



**MOUNTAIN  
REGIONAL  
WATER**

**2023 TENTATIVE BUDGET**

**And**

**2022 PROPOSED AMENDED BUDGET**

**November 2, 2022**

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## 1.0 BACKGROUND

### 1.01 The District

Mountain Regional Water (the District) is a regional public water company established in 2000 to resolve water shortage and water quality problems in Snyderville Basin. It is governed by the Summit County Council who acts as the District's Governing Board. The Council has delegated certain powers to an Administrative Control Board consisting of citizens living within the District. Since its creation numerous small water companies and new developments have joined the District.

The District currently has 5,187 customers using water and about 2,011 additional equivalent connections on standby. Impact fees and new connections have slowed in 2022 when compared to the record setting year of 2021, however they remain above historical averages. Construction in the District is high as many of the customers who paid an impact fee in 2021 have completed or are nearing completion of their residences.

The District wheels up to 2,900 acre-feet of raw water annually to Park City, and in 2023, under the Western Summit County Project Master Agreement, the District will sell 700 acre-feet of its Regional Water Supply to Weber Basin Water Conservancy District (Weber Basin) for delivery to Summit Water Distribution Company located in the Snyderville Basin. These two contracts account for approximately half of the District's current water production.

The year 2022 is best marked by the historic extreme drought which prompted Weber Basin to place water restrictions on its wholesale and retail customers. These restrictions activated the District's Drought Response Plan and on June 1st District customers were asked to reduce outdoor usage by 30-40% and indoor usage by 10%. In addition, customers using more than 30,000 gallons of water per month experienced drought surcharges on those higher usage tiers. As a result of these restrictions, and an unusually wet summer, District customers were able to save 70 million gallons of water over the summer months as compared to 2021. Fortunately, due to expense savings by the District and drought surcharges on higher usage tiers, the District was able to stay on budget even with this significant decrease in customer usage.

Additionally, during 2022 Fitch affirmed the District's "AA" rating and revised its rating outlook from Stable to Positive as a result of the District's continued low leverage position and low operating costs relative to its rapidly rising customer base. This rating will help the District as it looks to build new administrative offices and a maintenance facility and make improvements to its treatment plant in the next 3-5 years.

### 1.02 District Budgets

The District has three budgets that require adoption by the Summit County Council each year, based upon accounting guidelines established for governmental enterprise funds:

**Operating Budget** – This annual accrual based budget includes the overall operation and financing of the District. Under accrual based accounting, revenues are generally recorded when earned or billed - rather than when the cash is collected. In addition, expenses are recorded when incurred regardless of when paid.

This budget includes interest expense on debt (see *Debt Service Budget* below), and the depreciation of capital assets (see *Capital Budget* below). However, it does not include debt proceeds or the upfront cost of capital equipment and projects; or principal payments on debt.

**Debt Service Budget** – This annual “cash based” budget includes payments due each year on the District’s outstanding debt, including both principal and interest. Budgeted cash sources must come from current year operations - or, in certain situations, treatment plant, Lost Canyon and assessment reserves may be appropriated.

**Capital Budget** – This project “cash based” budget includes capital equipment, water system infrastructure, buildings, and water rights costing \$5,000 or more. These budgets remain in effect over the life of a project rather than a calendar year. Its cash sources typically include debt proceeds, grants, and reserve funds.

## 2.0 OVERVIEW

The following will be discussed in the sections below:

### **Section 3.0 – 2023 District Budget Review**

- This section provides an overview and analysis of current trends in District operations used for 2023 budget assumptions

### **Section 4.0 – 2023 Operating Budget**

- This section explores the detailed revenue and operating expenses for 2023

### **Section 5.0 – 2023 Debt Service Budget**

- This section details the cash available for debt payments in 2023

### **Section 6.0 – 2023 Capital Budget**

- This section will define the capital projects to be carried over from 2022 and new capital expenditures planned for 2023

### **Section 7.0 – 2022 Budget Amendments**

- This section details budget amendments needed for the 2022 Operating Budget and 2022 Debt Service Budget

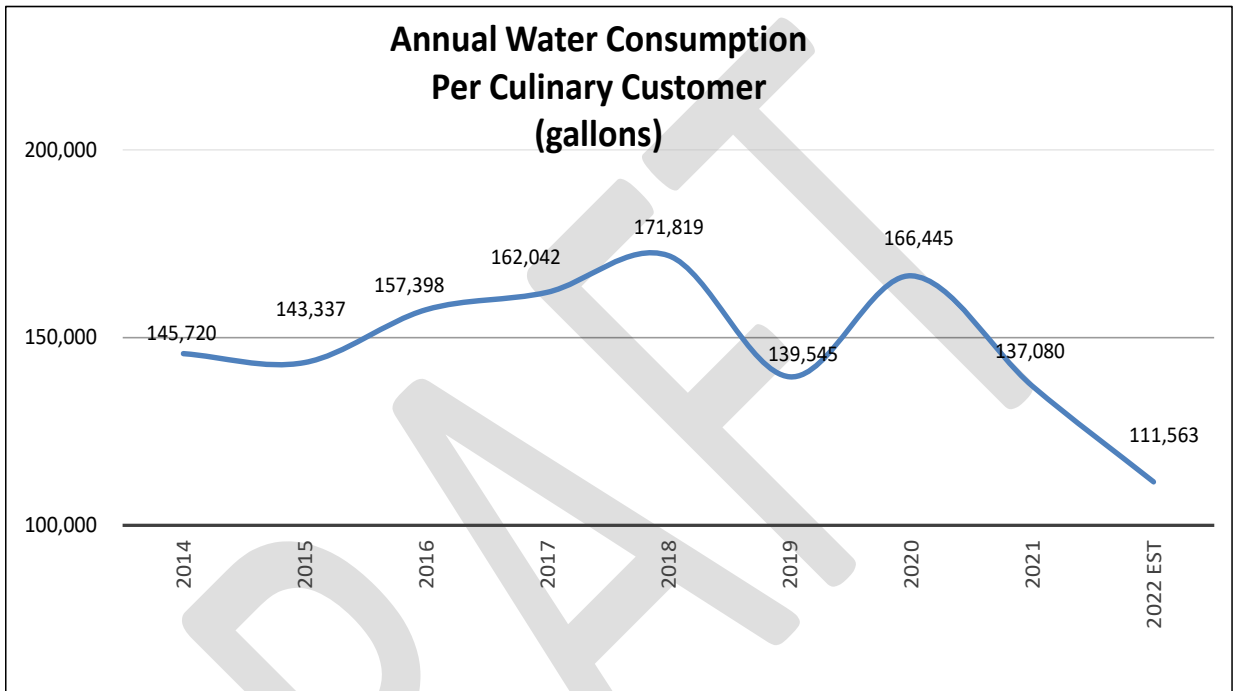
### **Section 8.0 – Summary**

- Thoughts on what has happened in 2022 and expectations for 2023

### 3.0 2023 DISTRICT BUDGET REVIEW

#### 3.01 Retail Water Consumption

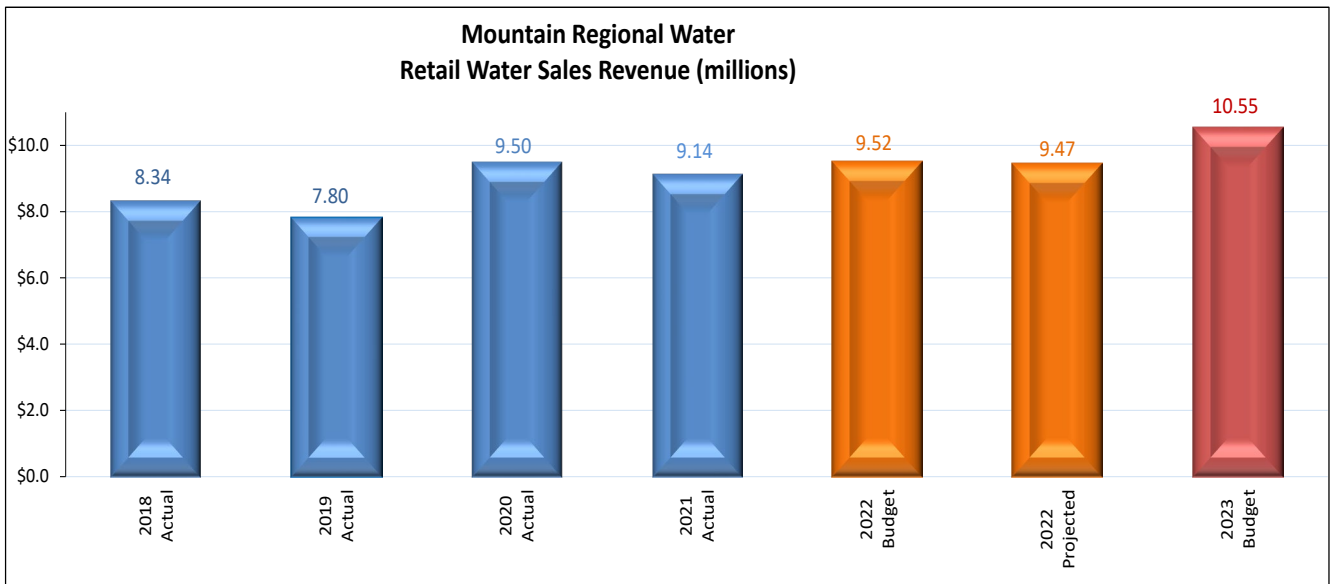
As shown below in Figure 1, the average District culinary consumption per customer estimated for 2022 is 111,563 gallons, compared to 137,080 gallons for 2021, a 18.6% decrease. This decrease reflects the conservation efforts of District customers, the rainy conditions in the summer, and the impact of drought surcharges on customer behavior. The degree to which each of these three factors had on the decreased usage is difficult to determine, however all three appear to have played a part.



**Figure 1: Annual Water Consumption**

For 2022, projected retail water sales are essentially on budget with a variance of less than 1% and are projected to be \$9.47 million by year end. Once watering restrictions and drought surcharges were put in place on June 1<sup>st</sup> it was expected that retail water sales would be under budget. However, since the District had planned for this likelihood in its Drought Response Plan and with the establishment of a Drought Reserve, the financial impact has been absorbed with minimal effect.

The District is budgeting for retail water sales to increase in 2023 primarily due to a projected rate increase (see **Section 3.10** for further discussion). While 2023 revenue does consider growth in District customers, this growth is being offset by the declining usage per customer as seen in Figure 1 above.



**Figure 2: Retail Water Sales Revenue**

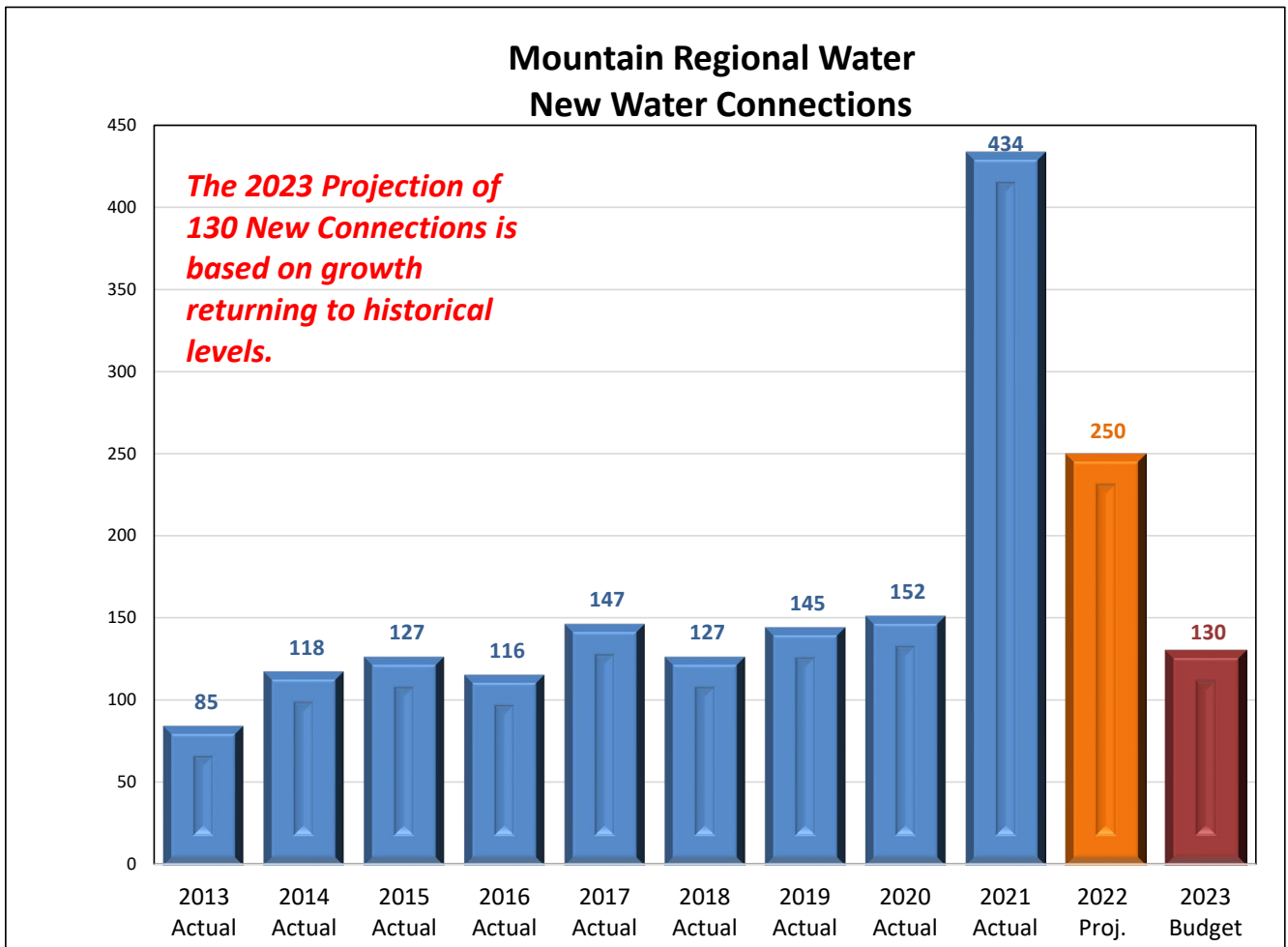
If drought restrictions are required again in 2023 (most likely due to Weber Basin placing restrictions on the District) the Drought Response Plan will again be utilized and drought surcharges will be implemented to offset the revenue impact.

The District has historically dealt with revenue swings due to weather patterns, as illustrated by the \$1.7 million difference between retail water sales revenue in 2019 and 2020. (See Figure 2 above). In 2019, the spring was very cool and wet, and the summer was milder as compared to the extended, long, hot, and dry summer experienced in 2020, leading to a difference in revenue, of which \$500,000 was related to the annexation of Community Water and the related increase in customer base. Drought restrictions now add another variable to budgeting and predicting retail water revenue.

### 3.02 Development Related Collections

After the historic customer growth in 2021, growth in 2022 has slowed more than the District had expected due to the significant housing downturn that began in July. Increasing interest rates and continued inflation appears to have decreased the request for new connections and the payment of impact fees to obtain a building permit.

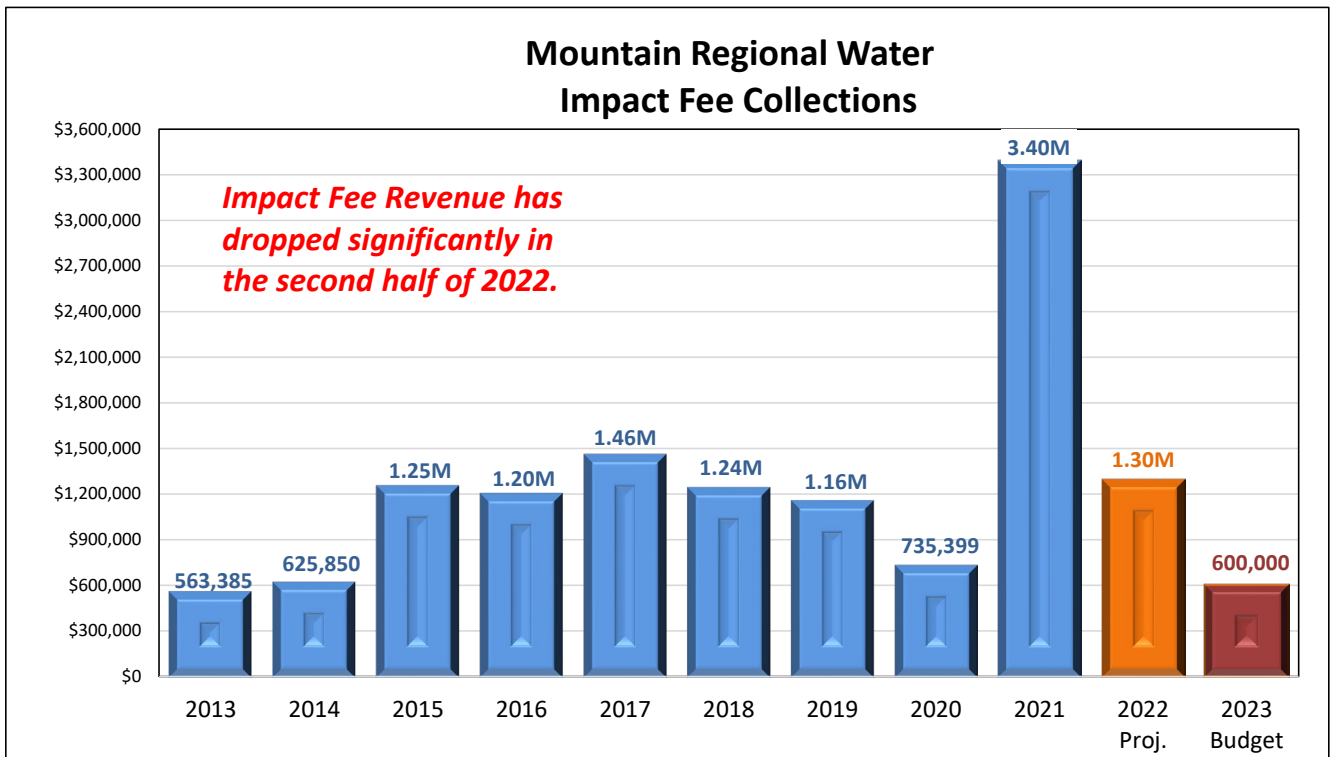
New connection requests in 2021 were very high at 434, the number for 2022 is now expected to be 250 and budget numbers for 2023 are based on a more historical trend of 130 new connections. (See Figure 3 below).



**Figure 3: New Water Connections**

In 2022 impact fees were ahead of budget at the end of June, however by the end of September they had dropped below budget and are now expected to be \$1.3 million for 2022 compared to a budget of \$1.6 million. As shown below in Figure 4 below, impact fee revenue for 2023 is budgeted at \$600,000.

The impact fee revenue budget for 2023 is based on a continued decreased housing market, offset by more commercial development including the Gilmore parcel and commercial property in the Silver Creek area.



**Figure 4: Impact Fee Collections**

Figure 4 also demonstrates the dramatic swings in impact fee collections year-to-year due to the local building trends.

It is difficult to forecast impact fee revenue for three reasons:

- 1) New development is cyclical and unpredictable;
- 2) Developers may exercise or sell prepaid District connections; and
- 3) The impact fee for homes is based upon livable square footage – which varies drastically among the District’s service areas.

### 3.03 Financial Reserves

In order to mitigate the risk of drought, volatile weather patterns and dramatic swings in development cycles, the District has several important cash reserves, which are discussed below:

Rate Stabilization Fund – Bond Reserves (\$1.2M) – The District’s general bond indenture allows it to establish a Rate Stabilization Fund that is available to cover revenue shortfalls and/or unexpected expenditures. These reserves can only be applied to scheduled annual debt payments in the event cash flow in any given year is insufficient to make those payments.

Drought Reserve Fund (\$800,000) – The funds from this account will be used when drought conditions arise and revenue in any given year is not adequate to meet required debt coverage ratios.



Regionalization Reserve Fund (\$2.1M) – The funds from this account can be used to meet any District need as approved by the Administrative Control Board. Last year this reserve was used to fund the initial \$800,000 into the Drought Reserve Fund.

### **3.04 Major Water Contracts**

The District has two major water contracts with customers that account for approximately half of its annual production. These customers receive lower bulk rates compared to retail customers due to the volume of water purchased and lower distribution and administrative costs. It is important to note that the rate structures for these two customers are different. Park City is paying operation and maintenance fees for untreated water conveyed through the Lost Canyon system and pays the lease fees for this water outside of the contract rate structure. Summit Water Distribution Company is paying comparatively higher rates for water which utilizes the District’s transmission (Lost Canyon system), treatment, and distribution systems, and pays for the lease fees within the contract rate structure.

Park City has contractual rights to wheel up to 2,900 acre-feet of untreated Rockport Reservoir water through the District’s Lost Canyon project on an annual basis. The calculation of the wheeling rate is outlined in a contract with Park City and includes 43.9% of most Lost Canyon production costs.

Park City wheeling revenue is projected to be \$650,000 in 2023. This is \$65,000 lower than the projected 2022 amount due to Park City’s 3 Kings Treatment Plant being fully operational during the summer of 2023. In recent conversations with Park City, they intend to still wheel a significant amount of water during 2023 as their new plant comes online and many tests are performed. In future years it is projected Park City will become less reliant on this wheeled water. Of the \$650,000 budgeted for 2023, roughly \$480,000 is based on cost sharing of the Lost Canyon pumping system and could be considered “fixed”. The remaining \$170,000 is “variable” and is based on costs related directly to the amount of water wheeled such as electricity.

Summit Water Distribution Company has contracted for 700 acre-feet of the District’s treated Regional Water Supply for 2023 under the Western Summit County Project Master Agreement. This take-or-pay contract will provide \$1.24 million in 2023 revenue.

The take-or-pay nature of these contracts also help to stabilize the District’s annual revenue and lessen the impact of retail water sales fluctuations caused by weather.

### **3.05 District Water Production**

As shown in Figure 5, District water production has experienced some volatility over the past 10-years due to a mixture of contractual fluctuations and weather patterns. Notable deviations from previous year are listed below:

- A ~25% increase in 2015 when Summit Water Distribution Company started taking water under the Western Summit County Project Master Agreement.
- A ~25% increase in 2018, primarily due to Park City wheeling an additional 900 acre-feet through Lost Canyon and secondly, due to a very hot dry summer that led to an additional 300 acre-feet of water being used by MRW Customers.
- A ~20% increase in 2020 due to an increase in water delivered to Summit Water Distribution Company, the annexation of the Community Water customer base, as well as a hot, dry summer leading to high usage by MRW Customers.

Production for 2022 is projected to be 5,046 acre-feet, a 14.8% decrease compared to 2021. This decrease is due to the drought restrictions that were put in place on June 1, 2022 and ended September 30, 2022, conservation efforts, and the rainy summer weather.

Overall production is projected to increase in 2023 when compared to 2022 due to customer growth, as construction is completed on the significant number of buildings impact fees were collected for in 2021 and the beginning of 2022. In addition, Promontory’s new golf course will be irrigated for the full summer season.

Offsetting these increases is a reduction in the water wheeled to Park City due to the expected completion of the 3 Kings Water Treatment Plant as well as a decrease in customer usage because of drought behavior changes and landscaping modifications.

The same amount of water being sold under the regionalization agreement.

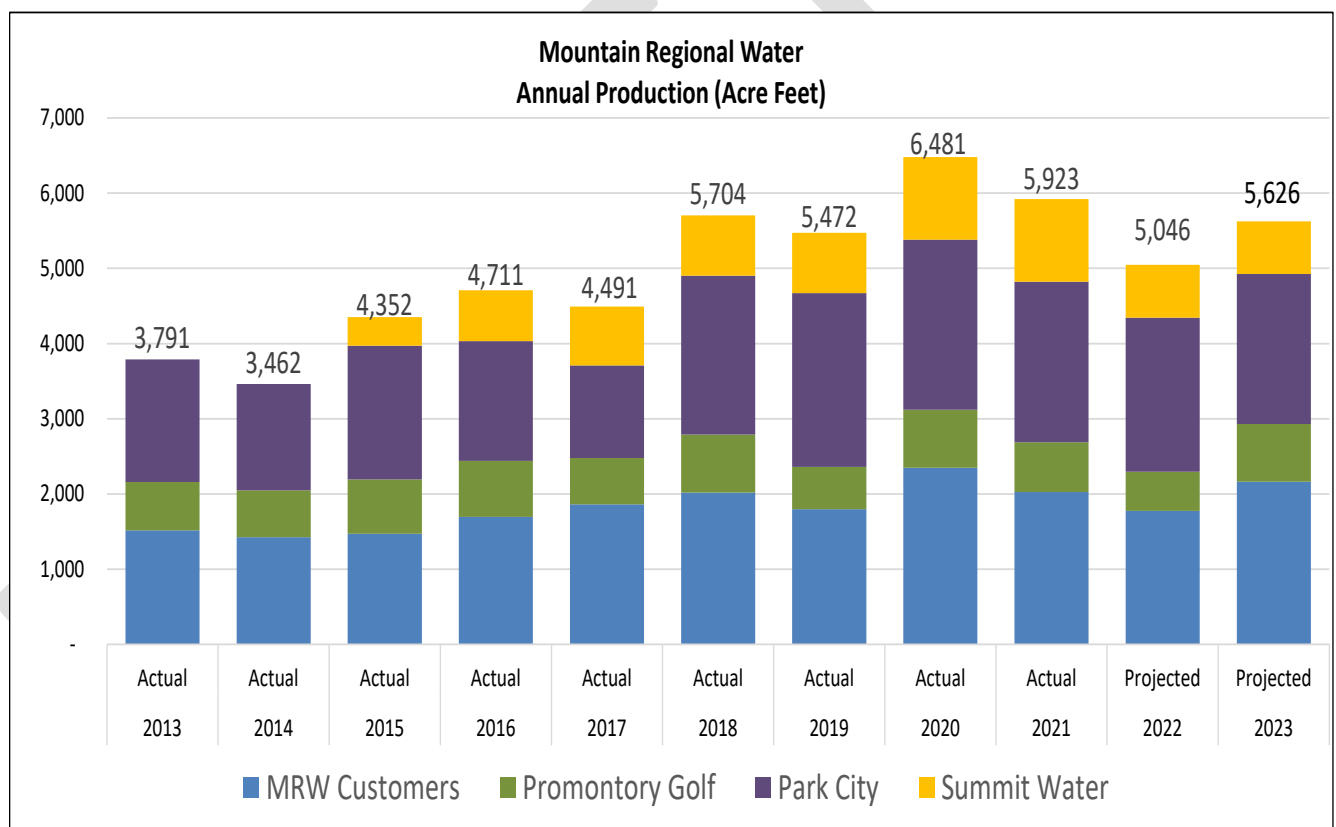


Figure 5: Annual Production (Acre Feet)

### 3.06 Debt Coverage Ratio

Per bond covenants, the District must budget for 1.25 parity debt coverage each year; meaning once all cash operational costs are paid, the remaining budgeted cash revenue must be equal to 1.25 times that year’s scheduled parity bond principal and interest payments (see **Section 5.0**). This 1.25 coverage requirement is a significant driver of rates and fees.

<b>Mountain Regional Water Parity Debt Service Coverage Ratio</b>				
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Budget</b>
Water Sales	\$ 9,497,365	\$ 9,135,832	\$ 9,471,500	\$ 10,546,600
Park City Wheeling	649,407	720,520	715,000	650,000
Weber Basin Regionalization Collections	1,676,200	1,913,700	1,191,100	1,244,300
Operating Fees	535,831	624,446	588,200	588,200
Impact Fees	735,399	3,397,951	1,300,000	600,000
Promontory Developer Assessments	493,489	717,204	383,300	383,300
Stagecoach Assessments	209,770	175,754	163,000	156,600
Community Water Assessments	161,999	161,404	159,000	159,000
Interest Available for Debt Service	164,660	71,899	322,000	350,000
Other Non-restricted Revenue	136,058	382,090	217,500	77,500
Treatment Plant/Lost Canyon Stabilization	123,854	-	62,000	-
<b>Total Cash Available for Debt Service</b>	<b>14,384,032</b>	<b>17,300,801</b>	<b>14,572,600</b>	<b>14,755,500</b>
Cash Operating Expenses	(7,152,478)	(7,185,433)	(8,399,600)	(9,169,100)
<b>Net Cash Available for Debt Service</b>	<b>7,231,554</b>	<b>10,115,368</b>	<b>6,173,000</b>	<b>5,586,400</b>
Parity Debt Service Payments	3,526,528	3,546,513	3,539,600	3,546,300
<b>Debt Service Coverage</b>	<b>2.05</b>	<b>2.85</b>	<b>1.74</b>	<b>1.58</b>

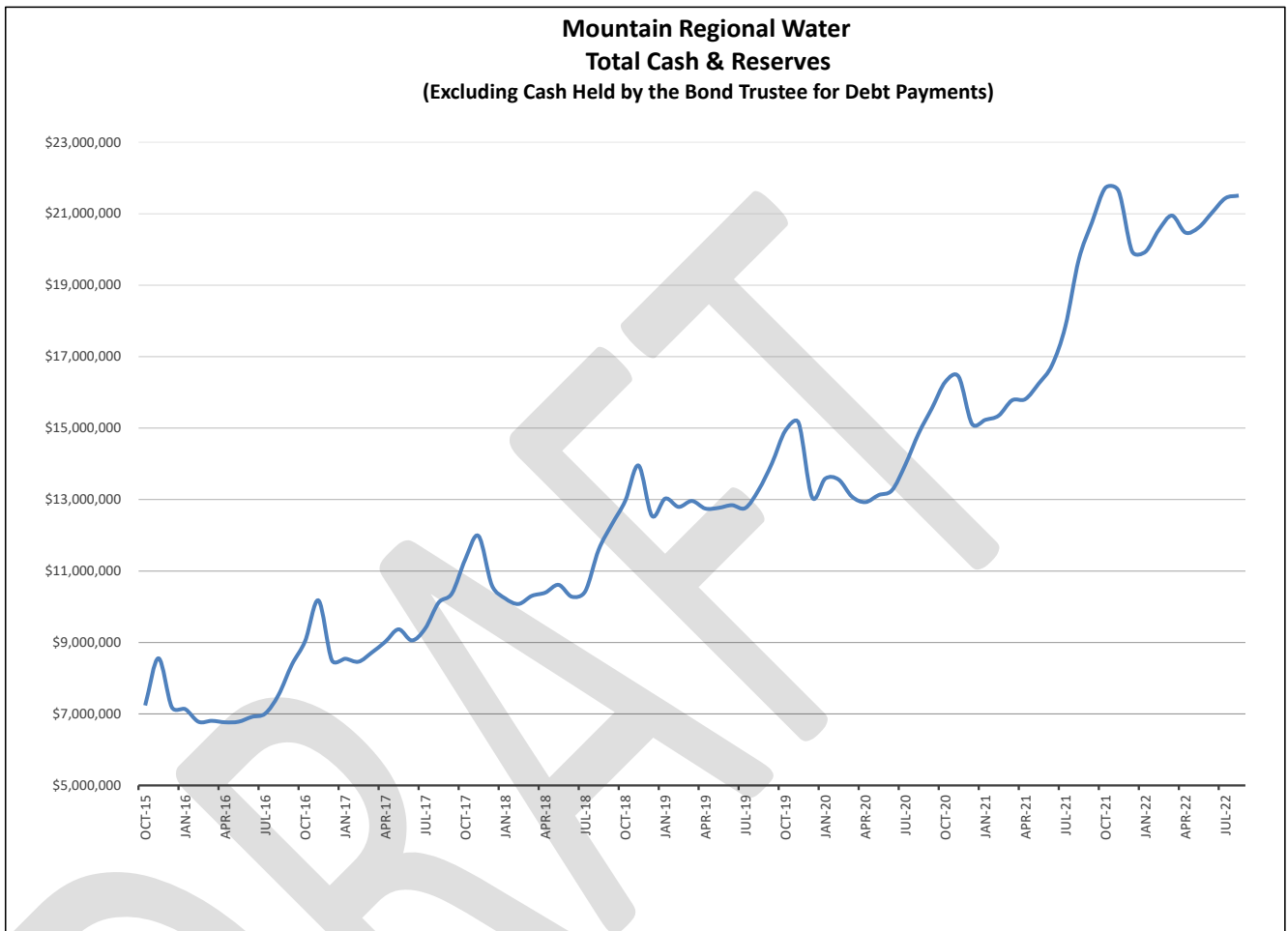
**Table 1: Parity Debt Service Coverage Ratio**

As shown in Table 1 above, the District had very strong debt coverage ratios in 2020 and 2021. These high coverage ratios were due to higher revenues than expected (in 2020 Water Sales, in 2021 Impact Fees). The projected ratio for 2022 is 1.74 which is better than budgeted. Revenue shortfalls in some areas, are being offset by revenue overages in other areas, so overall expense savings of roughly \$275,000 is resulting in a better than planned ratio.

For 2023, the ratio is projected to be 1.58 as higher expenses are offset by increased revenue, in part due to a rate increase, leaving the projected ratio lower than that in 2022. This projected ratio of 1.58 is still above the District goal of 1.35, which allows for a contingency and sufficient funds for capital projects.

### 3.07 District Cash & Reserves

As shown in Figure 6 below, District cash and reserves (excluding cash held by the bond trustee for debt payments) have steadily improved over the last several years.



**Figure 6: Total Cash & Reserves**

This upward trend can be attributed to the following factors:

- 1) A strong local building economy leading to record development related collections in 2021
- 2) The establishment of a Regionalization Reserve account which received deposits of 30% of the annual Regional Water Supply revenue through 2021
- 3) The establishment of a \$1.0 million rate stabilization fund to replace required bond reserves held by the trustee; and
- 4) Water Revenue from strong customer growth

The District plans to utilize some of these cash reserves to minimize any debt acquirement needed to complete large upcoming capital projects. These projects include the District office and maintenance facility to be built on the Gilmore parcel as well as improvements to be made at the Signal Hill Treatment Plant.

2023 Budgeted Cash Change

As shown below, the 2023 budget projects a \$1.84 million cash increase, excluding capital budget items being funded with bond proceeds or with current cash on hand.

<b>Mountain Regional Water</b>		
<b>2023 Operating Budget - Accrual and Cash Basis</b>		
<b>Enterprise Fund</b>		
	<b>2023 Control Board Recommended Accrual Basis</b>	<b>2023 Control Board Recommended Cash Basis</b>
<b><u>OPERATING REVENUE</u></b>		
Retail Water Sales	\$ 10,546,600	\$ 10,546,600
Park City Wheeling	650,000	650,000
Weber Basin Regionalization Collections	1,244,300	1,244,300
Operating Fees	588,200	588,200
Other	47,500	47,500
<b>Total Operating Revenue</b>	<b>13,076,600</b>	<b>13,076,600</b>
<b><u>OPERATING EXPENSES</u></b>		
Operations		
Energy & Resource Management	716,200	716,200
Lost Canyon Transmission	1,986,900	1,986,900
Treatment	843,000	843,000
Distribution	3,462,000	3,462,000
Safety	95,600	95,600
General Manager		
Administration	1,234,000	1,234,000
Public Services	831,400	831,400
Depreciation Expense	2,158,500	-
<b>Total Operating Expense</b>	<b>11,327,600</b>	<b>9,169,100</b>
<b>OPERATING INCOME</b>	<b>1,749,000</b>	<b>3,907,500</b>
<b><u>NON-OPERATING REVENUE</u></b>		
Interest Earnings - Available for Debt Service	350,000	350,000
Interest Earnings - Not Available for Debt Service	12,000	-
Impact Fees	600,000	600,000
Promontory Developer Assessments	383,300	383,300
Stagecoach Infrastructure Assessments	156,600	156,600
Community Water Assessments	159,000	159,000
Other Cash Non-operating Revenue	30,000	30,000
Non-Cash Non-operating Revenue	11,700	-
<b>Total Non-Operating Revenue</b>	<b>1,702,600</b>	<b>1,678,900</b>
<b><u>NON-OPERATING EXPENSE</u></b>		
Interest Expense/Bank Fees	949,200	925,300
Bond Principal Payments	-	2,825,800
Bond Insurance Expense	2,000	-
<b>Total Non-Operating Expense</b>	<b>951,200</b>	<b>3,751,100</b>
<b>NON-OPERATING INCOME</b>	<b>751,400</b>	<b>(2,072,200)</b>
<b>CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)</b>	<b>2,500,400</b>	<b>1,835,300</b>
<b><u>TRANSFERS</u></b>		
<b>NET TRANSFERS</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 2,500,400</b>	<b>\$ 1,835,300</b>

The District plans to allocate the \$1.84 million cash increase as follows:

Capital Facility Reserves Mandatory Deposit	\$ 458,500
Capital Projects	\$ 1,376,800
<b>Total</b>	<b>\$ 1,835,300</b>

### **3.08 Personnel & Compensation**

The District is requesting one new full-time position in the 2023 budget. This Project Coordinator position is new for the District and will help to support the District Engineer with new development and asset management projects.

The 2023 Budget includes funding for a 10.0% COLA and a 5.0% average merit pay increase. National COLA estimates are in the 8% to 10% range with some estimates even higher in the western United States, and in particular resort areas such as Park City. This, along with a desire to maintain an experienced and skilled workforce are the reasons the District is requesting these increases.

All benefits remain the same in 2023, except for a voluntary vision plan being added.

### **3.09 Allocation of Drought Reserve Fund**

During 2021 the District established a Drought Reserve Fund to support the newly adopted Drought Response Plan. The Drought Reserve was initially funded with \$800,000.

As a result of the activation of the Drought Response Plan in 2022, it was anticipated that approximately half of this fund, \$400,000, would be needed to support revenue due to decreased customer usage. However, the District was able to balance the reduced revenue by realizing significant expense savings and increased revenue from drought surcharges, which eliminated the need for use of the Drought Reserve Fund.

For 2023 the District would like to allocate \$200,000 of the Drought Reserve Fund for customer conservation efforts, specifically for removing turf and replacing it with native landscaping. These funds would augment programs such as “Flip your Strip”, available through Weber Basin and a separate “Cash for Grass” program. Program details are currently being established, but early estimates are to reimburse between \$1.25 and \$1.50 for every square foot of turf removed and to establish a limit on the total customer reimbursement available, to allow for the maximum number of customers to take advantage of the programs.

### **3.10 Rate Increase Needed in 2023**

Given the increase in expenses the District is experiencing due to the high inflation rates over the last two years (7% in 2021 and roughly 8.5% in 2022) the District is anticipating a rate increase might be needed to start 2023. Zions Public Finance has been hired to analyze the needed increase and ensure the continued meeting of bond covenants.

The last time the District increased rates was January 1, 2019. Rates have remained the same for four years other than the activation of drought surcharges per the Drought Response Plan in 2022.

Preliminary estimates show the District needs a revenue increase of approximately 11%. The District has proposed a methodology that was approved by the Administrative Control Board to generate this increase through a “tiered” rate increase method instead of simply increasing each rate by 11%. This method allows for the base monthly charge per Equivalent Residential Connection (ERC), which does not include any water, and each water usage tier, to be increased at a different rate.

The result would be that the majority of customers, who use less water (under 30,000 gallons in irrigation season), would see roughly a 9% increase to their water bills. Whereas customers who use more water (over 30,000 gallons in irrigation season) would experience a larger increase to their water bills. Below is a table comparing current Residential Rates to potential rates that would be implemented January 1, 2023 if approved at a November 17, 2022 rate hearing. A similar method and rates would also be implemented to the other District rates such as the Commercial Rate if approved.

<b>WATER RATES</b>	<b>Current Rates</b>	<b>ESTIMATED 2023 Rates</b>	<b>ESTIMATED 2023 Rates (%)</b>	
<b>Residential</b>				
Monthly Base Rate	\$61.80	\$66.75	8.00%	<i>Per ERC</i>
Usage (in gallons)				
Zero to 5,000	\$1.80	\$2.00	11.11%	<i>Per 1,000 Gallons</i>
5,001 to 20,000	\$4.64	\$5.20	12.07%	<i>Per 1,000 Gallons</i>
20,001 to 30,000	\$5.15	\$6.50	26.21%	<i>Per 1,000 Gallons</i>
30,001 to 40,000	\$8.24	\$10.22	24.03%	<i>Per 1,000 Gallons</i>
40,001 to 60,000	\$12.36	\$15.82	27.99%	<i>Per 1,000 Gallons</i>
60,001 to 80,000	\$15.45	\$20.39	31.97%	<i>Per 1,000 Gallons</i>
80,001 to 100,00	\$18.54	\$30.00	61.81%	<i>Per 1,000 Gallons</i>
Above 100,000	\$21.63	\$35.00	61.81%	<i>Per 1,000 Gallons</i>

## 4.0 2023 OPERATING BUDGET

### 4.01 Summary

As shown below, budgeted 2023 *Net Income after Transfers* is \$2.50 million on an accrual basis.

<b>Mountain Regional Water 2023 Operating Budget - Accrual Basis Enterprise Fund</b>					
	2021 Actual	2022 Budget	2022 Proposed Amended	2023 Control Board Recommended	2023 Recommend to 2022 Amended
<b><u>OPERATING REVENUE</u></b>					
Retail Water Sales	\$ 9,135,832	\$ 9,521,500	\$ 9,471,500	\$ 10,546,600	\$ 1,075,100
Park City Wheeling	720,520	765,000	715,000	650,000	(65,000)
Weber Basin Regionalization Collections	1,913,700	1,191,100	1,191,100	1,244,300	53,200
Operating Fees	624,446	488,200	588,200	588,200	-
Contract Maintenance	10,160	2,500	2,500	2,500	-
Other	44,766	45,000	45,000	45,000	-
<b>Total Operating Revenue</b>	<b>12,449,424</b>	<b>12,013,300</b>	<b>12,013,300</b>	<b>13,076,600</b>	<b>1,063,300</b>
<b><u>OPERATING EXPENSES</u></b>					
Operations					
Energy & Resource Management	608,589	683,400	683,400	716,200	32,800
Lost Canyon Transmission	1,659,487	2,056,100	2,056,100	1,986,900	(69,200)
Treatment Plant	683,135	868,800	868,800	843,000	(25,800)
Distribution	2,809,601	3,214,900	3,214,900	3,462,000	247,100
Safety	66,621	80,200	80,200	95,600	15,400
General Manager					
Administration	-	-	-	1,234,000	1,234,000
Engineering & Development	285,008	343,700	343,700	-	(343,700)
Human Resources	132,267	150,400	150,400	-	(150,400)
Financial Management	425,938	482,300	482,300	-	(482,300)
Legal Services	46,972	72,200	72,200	-	(72,200)
Public Services	462,325	722,600	722,600	831,400	108,800
Depreciation Expense	1,865,579	1,987,800	1,987,800	2,158,500	170,700
<b>Total Operating Expense</b>	<b>9,045,523</b>	<b>10,662,400</b>	<b>10,662,400</b>	<b>11,327,600</b>	<b>665,200</b>
<b>OPERATING INCOME</b>	<b>3,403,902</b>	<b>1,350,900</b>	<b>1,350,900</b>	<b>1,749,000</b>	<b>398,100</b>
<b><u>NON-OPERATING REVENUE</u></b>					
Interest Earnings - Available for Debt Service	71,899	71,000	322,000	350,000	28,000
Interest Earnings - Not Available for Debt Service	2,436	1,800	1,800	12,000	10,200
Impact Fees	3,397,951	1,600,000	1,300,000	600,000	(700,000)
Promontory Developer Assessments	717,204	383,300	383,300	383,300	-
Stagecoach Assessments	175,754	163,000	163,000	156,600	(6,400)
Community Water Assessments	161,404	159,000	159,000	159,000	-
Other Cash Non-operating Revenue	327,164	30,000	170,000	30,000	(140,000)
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-
<b>Total Non-Operating Revenue</b>	<b>4,865,479</b>	<b>2,419,800</b>	<b>2,510,800</b>	<b>1,702,600</b>	<b>(808,200)</b>
<b><u>NON-OPERATING EXPENSE</u></b>					
Interest Expense/Bank Fees	975,366	925,700	1,016,700	949,200	(67,500)
Bond Issuance Costs and Amortization Expense	2,000	2,000	2,000	2,000	-
<b>Total Non-Operating Expense</b>	<b>977,366</b>	<b>927,700</b>	<b>1,018,700</b>	<b>951,200</b>	<b>(67,500)</b>
<b>NON-OPERATING INCOME</b>	<b>3,888,112</b>	<b>1,492,100</b>	<b>1,492,100</b>	<b>751,400</b>	<b>(740,700)</b>
<b>CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)</b>	<b>7,292,014</b>	<b>2,843,000</b>	<b>2,843,000</b>	<b>2,500,400</b>	<b>(342,600)</b>
<b><u>TRANSFERS</u></b>					
Contributions in Aid of Construction	1,226,017	-	-	-	-
<b>NET TRANSFERS</b>	<b>1,226,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BUDGET CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 8,518,031</b>	<b>\$ 2,843,000</b>	<b>\$ 2,843,000</b>	<b>\$ 2,500,400</b>	<b>\$ (342,600)</b>
<b>GASB 68 ACTUAL RETIREMENT ADJUSTMENTS</b>	<b>244,658</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>	<b>N/A</b>
<b>ACTUAL CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 8,762,689</b>	<b>\$ 2,843,000</b>	<b>\$ 2,843,000</b>	<b>\$ 2,500,400</b>	<b>N/A</b>
<i>The actual amounts shown above in the program expense budgets have been adjusted to remove the non-cash GASB 68 retirement accrual. This is done to provide a much better year-over-year budget comparison.</i>					



The annual non-cash accruals for retirement expense are not included in the 2023 budget, since the amount won't be known until well after the fiscal year ends. As such, prior year actual amounts include cash retirement expense for comparison purposes rather than the accrued expense.

#### 4.02 2023 Revenue

##### Operating Revenue

As shown in Table 3, the District is budgeting \$13.08 million in 2023 *Operating Revenue* - which is \$1.06 million (8.9%) higher than was budgeted for 2022.

	Operating Revenue								
	2022			2023	2023		2023		
	2021	Adopted	2022	Tentative Budget	Recommended to		Recommended to		
Actual	Budget	Projection	Recommended	2022 Budget	\$ Change	% Change	2022 Projection	\$ Change	% Change
Retail Water Sales	\$ 9,135,832	\$ 9,521,500	\$ 9,471,500	\$ 10,546,600	\$ 1,025,100	10.8 %	\$ 1,075,100	11.4 %	
Park City Wheeling Fees	720,520	765,000	715,000	650,000	(115,000)	(15.0)	(65,000)	(9.1)	
Weber Basin Regionalization Collections	1,913,700	1,191,100	1,191,100	1,244,300	53,200	4.5	53,200	4.5	
Operating Fees	624,446	488,200	588,200	588,200	100,000	20.5	-	-	
Contract Maintenance	10,160	2,500	2,500	2,500	-	-	-	-	
Other	44,766	45,000	45,000	45,000	-	-	-	-	
<b>Total Operating Revenue</b>	<b>\$ 12,449,424</b>	<b>\$ 12,013,300</b>	<b>\$ 12,013,300</b>	<b>\$ 13,076,600</b>	<b>\$ 1,063,300</b>	<b>8.9 %</b>	<b>\$ 1,063,300</b>	<b>8.9 %</b>	

**Table 3: Operating Revenue**

The 2023 *Retail Water Sales* budget of \$10.55 million is \$1.03 million (10.8%) higher than the 2022 budget. The increase is due to the rate increases that would become effective January 1, 2023 as well as customer growth that has taken place during 2022.

*Park City Wheeling Fees* are expected to decrease as the amount of water to be wheeled is expected to decrease to below 2,000 acre-feet, due to the completion of the 3 Kings Treatment Plant (see previous discussion in **Section 3.04**). Park City has a maximum of 2,900 acre-feet that can be wheeled to them in any given year.

*Weber Basin Regionalization Collections* are contracted to increase \$53,200 (4.5%) to \$1.24 million in 2023. The same amount of 700 acre-feet will be sold in 2023 as was in 2022; the increase is from a contractual rate increase.

*Operating Fees* (including new meter fees) are budgeted to be \$588,200 in 2023 – which is \$100,000 more than budgeted for 2022. The District recognizes meter fee revenue when the meter is installed. Extensive amounts of meter fees received in 2021 and 2022 have yet to be recognized as construction has experienced delays and meter installations have slowed compared to historical data. It is expected that many of these meters will be installed in 2023 and the revenue recognized.

## Non-operating Revenue

As shown in Table 4, *Non-operating Revenue* is budgeted to be \$1.70 million in 2023. This is \$717,200 less than budgeted for 2022. The District is budgeting a decrease in impact fee revenue in 2023 as impact fee applications have dropped significantly since the middle of 2022 (See previous discussion in **Section 3.02**).

As interest rates have increased during 2022, so has the interest earnings the District has received from its cash balances with the Public Treasurers' Investment Fund (PTIF). With interest rates expected to increase or stay at these levels during the coming months, the District has increased its budgeted Interest Earnings for 2023.

	Non-operating Revenue				2023		2023	
	2021	2022	2022	2023	Recommended to		Recommended to	
	Actual	Adopted Budget	Projection	Tentative Budget Recommended	2022 Budget	% Change	2022 Projection	% Change
Interest Earnings	\$ 74,335	\$ 72,800	\$ 323,800	\$ 362,000	\$ 289,200	397.3	\$ 38,200	11.8 %
Impact Fees	3,397,951	1,600,000	1,300,000	600,000	(1,000,000)	(62.5)	(700,000)	(53.8)
Promontory Developer Assessments	717,204	383,300	383,300	383,300	-	-	-	-
Stagecoach Assessments	175,754	163,000	163,000	156,600	(6,400)	(3.9)	(6,400)	(3.9)
Community Water Assessments	161,404	159,000	159,000	159,000	-	-	-	-
Other Cash Non-operating Revenue	327,164	30,000	170,000	30,000	-	-	(140,000)	(82.4)
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-	-	-	-
<b>Total Non-operating Revenue</b>	<b>\$ 4,865,479</b>	<b>\$ 2,419,800</b>	<b>\$ 2,510,800</b>	<b>\$ 1,702,600</b>	<b>\$ (717,200)</b>	<b>(29.6) %</b>	<b>\$ (808,200)</b>	<b>(32.2) %</b>

**Table 4: Non-operating Revenue**

#### 4.03 2023 Expenses

##### Operating Expenses

The 2023 *Operating Expense* budget is \$11.33 million, which is \$665,200 (6.2%) higher than the 2022 Budget, as shown in Table 5.

	Operating Expense				2023	
	2021 Actual	2022 Budget	2022 Amended Budget	2023 Recommended Budget	Recommended to 2022 Budget \$ Change	% Change
<b>Operations</b>						
Energy & Resource Management	\$ 608,589	\$ 683,400	\$ 683,400	\$ 716,200	\$ 32,800	
Lost Canyon Transmission	1,659,487	2,056,100	2,056,100	1,986,900	(69,200)	
Treatment Plant	683,135	868,800	868,800	843,000	(25,800)	
Distribution	2,809,601	3,214,900	3,214,900	3,462,000	247,100	
Safety	66,621	80,200	80,200	95,600	15,400	
<b>Subtotal Operations</b>	<b>5,827,434</b>	<b>6,903,400</b>	<b>6,903,400</b>	<b>7,103,700</b>	<b>200,300</b>	<b>2.9 %</b>
<b>General Manager</b>						
Administration				1,234,000	1,234,000	
Engineering & Development	285,008	343,700	343,700	-	(343,700)	
Human Resources	132,267	150,400	150,400	-	(150,400)	
Financial Management	425,938	482,300	482,300	-	(482,300)	
Legal Services	46,972	72,200	72,200	-	(72,200)	
Public Services	462,325	722,600	722,600	831,400	108,800	
<b>Subtotal Other Departments</b>	<b>1,352,510</b>	<b>1,771,200</b>	<b>1,771,200</b>	<b>2,065,400</b>	<b>294,200</b>	<b>16.6 %</b>
Depreciation Expense	1,865,579	1,987,800	1,987,800	2,158,500	170,700	
<b>Non-Cash Expenses</b>	<b>1,865,579</b>	<b>1,987,800</b>	<b>1,987,800</b>	<b>2,158,500</b>	<b>170,700</b>	<b>8.6 %</b>
<b>Total Operating Expense</b>	<b>\$ 9,045,523</b>	<b>\$ 10,662,400</b>	<b>\$ 10,662,400</b>	<b>\$ 11,327,600</b>	<b>\$ 665,200</b>	<b>6.2 %</b>
<i>Total Cash Operating Expense</i>	<i>7,179,943</i>	<i>8,674,600</i>	<i>8,674,600</i>	<i>9,169,100</i>	<i>494,500</i>	<i>5.7 %</i>

**Table 5: Operating Expenses**

The 2023 budgeted *cash increase* in *Operating Expenses* is \$494,500 (5.7%). The increase is a combination of several factors including the hiring of one new staff, inflationary increases in projected repairs costs, and COLA and merit increases as mentioned in **Section 3.08**. These increases are offset in part by decreases in Lost Canyon Transmission expenses as major repairs are being completed in 2022, and a decrease in Treatment Plant expenses due to the auditor recommended accounting change in expensing carbon and membranes.

The District has also decided to modify its budget departments starting in 2023, The District has combined several smaller department budgets (Engineering & Development, Human Resources, Financial Management and Legal Services) into one larger department (Administration).

*Non-cash Depreciation Expense* is expected to increase \$170,700 (8.6%) as compared to the 2022 budget due to the additional assets being depreciated. This increase is higher than normal due to numerous developer constructed infrastructure items that are being transferred to the District during 2022.

Non-operating Expenses

*Non-operating Expense* consists of *Interest Expense / Trustee Fees* and bond related expenses - including issuance costs. As shown below, the 2023 *Non-operating Expense* budget is \$951,200, which is \$67,500 (7.3%) less than the 2022 Proposed Amended Budget. The decline is due to both the prepayment of some of the 2019B Series debt as well as more of the debt payments going towards principal than interest as they mature.

Non-operating Expense					2023	
	2021	2022	2022	2023	2023	
	Actual	Adopted	Proposed	Recommended	Recommended to	
		Budget	Amended		2022 Amended Budget	% Change
					\$ Change	
Interest Expense / Trustee Fees	\$ 975,366	\$ 925,700	\$ 1,016,700	\$ 949,200	\$ (67,500)	
Bond Issuance Costs & Amortization Ex	2,000	2,000	2,000	2,000	-	
<b>Total Non-operating Expense</b>	<b>\$ 977,366</b>	<b>\$ 927,700</b>	<b>\$ 1,018,700</b>	<b>\$ 951,200</b>	<b>\$ (67,500)</b>	<b>(7.3) %</b>

**Table 6: Non-operating Expenses**

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**5.0 2023 DEBT SERVICE BUDGET**

For 2023, the District projects a debt coverage ratio of 1.58 when only parity revenue bonds are included. As discussed in **Section 3.06**, this ratio is required to meet or exceed 1.25 to comply with bond covenants.

<b>MOUNTAIN REGIONAL WATER</b>	
<b>2023 Debt Service Budget - Cash Basis</b>	
	<b>2023</b>
<b>COVERAGE CALCULATION FOR PARITY REVENUE BONDS</b>	
Operating Income (Loss)	\$ 1,749,000
Add Back Depreciation	2,158,500
Add In Interest Available for Debt Service	350,000
Add In Impact Fees	600,000
Add In Promontory SID Assessments on Developer	383,300
Add in Stagecoach Assessments	156,600
Add in Community Water Assessments	159,000
Add in Other Non-operating Income	30,000
Add Lost Canyon & Treatment Plant repair funds	
<b>Total Available For Debt Service</b>	<b>\$ 5,586,400</b>
<b>TOTAL DEBT COVERAGE</b>	
Required Coverage Principal	\$ 2,825,800
Required Coverage Interest/Bank Fees	925,300
<b>Total Required Debt Service</b>	<b>3,751,100</b>
<b>Debt Service X 1.25</b>	<b>\$ 4,688,900</b>
<b>Total Debt Coverage Ratio</b>	<b>1.49</b>
<b>REQUIRED PARITY BOND DEBT COVERAGE</b>	
Parity Bond Principal	\$ 2,689,000
Parity Bond Interest	857,300
<b>Total Parity Debt Service</b>	<b>3,546,300</b>
<b>Debt Service X 1.25</b>	<b>\$ 4,432,900</b>
<b>Parity Debt Coverage Ratio</b>	<b>1.58</b>
<hr/>	
<b>Cash Excess/(Shortfall)</b>	<b>1,835,300</b>
Less Lost Canyon & Treatment Plant repair funds	-
<b>Projected Cash Generated</b>	<b>1,835,300</b>
Capital Facility Reserves	(458,500)
<b>Cash Available for Capital Budgets</b>	<b>1,376,800</b>

It is District policy to budget to meet or exceed the 1.25 requirement when all bonds, including subordinated debt, are included. This is necessary to generate sufficient cash to make required deposits into cash reserve accounts, and to fund capital equipment and small capital projects in future years.

Although the District's bond indentures don't require subordinated debt to be included in the 1.25 coverage threshold, both bond holders and rating agencies include subordinated debt when assessing the risk of municipal revenue bonds.

District policy prohibits including the \$1.17 million *Rate Stabilization Fund – Bond Reserves* balance to calculate debt coverage for budgeting purposes. These funds are only included in debt coverage calculations at year-end if revenue falls significantly short of budget – or unanticipated expenditures are incurred. The District has never needed to use the funds.

The projected 1.49 coverage ratio for all 2023 scheduled debt payments would result in a \$1.84 million cash increase, excluding cash spent on capital equipment and projects. The District plans to allocate this cash increase as shown at the bottom of the above table.

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**6.0 2023 CAPITAL BUDGET**

The District is requesting \$3.22 million in new capital spending appropriations for 2023, as shown below.

<b>Mountain Regional Water 2023 Capital Budget</b>						
	<b>2022 Adopted Budget</b>	<b>2022 Proposed Amendment</b>	<b>2022 Estimated Completed</b>	<b>2022 Estimated Carryover</b>	<b>General Manager Recommended Increases</b>	<b>2023 Total Estimate</b>
<b>CASH SOURCES</b>						
Previous Year Budget Carryover	\$ 1,717,300		\$ 392,400	1,324,900	\$ -	\$ 1,324,900
Cash Available from Previous Years	2,012,300		597,100	1,415,200	2,669,400	\$ 4,084,600
Impact Fees	1,710,000	(136,000)	492,000	1,082,000	153,000	\$ 1,235,000
District Capital Reserves	585,300		-	585,300	398,800	\$ 984,100
Summit County Note Payable	-	1,541,000	-	1,541,000	-	\$ 1,541,000
<b>TOTAL SOURCES</b>	<b>\$ 6,024,900</b>	<b>\$ 1,405,000</b>	<b>\$ 1,481,500</b>	<b>\$ 5,948,400</b>	<b>\$ 3,221,200</b>	<b>\$ 9,169,600</b>
<b>CASH USES</b>						
Completed Projects						
Kilby PBS Electrical Upgrade	140,000	31,000	171,000	-	-	-
Weber Basin Interconnection Project (Impact Fee Eligible)	560,000	(68,000)	492,000	-	-	-
Treatment Plant Chlorinator Upgrade	120,000	10,000	130,000	-	-	-
Vehicles & Equipment	331,400		300,000	31,400	380,000	411,400
Capitalized Personnel Costs	236,300		236,300	-	335,400	335,400
General System Improvements	435,900	36,000	152,200	319,700	210,800	530,500
Capital Projects						
Summit Park Tank (\$425K Impact Fee Eligible)	1,450,000	-		1,450,000	135,000	1,585,000
Pipeline Replacement (Summit Park)	550,000			550,000	110,000	660,000
Spine Road Pump Station Electrical	200,000			200,000		200,000
Red Hawk Booster Pump Station (\$68k Impact Fee Eligible)	145,000	(145,000)		-		-
Browns Canyon Road betterment (Impact Fee Eligible)	303,000			303,000	100,000	403,000
Solar Array on Treatment Plant Pond	378,300			378,300		378,300
Treatment Plant Expansion	425,000			425,000		425,000
Land Acquisition & Office	750,000	1,541,000		2,291,000	1,500,000	3,791,000
Sun Peak Well 2					200,000	200,000
Engineering Design Fees					250,000	250,000
<b>TOTAL USES</b>	<b>\$ 6,024,900</b>	<b>\$ 1,405,000</b>	<b>\$ 1,481,500</b>	<b>\$ 5,948,400</b>	<b>\$ 3,221,200</b>	<b>\$ 9,169,600</b>

**Funding**

Due to the availability of previous year budget carryovers, including Cash Available from Previous Years, no additional borrowing or financing is needed to fund the recommended \$3.22 million capital budget increase.

Instead, it can be funded with the cash available from prior years in the amount of \$2.67 million, \$153,000 from impact fees, and \$398,300 from capital facility reserves.

## 2022 Completed Projects

*Kilby Pump Upgrades* - The electrical panels of the Kilby pump station have been moved from the below ground vault to an above ground location in the existing pump station structure to improve employee safety. These improvements were completed for a cost of \$171,000.

*Weber Basin Interconnection Project* - In 2019 a regionalization project, administered by Weber Basin, to construct several interconnect facilities was started. These interconnections would allow connectivity between Park City, Summit Water Distribution Company, and the District. The last of the interconnects was completed in 2022 and the District's portion of the costs came to \$492,000 pending final approval by Weber Basin of Summit Water Distribution Company invoices.

*Treatment Plant Chlorinator Upgrade* - The previous chlorine generation system at the Signal Hill Water Treatment Plant was not designed to meet growing production needs. A new chlorinator has been installed increasing chlorine generation capacity. This improvement was completed at a cost of \$130,000.

## Capital Projects

*Capitalized Personnel Costs* - As District employees spend a portion of their time working on or managing capital projects, the District capitalizes some personnel costs. For 2023, the budget includes \$335,400, which will be funded from cash on hand.

*General System Improvements* - The 2023 budget requests an additional \$210,800 in funding for additional General System Improvements. These include additional improvements at Lost Canyon, the Airbreak tank, a new meter vault, and some improvements at the Signal Hill Treatment Plant.

*Vehicles & Equipment* - The District is budgeting to purchase three trucks, a gooseneck trailer, a crane truck bed and new crane, a new side-by-side during 2023, and a water turbine for the Silver Creek tank. The District is requesting \$380,000 to fund these purchases.

*Summit Park Tank* – The lowest elevation Summit Park tank (known internally as Tank 1) needs to be replaced with a larger volume tank to support additional development in the area. The current tank's volume is 100,000 gallons; the new tank is planned to have a volume of 250,000 gallons and include a combined tank mixing, chlorination system. Design and power line adjustments requiring Rocky Mountain Power involvement are being completed in 2022 with construction planned for 2023. An additional \$135,000 is being requested to cover final cost estimates.

*Pipeline Replacement (Summit Park)* – A portion of the Summit Park distribution infrastructure has been identified as in need of replacement due to several main line breaks in recent years and the need to increase the fire protection in the area served. Approximately 2,600 linear feet of 8" water main is planned to be replaced in 2023.

*Spine Road Electrical Upgrade* – The Spine Road pump station has a similar electrical design as the Kilby Road pump station where an electrical upgrade has recently been completed to improve employee safety. The Spine Road pump station will undergo a similar improvement with electrical panels being moved above grade. Structural modifications will additionally be necessary to complete this project. Construction of a larger above ground facility has begun with final completion of the electrical upgrade scheduled for 2023.



*Red Hawk Booster Pump Station* – The Red Hawk booster pump station upgrade has been removed from the current capital budget as the project has been reprioritized.

*Browns Canyon Road betterment* – The District has evaluated the benefit of a betterment (line size upgrade) to be applied to distribution infrastructure planned by Promontory and has decided to participate. An additional \$110,000 in funding is requested in the 2023 Capital Budget to complete this betterment which will provide distribution and other advantages to the District in the future.

*Solar Array on Treatment Plant pond* – The District has long been interested in installing a floating solar array on the Signal Hill Water Treatment Plant pond which would offset the electrical energy load and costs of the treatment plant, decrease the evaporation rate of water lost from the pond, and reduce algae growth in the pond providing a water quality benefit. In 2022, the District sent out an RFP for the design and construction of the floating solar array. Grant funding is currently being evaluated and the District anticipates it will move forward with this project in 2023.

*Treatment Plant Expansion* - The District retained Jacobs Engineering to work on the design of an expansion at the Signal Treatment Plant Expansion. Jacobs Engineering completed preliminary work on the design and is currently preparing a new proposal based on the District's rescoping of the project.

*Land Acquisition and Office* - The District purchased a 5-acre lot in the Gilmore parcel from Summit County for \$2,041,000 with the District making a down payment of \$500,000 and Summit County financing the remainder through a 10-year promissory note for \$1,541,000. The District is requesting \$1.5 million in the 2023 Capital Budget to continue architecture and engineering design work and potentially begin construction in 2023.

*Sun Peak Well #2* - The District is requesting capital budget funds be allocated to refurbish Sun Peak Well #2. The well was previously abandoned, but since the surface diversion at Spring Creek is no longer an approved source for potable water for the District, as determined by the Utah Division Drinking Water, this well becomes a source to offset that decrease.

*Engineering Design Fees* – Engineering design fees are requested for several projects including: water line replacement design in Summit Park, a replacement tank in the Community Water area, a new well siting, new surge and flow control design at the Old Ranch pump station, and water line design to loop the Preserve and Glenwild areas. The amount requested is \$250,000.

## 2022 Capital Budget Amendments

Three amendments are needed in the 2022 capital budget.

- 1) The first is needed to reallocate \$68,000 in cost savings from the *Weber Basin Interconnect Projects* that are coming in under budget.
- 2) The second is needed to reallocate the \$145,000 budgeted for *Red Hawk Booster Pump Station* upgrades (see discussion on previous page) to cover the additional costs incurred with *Kilby Pump Upgrades* (\$31,000) and the *Treatment Plant Chlorinator* (\$10,000). The remainder of the savings has been reallocated to *General System Improvements*.
- 3) The third amendment was previously approved by the Summit County Council, for the promissory note Summit County extended to the District to facilitate the purchase of the future office site in the amount of \$1,541,000.

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**7.0 2022 BUDGET AMENDMENTS**

**7.01 2022 Operating Budget**

For the 2022 *Operating Budget*, several small amendments are needed to adjust for variances from budget related to revenue and expenses. The amendments offset revenue shortfalls in Retail Water Sales, Park City Wheeling and Impact Fees and an Interest Expense adjustment with revenue overages in Operating Fees, Interest Earnings and Other Cash Non-Operating Revenue.

MOUNTAIN REGIONAL WATER						
2022 Amended Operating Budget - Accrual Basis						
<i>Enterprise Fund</i>						
	2021	2022	2022	2022	2022	2022
	Actual	Budget	Amendments	Proposed Amended	Projection	Projection to Budget
<b>OPERATING REVENUE</b>						
Retail Water Sales	\$ 9,135,832	\$ 9,521,500	\$ (50,000)	\$ 9,471,500	\$ 9,471,500	\$ (50,000)
Park City Wheeling	720,520	765,000	(50,000)	715,000	715,000	(50,000)
Weber Basin Regionalization Fees	1,913,700	1,191,100	-	1,191,100	1,191,100	-
Operating Fees	624,446	488,200	100,000	588,200	588,200	100,000
Contract Maintenance	10,160	2,500	-	2,500	2,500	-
Other	44,766	45,000	-	45,000	45,000	-
<b>Total Operating Revenue</b>	<b>12,449,424</b>	<b>12,013,300</b>	<b>-</b>	<b>12,013,300</b>	<b>12,013,300</b>	<b>-</b>
<b>OPERATING EXPENSES</b>						
Operations Management						
Energy & Resource Management	608,589	683,400	-	683,400	683,400	-
Distribution	2,809,601	3,214,900	-	3,214,900	3,214,900	-
Lost Canyon Transmission	1,659,487	2,056,100	-	2,056,100	1,931,100	(125,000)
Treatment Plant	683,135	868,800	-	868,800	793,800	(75,000)
Safety	66,621	80,200	-	80,200	80,200	-
General Manager						
Engineering & Development	285,008	343,700	-	343,700	313,700	(30,000)
Human Resources	132,267	150,400	-	150,400	150,400	-
Financial Management	425,938	482,300	-	482,300	462,300	(20,000)
Legal Services	46,972	72,200	-	72,200	72,200	-
Public Services	462,325	722,600	-	722,600	697,600	(25,000)
Depreciation Expense	1,865,579	1,987,800	-	1,987,800	1,987,800	-
<b>Total Operating Expense</b>	<b>9,045,523</b>	<b>10,662,400</b>	<b>-</b>	<b>10,662,400</b>	<b>10,387,400</b>	<b>(275,000)</b>
<b>OPERATING INCOME</b>	<b>3,403,902</b>	<b>1,350,900</b>	<b>-</b>	<b>1,350,900</b>	<b>1,625,900</b>	<b>275,000</b>
<b>MOUNTAIN REGIONAL WATER</b>						
2022 Amended Non-Operating Budget - Accrual Basis						
<i>Enterprise Fund</i>						
	2021	2022	2022	2022	2022	2022
	Actual	Budget	Amendments	Proposed Amended	Projection	Projection to Budget
<b>NON-OPERATING REVENUE</b>						
Interest Earnings - Available for Debt Service	71,899	71,000	251,000	322,000	322,000	251,000
Interest Earnings - Not Available for Debt Service	2,436	1,800	-	1,800	1,800	-
Impact Fees	3,397,951	1,600,000	(300,000)	1,300,000	1,300,000	(300,000)
Promontory Developer SID Assessments	717,204	383,300	-	383,300	383,300	-
Stagecoach Infrastructure Assessment	175,754	163,000	-	163,000	163,000	-
Community Water Infrastructure Assessment	161,404	159,000	-	159,000	159,000	-
Other Cash Non-operating Revenue	327,164	30,000	140,000	170,000	170,000	140,000
Non-Cash Non-operating Revenue	11,667	11,700	-	11,700	11,700	-
<b>Total Non-operating Revenue</b>	<b>4,865,479</b>	<b>2,419,800</b>	<b>91,000</b>	<b>2,510,800</b>	<b>2,510,800</b>	<b>91,000</b>
<b>NON-OPERATING EXPENSE</b>						
Interest Expense/Bank Fees	975,366	925,700	91,000	1,016,700	1,016,700	91,000
Bond Issuance Costs and Amortization Expense	2,000	2,000	-	2,000	2,000	-
<b>Total Non-operating Expense</b>	<b>977,366</b>	<b>927,700</b>	<b>91,000</b>	<b>1,018,700</b>	<b>1,018,700</b>	<b>91,000</b>
<b>NON-OPERATING INCOME</b>	<b>3,888,112</b>	<b>1,492,100</b>	<b>\$ -</b>	<b>1,492,100</b>	<b>1,492,100</b>	<b>-</b>
<b>CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)</b>	<b>7,292,014</b>	<b>2,843,000</b>	<b>-</b>	<b>2,843,000</b>	<b>3,118,000</b>	<b>275,000</b>
<b>TRANSFERS</b>						
Contributions in Aid of Construction	1,226,017	-	-	-	-	-
<b>NET TRANSFERS</b>	<b>1,226,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BUDGET CHANGE IN NET POSITION AFTER TRANSFERS</b>	<b>\$ 8,518,031</b>	<b>\$ 2,843,000</b>	<b>\$ -</b>	<b>\$ 2,843,000</b>	<b>\$ 3,118,000</b>	<b>\$ 275,000</b>
<b>GASB 68 ACTUAL RETIREMENT ADJUSTMENTS</b>	<b>244,658</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>	<b>TBD</b>
<b>ACTUAL CHANGE IN NET POSITION</b>	<b>8,762,689</b>	<b>2,843,000</b>	<b>-</b>	<b>2,843,000</b>	<b>3,118,000</b>	<b>275,000</b>

The first amendment is to offset revenue shortfall in Retail Water Sales and Park City Wheeling of \$50,000 each, with \$100,000 in Operating Fees overages.

The second amendment is to offset the \$300,000 shortfall in Impact Revenue and the Interest Expense adjustment of \$91,000, with revenue overages in Interest Earnings of \$251,000 and \$140,000 in Other Cash Non-operating revenue.

As shown in the “2022 *Projection to Budget*” column, the District now anticipates a Change in Net Position of \$3.12 million, which is \$275,000 better than budgeted.

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**7.02 2022 Debt Service Budget**

The adopted 2022 *Debt Service Budget* identified a 1.67 parity debt coverage ratio and 1.57 when subordinated debt was included.

The projected results for 2022 now show the parity debt coverage ratio at 1.74 and when subordinated debt is included, 1.65, both slightly better than budgeted.

<b>MOUNTAIN REGIONAL WATER</b>		
<b>2022 Debt Coverage Calculation - Cash Basis</b>		
	<b>2022 Budget</b>	<b>2022 Projection</b>
<b>COVERAGE CALCULATION FOR PARITY REVENUE BONDS</b>		
Operating Income (Loss)	\$ 1,350,900	\$ 1,625,900
Add Back Depreciation	1,987,800	1,987,800
Add in Interest Available for Debt Service	71,000	322,000
Add In Impact Fees	1,600,000	1,300,000
Add In Promontory SID Assessments on Developer	383,300	383,300
Add in Stagecoach Assessments	163,000	163,000
Add in Community Water Assessments	159,000	159,000
Add in Other Non-operating Income	30,000	170,000
Add Lost Canyon & Treatment Plant repair funds	150,000	62,000
<b>Total Available For Debt Service</b>	<b>5,895,000</b>	<b>6,173,000</b>
<b>TOTAL DEBT COVERAGE</b>		
Required Coverage Principal	2,752,700	2,752,700
Required Coverage Interest/Bank Fees	991,400	991,400
<b>Total Required Debt Service</b>	<b>3,744,100</b>	<b>3,744,100</b>
<b>Debt Service X 1.25</b>	<b>4,680,100</b>	<b>4,680,100</b>
<b>Total Debt Coverage Ratio</b>	<b>1.57</b>	<b>1.65</b>
<b>REQUIRED PARITY BOND DEBT COVERAGE</b>		
Parity Bond Principal	2,622,000	2,622,000
Parity Bond Interest	917,600	917,600
<b>Total Parity Debt Service</b>	<b>3,539,600</b>	<b>3,539,600</b>
<b>Debt Service X 1.25</b>	<b>4,424,500</b>	<b>4,424,500</b>
<b>Parity Debt Coverage Ratio</b>	<b>1.67</b>	<b>1.74</b>
<hr/>		
<b>Cash Excess/(Shortfall)</b>	<b>2,150,900</b>	<b>2,428,900</b>
Less Lost Canyon & Treatment Plant repair funds	(150,000)	(178,000)
<b>Projected Cash Generated</b>	<b>2,000,900</b>	<b>2,250,900</b>
Capital Facility Reserves	(433,700)	(433,700)
Impact Fee Reserves	-	-
Cash Available for 2023 Capital Budget	<b>1,567,200</b>	<b>1,817,200</b>

## 8.0 SUMMARY

In conclusion, 2022 was heavily impacted by drought conditions in Utah and the West, which triggered the District's Drought Response Plan. Additionally, the slowing of new construction requests in the second half of the year and inflationary pressures also impacted the District. Despite these obstacles the District was able to meet its budget and debt coverage ratio expectations and provide healthy and safe drinking water to its customers.

For 2023, the District is projecting the slowing building economy to continue with customer growth returning to more historical levels. A rate increase is planned for 2023, to combat the inflationary pressures the District has experienced over the last two years.

Due to advanced planning and sound financial practices, The District is in excellent position to achieve its goals and meet challenges it may face in the coming years.

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