

Memorandum

DATE: June 12, 2007
TO: Mayor and City Council Members
FROM: Tom Hardy, City Manager
RE: 2007-08 Fiscal Year Budget

Summary

Tonight we present for public review and Council consideration the 2007-08 budget. The budget we are presenting to you totals \$54,176,228. The budget is balanced with regard to revenues and expenses, as required by state law. Unlike last year's budget, when over \$12,000,000 was taken from reserves to build major capital projects, this year, a net of \$1.9 million will be used from reserves, principally in the power, water and storm water budgets. The spending down out of these reserves is orderly and rational, and will not result in the City's financial position being adversely affected.

Importantly, the 2007-08 budget does not include any proposed increase in property taxes. A 2% increase in electric rates is proposed to pay for increased costs of power production, while water rates, garbage rates and storm water rates are proposed to remain the same as this year. As the attached "Cost of Living" survey indicates, Bountiful's taxes and utility rates are among the lowest in the state while at the same time providing our citizens with a very high quality of service. We are not proposing any increase in building permit fees, business license fees or developer impact fees. We are proposing an increase in cemetery open and close fees, as previously approved by the Council.

The 2007-08 budget contains an increase of four new positions in the City. Two additional police officers are budgeted to form a "problem oriented policing" (POP) unit to deal with specific high-frequency, high-visibility, high-complaint problems throughout the City. Under the direction of the Police Chief, these two additional officers will be assigned to meet the actual and statistically probable needs augmenting the detective and patrol functions. The other two positions are an additional full-time position in the Parks Department to deal with increasing maintenance responsibilities and the addition of one full-time position in the vehicle maintenance area to deal with the increasing maintenance needs of the city's fleet within our City. The budget contains a 3.5%

cost of living adjustment for all full-time personnel as well as funding for merit increases for the 20% of the employees in the City who are eligible to receive them. The budget does not include any increases to the City's contribution percentage to medical insurance programs, although the City is matching the employee's increase to pay for a 6% increase in medical insurance costs. Managing the increases in medical insurance premiums continues to be a challenge. During the upcoming fiscal year, the City will also need to develop a program to deal with, and potentially reduce and/or eliminate, the payment of medical insurance premiums for employees who retire before they are eligible for Medicare.

Finally, during the next several months the City staff will be reviewing, analyzing and proposing changes to the City's water rates and storm water fees. These rates have not been changed in several years, and are no longer generating the amount needed to maintain the storm water and culinary water systems of the City. Bountiful has always prided itself on being a "pay-as-you-go" city, preferring not to bond unless absolutely necessary, by paying for needed repairs, replacements and upgrades to the City's infrastructure as they come due.

Budget Highlights – Revenues

As slides 5 & 6 indicate, the 2007-08 fiscal year budget is funded primarily through user fees and charges. User fees generate \$31.4 million, or 58% of the total budget. Municipal taxes imposed by the City generate an additional \$12.9 million, or 24% of the total budget. Reserves account for \$3.6 million of the revenue or 7% of the total budget, while earned interest of \$2.3 million represent 4% of the total budget.

What debt the City does have is paid for out of leases of municipal facilities and assessments against the properties benefiting from the capital improvements made on their behalf. The City has no general obligation debt.

Budget Highlights – Expenditures

Almost \$42,000,000, or 77% of the total budget for next year will be spent on operations and maintenance, with 47% of the total operation and maintenance budget spent for the operation and maintenance of the Power Department. The City will spend \$8.5 million, or 16% of the total budget, on capital projects, with the largest capital projects occurring in the Power and Water Departments. Finally the City will be setting aside \$1.7 million in reserves for next year.

The budget includes a transfer from the Power Fund to the General Fund of \$2.1 million. This transfer represents 11% of electric metered sales, which is a reduction from the current transfer of 12%. As the attached chart indicates, the Power Department transfer has not increased over the past 10 years, and the reduction of the transfer is possible because of an increase in sales tax revenue due to the economy throughout the state of Utah (see slides 7 & 8).

Budget Development and Accounting

To understand Bountiful's budget, it should be noted that by state law the City's budget begins July 1, and ends June 30. State law further dictates how Bountiful is to budget and account for the money it receives and the money it spends, and this is to be done by "fund" accounting whereby the activities of the City are segregated into certain funds. There are three major categories, or sets of funds which Bountiful uses pursuant to state law to track its financial affairs. The first set of funds are referred to as "governmental funds" which include the General Fund, the Capital Projects Fund and the Debt Service Fund. The General Fund and Capital Projects Fund are financed primarily through taxes imposed by the City and the services that are provided by the departments funded by these funds are generally provided to citizens without charge. The most expensive and important services provided for by the general fund are police, fire, streets, parks, and the general planning, engineering and administration of the city.

The second category or group of funds are called "enterprise funds", and these funds are primarily utility funds which are paid principally through user fees where the citizen has some discretion as to whether or not he wants to receive the service and if so, pays for the service in proportion to the amount that he uses. These funds include the storm water, utility, the water fund, the power fund, the golf course fund, the sanitation fund, the landfill fund, and the cemetery fund.

The third and final group of funds is the "intra-governmental service funds." These funds account for monies which are contributed by other departments into a fund to help pay for a particular activity which supports the different departments of the city. The three intra governmental service funds in Bountiful are the liability insurance fund, the worker's compensation fund, and the computer maintenance fund.

The City of Bountiful also has a Redevelopment Agency, and the accounting for the Redevelopment Agency is, by state law, separate and apart from the normal City budget. A separate public hearing is held, a separate budget is adopted, and the accounting for the funds is in accordance with the state's redevelopment law.

A Primer on Taxes

From citizen surveys, there seems to be some confusion among the tax-paying public about how much they pay in taxes and where the money they pay goes (see slide 9). Interestingly, for most people, the largest tax that they pay is Social Security/Medicare tax, half of which is paid by the individual taxpayer and half of which is paid by the taxpayer's employer. All of that money goes to the Federal Government and is used to pay current benefit. None of the money is being set aside to pay for future benefits. The second largest amount of taxes paid by the average family is federal income tax, all of which goes to the Federal Government to be used for the general operations of the Federal Government (see slide 10).

State income tax is paid by both individuals and corporations to the State of Utah and all individual income tax and corporate income tax paid in Utah goes to the uniform school fund to help fund education in the state.

Property taxes, sales taxes, and most of the tax on gasoline go to state and local governments. Almost 55% of all property tax statewide goes to fund education, with 19% going to counties, 15% to cities and 11% to special districts (see slide 11). In Bountiful, however, property taxes have been and continue to be kept low by the City's government over the last 20 years. In fact, Bountiful has the lowest property tax rate of any of the 30 largest cities in the state, and the amount of property tax assessed by Bountiful City is half of the reach of all cities statewide (see slide 12). Even in Davis County, where municipal property taxes are generally lower than the state, Bountiful is 35% below the average of the other municipalities (see slide 13). Thus, on a home that is assigned a market value of \$200,000 by the county assessor, the homeowner receives a 45% homeowners exemption and pays taxes on 55% of the market value. Based on a taxable value of \$110,000, the sum of all property tax assessments by the different taxing entities is \$1,293 of which Bountiful's portion is \$123. Thus, Bountiful receives less than 10% of the total taxes paid by a homeowner in the property tax assessment (see slide 14).

Sales taxes predominantly go to the state of Utah. Of the total sales tax rate of 6.5% on retail sales, the state takes 4.75%, while Bountiful receives 1%, Davis County receives .25% and the Utah Transit Authority .5%. Beginning January 1, the state sales tax will drop to 4.7% while the Utah Transit Authority sales tax will increase to .55%. Bountiful and Davis Counties will remain unchanged. This adjustment was made by the State Legislature in the last session when they reduced the amount of sales tax on food (see slide 15).

Funding General Government Operations

General government operations are funded primarily by taxes, the largest of which is the City's portion of sales tax. Sales tax accounts for 47% of all taxes levied by the City, while franchise taxes account for \$3.2 million, or 25% of all taxes levied by the City. Property taxes account for \$2.3 million, or 18% of all taxes levied by the City (see slides 16 & 17).

As a public power city, Bountiful has for the last 30 years, transferred money from the Power Department to the General Fund in order to keep the tax rate as low as possible and to provide a return on assets to the citizens for the operation of an electric utility. Virtually all public power cities (those with their own municipal power departments) transfer funds from the Power Fund to the General Fund. This includes thousands of cities across the nation, from Los Angeles, California; Austin, Texas; Seattle, Washington; and Mesa, Arizona to cities as small as Spanish Fork, Kaysville and Meadow, Utah. In fact, state law provides a mechanism to accomplish the transfer of those funds. All of the funds transferred to the General Fund pay for the operations of general governmental activities, primarily police, fire and streets (see slide 18).

As slides 19 & 20 indicate, even with a 2% increase in power rates, Bountiful's power rates are still below Utah Power's rates and are among the lowest in the state of Utah. The transfer from the Power Fund to the General Fund also provides a way to recoup the cost of providing municipal services to tax exempt properties that are exempt from paying property tax. It also provides a mechanism to keep property taxes low by having large consumers of power a more significant amount of those that are small users of power such as those who live in apartments or homes that are smaller and have lower power consumption.

Summary

Bountiful's 2007-08 budget is balanced with regard to revenues and expenses. It provides for the continued provision of a high level of service while maintaining the infrastructure that provides the citizens with safe, reliable and low-cost utilities. It continues to provide the citizens a high level of public safety and street service, outstanding parks, quality recreational opportunities, and in short, an outstanding city in which citizens can raise families and live. We look forward to having an outstanding year beginning July 1, and pledge to continue to be wise stewards of the public funds and wise stewards of the City's assets.

Cost of Living Analysis

Results

Bountiful's cost of living is significantly lower than most cities in Utah. In a Cost of Living Analysis including 15 cities in Utah, Bountiful's annual cost of living was \$327 below the average.

Bountiful continues to be a leader in providing quality services at low costs. Of the cities included in the analysis, Bountiful has the lowest water rates, and is tied for the lowest garbage rates. Additionally, Bountiful has the lowest property tax rate out of all cities except Woods Cross, and continues to have the lowest property tax rate among the 30 largest cities in Utah.

Background

The 'Cost of Living Analysis' is an assessment of what money cities receive from the average resident in exchange for basic services. The analysis compares similar costs among fifteen cities.

The analysis includes: property tax, water, sewer, electricity, garbage, stormwater, and franchise tax (tax on gas, electric, and landline telephone).

Logan, Murray, Provo, and Bountiful each have their own source(s) of power. All other cities use Utah Power & Light (UPL). Bountiful's power rates are slightly higher than Utah Power rates in the winter, and slightly lower in the summer, making Bountiful Power roughly equivalent in cost to UPL. Murray and Provo both have lower power rates than both Bountiful and UPL.

Bountiful continues to have low water and sewer rates, property taxes, and continues to price competitively in electricity.

Cost of Living 2006-2007

Centerville	\$	1,635
Clearfield	\$	1,857
Farmington	\$	1,888
Layton	\$	1,740
Logan	\$	2,169
Murray	\$	1,609
North Salt Lake	\$	1,629
Ogden	\$	1,894
Orem	\$	1,694
Provo	\$	1,616
Sandy	\$	1,764
West Bountiful	\$	1,553
West Jordan	\$	1,794
Woods Cross	\$	1,311
Average	\$	1,725
Bountiful	\$	1,398
Difference	\$	(327)

2006-2007 Cost of Living

Yearly Bills	Property Tax	Franchise Tax	Water	Sewer	Electricity Average	Garbage*	Stormwater	Total
Centerville	\$ 148	\$ 111	\$ 236	\$ 98	\$ 867	\$ 128	\$ 48	\$ 1,635
Clearfield	\$ 174	\$ 129	\$ 173	\$ 262	\$ 867	\$ 183	\$ 48	\$ 1,857
Farmington	\$ 236	\$ 129	\$ 202	\$ 239	\$ 867	\$ 144	\$ 72	\$ 1,888
Layton	\$ 230	\$ 129	\$ 115	\$ 225	\$ 867	\$ 132	\$ 43	\$ 1,740
Logan	\$ 250	\$ 139	\$ 221	\$ 194	\$ 1,034	\$ 188	\$ 42	\$ 2,169
Murray	\$ 242	\$ 124	\$ 188	\$ 145	\$ 789	\$ 78	\$ 43	\$ 1,609
North Salt Lake	\$ 170	\$ 129	\$ 216	\$ 98	\$ 867	\$ 150	\$0	\$ 1,629
Ogden	\$ 430	\$0	\$ 153	\$ 243	\$ 867	\$ 175	\$ 27	\$ 1,894
Orem	\$ 225	\$ 129	\$ 149	\$ 146	\$ 867	\$ 124	\$ 54	\$ 1,694
Provo	\$ 299	\$ 77	\$ 147	\$ 107	\$ 748	\$ 132	\$ 48	\$ 1,616
Sandy	\$ 167	\$ 129	\$ 194	\$ 207	\$ 867	\$ 141	\$ 60	\$ 1,764
West Bountiful	\$ 165	\$ 129	\$ 154	\$ 98	\$ 867	\$ 120	\$ 21	\$ 1,553
West Jordan	\$ 248	\$ 100	\$ 246	\$ 163	\$ 867	\$ 156	\$0	\$ 1,794
Woods Cross	\$ 97	\$ 10	\$ 108	\$ 98	\$ 867	\$ 120	\$ 12	\$ 1,311
Average	\$ 220.16	\$ 104.43	\$ 178.73	\$ 165.83	\$ 864.61	\$ 140.73	\$ 36.98	\$ 1,725.20
Bountiful	\$ 123	\$ 127	\$ 107	\$ 98	\$ 836	\$ 72	\$ 36	\$ 1,398
Difference	\$ (97.07)	\$ 22.51	\$ (71.33)	\$ (68.32)	\$ (29.05)	\$ (68.73)	\$ (0.98)	\$ (326.70)

* Gray area Includes Recycling Bin

Slide 1



BOUNTIFUL CITY
2007-2008 Fiscal Year Budget

Slide 2

2007-2008 BUDGET

Cost of Living Analysis

Results

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Slide 3

2007-2008 BUDGET Cost of Living Analysis

Cost of Living 2006-2007

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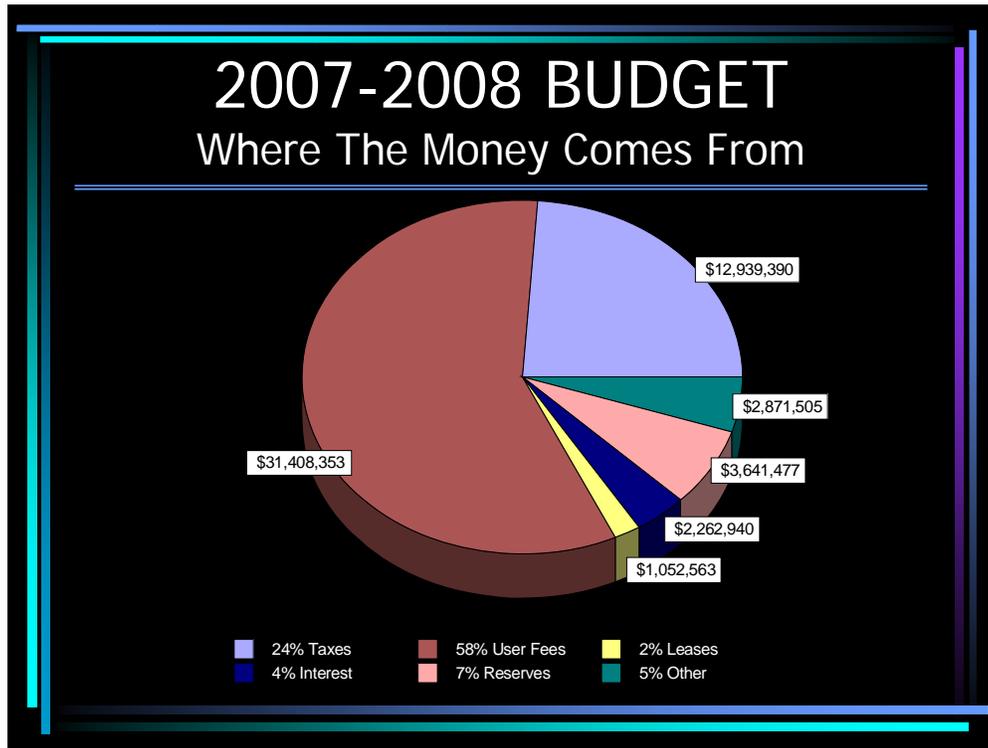
Slide 4

2007-2008 BUDGET Cost of Living Analysis

Yearly Bills	Franchise		Electricity					Total
	Property Tax	Tax	Water	Sewer	Average	Garbage	Stormwater	
Centerville	\$ 148	\$ 111	\$ 236	\$ 98	\$ 867	\$ 128	\$ 48	\$ 1,635
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* Includes Recycling Bin

Slide 5



Slide 6

2007-2008 BUDGET

Where The Money Comes From

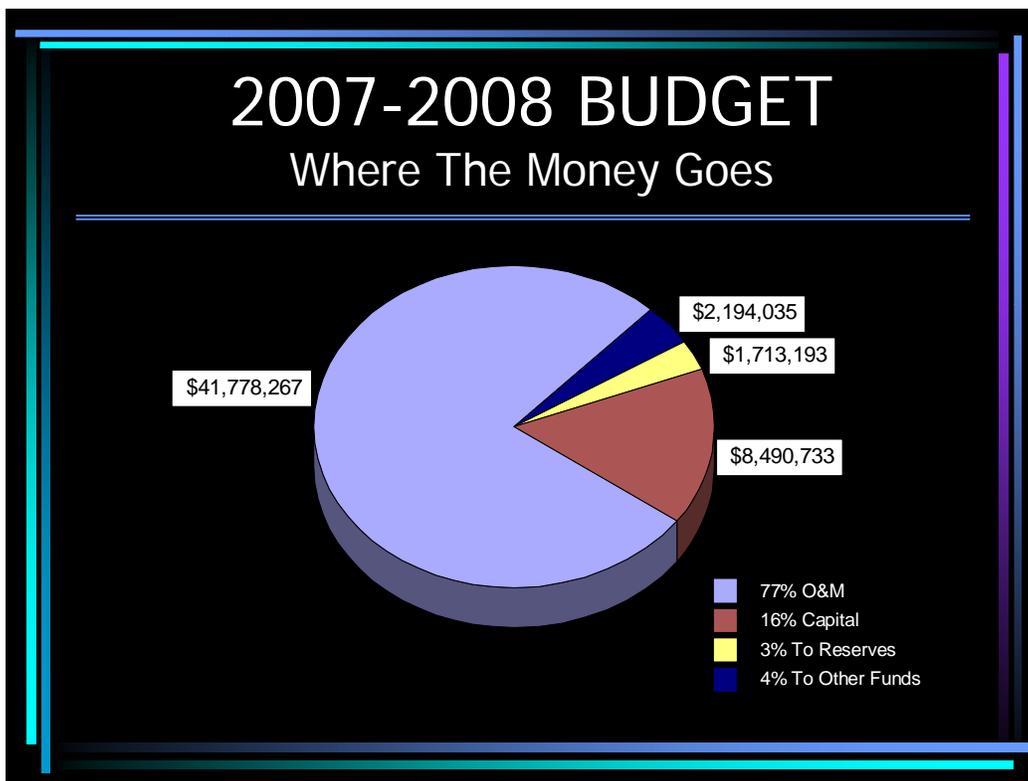
FUND	TAXES	USER FEES	LEASES	INTEREST	RESERVES	OTHER	TOTAL
GENERAL	\$9,939,390	\$ 2,071,000	\$ 279,000	\$ 190,000	0	2,295,000	14,774,390
CAPITAL	3,000,000	0	0	720,000	0	112,209	3,832,209
DEBT SERVICE & MBA	0	266,765	712,150	60,000	(36,902)	0	1,002,013
STORM WATER	0	666,600	0	50,000	230,445	30,000	977,045
WATER	0	2,190,000	0	321,600	784,348	271,700	3,567,648
POWER	0	22,332,837	31,563	229,000	2,403,820	161,596	25,158,816
GOLF COURSE	0	1,347,000	25,000	70,780	0	0	1,442,780
LANDFILL	0	978,197	0	275,000	0	0	1,253,197
SANITATION	0	800,091	0	29,000	0	0	829,091
CEMETERY	0	254,200	4,850	41,000	124,008	1,000	425,058
INTERGOVTL	0	501,663	0	276,560	135,758	0	913,981
TOTALS	\$ 12,939,390	\$31,408,353	\$ 1,052,563	\$2,262,940	\$3,641,477	\$2,871,505	\$54,176,228
% OF BUDGET	24%	58%	2%	4%	7%	5%	100%

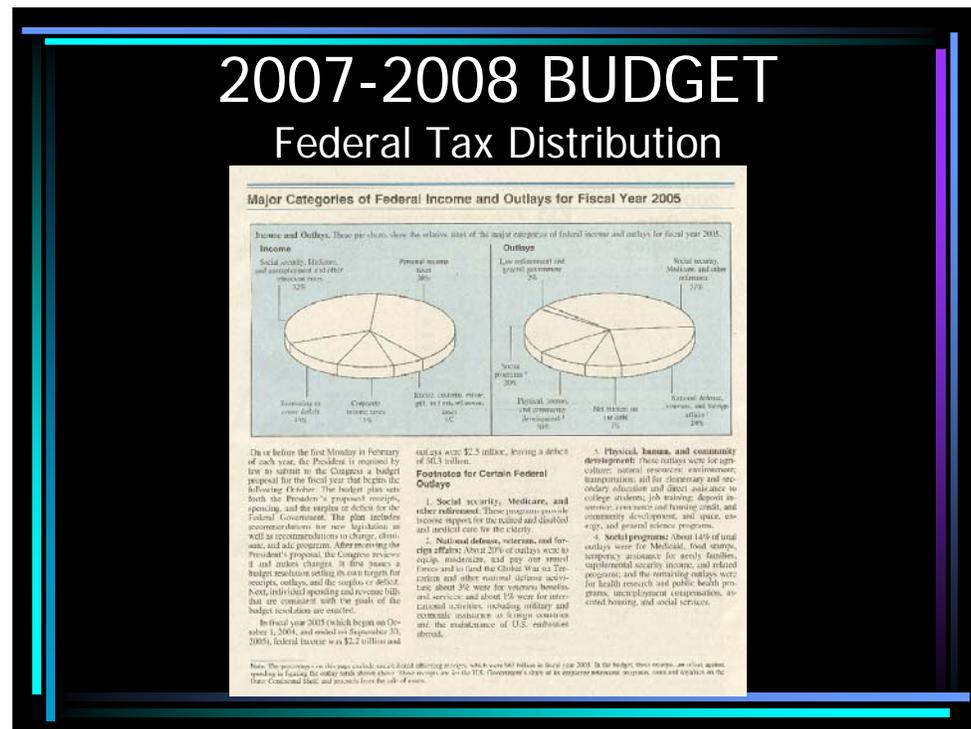
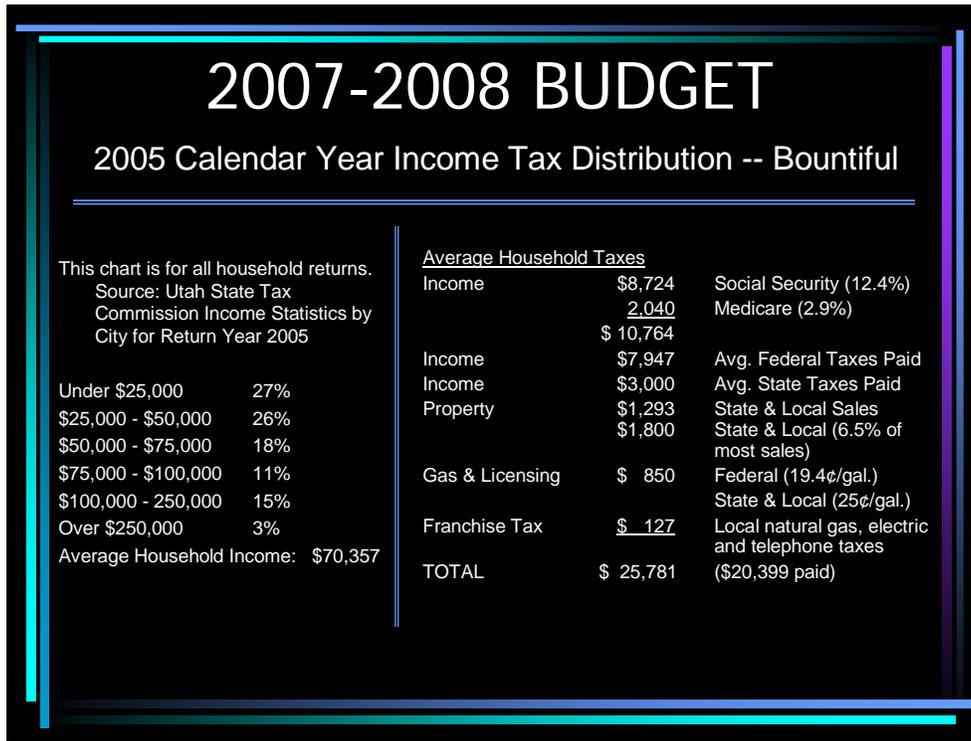
Slide 7

2007-2008 BUDGET Where The Money Goes

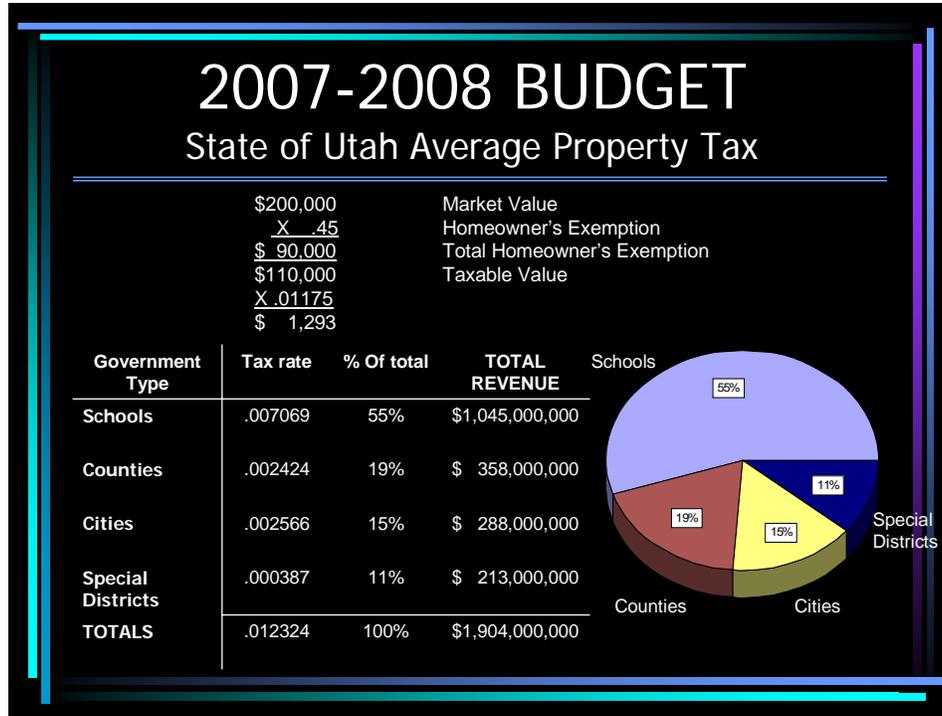
Fund	O & M	Capital	To Reserves	To Other Funds	Total
General	\$ 14,774,390	\$ 0	\$ 0	\$ 0	\$ 14,774,390
Capital	0	2,650,222	1,181,987	0	3,832,209
Debt Service & MBA	0	1,002,013	0	0	1,002,213
Storm Water	823,045	154,000	0	0	977,045
Water	2,457,113	1,110,535	0	0	3,567,648
Power	19,858,818	3,105,963	0	2,194,035	25,158,816
Golf Course	1,151,462	253,000	38,318	0	1,442,780
Landfill	868,197	90,000	295,000	0	1,253,197
Sanitation	667,091	0	162,000	0	829,091
Cemetery	300,058	125,000	0	0	425,058
Intergovtl	878,093	0	35,888	0	913,981
TOTAL	\$41,778,267	\$ 8,490,733	\$ 1,713,193	\$ 2,194,035	\$ 54,176,228
% of Budget	77%	16%	3%	4%	100%

Slide 8





Slide 11



Slide 12

2007-2008 BUDGET

2006-07 Property Tax Rates – Utah Cities

City	Tax Rate	Tax Bill on \$200,000 Home	% of Bountiful
Salt Lake City	.004720	\$ 519	422%
West Valley City	.003700	407	331%
Provo	.002722	299	243%
Orem	.001614	178	144%
West Jordan	.002046	225	183%
Layton	.002082	229	186%
St. George	.001338	147	120%
Ogden	.004256	468	380%
Taylorsville	.001868	205	167%
Logan	.002278	251	204%
Murray	.002203	242	197%
Midvale	.002118	233	189%
South Jordan	.001874	206	168%
Draper	.001274	140	114%
Holladay	.001869	206	167%
Cottonwood Heights	.002824	311	253%
Brigham City	.002888	318	258%
American Fork	.002731	300	244%
Lehi	.002804	308	251%
Average	.002475	272	221%
Bountiful	.001119	123	100%

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2007-2008 BUDGET

2006-07 Property Tax Rates – Davis County Cities

City	Tax Rate	Tax Bill on \$200,000 Home	% of Bountiful
Centerville	.001349	\$ 148	121%
Clearfield	.001680	185	150%
Clinton	.001966	216	176%
Farmington	.002149	236	192%
Fruit Heights	.001980	218	177%
Kaysville	.001004	110	90%
Layton	.002082	229	186%
North Salt Lake	.001648	181	147%
South Weber	.001128	124	101%
Sunset	.001108	122	99%
Syracuse	.001043	115	88%
West Bountiful	.001600	176	143%
Woods Cross	.000880	97	79%
Average	.001509	166	135%
Bountiful	.001194	123	100%

Slide 14

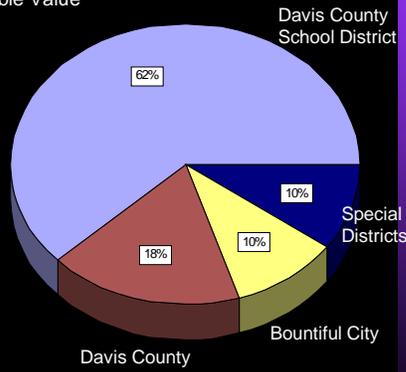
2007-2008 BUDGET

Property Tax on \$200,000 Home

\$200,000
 X .45
 \$ 90,000
 \$110,000
 X .01175
 \$ 1,293

Market Value
 Homeowner's Exemption
 Total Homeowner's Exemption
 Taxable Value

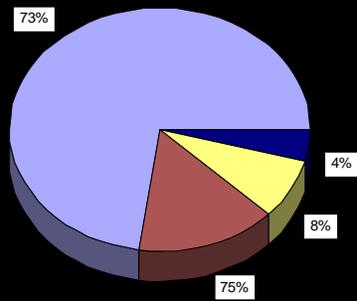
Distribution	Certified Tax Rate	% Of total	Entity
\$ 804.00	.007306	62%	Davis Co. School District
236.00	.002142	19%	Davis County (including library)
123.00	.001119	10%	Bountiful City
130.00	.001184	10%	Special Districts (Weber Basin, Bountiful Subconservancy, South Davis Recreation, South Davis Sewer, Mosquito Abatement)
\$1,293.00	.001175	100%	



Slide 15

2007-2008 BUDGET

Sales Tax Rates



State of Utah
 Utah Transit Authority
 Bountiful
 Davis County

SALES TAX RATE

	Rate	% of Total
State of Utah	4.75%	73%
Bountiful	1.00%	15%
Davis County	.25%	4%
UTA	.50%	8%

GASOLINE TAX RATE

Per gallon of gas 24.5¢

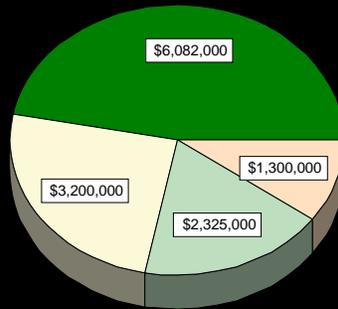
Distribution

State of Utah	75%
Cities & Counties	25%

Slide 16

2007-2008 BUDGET

Tax Revenues



- 47% Sales Taxes
- 25% Franchise Taxes
- 18% Property Taxes
- 10% Gasoline Taxes
- 0% Liquor Taxes

Slide 17

2007-2008 BUDGET

Tax Revenues

Tax	Amount	Percentage
Sales Taxes	\$6,082,000	47%
Franchise Taxes	\$3,200,000	25%
Property Taxes	\$2,325,000	18%
Gasoline Taxes	1,300,000	10%
Liquor Taxes	\$32,000	0%

Slide 18

2007-2008 BUDGET

Light & Power Fund – 12-year History of Expenses

Year	General Fund Transfer	Generation Expenses
1996-97	\$ 2,338,000	\$ 6,640,000
1997-98	2,104,000	6,064,000
1998-99	2,130,000	6,098,000
1999-2000	1,886,000	8,046,000
2000-01	2,119,000	15,102,000
2001-02	1,903,000	16,175,000
2002-03	1,915,000	12,200,000
2003-04	2,019,000	16,175,000
2004-05	2,150,000	13,504,000
2005-06	2,322,867	13,654,294
2006-07 (est.)	2,400,000	13,645,742
2007-08 (budget)	2,200,000	14,293,395

Slide 19

2007-2008 BUDGET

Residential Customer Electric Consumption

UP&L Rates:

7.702¢	for first 400 KWH	May - September
8.741¢	for next 600 KWH	May - September
10.296¢	for all KWH over 1,000	May - September
7.702¢	for all KWH	October - April

\$2.00 per month customer charge

Bountiful Rates:

(with 2% increase) 8.16¢ / KWH

\$1.66 per month customer charge

Slide 20

2007-2008 BUDGET

Residential Customer Electric Consumption

Month	Consumption	UP&L Bill	Bountiful Bill
January	800	\$ 63.62	66.94
February	720	57.45	60.41
March	640	51.29	53.88
April	600	48.21	50.62
May	900	76.52	75.10
June	1500	136.74	124.06
July	1800	167.63	148.52
August	1900	177.92	156.70
September	1300	116.15	107.74
October	600	48.21	50.62
November	640	51.29	53.88
December	920	72.86	76.73
TOTALS	12,320	\$1,067.89	1,025.22
	±1050 KWH/Mo		4%