability, O&M, etc) due to general trends in the insurance industry and continued overall increase in District property values, as well as improved coverage of cybercrime.
- **Utilities (General & Administrative):** A slight decrease (\$10,000 or 9.5%) is anticipated for 2020. In 2019 we upgraded both our HVAC and lighting systems in the main building, and we anticipate this will facilitate decreased expense in the coming year.
- **Telephone:** The 9.3% (\$10,200) increase is due partly to a new phone system that will be cloud-based to improve reliability and functionality, as well as a slight increase in general phone service expenses (T-1 and long distance), which changes result in a \$7,400 increase. Our answering service will increase by \$3,500 (70%), partly due to increased rates and partly due to being underbudgeted in the past. While we have recently reduced the number of data and cell phone plans, this savings was largely offset by an increase in the cost of Blue Stakes services.
- **Training & Education:** A very slight increase of \$1,875 (1.4%) is proposed as a result of our Continuing Education Program and our efforts to continuously educate and train our staff. Again, we have eliminated some conferences and training and added some we feel are a better fit.
- **Safety:** Virtually no change (only \$20) is proposed.
- **Legal Fees:** \$5,000 (10.2%) decrease anticipated based upon recent utilization and how much legal service we anticipate needing in 2020.
- **Auditing Fees:** A \$1,000 (9.1%) increase is proposed to pay for Single Audit procedures that will be required as a result of obtaining the Federal loan (“bond”) funds.
- **Professional Consulting:** A decrease of \$177,900 (64.6%) is proposed due to completing the well water quality treatment study (budgeted \$210,000 in 2019). This is partially offset by the addition of Source Protection Plan update, Cathodic Protection monitoring, and Smart Water analysis in 2020.
- **Public Relations/Conservation:** A decrease of \$14,450 (20.8%) is proposed. In 2019 this budget included \$20,000 for the grounds design and landscape plan at the main office and Breeze tank. This is not part of the 2020 budget. However, this reduction is partially offset by the addition of \$10,000 for the periodic update of our conservation plan. Finally, as we have offered our toilet and shower head program for several years, we now anticipate ramping it down slightly (by \$5,000) in 2020.
- **Banking and Bonding:** This budget decrease (\$183,000 or 35.6%) reflects elimination of \$198,000 anticipated issuance costs budgeted in the prior year for anticipate bonding. This reduction is partially offset by anticipated increases 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 crane truck and hydrant/valve crew truck proposed for 2020, because leasing is not practical for such equipment.

The following represent the office furniture, vehicles, and equipment we propose to purchase in 2020:

- Water Sampling Stations – 20 (ongoing) = \$14,250
 - Fire Hydrant Meters - 5 (ongoing) = \$8,750
 - Plug Hug hydrant cleaning tool = \$13,179
 - TR3400-PF-SK Pathfinder XL (Wastewater) = \$27,000
 - Wheel Expansion Assembly = \$6,500
 - Oil Burner – replacement (used oil) = \$7,848
 - Crane Truck – replacement = \$131,400
 - Hydrant/Valve Crew Truck = \$167,245
 - In-Ground Vehicle Lift for shop – replacement = \$33,575
- The total for the above equipment is \$409,747.

- **Debt Service:** Overall increase of \$153,312 (22.2%). The 2012 DEQ Bond has been paid down for another year. However, payments on the new 2019 WFA bond will begin in 2020. The net effect of the above is the noted increase.

INFRASTRUCTURE IMPROVEMENTS

Included in your 2020 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 and the subsequent unnumbered four pages) is another listing demonstrating how we propose to fund those projects in the next few years. The anticipated outlay for bonding projects (see D-1) is \$1,384,000 in 2019, \$7,103,846 in 2020, and \$11,512,154 in 2021 and beyond, though this could change somewhat depending on weather, availability of contractors, cost of materials, and other conditions beyond our control.

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 2020 budget, is approximately \$3,983,650. The current operating account balance is actually quite strong in spite of just having come through the very high demand of summer

water purchases and water production expenses, as well as capital outlays for construction. The operating balance typically recovers somewhat in the fall and early winter. At 10/15/19 the balance is approximately \$5.59 million. 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 had hoped to fund this over by the end of 2020. The balance in this account at 10/15/19 was \$4,512,412 (86.8%). 2018 operations did not provide enough funding to increase this reserve more than \$70,511. Additional funding is proposed as funds are available from operations. The anticipated focus on infrastructure projects over the next three years could continue to present 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 10/15/19 is \$4,183,718.
- **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. The balance in this reserve account at 10/15/19 was \$1,075,975.
- **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 was \$1,358,024 as of 10/15/19. The liability currently on the books is \$1,025,065 but is expected to increase at the end of 2019. There have been no retirements during 2019, so we hope to be able to add to the reserve. 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 several employees being added to the liability in the next few years as they become eligible to retire.

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 2017	Actual 2018	Projected 2019 as of 11/30/2019	Budget 2019	FINAL Budget 2020	% Change
REVENUES						
Operating Revenues:						
Water Sales	\$16,651,122	\$18,310,894	\$19,092,000	\$19,629,500	\$19,728,000	0.5%
Sewer Service Charges	\$10,666,484	\$10,630,305	\$11,619,000	\$11,748,000	\$11,807,000	0.5%
Central Valley Assessmt	\$2,536,157	\$2,666,327	\$2,682,000	\$2,700,000	\$2,700,000	0.0%
Engineering Fees	\$14,568	\$5,800	\$8,500	\$4,100	\$6,000	46.3%
Connection Fees	\$51,494	\$35,871	\$26,900	\$34,000	\$34,000	0.0%
Inspection	\$65,508	\$67,147	\$51,000	\$49,000	\$49,000	0.0%
Delinquent/Turn-on Fees	\$36,205	\$42,800	\$32,000	\$35,000	\$35,000	0.0%
Conservation Grant	\$0	\$0	\$69,700	\$68,500	\$68,500	0.0%
Total Operating Revenue	\$30,021,538	\$31,759,144	\$33,581,100	\$34,268,100	\$34,427,500	0.5%
Property Tax Revenue:						
Property Tax	\$3,189,649	\$3,298,021	\$3,200,000	\$3,300,000	\$3,400,000	3.0%
Motor Vehicle	\$254,340	\$231,725	\$220,000	\$250,000	\$250,000	0.0%
Personal Property	\$305,850	\$265,277	\$338,000	\$315,000	\$325,000	3.2%
Delinquent Tax/Interest	\$80,811	\$86,203	\$75,000	\$80,000	\$80,000	0.0%
Tax Increment for RDA	\$204,232	\$185,787	\$190,000	\$239,000	\$200,000	-16.3%
Total Property Tax Revenue	\$4,034,882	\$4,067,012	\$4,023,000	\$4,184,000	\$4,255,000	1.7%
Non-Operating Revenue:						
Impact Fees - Water	\$684,852	\$624,297	\$510,000	\$375,000	\$300,000	-20.0%
Impact Fees - Sewer	\$421,137	\$323,064	\$240,000	\$188,000	\$150,000	-20.2%
Interest	\$547,253	\$527,489	\$610,000	\$500,000	\$525,000	5.0%
Sale of Surplus Equipment	\$131,301	\$47,566	\$50,000	\$109,000	\$59,000	-45.9%
Other	\$205,197	\$136,017	\$130,000	\$110,000	\$120,000	9.1%
Total Non-Operating Revenue	\$1,989,740	\$1,658,432	\$1,540,000	\$1,282,000	\$1,154,000	-10.0%
Total Revenues	\$36,046,160	\$37,484,588	\$39,144,100	\$39,734,100	\$39,836,500	0.3%



EXPENSES

	Actual 2017	Actual 2018	Projected 2019 as of 11/30/2019	Budget 2019	FINAL Budget 2020	% Change
OPERATING EXPENSES						
Payroll Wages:						
Salaries & Wages	\$3,831,752	\$4,311,270	\$4,740,000	\$4,785,017	\$5,028,072	5.1%
Overtime Wages	\$171,912	\$149,506	\$147,500	\$200,000	\$175,000	-12.5%
On-Call Pay	\$51,156	\$53,521	\$39,900	\$56,280	\$71,280	26.7%
Incentive Pay	\$14,170	\$46,036	\$13,500	\$15,000	\$15,000	0.0%
Vehicle Allowance	\$39,107	\$38,827	\$877	\$0	\$9,000	N/A
Clothing Allowance	\$19,525	\$20,075	\$20,350	\$21,450	\$22,000	2.6%
Other/OPEB	\$189,306	\$83,815	\$0	\$250,000	\$250,000	0.0%
<i>Total Payroll Wages</i>	<u>\$4,316,928</u>	<u>\$4,703,051</u>	<u>\$4,962,127</u>	<u>\$5,327,747</u>	<u>\$5,570,352</u>	<u>4.6%</u>
Payroll Benefits:						
State Retirement Plan	\$762,641	\$800,881	\$835,000	\$906,300	\$955,045	5.4%
401(k) Plan	\$502,981	\$531,034	\$556,000	\$567,100	\$598,677	5.6%
Health/Dental Insurance	\$1,526,009	\$1,114,618	\$1,560,000	\$1,628,877	\$1,670,320	2.5%
Medicare	\$61,719	\$65,518	\$69,000	\$70,350	\$73,547	4.5%
Workers Compensation Ins	\$34,382	\$24,925	\$32,500	\$45,000	\$40,000	-11.1%
Life/LTD/LTC Insurance	\$69,740	\$72,575	\$74,200	\$75,000	\$75,000	0.0%
State Unemployment	\$0	\$73	\$0	\$5,000	\$5,000	0.0%
<i>Total Payroll Benefits</i>	<u>\$2,957,472</u>	<u>\$2,609,625</u>	<u>\$3,126,700</u>	<u>\$3,297,627</u>	<u>\$3,417,589</u>	<u>3.6%</u>
Operations & Maintenance:						
Repair & Replacement	\$363,085	\$544,486	\$645,000	\$746,373	\$679,560	-9.0%
Building & Grounds	\$71,877	\$102,999	\$84,000	\$77,462	\$82,450	6.4%
Vehicles Maintenance & Fuel	\$194,106	\$207,835	\$224,000	\$209,000	\$174,431	-16.5%
Vehicle Lease	\$137,526	\$187,415	\$212,000	\$218,409	\$254,600	16.6%
Tools & Supplies	\$57,235	\$45,484	\$34,500	\$35,000	\$73,400	109.7%
Water Purchases	\$9,503,453	\$9,967,508	\$10,400,000	\$10,677,437	\$11,010,400	3.1%
Treatment Chemicals	\$50,516	\$58,675	\$40,000	\$68,800	\$41,300	-40.0%
Water Lab Testing Fees	\$50,854	\$62,154	\$61,000	\$106,000	\$76,750	-27.6%
Utilities	\$891,206	\$960,138	\$831,000	\$1,009,000	\$982,000	-2.7%
<i>Total O&M</i>	<u>\$11,319,858</u>	<u>\$12,136,694</u>	<u>\$12,531,500</u>	<u>\$13,147,481</u>	<u>\$13,374,891</u>	<u>1.7%</u>
CVWRF:						
Facility Operations	\$3,197,661	\$3,616,021	\$3,415,500	\$4,400,414	\$4,494,860	2.1%
Project Betterments	\$923,558	\$594,415	\$970,000	\$1,712,549	\$1,360,725	-20.5%
Interceptor Monitoring	\$3,775	\$2,287	\$3,000	\$3,875	\$0	-100.0%
Pretreatment Field	\$194,936	\$274,474	\$221,000	\$243,993	\$283,675	16.3%
Laboratory	\$222,265	\$220,523	\$220,000	\$239,538	\$227,418	-5.1%
CVW Debt Service	\$283,832	\$1,242,563	\$1,265,000	\$1,488,436	\$1,954,999	31.3%
<i>Total CVWRF</i>	<u>\$4,826,027</u>	<u>\$5,950,282</u>	<u>\$6,094,500</u>	<u>\$8,088,805</u>	<u>\$8,321,677</u>	<u>2.9%</u>



EXPENSES

	Actual 2017	Actual 2018	Projected 2019 as of 11/30/2019	Budget 2019	FINAL Budget 2020	% Change
General & Administrative:						
Office Supplies/Printing	\$27,659	\$25,701	\$31,000	\$37,100	\$33,940	-8.5%
Postage & Mailing	\$156,348	\$150,102	\$155,000	\$159,500	\$159,500	0.0%
General Administrative	\$57,510	\$50,230	\$129,500	\$125,130	\$61,000	-51.3%
Computer Supplies/Equipment	\$310,382	\$318,539	\$415,000	\$392,432	\$494,243	25.9%
General Insurance	\$313,498	\$431,768	\$365,000	\$423,600	\$439,612	3.8%
Utilities	\$91,131	\$91,318	\$83,000	\$105,500	\$95,500	-9.5%
Telephone	\$75,881	\$77,591	\$87,000	\$110,000	\$120,200	9.3%
Training & Education	\$92,289	\$95,033	\$128,000	\$131,325	\$133,200	1.4%
Safety	\$36,341	\$38,302	\$42,000	\$39,600	\$39,620	0.1%
Legal fees	\$10,530	\$11,846	\$25,500	\$49,000	\$44,000	-10.2%
Auditing Fees	\$11,000	\$11,000	\$11,000	\$11,000	\$12,000	9.1%
Professional Consulting	\$30,007	\$146,928	\$235,000	\$275,300	\$97,400	-64.6%
Public Relations/Conservation	\$25,448	\$22,935	\$49,500	\$69,450	\$55,000	-20.8%
Banking & Bonding	\$336,778	\$336,693	\$590,000	\$513,900	\$330,900	-35.6%
Administrative Contingency	\$0	\$0	\$0	\$180,000	\$180,000	0.0%
<i>Total General Administrative</i>	<u>\$1,574,802</u>	<u>\$1,807,986</u>	<u>\$2,346,500</u>	<u>\$2,622,837</u>	<u>\$2,296,115</u>	<u>-12.5%</u>
Total Operating Expenses	<u>\$24,995,087</u>	<u>\$27,207,638</u>	<u>\$29,061,327</u>	<u>\$32,484,497</u>	<u>\$32,980,624</u>	1.5%
Net Operating Revenues	<u>\$11,051,073</u>	<u>\$10,276,950</u>	<u>\$10,082,773</u>	<u>\$7,249,603</u>	<u>\$6,855,876</u>	-5.4%
Indirect Operating Expenses:						
Depreciation	\$7,139,321	\$7,538,072	\$7,500,000	\$7,000,000	\$7,700,000	10.0%
RDA Pass-Through	\$204,232	\$185,787	\$190,000	\$239,000	\$200,000	-16.3%
<i>Total Indirect Operating Expense</i>	<u>\$7,343,553</u>	<u>\$7,723,859</u>	<u>\$7,690,000</u>	<u>\$7,239,000</u>	<u>\$7,900,000</u>	<u>9.1%</u>
Equipment Purchases:						
New Vehicles & Equipment	\$139,240	\$185,787	\$410,000	\$414,050	\$409,747	-1.0%
<i>Total Equipment</i>	<u>\$139,240</u>	<u>\$185,787</u>	<u>\$410,000</u>	<u>\$414,050</u>	<u>\$409,747</u>	<u>-1.0%</u>
Debt Service:						
Bond Interest	\$134,648	\$117,491	\$409,700	\$408,683	\$244,995	-40.1%
Bond Princ Pmt - 2014 Rfnd Bond	\$760,000	\$0	\$0	\$0	\$0	0.0%
Bond Princ Pmt - 2012 DEQ	\$268,000	\$274,000	\$281,000	\$281,000	\$288,000	2.5%
Bond Princ Pmt - 2019 WFA	\$0	\$0	\$0	\$0	\$310,000	N/A
<i>Total Debt Service</i>	<u>\$1,162,648</u>	<u>\$391,491</u>	<u>\$690,700</u>	<u>\$689,683</u>	<u>\$842,995</u>	<u>22.2%</u>
Total Equipment & Debt Service	<u>\$1,301,888</u>	<u>\$577,278</u>	<u>\$1,100,700</u>	<u>\$1,103,733</u>	<u>\$1,252,742</u>	13.5%
Net Revenues with Depreciation	<u>\$2,405,632</u>	<u>\$1,975,813</u>	<u>\$1,292,073</u>	<u>-\$1,093,130</u>	<u>-\$2,296,866</u>	110.1%
Add Back Depreciation	\$7,139,321	\$7,538,072	\$7,500,000	\$7,000,000	\$7,700,000	10.0%
Net Revenues	<u>\$9,544,953</u>	<u>\$9,513,885</u>	<u>\$8,792,073</u>	<u>\$5,906,870</u>	<u>\$5,403,134</u>	-8.5%



GRANGER-HUNTER
IMPROVEMENT DISTRICT

Capital Sources and Outlays Budget Summary

BUDGET SUMMARY	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Budget Available at 11/30/19 <i>(estimated)</i> (Unexpended 2019 capital budget carryover)			\$3,350,000
 Purchases			
Work in Progress at 11/30/19 <i>(pg C-5)</i> <i>(estimated)</i>		\$1,491,252	
Proposed New Projects for 2020 <i>(pg C-5)</i>		\$14,245,900	
		<hr/>	
<i>Subtotal Purchases</i>		<u>\$15,737,152</u>	
 Budgeted Revenue			
Budgeted Transfer for 2019 <i>(Budgeted Net Rev from PY available to new yr)</i>	\$5,906,870		
Bond Reimbursements 2020	<u>\$7,103,846</u>		
<i>Subtotal Revenue</i>	<u>\$13,010,716</u>		
 Ending Budget Balance			 <u><u>\$623,564</u></u>

(Positive # represents funds accumulated for planned future capital projects.)



GRANGER-HUNTER
IMPROVEMENT DISTRICT

Proposed Capital Projects for Bonding

<u>Infrastructure Type</u>	<u>Estimated Cost</u>
Water - Horizontal Projects	\$ 4,688,462
Water - Vertical Projects	\$ 2,415,385
Wastewater - Horizontal Projects	\$ -
Wastewater - Vertical Projects	\$ -
Facilities	\$ -
TOTAL	<u><u>\$ 7,103,846</u></u>

Proposed Bond Projects - By Expenditure Year:

2019 Projects	\$ 1,384,000
2020 Projects	\$ 7,103,846
2021 & Beyond Projects	\$ 11,512,154
Total All Years . . .	<u><u>\$ 20,000,000</u></u>

Rates and Fees – Effective 1/1/2020

(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
7,001 - 15,000 gallons per month	\$1.90
All > 15,000 gallons per month	\$2.05
Water Rate per 1,000 gallons - Multi-Unit customers	\$1.90
Monthly availability fee – ¾" meter	\$13.00
Monthly availability fee – 1" meter (2X)	\$13.00
Monthly availability fee – 1 ½" meter (5X)	\$65.00
Monthly availability fee – 2" meter (8X)	\$104.00
Monthly availability fee – 3" meter (16X)	\$208.00
Monthly availability fee – 4" meter (25X)	\$325.00
Monthly availability fee – 6" meter (50X)	\$650.00
Monthly availability fee – 8" meter (80X)	\$1,040.00
Monthly availability fee – 10" meter (115X)	\$1,495.00
Fireline – 4" (monthly)	\$8.12
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
Monthly sewer charge – Commercial REU & Trailer Park REU	\$21.50
Monthly sewer charge – Multi-Unit Residential (per unit)	\$18.50
Sewer surcharge rate #1 per 1,000 gallons	\$2.10
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

Impact Fees	Rate
Water	\$2,806.00
Sewer	\$1,923.00

Penalty Fees	Rate
Returned check fee	\$25.00
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 consumed)	\$5.00
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
Cross-Connection Penalty - 2nd Offense (may lose hydrant use permit)	\$1,000.00
Cross-Connection Penalty - 3rd Offense (may lose hydrant use permit)	\$2,000.00

Rates and Fees – Effective 1/1/2020

(pg 2 of 2)

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

Sewer Equivalent Dwelling Factors

Service Connection Size (inches)	Equivalent Units	Sewer Charge per Equivalent Unit	Central Valley Water Fee
3/4	1	\$51.50	\$5.00
1	2	\$43.00	\$5.00
1 1/2	5	\$107.50	\$25.00
2	8	\$172.00	\$40.00
3	15	\$322.50	\$75.00
4	25	\$537.50	\$125.00
6 - 7	50	\$1,075.00	\$250.00
8 - 9	80	\$1,720.00	\$400.00
10 - 12	115	\$2,472.50	\$575.00