
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: May 29, 2007

SUBJECT: **BUDGET FOR THE METROPOLITAN WATER DISTRICT OF SALT LAKE AND SANDY**

STAFF REPORT BY: Lehua Weaver

CC: Lyn Creswell, Sam Guevara, Mike Wilson, Josh DeBry, LeRoy Hooton, Susi Kontgis

The Metropolitan Water District of Salt Lake and Sandy is proposing an operating budget of \$14,326,941 for fiscal year 2007-08. The proposed operating budget represents an increase of \$3,078,219 or 27.4%, which is largely due to incorporating the budget for the Engineering Services into the District's budget. Engineering had previously been included in the Capital budget, but since the treatment plant project is coming to completion, those functions will now be included with the operating expenses. In addition, the Metropolitan Water District is proposing a budget for debt service of \$3,425,000 and a budget for capital improvements of \$10,690,307.

The Metropolitan Water District is proposing a property tax increase for fiscal year 2007-08 to maintain the .00035 rate that was adopted in June 2006.

On May 21, 2007, the Metropolitan Water District held a public hearing on its budget. The Members of the Board are scheduled to consider adoption of the budget at their June board meeting.

The Council has traditionally received a briefing on the proposed budget for the Metropolitan Water District of Salt Lake and Sandy, but is not required to take any official action. Verbal feedback can be provided to representatives of the District at the briefing. The Council has on occasion also provided written comments to the Salt Lake City-appointed board members, of which there are five on the seven member board. Utah Code Annotated, §17A-1-502, provides that constituent entities of a special district can request a meeting with representatives of a district to discuss the budget. The law does not prevent the board of a special district from approving and implementing a budget over protests or objections of constituent entities.

Metropolitan Water District of Salt Lake & Sandy
Proposed Budget for FY 2007-08

Sources of Funds	2006-07 Budget	2006-2007 Engineering Budget	2007-08 Proposed	Difference	Percent Change
Water sales & other operating revenue	\$10,955,000		\$12,188,920	1,233,920	11.3%
Tax revenue	7,291,297		7,568,115	276,818	3.8%
Interest revenue	1,550,000		1,031,081	(518,919)	-33.5%
Lab fees, power and miscellaneous	20,000		29,200	9,200	46.0%
Vehicle sales	15,000		10,000	(5,000)	-33.3%
Assessments	12,531,336		11,829,514	(701,822)	-5.6%
Other Revenues	1,775,802		386,869	(1,388,933)	-78.2%
Bond Proceeds	34,000,000		0	(34,000,000)	-100%
Use of prior bond proceeds/reserves	18,050,812		8,358,525	(9,692,287)	-53.7%
Total sources of funds	\$85,197,950		\$41,402,224	\$(43,795,726)	-51.4%
Uses of Funds					
Operations					
Salaries, wages & benefits	\$4,277,937	\$546,765	\$4,963,523	685,586	16.0%
Professional & contractual services	1,323,570	719,600	2,394,423	1,070,853	80.9%
Utilities	914,181	3,900	1,567,690	653,509	71.5%
Repairs & maintenance	295,242		287,408	(7,834)	-2.7%
Chemicals & supplies	1,248,074	2,300	1,582,186	334,112	26.8%
Property & liability insurance	382,220		447,664	65,444	17.1%
Water Treatment-CUP Water	2,210,835		2,487,040	276,205	12.5%
Other expenses	376,462	647,120	597,007	220,545	58.6%
Operating Expenses	\$11,248,722	\$1,919,685	\$14,326,941	\$ 3,078,219	27.4%
Provo River Water Users maintenance assessment	1,256,829		1,384,548	127,719	10.2%
Debt service (principal only)	3,432,788		3,425,000	(7,788)	-0.2%
Interest expense	10,338,316		11,294,021	955,705	9.2%
Capital improvements	58,414,277		10,690,307	(47,723,970)	-81.7%

Equipment Purchases	507,018	281,407	(225,611)	-44.5%
Total uses of funds	\$85,197,950	\$41,402,224	(43,795,726)	-51.4%

KEY ELEMENTS

The major changes reflected in the District's proposed budget include:

Revenues

- Tax Revenue (\$276,818 increase to \$7,568,115 million) – Tax revenues are proposed to increase by \$276,818 or 3.8% primarily due to a proposed tax increase to both Salt Lake City and Sandy residents. Last year was the first year that the District had raised taxes since 1984. This year, the rate will be .00035, which maintains the rate that was established 2006-07. Last year, the District voiced their intention to go through the Truth in Taxation process every year in order to maintain this .00035 rate. This would provide the District with an increase to tax revenue each year, because the static rate would yield higher revenues as the values of properties increase.

Maintaining the .00035 tax rate will result in a property tax increase to the certified rate. This increase would represent approximately a \$1.93 increase per year to Salt Lake City residents on a \$200,000 home. The District would hold a Truth in Taxation hearing regarding the proposed increase in August.

The District has two options for increasing revenues: either raise the rates for the cost of water sold to member cities and other buyers, or through a property tax increase. Last year, the District had several reasons for pursuing a property tax increase rather than solely increasing water sale prices. Those reasons continue to motivate this year's increase to maintain the property tax rate. Including, relieve strain on member cities water funds, which is where the water sale price increase is felt most, and to maintain the balance between the tax revenues and the District's operating expenses.

For Salt Lake City, there has consistently been debate between revenues generated by the property taxes or through the water sales to Salt Lake City. Property taxes only come from Salt Lake City residents, however the unincorporated County residents in the City's service area also benefit from the water and the treatments. They would share the cost in the scenario where water sale prices are increased.

- Water Sale Revenue (\$1,281,920 increase) – The charge per acre foot of water is proposed to be increased from \$175 to \$188. This anticipates 45,000 acre feet to be purchased from Salt Lake City, and 16,340 from Sandy City. The budget also includes anticipated sales of 3,000 acre feet at \$200 per a.f. to Taylorsville-Bennion / West Jordan. Sales to other utilities is allowed as long as the requirements to Salt Lake and Sandy are met. \$600,000 of the increase is due to an agreement signed with Jordanelle Special Service District. This agreement will reduce Sandy City's new water supply assessment each year by the same amount.
- Interest revenue (\$518,919 decrease) – Interest revenue is forecasted to decrease as the amount of bonding activity has led to an anticipated decrease compared to prior years' interest revenue.

- Other revenue (\$1,388,933 decrease) – This includes a decrease of \$1,148.256 from Little Dell Dam reimbursements. The remainder of the amount is due to a decrease to the amount of grants, settlement agreements, or aquifer storage and recovery agreements.
- Annual assessments to member cities – In fiscal year 2007-08, Salt Lake City’s Department of Public Utilities will be assessed \$7 million for capital improvements of the Metropolitan Water District. The assessment will continue at the \$7 million level until the last assessment in fiscal year 2034-35, which will be \$3.5 million. Sandy City will also be making assessment payments in the amount of \$4.2 million.

Operating Expenses

- Salaries and benefits (\$685,856 increase) –
 - \$432,000 of this increase is due to shifting the engineering staff from the capital budget to the normal operating expenses. This also includes a 4% salary increase for District staff, which includes both COLA and merit adjustments.
 - Staffing - The District proposes no changes to the staffing level.
 - Insurance Premiums - The District is anticipating a 10% increase to medical premium amounts and a 2% increase to dental premiums.
 - Board Member Salaries – Currently, District Board Members do not receive compensation for their service. However, this year includes a proposal to include an item for \$35,000 for Board Member compensation. It would be \$5,000 per member. According to District representatives, there have been a few inquiries in the past by Board Members regarding compensation for their service on the Board. The amount was determined by conducting an informal survey of the Jordan Valley and Weber Basin offices. It is not expected that every member would accept or request the pay, but the amount has been budgeted and will be held in the event that a Board Member would request it.

While the amount of the compensation (\$5,000 per Board Member) may not be concerning, there may be some policy concerns with this item. Some conflicts or appearance of impropriety may arise if the compensation is not paid to every member.

The Council may wish to discuss this further with the Board Chairman and General Manager.

The Council may also wish to ask what the opinion is of the District’s legal counsel.

- Utilities (increase of \$653,509) – This increase is largely due to a \$504,204 increase in electricity because of the Point of the Mountain Treatment Plant coming online.
- Professional and contract services (\$1,070,853 increase) – The District has moved a portion of the Jordan Valley assessment to this cost center. This increase also includes \$80,000 for a GIS surveying in conjunction with the Salt Lake Aqueduct project.

- Chemicals (\$334,112 increase) – The cost for various individual chemicals are expected to increase, and the amount of chemicals needed will increase because of the Point of the Mountain Treatment Plant coming online.

Capital Improvement Projects

- Capital improvement master plan – Fiscal year 2007-08 will be the ninth and final year of the District’s \$250 million capital improvement master plan. The major project is construction of a new water treatment plant near the Point of the Mountain at 300 West 15000 South (east of I-15) in Draper. The plant is expected to open in July of this year. The last piece of pipe leading to the Treatment Plant was laid on April 4. The master plan also includes expansion of the Little Cottonwood Water Treatment Plant and installation of an aqueduct from the Point of the Mountain Treatment Plant to the Little Cottonwood Treatment Plant. To help fund the implementation of the master plan, the District secured a \$34 million revenue bond in 1999, \$20 million in 2003, \$90 million in 2004, \$82 in 2005, and \$34 million in bonds in fiscal year 2006-07. The District does not anticipated issuing any additional bonds in fiscal year 2007-08.
- Capital improvement projects – A complete list of proposed capital projects is contained in the tentative budget (attached). These projects are summarized as follows:
 - \$ 8,087,807 Capacity Improvements, including \$2,228,847 for the Little Cottonwood Water Treatment Plant expansion and improvements; \$3,413,016 for the remainder of the Point of the Mountain Water Treatment Plant.
 - \$ 1,608,253 Improvements of Jordan Valley Water Conservancy District (Metropolitan Water District is a 28.6% owner of the Jordan Valley Plant.)
 - \$ 1,500,000 Capital improvements contingency
 - \$ 1,102,500 Non-capacity improvements, including land acquisition and improvements related to the upcoming Salt Lake Aqueduct project, and Aquifer Storage and Recovery Pilot project.
 - \$ 281,407 Equipment purchases, including Filter Actuator replacements, scanner, LAN controller, utility carts, etc.

BACKGROUND

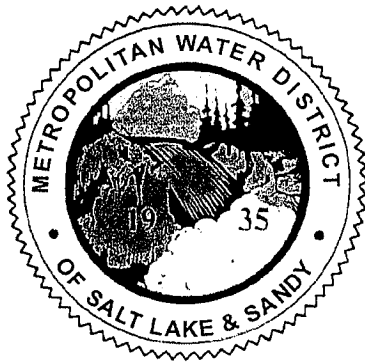
In 1935, the voters of Salt Lake City created the Metropolitan Water District in order to enter into long-term agreements to build the Provo River Project including Deer Creek Reservoir. The Bureau of Reclamation built the project, and it was necessary to enter into repayment contracts to reimburse the federal government for the construction costs plus interest. The Metropolitan Water District is a 61.7% owner of the Provo River Project. The water rights for the Provo River Project consist of water diverted from the Duchesne and Weber Rivers conveyed through a tunnel and canal system from the two basins to the Provo River for use by the Metropolitan Water District and others. In order to reimburse the Federal Government for the cost of the Provo River Project and Deer Creek Reservoir, the residents of Salt Lake City have paid property taxes since 1935. The Metropolitan Water District continues to build dams and facilities such as Little Dell Reservoir.

In 1990, Sandy City became the second member of the District. Sandy City sought membership in the District to treat its approximately 34 percent water right in Little Cottonwood Creek. Sandy City’s annexation in the District increased efficiencies by consolidating water supplies and delivery systems to most of eastern Salt Lake County. As

part of the agreement, the District receives water purchase revenue and ad valorem tax revenue from Sandy City. Furthermore, as a part of the annexation Salt Lake City acquired additional water rights in Little Dell Reservoir and \$4 million in water transmission mains installed on the City's west side. Also, the 1990 agreement admitting Sandy City established conjunctive water management practices among Salt Lake City, Sandy City, Jordan Valley Water Conservancy District and the Metropolitan Water District.

In 1998, the Metropolitan Water District updated its capital improvement master plan and identified \$236 million in improvements and expansion of water capacity. In 2001, the District entered into an Interlocal Agreement with Sandy and Salt Lake City for implementation of the master plan. The major project is a new water treatment plant near the Point of the Mountain in the Draper area. The Metropolitan Water District owns additional water from the Provo River Project (in non-drought years) but hasn't been able to treat and convey the water to users. Additional water will also be available from the Central Utah Bonneville Unit (Jordanelle Reservoir) beginning in 2005. The District will receive 16,000 acre/feet of Central Utah Project (CUP) water in fiscal year 2008. In fiscal year 2009, that number will plateau out at 20,000 acre/feet.

The master plan improves redundancy in the event of a water treatment plant or aqueduct failure. Improvements include pipeline connections between the Little Cottonwood Water Treatment Plant, the Jordan Valley Water Treatment Plant, and the Point of the Mountain Water Treatment Plant. This will allow flexibilities in shifting water between major north-south pipelines.



METRO WATER PROJECT

Budget Overview
Salt Lake City Council
Date: May 29, 2007

- **Budget Highlights**
 - Maintain property tax at 0.00035 (annual increase of \$1.93 per home)
 - Budgeted revenues: \$33,043,700
 - Budgeted O&M expenses: \$27,005,510
 - Budgeted Capital expenses: \$12,579,967
 - 69 Full-time employees (no changes)

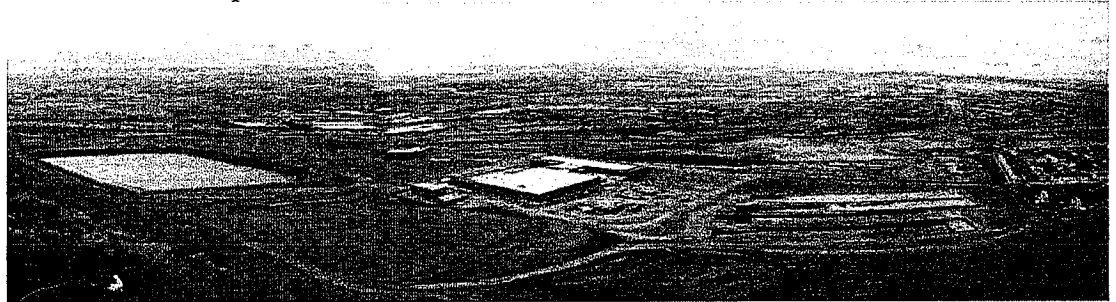
- **Water Supply Update**
 - Little Cottonwood Creek expected to be about 60% of normal runoff
 - Provo River Project expected to yield 61,700 acre feet (100% allotment)
 - Central Utah Project petition is at 12,000 acre feet
 - Overall healthy supply situation for this year

- **Metro Water Project Update**
 - Project cost: \$252,000,000
 - Schedule:
 - Start up and testing is ongoing
 - Point of the Mountain Aqueduct will begin operation in June
 - New water treatment plant to begin functioning in July
 - Ribbon Cutting scheduled for August 24, 2007
 - Financing is complete; "all in" interest rate is about 4.12%

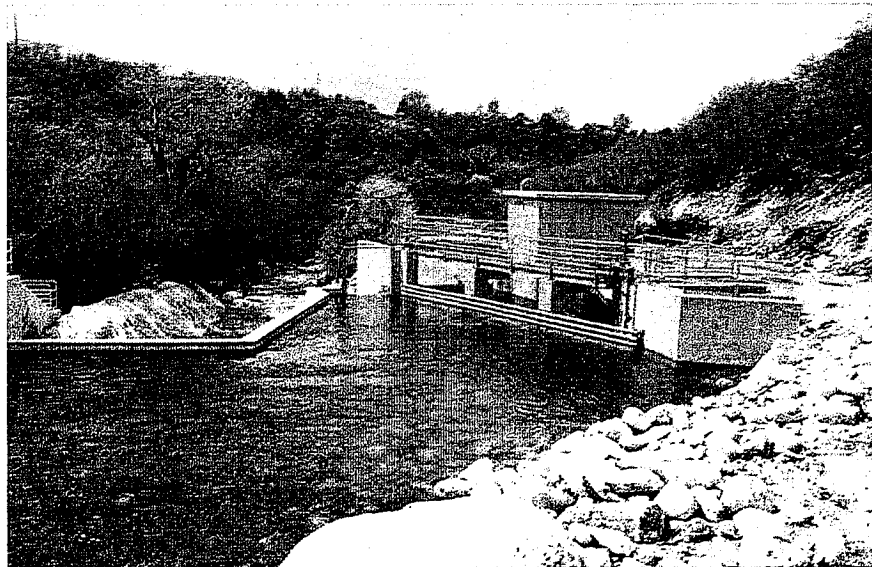
Last piece of POMA installation 4-4-2007



POMWTP Site April 2007



Little Cottonwood Creek Intake Structure





Metropolitan Water District of Salt Lake and Sandy Fiscal Year 2008 Budget

Executive Summary

Last Update: May 8, 2007

This folder contains the fiscal year 2008 budget for the Metropolitan Water District of Salt Lake & Sandy (the "District"). The master plan project continues forward with major portions of the project beginning to sunset at the end of FY 2007 and into the beginning of 2008. On April 4th, 2007, the final piece of the Point of the Mountain Aqueduct (POMA) was set into place. This will allow water to flow to and from the new Point of the Mountain (POM) facility to the Little Cottonwood Water Treatment Plant (LCWTP). The completion of the entire Metro Water Project will occur during fiscal year 2008.

During FY 2007, Metro finalized bonding for the remainder of the project with a final bond issuance of \$34,600,000. In addition, to take advantage of the historically low interest rates, the District entered into swap agreement which moved all but 2% of our \$253,135,000 in debt into fixed or synthetically fixed rate debt. We were able to lock in the swap rate at a remarkable 3.64%. There are no additional bonds to be issued in fiscal year 2008.

As the master plan project winds down we moved the Engineering Department's budget from capital expenditures back to the regular operating expenses budget. The Engineering Department's budget in FY 2007 was \$1,919,685. The FY 2008 amount is \$892,809. Start-up and testing at The Point of the Mountain Water Treatment Plant are currently underway. It is expected that the plant will be operational in July.

The staff has spent a considerable amount of time to determine the future revenues and expenses of the district. Last year the Board of Trustees recommended raising the certified tax rate to .00035, with the assumption that each year the District would maintain the tax rate at .00035. This will require a public hearing each August. Part of the on-going process with the Board and staff is to determine what tax rate is needed to help fund the long term needs of the District. In the past the District has relied heavily on water rates or capital assessments to fund increased operating costs and the implementation of the Metro Water Project. Water rates and capital assessments that are charged by the District to the member cities (Salt Lake City and Sandy City) are paid for from water usage rates paid by the cities' customers. Rather than continue to strain the water fund budgets of the two cities, the District feels that it is appropriate to seek additional revenues from property taxes. This will help restore the historical balance between operating costs and property tax revenues.

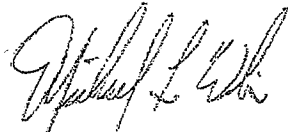
In the upcoming year the District will see the Central Utah Project Water supply increase from 12,000 acre feet in 2007, to 16,000 in 2008, and finally plateau at 20,000 acre feet in 2009. In addition the District will see new revenues of \$600,000 annually from water purchases by the Jordanelle Special Services District (JSSD). This will offset the annual assessment made by Sandy City.

The District's operating budget is estimated to be more than \$11.8 million. This includes expenses related to personnel (to a maximum of 69 positions), an average 4% salary increase, increased water purchases from the Central Utah Project (total of 16,000 acre feet), and increased chemical and utility costs related to new facilities.

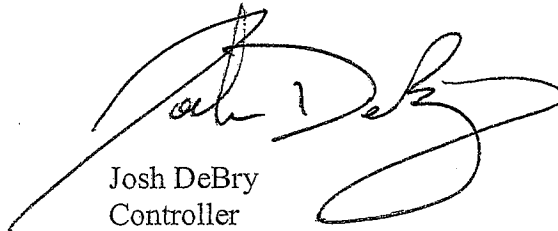
Revenues are projected to be approximately \$33 million. This includes \$12 million in water sales, \$7.5 million in property taxes, \$11.8 million in special assessments (capital and water supply), and \$2 million in miscellaneous revenues.

The District continues to undergo significant change as the Metro Water Project is completed and implemented. This budget reflects some of these changes. We encourage you to carefully review the attached information. As always, we are prepared to review and respond to any questions you may have.

Sincerely,



Michael L. Wilson
General Manager



Josh DeBry
Controller

METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY

2007-2008 TENTATIVE BUDGET

REVENUE PROJECTIONS-ASSUMING .00035 TAX RATE

Last Update: May 8, 2007

	2006-07 Adopted Budget	Actuals as of 12/31/2007	Estimated Actuals 6/30/2007	2007-08 Tentative Budget
REVENUES				
Operating Revenues				
Water Sales				
Salt Lake City 45,000 a.f. @ \$188.00/a.f.	\$7,700,000	\$4,505,699	\$7,238,184	\$8,460,000
Sandy City 16,340 a.f. @ \$188.00/a.f.	\$3,150,000	\$1,675,669	\$2,686,314	\$3,071,920
Jordanelle Special Service District (JSSD) 3,000 a.f. @ \$200.00/a.f.	\$0	\$0	\$0	\$600,000
Treatment Charges				
Taylorville-Bennion/West Jordan 600 a.f. @ \$95.00/a.f.	\$105,000	\$56,792	\$102,000	\$57,000
Total Operating Revenues	\$10,955,000	\$6,238,160	\$10,026,498	\$12,188,920
Other Revenues				
Tax Revenues				
Salt Lake City	\$5,069,866	\$4,570,474	\$5,102,107	\$5,190,210
Sandy City	\$1,734,431	\$1,564,253	\$1,661,882	\$1,832,180
Fees in Lieu of Taxes	\$332,000	\$225,667	\$384,415	\$384,668
Prior Years' Tax Revenue	\$155,000	\$38,370	\$134,848	\$161,057
Interest	\$1,550,000	\$1,488,567	\$1,600,000	\$1,031,081
Laboratory Fees	\$0	\$120	\$245	\$200
Cell Phone Towers at Terminal Reservoir			\$9,000	\$9,000
Miscellaneous Revenue	\$20,000	\$10,102	\$15,000	\$20,000
Vehicle Sales	\$15,000	\$0	\$0	\$10,000
Capital Assessments				
Salt Lake City	\$7,021,892	\$3,510,946	\$7,021,892	\$7,021,892
Sandy City	\$4,210,322	\$2,456,021	\$4,210,322	\$4,210,322
Sandy City New Water Supply Assessment	\$691,466	\$417,666	\$691,466	\$94,047 ***
Sandy City Capital Assessment (Property Acq.)	\$607,656	\$503,253	\$503,253	\$503,253
Homeland Security Grant	\$43,302	\$0	\$12,000	\$31,302
AIG Settlement		\$0	\$36,517	\$0
Aquifer Storage & Recovery-BOR	\$150,000	\$128,677	\$228,677	\$71,323
Aquifer Storage & Recovery-State of Utah	\$50,000	\$41,000	\$41,000	\$0
Aquifer Storage & Recovery-Sandy City	\$232,500	\$0	\$0	\$232,500
Jordan Narrows Facilities Cathodic Protection	\$100,000	\$0	\$61,600	\$0
Little Dell Final Payoff	\$1,200,000	\$0	\$640,000	\$51,744
Total Other Revenues	\$23,183,435	\$14,955,115	\$20,831,177	\$20,854,780
Total Revenue	\$34,138,435	\$21,193,275	\$30,857,674	\$33,043,700

***With the \$600,000 from the Jordanelle Special Service District, it will reduce Sandy City's assessment by that amount

Metropolitan Water District of Salt Lake & Sandy
Fiscal Year 2008

TOTAL DISTRICT
Last Update: May 7, 2007

Account	Description	Budget 2007-includes Engineering	Actuals at Feb. 28, 2007	Projected Expenses for FY 2007	Budget 2008
5110	Salary & Wage Exp.	3,118,808	1,942,848	2,809,336	3,236,941
5120	Overtime Premium	65,998	47,460	74,498	66,700
5130	Vacation	10,841	0	0	8,300
5131	Sick Leave	39,993	0	0	44,000
5132	Holiday			0	
5133	Personal Leave/Funeral Leave			0	
5140	Personnel Training			0	
5160	Vehicle Allowance	6,000	2,125	2,375	1,125
5170	On Call Pay	10,790	6,975	10,790	16,425
5190	Other	1,000	-356	200	90,475
5210	Payroll Taxes	249,868	149,445	215,865	260,574
	Salaries and Wages	3,609,298	2,148,498	3,113,065	3,724,540
5310	Retirement Plan	414,374	291,177	420,589	376,133
5320	Medical Insurance Premiums	794,900	461,130	680,029	785,230
5330	Tuition Aid Program	21,300	2,289	5,000	20,000
5350	Insurance Premiums	50,312	26,430	39,251	57,620
	Employee Benefits	1,280,886	781,025	1,144,869	1,238,983
5340	Meetings & Seminars	40,518	18,988	47,344	53,520
	Employee Training	40,518	18,988	47,344	53,520
5410	Business Travel	86,140	39,876	67,095	80,166
5430	Vehicle O & M	35,625	30,211	30,169	35,377
	Transportation	121,765	70,086	97,264	115,543
5510	Legal	210,000	141,510	212,353	195,000
5520	Accounting	18,700	17,050	18,050	18,900
5530	Contract Services	1,729,470	909,434	1,426,632	2,106,023
5540	Other	85,000	79,234	58,870	74,500
	Professional Services	2,043,170	1,147,228	1,715,905	2,394,423
5610	Telephone	42,525	29,897	48,390	43,710
5620	Electricity	530,040	158,155	226,242	1,034,244
5630	Natural Gas	324,996	110,084	301,172	460,016
5640	Radio Communications	15,000	8,678	20,142	22,760
5650	Water	5,520	1,826	3,826	6,960
	Utilities	918,081	308,639	599,772	1,567,690
5710	Bldgs & Grounds	83,290	11,084	86,084	9,993
5720	Machinery & Equipment	211,952	45,211	211,325	277,415
5730	Canal Maintenance		0	0	0
	Repairs and Maintenance	295,242	56,296	297,409	287,408
5810	General Supplies	15,400	8,153	13,952	26,756
5820	Office Supplies	20,000	9,811	22,050	25,000
5830	Materials	138,501	49,079	116,155	193,488
5840	Chemicals	1,004,791	710,235	984,598	1,218,080
5850	Computer & Instr. Supplies	71,682	36,968	73,000	118,862
	Chemicals and Supplies	1,250,374	814,246	1,208,755	1,582,186
5901	General Insurance	382,220	248,014	365,766	447,664
5902	PRWUA/CUP Assessments	1,256,829	933,731	1,375,295	3,871,588
5903	Water Stock Assessment	2,166	1,935	1,935	2,174
5904	Rent Exp.	1,800	0	1,800	1,800
5905	Miscellaneous	729,500	31,760	133,001	146,430
5906	Postage & Freight Exp.	5,000	1,465	3,929	5,036
5907	Contributions & Events	176,530	56,050	158,236	165,753
5909	Depreciation Exp.		0	0	0
5910	Interest Exp.	10,338,316	8,306,639	11,859,958	11,294,021
5911	Laundry	7,275	6,685	8,357	8,630
5912	Associated Canals		0	0	0
5913	Safety	27,685	13,224	28,353	37,199
5914	Subscriptions & Publications	7,124	3,600	5,713	8,694
5915	Outside Printing	500	2	500	500
5916	Dues & Memberships	51,302	34,263	36,782	51,728
5917	Amortization Exp.		0	0	0
5999	Treatment Costs/Related Chgs	2,210,835	217,710	2,212,835	0
	Other Expenses	16,197,062	9,856,079	16,192,460	16,041,217
Total Expenses		24,650,416	15,200,085	24,417,842	27,005,510
Less: PRWUA-Admin. Fees		1,256,829		\$	1,384,548
Interest Expense		10,338,316		\$	11,294,021
CUP Water		1,860,535		\$	2,487,040
Total		11,194,735.53		\$	11,839,902

Notes to Total District

Last Update: 5/7/2007

1. **Account 5110 (Salary and Wage Exp.):** The increase in this account reflects that the costs related to engineering personnel (cost center 25) are no longer part of the capital budget. This is based on the fact that the major capital project efforts are nearly complete. In addition, a portion of the increase is based on the proposed 4% salary increase.
2. **Account 5131 (Sick Leave):** The number of employees that are eligible for retirement is increasing. Although we do not foresee all eligible employees retiring this year, an increase in this account is proposed to cover retirement-related costs. (GASB C60.105.b)
3. **Account 5190 (Other):** The large increase is due to the EMA study suggestion which included skill base pay and salary range restructuring. Please refer to tab 17 for more information on these items.
4. **Account 5210 (Payroll Taxes):** see item #1 above.
5. **Account 5310 (Retirement Plan):** see item #1 above.
6. **Account 5320 (Medical Insurance Premiums):** the proposed budget anticipates a 10% increase in medical insurance premiums and a two percent increase in dental insurance premiums.
7. **Account 5340 (Meetings and Seminar):** this account reflects an increase in the number of personnel being trained for hazardous materials handling. In addition, there are costs related to training-the-trainer so that future training can be handled in house.
8. **Account 5350 (Insurance Premiums):** see item #1 above.
9. **Account 5310 (Retirement Plan):** see item #1 above.
10. **Account 5530 (Contract Service):** Many of the items in this account have increased, but the largest increase is due to a portion of Jordan Valley O&M assessment being moved from a different account (5999).
11. **Account 5620 (Electricity):** As the new Point of the Mountain facility comes on-line we will experience a large increase in electrical costs due to start up costs. We have taken into account the fact that if we are treating water at the Point of the Mountain, it will decrease some of the electrical requirements as LCWTP. This amount is based on anticipated usage.

12. **Account 5840 (Chemicals):** This increase is due not only to the increase in costs for chemicals, but also due to the Point of the Mountain Plant coming on line.
13. **Account 5902 (PRWUA/CUP Assessments):** In the past the cost for the Central Utah Project Water was included in account 5999. We felt it would be more appropriate to include it with the PRWUA fees in 5902.
14. **Account 5850 (Computer & Instr. Supplies):** The majority of this increase is due to the replacement of 14 old desktop computers and the purchase of 4 new desktops. In addition there were 6 new laptops purchased as well. For a complete description, please see the notes section on cost center 24.
15. **Account 5905 (Miscellaneous):** This increase is due to an increase in our service awards and wellness program awards. In addition, this account includes our contingency expenses for the entire district.
16. **Account 5999 (Treatment Costs/Related Charges):** See notes on #10 and #13.