Mountain Regional Water

Special Service District

# MRW ADOPTED

# 2014 BUDGET

# And

# 2013 AMENDED

**December 18, 2013**

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# 1.0 2011 DISTRICT BUDGET OVERVIEW

## 1.01 The District

Mountain Regional Water (the District) is a regional public water company established in 2000 to resolve water shortage and 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 who live within the District. Since its creation numerous small water companies and developments have joined the District.

## 1.02 District Budgets

The District has three budgets that require adoption each year by the Summit County Council, 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 cash is actually collected. In addition, expenses are recorded when incurred regardless of when they are 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 any debt proceeds or the upfront cost of capital equipment and projects; or the payment of principal on debt.

***Debt Service Budget*** – This annual "cash based" budget includes the payments due each year on the District's outstanding debt, including both principal and interest. The budgeted sources of cash must come from the current year operations of the District, or from the Rate Stabilization Fund, and not from other reserves (other reserves can be used if insufficient cash is generated during the year).

***Capital Budget*** – This project "cash based" budget includes capital equipment costing more than $5,000 and expenditures related to water system infrastructure, buildings, and water rights. 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.

## 1.03 Changes in Government Accounting Standards

There are two significant accounting changes made by the Government Accounting Standards Board (GASB) that will affect future District budgets and financial statements on an accrual basis. Both these changes will likely lead to wide fluctuations in the annual change in net position (net income) on an accrual basis moving forward.

However, there will be absolutely no impact on cash flow or budget compliance, as state law requires cash revenue to exceed cash expenses; and as mentioned above the two accounting changes will not affect cash flow.

***Retirement Accounting*** – The District is now required to show any actuarial deficits in its retirement program as a liability; with the year to year change shown as a non-cash operating expense. The District is a member of the Utah State Retirement System (URS); and will share any URS actuarial deficits on a pro-rata basis, as determined by the number of employees.

The annual change in actuarial deficits will not be known by URS until the February following the District's fiscal year end – which is December. This means the District will not know the actual liability and annual change until after the fiscal year ends. To address this in the budget, the District arrived at a solution, in consultation with its independent auditor, in which the District will put "actual amount" for this budget item.

***Bonding Issuance Costs*** – Previously, all issuance costs related to bonding were amortized over the life of the bond. Now all issuance costs, except bond insurance, will be expensed in the year the bonds are issued – which could be over $1.0 million for large bond issues.

In the past, 3.3% to 5.0% of bond issuance costs were expensed each year over the life of the bonds (generally 30 or 20 years). This had only a minimal impact on change in net position (net income). In the future, bond issuance costs could lead to a significant negative change in net position (net loss) in the year the bonds are issued.

In the future, it is anticipated the District will recommend a budget amendment to the Summit County Council for issuance costs at the same time the Council authorizes the issuance of a bond. The estimated issuance costs will not be known until that time.

## 1.04 No 2014 Water Rate Increases

The District will not need any water rate increases to meet the 2014 budget.

Further, it is anticipated that individual impact fees per Equivalent Residential Connection (ERC) will be lower in 2014 as determined by a new capital facilities study. There is the potential for houses larger than 5,500 square feet to pay a higher impact fee; as the 1.8 ERC cap on residential impact fees is being eliminated.

For 2015 and 2016, the need for potential rate increases is dependent upon the amount of new development starting in 2014. To date, several developers have contacted the District to provide water service to new developments.

## 1.05 Hot, Wet Summer Weather

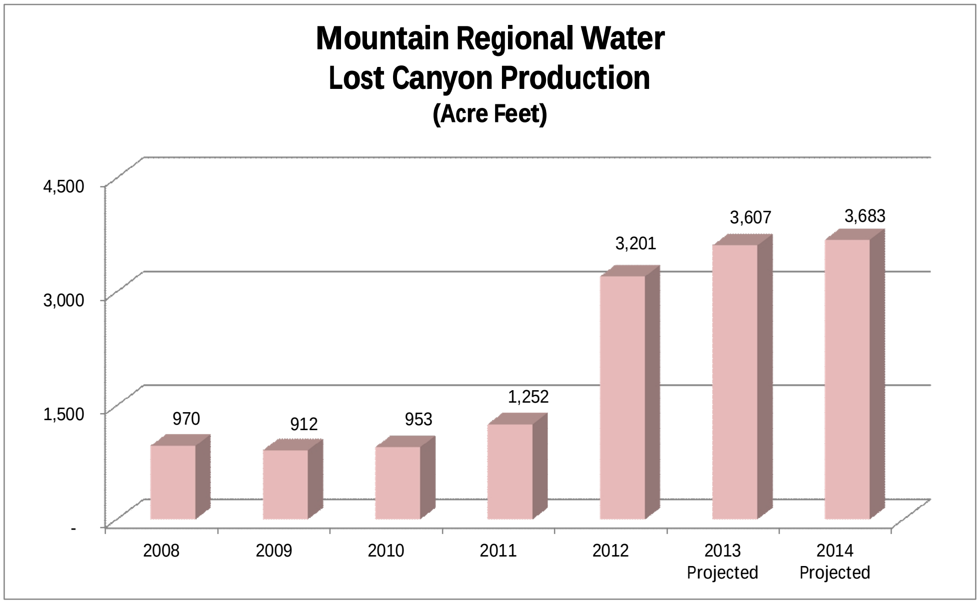
The District experienced a record hot summer, although significant rain dampened water sales in late summer. The District budgeted for normal weather in 2013; and water sales currently appear to be close to budget.

The District will continue to base its revenue estimates on normal weather for 2014.

Because the District has punitive rates for large water users, its water sales are very dependent upon weather. Consideration should be given to a shift in policy that would increase base rates and reduce (not eliminate) punitive rates when the next rate study is conducted.

## 1.06 Lost Canyon Water Production

The District's Lost Canyon water project is now the major water provider for the Snyderville Basin. In addition to providing more water to the District, Park City now has capacity rights for 2,900 acre feet of water through Lost Canyon. In addition, the District has the opportunity under the Regionalization Agreement discussed in **Section 1.07** below to sell excess water to other water entities as well. Annual Lost Canyon production is shown below.




There are two reasons for the dramatic production increase starting in 2012:

1) Park City began wheeling water through Lost Canyon for the first time; and
2) The District shut down production in many small inefficient wells.

A key component of the District's budget is power costs for Lost Canyon – which could range from $250,000 to $400,000 annually. For the past two years, the District has been able to manage production to avoid paying peak power rates. This has saved an estimated $100,000 to $150,000 in power costs annually. However, as the District begins to grow again, and other entities take water, it will be more difficult to manage production to avoid the peak rates. For 2014, the District has budgeted $340,000 for Lost Canyon power costs.

Park City is required to pay 43.9% of the manpower, operating and power costs related to Lost Canyon; while another 18.1% of the costs are passed onto Promontory in its raw water irrigation rate. The District is required to pay the remaining 38.0%.

## 1.07 Regionalization Agreement

In 2013, the District entered into a landmark agreement to address the water needs of the Snyderville Basin over the next 50 years. This agreement was made among the District, Summit County, Park City Water, Summit Water, Snyderville Basin Reclamation, and Weber Basin Water Conservancy District (Weber Basin).

Under the agreement, Weber Basin will construct and pay for all future water importation projects into the basin. It is anticipated a new project will be needed in the next 10 to 15 years. The entities taking water from this new project will reimburse Weber Basin for the construction costs through higher water lease fees over a twenty year period.

Until a new project is completed, the District has the opportunity to sell its surplus water to other water entities in the basin; providing an additional revenue stream within the next few years.

Starting in 2020, the District will begin paying a $200,000 take-or-pay annual regionalization fee to Weber Basin in exchange for the 1,000 gpm capacity from the East Canyon Treatment Plant, even though this treatment plant capacity may be available prior to 2020. If the District uses any water from the plant, it will also be required to reimburse Weber Basin for plant operating costs.

When the new project is built, the District is not required to participate in the related costs unless it requires additional water. Currently, the District has sufficient water source to meet its water demand at build-out. By acquiring 1,000 gpm capacity in the East Canyon Treatment Plant, the District has a backup supply in case its Lost Canyon project goes down; plus the plant is located on the opposite side of the basin from Lost Canyon, meaning it might be more cost beneficial to provide water to District customers on that side of the basin from the plant.

### 1.08 Rate Stabilization Fund

When the District issued its Series 2011A bonds, it amended its general bond indenture to establish a rate stabilization fund. The Rate Stabilization Fund has three components:

***Rate Stabilization Fund – Bond Reserves -*** These reserves can only be applied to scheduled annual debt service payments in the event annual cash flow from any given year is insufficient to meet that year's scheduled debt service payments.

In the event the reserve balance falls below $1.0 million, policy requires the District to restore the balance to $1.0 million within three years. The projected 2013 year-end reserve balance is $1.06 million.

***Rate Stabilization Fund – Treatment Plant Operations*** – Each year, the District budgets one-tenth of the projected ten year cost for treatment plant chemicals, carbon, and membrane filters each year.

At the end of each year, if the amount expended for these items is below the budget amount, the difference is deposited into this reserve until it reaches $500,000; while if the amount expended exceeds of the budget amount, the difference is withdrawn from this reserve. The projected 2013 year-end reserve balance is $65,000 as the District replaced all of its membranes in 2012.

***Rate Stabilization Fund - Expanded Lost Creek Canyon Repair and Replacement*** – The District has a contract with Park City that requires the District and Park City to deposit a fixed amount into this reserve each month.

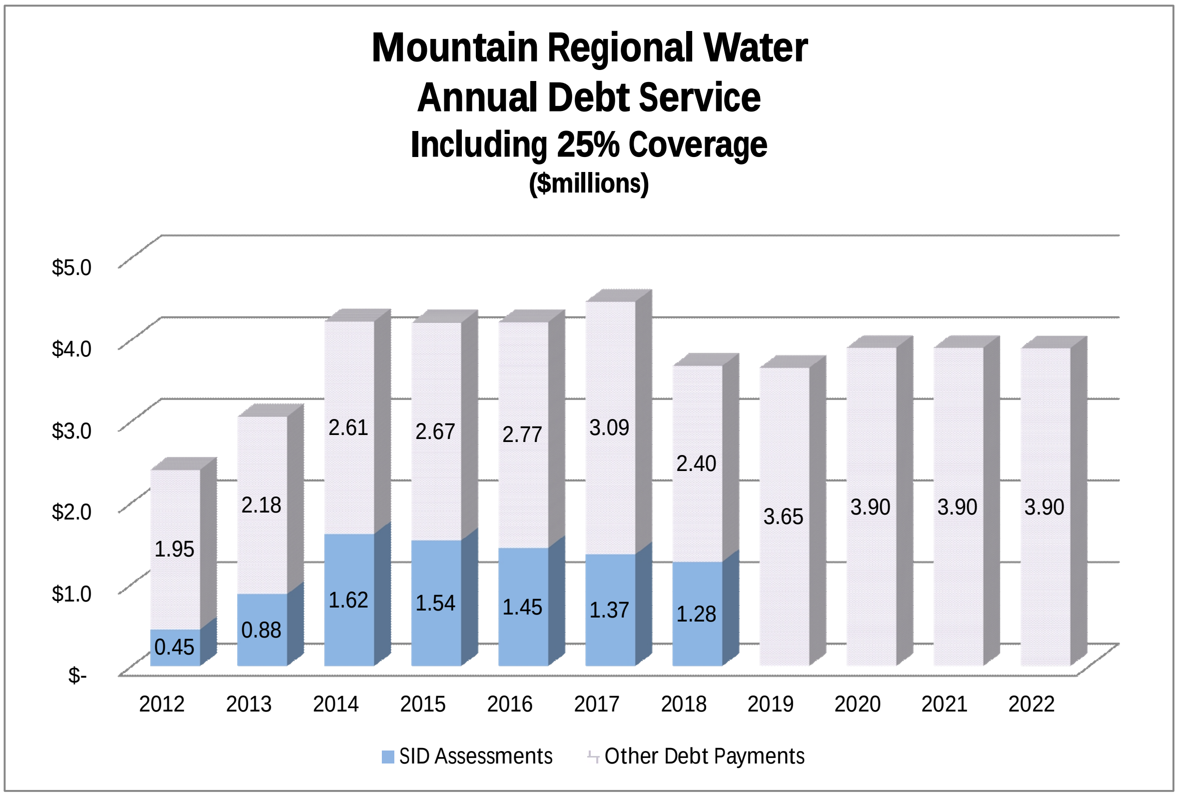
These funds can only be used to make major repairs to Lost Canyon or to replace expensive equipment. The 2013 projected year-end balance is $75,000. The District plans to discuss with

Park City a proposal to double the monthly amount deposited by both parties into this reserve. Currently, Park City contributes $3,719 per month; and the District $4,749.

## 1.09 Increasing Debt Service Payments

As discussed in **Section 1.10** below, the District has had very healthy debt coverage the past two years. Starting in 2014, coverage should decline due to increasing annual debt service payments.

However, it is projected the District's coverage ratio will exceed the required 1.25 in 2014 despite these increasing debt service costs.




As shown above, the debt service budget (including the 1.25 coverage) for 2014 will increase $1.17 million compared to 2013. The Promontory developer is required to pay $739,900 of this through additional SID assessments to service the SID portion of the debt.

This remaining $427,800 of the debt service increase will be funded with the additional cash generated from the 2011 rate increases. At the time rates were increased, sufficient funds were included to cover the 2014 debt service increase – meaning no rate increases are needed for 2014.

Note that non-SID debt increases $1.25 million in 2019, while the first $200,000 Weber Basin regionalization payment is due December 2019. It is possible this could lead to a significant rate increase at that time. Thought needs to be given to phasing this increase in over three years starting in 2017.

### 1.10 Debt Coverage Ratio

Per bond covenants, the District must budget for 1.25 debt coverage each year; meaning once all operational costs are paid, the remaining budgeted revenue must be equal to 1.25 times that year's parity bond principal and interest payments (see **Section 3.0 – 2014 Debt Service Budget**).

Due to wet weather and a decline in building activity, the District barely met its 1.25 coverage requirement in 2010 and 2011, as shown below. In fact, mid-year budgets were needed just to reach the required coverage in those years.

Rate increases and an improved building economy helped improve the debt coverage for 2012 and 2013. Coverage should remain healthy for 2014.

**Mountain Regional Water Special Service District's Parity Debt Service Coverage Ratio**

| | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Projected | 2014 Budget |
|---|---|---|---|---|---|
| Water sales | $ 4,877,176 | $ 4,864,730 | $ 6,226,120 | $ 6,203,800 | $ 6,267,100 |
| Park City Wheeling | 149,757 | 218,887 | 448,276 | 470,000 | 540,000 |
| Stagecoach Assessments | 178,750 | 213,903 | 198,751 | 174,000 | 167,700 |
| Operating fees | 143,883 | 151,616 | 153,805 | 242,000 | 246,400 |
| Impact fees | 241,308 | 242,285 | 196,067 | 550,000 | 450,000 |
| SID assessments | 454,057 | 453,020 | 499,397 | 790,000 | 1,620,000 |
| Interest available for debt service | 160,440 | 152,710 | 101,983 | 25,300 | 29,900 |
| Other non-restricted revenue | 79,780 | 53,402 | 258,786 | 58,100 | 75,000 |
| Total cash available for debt service | 6,285,151 | 6,350,553 | 8,083,185 | 8,513,200 | 9,396,100 |
| Cash operating expenses | (3,554,292) | (3,713,304) | (4,506,355) | (4,592,400) | (5,103,300) |
| Cash available for debt service | 2,730,859 | 2,637,249 | 3,576,830 | 3,920,800 | 4,292,800 |
| Parity debt service payments | 2,183,835 | 2,092,888 | 1,738,225 | 2,301,000 | 3,203,600 |
| Debt service coverage | 1.25 | 1.26 | 2.06 | 1.70 | 1.34 |

In fact, parity debt coverage of 1.70 is now projected for 2013; compared to a budgeted coverage of 1.46. The improvement is the result of increased development related revenue and power cost savings.

For 2014, the projected coverage is 1.34. The decrease from 2013 is due to increasing debt service costs (see **Section 1.09** above).

In addition to parity debt, the District has subordinate debt as well. Most of this is a Note Payable due to Weber Basin to reimburse it for capital costs it expended to expand the Lost Canyon project. When the subordinate loans are included, the projected 2014 debt coverage is 1.25.

It is District policy to budget for 1.25 coverage including both parity and subordinate debt. This is necessary to ensure sufficient cash flow each year to make required deposits into reserve funds; and to fund capital equipment and small projects in future years.

## 1.11 Cash Reserves

The District's cash and reserves (excluding debt service reserves held by the bond trustee) have slowly, but steadily improved the past 15 months. This upward trend can be attributed to the following factors:

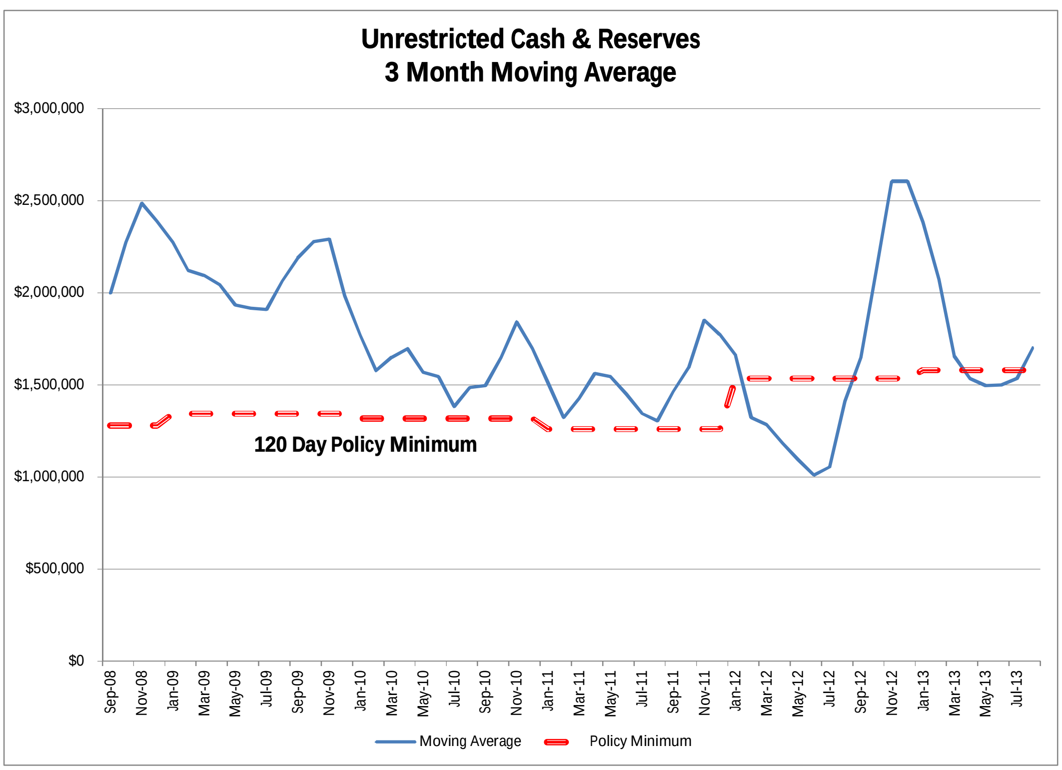
1) the 2011 rate increases;
2) the Series 2012 bond refunding;
3) the improving building economy; and
4) the power cost savings as discussed in **Section 1.06** above.

This upward trend should level off in 2014; as the District's debt service payments are scheduled to increase notably, as discussed above in **Section 1.09** above.

Debt service reserves held by the bond trustee are at required levels. They declined significantly over the past 15 months as a result of bond holders not requiring a debt service reserve for the Series 2012 bonds. This is the result of the District's improved bond rating and the establishment of the rate stabilization fund.

Unrestricted Cash and Reserves

Unrestricted cash and reserves have shown a notably increase the past 15 months, as shown below. Unrestricted cash can be spent on any District expenditure; while other restricted cash can only be used for specific purposes. This includes mostly debt reserves and bond proceeds for construction.



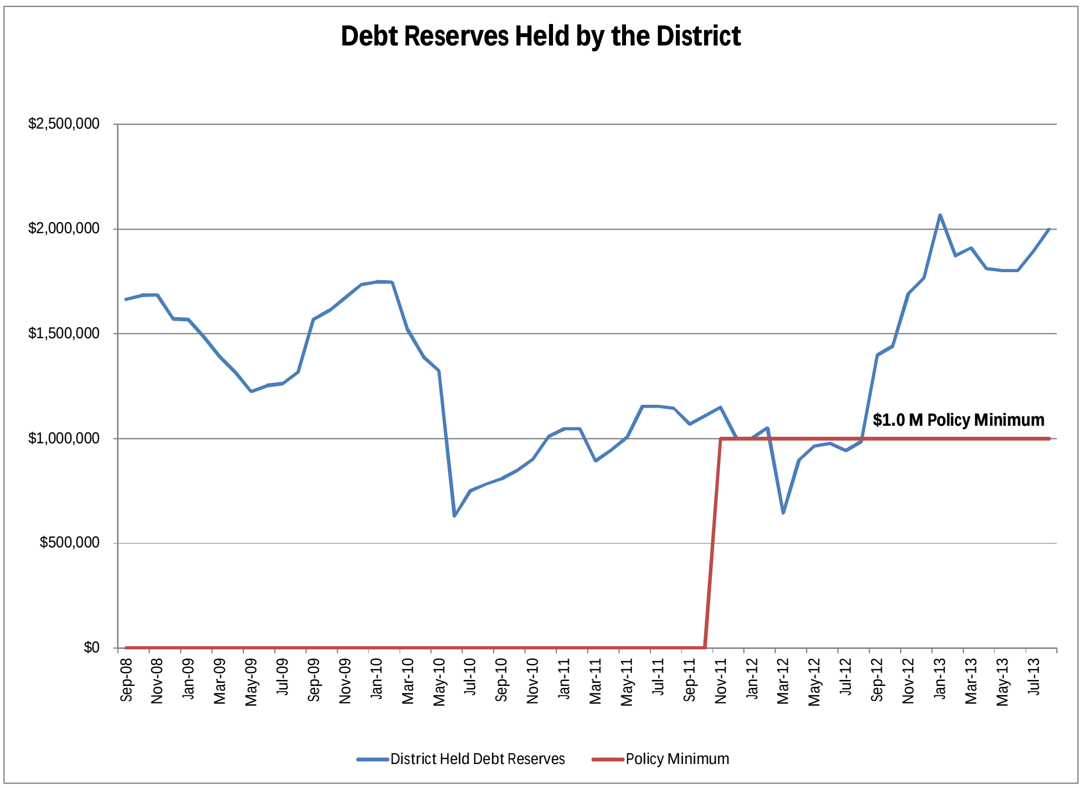

Unrestricted cash and reserves should level off in 2014 at a point where the District can maintain at least 120 days of reserves year-round, in compliance with policy.

The past two years, the District's unrestricted cash and reserves dropped below the policy level of 120 days in early summer, as winter and spring water sales are much lower than summer water sales. The District's unrestricted cash and reserves are typically at their lowest level in early summer each year.

Debt Reserves Held by the District

The District has chosen, by policy, to hold debt reserves in addition to the level of debt reserves required by bond holders and held by the bond trustee. The District made the policy decision to establish and maintain these reserves to mitigate the potential dire financial results of low water sales due to weather conditions, low building related fees which fluctuate significantly year to year, and/or unexpected large repair expenditures.

As shown below, these reserves have increased dramatically the past 15 months to $2.0 million. This is mostly due to the policy decision made in November 2011 to maintain a minimum $1.0 million balance in the rate stabilization reserve, as discussed in **Section 1.08** above.




This new policy helped the District issue the Series 2012 bonds without a debt service reserve fund held by the bond trustee. If a reserve had been required, it would have been nearly $3.0 million. Thus, the decision to maintain a $1.0 million balance in the rate stabilization fund reduced the amount of bonds issued in 2012 by roughly $2.0 million; resulting interest expense savings.

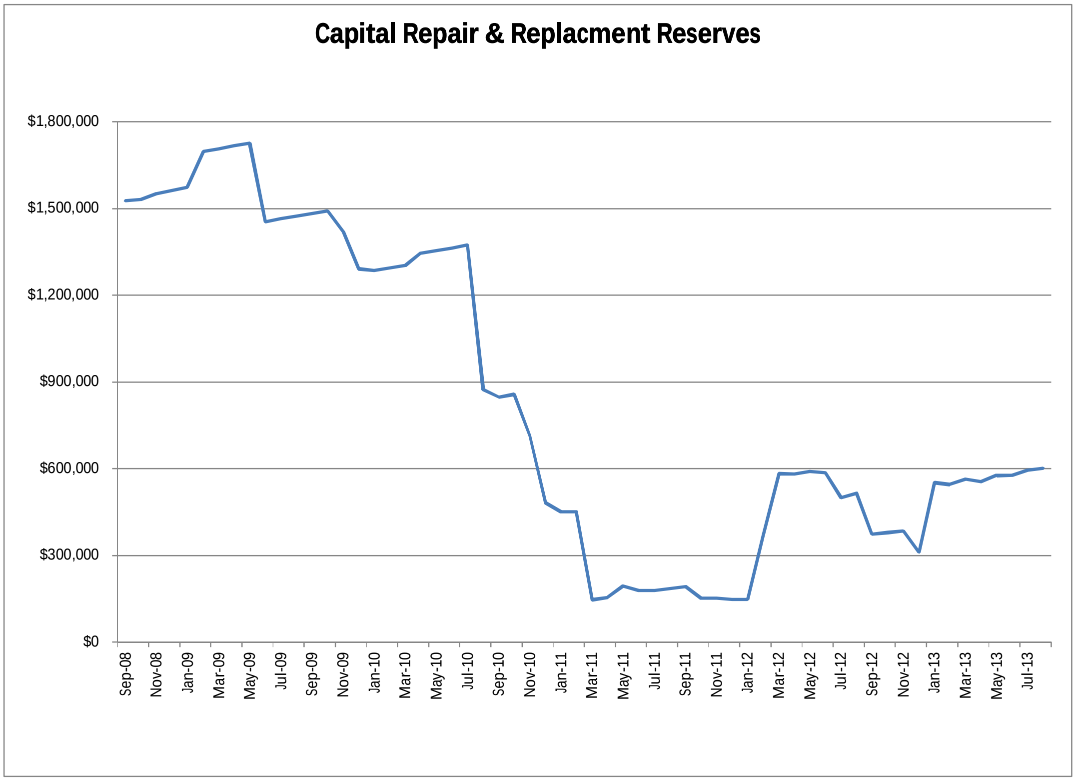
Current debt reserves held by the District includes the $1.0 million rate stabilization balance, plus another $1.0 million in prepaid assessments and impact fee collections in excess of budget projections. Long-term, the $1.0 million in prepaid assessments and excess impact fee collections will be used to pay off related debt.

Capital Facility Repair & Replacement Reserves

The District was able to generously fund its capital facility repair and replacement funds during the hot, dry weather and period of strong economic growth between 2003 and 2007.

However, the cool, wet weather and slow building economy between 2008 and 2011 forced the District to draw down nearly all these funds for critical small capital projects and equipment, as shown below.

The District's goal is to maintain capital facility and repair funds of at least $500,000 at the beginning of each year. However, it is likely these reserves will level off at about $600,000 moving forward. It is important to point out that rate stabilization funds has a $1.0 million balance available to fund unanticipated emergency facility costs; with the requirement that the funds used for the emergency be reimbursed to the rate stabilization fund over a three year period.




2014 Budgeted Cash Change

As shown on the following page, the 2014 budget projects an $862,300 cash increase; excluding capital budget items that are being funded from cash on hand as of December 2013. The District plans to allocate this 2014 projected cash increase as follows:

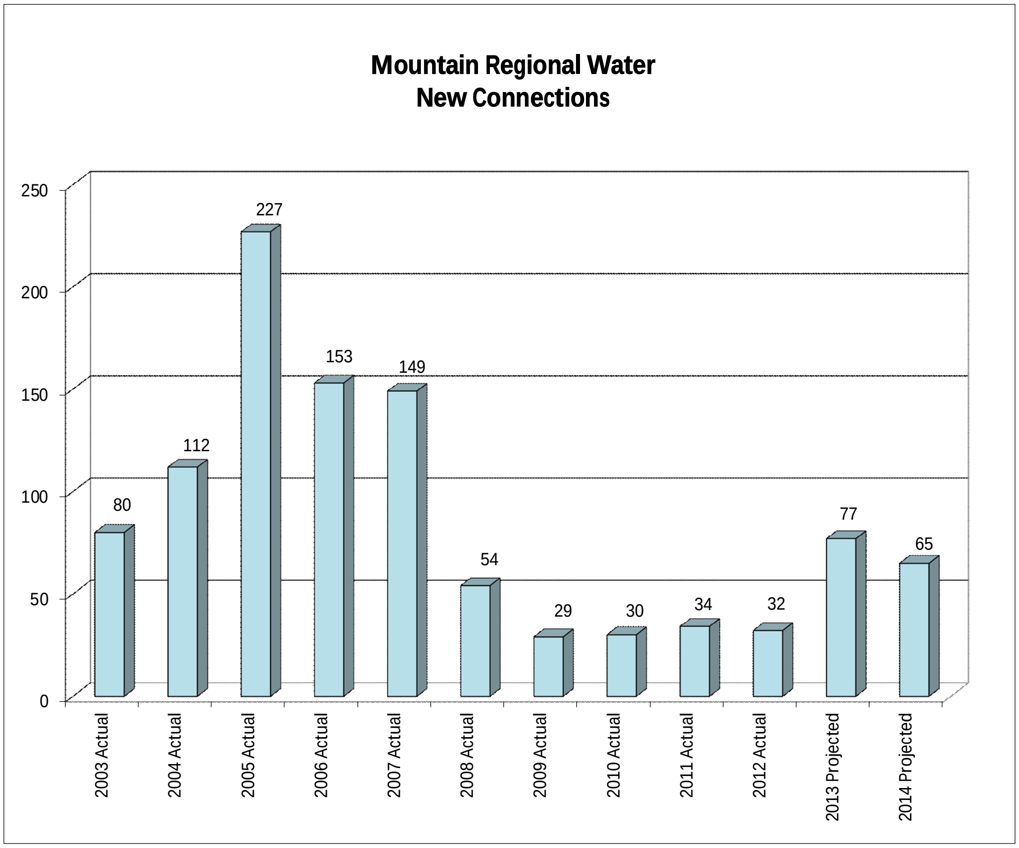
| | |
|---|---|
| Required Deposits into Capital Facility Reserves | $ 356,800 |
| Required Deposits into Treatment Plant Sinking Fund | 65,000 |
| To Bring Unrestricted Cash to Policy Level | 200,000 |
| Future Year Capital Projects | 240,500 |
| **Total** | **$ 862,300** |

**MOUNTAIN REGIONAL WATER**
**2014 Operating Budget - Accrual and Cash Basis**
***Enterprise Fund***

| | 2014 Control Board Recommended Accrual Basis | 2014 Control Board Recommended Cash Basis |
|---|---|---|
| **OPERATING REVENUE** | | |
| Water Sales | $ 6,267,100 | $ 6,267,100 |
| Park City Wheeling | 540,000 | 540,000 |
| Stagecoach Assessments | 167,700 | 167,700 |
| Operating Fees | 246,400 | 246,400 |
| Other | 40,000 | 40,000 |
| **Total Operating Revenue** | **7,261,200** | **7,261,200** |
| **OPERATING EXPENSES** | | |
| Operations | | |
| Energy & Resource Management | 351,500 | 351,500 |
| Lost Canyon Transmission | 1,343,500 | 1,343,500 |
| Treatment | 459,800 | 459,800 |
| Distribution | 2,009,000 | 2,009,000 |
| Safety | 36,100 | 36,100 |
| General Manager | | |
| Engineering & Development | 97,800 | 97,800 |
| Human Resources | 92,200 | 92,200 |
| Legal Services | 50,000 | 50,000 |
| Public Services | 387,700 | 387,700 |
| Financial Management | 275,700 | 275,700 |
| Depreciation Expense | 1,500,300 | - |
| Retrievement Expense | Actual Amount | - |
| **Total Operating Expense** | **6,603,600** | **5,103,300** |
| **OPERATING INCOME (LOSS)** | **657,600** | **2,157,900** |
| **NON-OPERATING REVENUE** | | |
| Interest Earnings - Available for Debt Service | 29,900 | 29,900 |
| Interest Earnings - Not Available for Debt Service | 500 | - |
| Impact Fees | 450,000 | 450,000 |
| Assessments | 1,620,000 | 1,620,000 |
| Cash Grants | - | - |
| Other Cash Non-operating Revenue | 35,000 | 35,000 |
| Non-Cash Non-operating Revenue | 11,700 | - |
| **Total Non-Operating Revenue** | **2,147,100** | **2,134,900** |
| **NON-OPERATING EXPENSE** | | |
| Interest Expense/Bank Fees | 1,466,000 | 1,551,000 |
| Bond Principal Payments | - | 1,879,500 |
| Bond Issuance Expenses | 17,500 | - |
| **Total Non-Operating Expense** | **1,483,500** | **3,430,500** |
| **NON-OPERATING INCOME (LOSS)** | **663,600** | **(1,295,600)** |
| **CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)** | **1,321,200** | **862,300** |
| **TRANSFERS** | | |
| Contingency | - | - |
| Governmental Transfers | - | - |
| Contributions in Aid of Construction | - | - |
| **NET TRANSFERS** | **-** | **-** |
| **CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)** | **$ 1,321,200** | **$ 862,300** |

## 1.12 Impact of Economy on Customer Growth

As shown below, a moderate rebound in new construction units occurred in 2013. This follows four years of lower new units the District experienced after the initial banking crisis in 2008.




The District's 2014 projection for new units is 65, which is a dozen less than is now projected for 2013. Further, District is currently in discussion with four developers, and one small water company is evaluating annexation into the District.

It generally takes 12 to 24 months before new construction units begin consuming water, and generating water sales.

It should be pointed out that the District currently has $800,821 in impact fee cash reserves that can be used if the uptick in the building economy is not sustained through 2014.

## 1.13 Revenue Trends

Following three straight years of sluggish revenue collections due to the economic downturn and cool, wet weather; the District experienced a turnaround in 2012.

The District now projects total revenue will exceed budget by $290,800 or 3.5% in 2013, as shown below. The turnaround is the result of rate increases; return to more normal water sales levels based upon weather conditions, and an improving building economy as discussed in **Section 1.12** above.

| MOUNTAIN REGIONAL WATER<br>Revenue History | 2011<br>Actual | 2012<br>Actual | 2013<br>Projected | 2013<br>Adopted<br>Budget | 2014<br>Control Board<br>Recommend | 2014<br>Recommended<br>to 2013<br>Budget | 2014<br>Recommended<br>to 2013<br>Projected |
|---|---|---|---|---|---|---|---|
| **CASH REVENUE (Less Grants)** | | | | | | | |
| **Operating Revenue** | | | | | | | |
| Water Sales | $ 4,864,731 | $ 6,226,121 | $ 6,203,800 | $ 6,190,100 | $ 6,267,100 | $ 77,000 | $ 63,300 |
| Park City Wheeling | 218,887 | 448,276 | 470,000 | 572,000 | 540,000 | (32,000) | 70,000 |
| Stagecoach Assessment | 213,903 | 198,751 | 174,000 | 178,400 | 167,700 | (10,700) | (6,300) |
| Operating Fees | 151,616 | 153,805 | 242,000 | 144,500 | 246,400 | 101,900 | 4,400 |
| Other Operating | 48,279 | 236,215 | 50,000 | 35,000 | 40,000 | 5,000 | (10,000) |
| **Subtotal** | **5,497,416** | **7,263,168** | **7,139,800** | **7,120,000** | **7,261,200** | **141,200** | **121,400** |
| **Non-operating Revenue** | | | | | | | |
| Interest Earnings | 153,162 | 102,678 | 25,500 | 31,100 | 30,400 | (700) | 4,900 |
| Impact Fees | 242,285 | 196,067 | 550,000 | 230,000 | 450,000 | 220,000 | (100,000) |
| Special Assessments | 453,020 | 499,397 | 790,000 | 790,000 | 1,620,000 | 830,000 | 830,000 |
| Other Non-operating | 5,124 | 22,563 | 8,100 | 10,000 | 35,000 | 25,000 | 26,900 |
| **Subtotal** | **853,591** | **820,705** | **1,373,600** | **1,061,100** | **2,135,400** | **1,074,300** | **761,800** |
| **TOTAL CASH REVENUE (Less Grants)** | **$ 6,351,007** | **$ 8,083,873** | **$ 8,513,400** | **$ 8,181,100** | **$ 9,396,600** | **$ 1,215,500** | **$ 883,200** |
| **OTHER REVENUE** | | | | | | | |
| Cash Grants | - | - | - | - | - | - | - |
| Non-Cash Amortization | 11,667 | 11,667 | 11,700 | 53,200 | 11,700 | (41,500) | - |
| **OTHER REVENUE** | **$ 11,667** | **$ 11,667** | **$ 11,700** | **$ 53,200** | **$ 11,700** | **$ (41,500)** | **$ -** |
| **TOTAL REVENUE** | **$ 6,362,674** | **$ 8,095,540** | **$ 8,525,100** | **$ 8,234,300** | **$ 9,408,300** | **$ 1,174,000** | **$ 883,200** |
| | | | **2013 Projected Increase to Budget** | **$ 290,800** | **3.5%** | | |

For 2014, operating revenue is projected to increase $121,400 over the 2013 budget.

*Water Sales* are projected to be $77,000 more than budgeted for 2013 due to modest customer growth. For 2013, District sales projections were based upon normal weather; and through early fall sales were close to projections; despite the rainy weather the last part of summer.

*Water Sales* projections for 2014 are based upon normal weather.

*Operating Fees* (including connection fees) in 2014 are projected to increase by $101,900 over the 2013 budget – which is 70.5%. However, the 2014 projection is less than the fees that will be collected in 2013.

Further, with four developers currently talking to the District, the potential exists for even higher connection fees in 2014.

Non-operating revenue is projected to increase $1.07 million over the 2013 budget. This reflects an increase in *SID Assessment* collections related to the Promontory development. The Promontory developer has contractual commitments to pay this increase in assessments to pay off related SID debt. The District has the right to quickly foreclose on any developer owned property in Promontory if the developer does not pay. To date, the developer has made all required assessment payments, even during the economic downturn and its bankruptcy.

Further, development related fee collections improved significantly in 2013 due to a modest recovery in the housing market. It is projected that *Impact Fee* collections for 2014 will be will $450,000 – which is $100,000 less than the 2013 projected amount of $550,000.

As mentioned above, the District currently has $800,821 in impact fee cash reserves that can be used if the uptick in the building economy is not sustained through 2014.

## 1.14 Staffing

No change in long-term District Full-time Equivalent employees (FTEs) is requested for 2014; although one part-time position will be transitioned to a full-time position in order to address the new state procurement code, as well as create a situation where the backup for the Chief Financial Officer can be trained.

## 1.15 Compensation

For the three year period ending in 2012, the District gave only a combined 2.0% in Merit increases. Last year, the Council approved a 2.0% COLA and 1.5% Merit.

For 2014, the District has allocated 4.0% for pay increases. However, the District will give its employees the same pay increases as the county employees.

## 1.16 Wellness Program

The District implemented a wellness program in 2013 to help employees improve their health, and hopefully reduce future medical claims for the Summit County insurance pool.

Employees are given a financial incentive to participate actively in the program. Employees who participate and meet four of five biometric targets will only be required to pay 5.0% of their monthly health insurance premiums; while those who do not meet the biometric targets will pay 10%.

The biometric targets are:

| | | | |
|---|---|---|---|
| 1) | A1c | < | 7.0% |
| 2) | Blood Pressure | < | 140/90 |
| 3) | Cholesterol | | |
| | Total | < | 200 |
| | LDL | < | 130 |
| 4) | Waist Circumference | | |
| | Men | < | 40” |
| | Women | < | 35” |
| 5) | Non-smoker | | |

## 2.0 2014 OPERATING BUDGET

### 2.01 Summary

As shown below, projected 2014 *Net Income after Transfers* is $1.32 million on an accrual basis.

**MOUNTAIN REGIONAL WATER**
**2014 Operating Budget - Accrual Basis**
***Enterprise Fund***

| | 2012 Actual | 2013 Adopted Budget | 2013 Amended Budget | 2014 Control Board Recommended | 2014 Recommend to 2013 Adopted |
|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | |
| Water Sales | $ 6,226,121 | $ 6,190,100 | $ 6,190,100 | $ 6,267,100 | 77,000 |
| Park City Wheeling | 448,276 | 572,000 | 572,000 | 540,000 | (32,000) |
| Stagecoach Assessments | 198,751 | 178,400 | 178,400 | 167,700 | (10,700) |
| Operating Fees | 153,805 | 144,500 | 144,500 | 246,400 | 101,900 |
| Other | 236,215 | 35,000 | 35,000 | 40,000 | 5,000 |
| **Total Operating Revenue** | **7,263,168** | **7,120,000** | **7,120,000** | **7,261,200** | **141,200** |
| **OPERATING EXPENSES** | | | | | |
| Operations | | | | | |
| Energy & Resource Management | 323,309 | 346,900 | 346,900 | 351,500 | 4,600 |
| Lost Canyon Transmission | 1,085,581 | 1,374,400 | 1,325,400 | 1,343,500 | (30,900) |
| Treatment Plant | 642,992 | 452,600 | 452,600 | 459,800 | 7,200 |
| Distribution | 1,762,278 | 1,865,900 | 1,865,900 | 2,009,000 | 143,100 |
| Safety | 26,685 | 25,600 | 25,600 | 36,100 | 10,500 |
| General Manager | | | | | |
| Engineering & Development | 92,535 | 93,600 | 93,600 | 97,800 | 4,200 |
| Human Resources | 36,138 | 46,800 | 75,800 | 92,200 | 45,400 |
| Legal Services | 4,805 | 30,000 | 50,000 | 50,000 | 20,000 |
| Public Services | 330,663 | 348,800 | 348,800 | 387,700 | 38,900 |
| Financial Management | 201,364 | 231,300 | 231,300 | 275,700 | 44,400 |
| Depreciation Expense | 1,412,111 | 1,470,300 | 1,470,300 | 1,500,300 | 30,000 |
| Retirement Expense | - | - | - | Actual Amount | n/a |
| **Total Operating Expense** | **5,918,461** | **6,286,200** | **6,286,200** | **6,603,600** | **317,400** |
| **OPERATING INCOME (LOSS)** | **1,344,707** | **833,800** | **833,800** | **657,600** | **(176,200)** |
| **NON-OPERATING REVENUE** | | | | | |
| Interest Earnings - Available for Debt Service | 101,985 | 30,600 | 30,600 | 29,900 | (700) |
| Interest Earnings - Not Available for Debt Service | 693 | 500 | 500 | 500 | - |
| Impact Fees | 196,067 | 230,000 | 230,000 | 450,000 | 220,000 |
| Assessments | 499,397 | 790,000 | 790,000 | 1,620,000 | 830,000 |
| Cash Grants | - | - | - | - | - |
| Other Cash Non-operating Revenue | 22,563 | 10,000 | 10,000 | 35,000 | 25,000 |
| Non-Cash Non-operating Revenue | 11,667 | 53,200 | 53,200 | 11,700 | (41,500) |
| **Total Non-Operating Revenue** | **832,372** | **1,114,300** | **1,114,300** | **2,147,100** | **1,032,800** |
| **NON-OPERATING EXPENSE** | | | | | |
| Interest Expense/Bank Fees | 1,689,534 | 1,573,300 | 1,573,300 | 1,466,000 | (107,300) |
| Amortization Expense | 1,107,774 | 72,000 | 72,000 | 17,500 | (54,500) |
| **Total Non-Operating Expense** | **2,797,308** | **1,645,300** | **1,645,300** | **1,483,500** | **(161,800)** |
| **NON-OPERATING INCOME (LOSS)** | **(1,964,936)** | **(531,000)** | **(531,000)** | **663,600** | **1,194,600** |
| **CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)** | **(620,229)** | **302,800** | **302,800** | **1,321,200** | **1,018,400** |
| **TRANSFERS** | | | | | |
| Contributions in Aid of Construction | 369,677 | - | - | - | - |
| **NET TRANSFERS** | **369,677** | **-** | **-** | **-** | **-** |
| **CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)** | **$ (250,552)** | **$ 302,800** | **$ 302,800** | **$ 1,321,200** | **$ 1,018,400** |

If non-cash *Depreciation, Amortization, and other non-cash items* are excluded, the District anticipates it will generate $862,300 in cash from operations in 2014, as discussed above in **Section 1.11** above.

The District's 2014 *Operating Budget* is discussed by each of the following five components below:

1. Operating Revenue
2. Operating Expense
3. Non-operating Revenue
4. Non-operating Expense
5. Transfers

## 2.02 Operating Revenue

The District is projecting 2014 *Operating Revenue* of $7.26 million, which is 2.0% or $141,200 more than was budgeted for 2013, as shown below.

**Operating Revenue**

| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Projection | 2014 Control Board Recommended | 2014 Recommended to 2013 Budget $ Change | 2014 Recommended to 2013 Budget % Change |
|---|---|---|---|---|---|---|---|
| Water Sales | $ 4,864,731 | $ 6,226,121 | $ 6,190,100 | $ 6,203,800 | $ 6,267,100 | $ 77,000 | *1.2* % |
| Park City Wheeling Fees | 218,887 | 448,276 | 572,000 | 470,000 | 540,000 | (32,000) | *(5.6)* |
| Stagecoach Assessments | 213,903 | 198,751 | 178,400 | 174,000 | 167,700 | (10,700) | *(6.0)* |
| Operating Fees | 151,616 | 153,805 | 144,500 | 242,000 | 246,400 | 101,900 | *70.5* |
| Other | 48,279 | 236,215 | 35,000 | 50,000 | 40,000 | 5,000 | *14.3* |
| **Total Operating Revenue** | **$ 5,497,416** | **$ 7,263,168** | **$ 7,120,000** | **$ 7,139,800** | **$ 7,261,200** | **$ 141,200** | **2.0 %** |

An increase of $77,000 or 1.2% is projected for 2014 *Water Sales* due to modest customer growth. For 2013, the District budgeted for normal weather and it expects to meet projections; as the summer was hotter than normal, but late summer and the fall experienced rainy weather.

For 2014, *Water Sales* are based upon normal weather.

*Operating Fees* (including connection fees) are projected to increase by $101,900 in 2014 over the 2013 budget, a 70.5% increase. This projection is slightly lower than anticipated 2013 collections.

For the 2014, the District projects moderate development growth once again; as several developers started talking to the District in 2013 about water service to new developments – the first time since 2008 that developers have contacted the District. As such, there may be upside potential in *Operating Fees* collections in 2014.

## 2.03 Operating Expense

The 2014 *Operating Expense* budget is $6.60 million, which is $317,400 or 5.0% higher than budgeted for 2013, as shown below. The 4.0% set aside for pay increases represents $74,100 or about one-fourth of this.

*Operations* accounts for $134,500 of this increase. Additional funds are budgeted in 2014 for repairs and maintenance; plus two operators hired mid-year 2013 are budgeted for a full year.

| Mountain Regional Water<br>Operating Expense Summary | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Projection | 2014 Control Board Recommended | 2014 Recommended to 2013 Budget $ Change | 2014 Recommended to 2013 Budget % Change |
| Operations | | | | | | | |
| Energy & Resource Management | $ 292,520 | $ 323,309 | $ 346,900 | $ 346,900 | $ 351,500 | $ 4,600 | |
| Lost Canyon Transmission | 1,052,059 | 1,085,581 | 1,374,400 | 1,204,500 | 1,343,500 | (30,900) | |
| Treatment Plant | 111,103 | 642,992 | 452,600 | 391,500 | 459,800 | 7,200 | |
| Distribution | 1,516,033 | 1,762,278 | 1,865,900 | 1,862,200 | 2,009,000 | 143,100 | |
| Safety | 20,920 | 26,685 | 25,600 | 37,600 | 36,100 | 10,500 | |
| **Subtotal Operations** | **2,992,635** | **3,840,845** | **4,065,400** | **3,842,700** | **4,199,900** | **134,500** | ***3.3*** % |
| General Manager | | | | | | | |
| Engineering & Development | 88,197 | 92,535 | 93,600 | 93,600 | 97,800 | 4,200 | |
| Human Resources | 21,442 | 36,138 | 46,800 | 46,800 | 92,200 | 45,400 | |
| Legal Services | 18,180 | 4,805 | 30,000 | 30,000 | 50,000 | 20,000 | |
| Public Services | 391,692 | 330,663 | 348,800 | 349,200 | 387,700 | 38,900 | |
| Financial Management | 201,158 | 201,364 | 231,300 | 230,100 | 275,700 | 44,400 | |
| **Subtotal Other Departments** | **720,669** | **665,505** | **750,500** | **749,700** | **903,400** | **152,900** | ***20.4*** % |
| Depreciation Expense | 1,359,634 | 1,412,111 | 1,470,300 | 1,470,300 | 1,500,300 | 30,000 | |
| Retirement Expense | - | - | - | - | Actual Amount | n/a | |
| **Non-Cash Expenses** | **1,359,634** | **1,412,111** | **1,470,300** | **1,470,300** | **1,500,300** | **30,000** | ***2.0*** % |
| **Total Operating Expense** | **$ 5,072,938** | **$ 5,918,461** | **$ 6,286,200** | **$ 6,062,700** | **$ 6,603,600** | **$ 317,400** | ***5.0*** **%** |
| | | ***2013 Projected Budget Savings*** | | ***$ (223,500)*** | ***-3.6%*** | | |

*Other Departments* accounts for $152,900 of the increase. In *Public Services* the $38,900 increase is largely due to the transfer of a part-time operator from *Operations* to provide more manpower on service orders and PRV inspections.

The increases in both *Human Resources* and *Financial Management* are the result of the transition of the part-time position with a higher level full-time position with full benefits. This change was necessary to help address the new state procurement code, and to train the future replacement for the Chief Financial Officer. The cost of the new wellness program, the addition of Obamacare taxes, and potential unemployment insurance claims contributed to the increase in *Human Resources*.

As shown above, 2013 *Operating Expense* is projected to be $223,500 or 3.6% under budget. Most of this is from power cost savings realized by the District for managing it water production to avoid higher on-peak rates.

## 2.04 Non-operating Revenue

As shown below, the District's 2014 *Non-operating Revenue* budget is $2.15 million, which is $1.03 million - or 74.6% - more than for 2013.

For 2014, the ***contractually required*** *SID Assessment* payments due from the Promontory developer increase $830,000. The District has the ability to quickly foreclose on developer owned property in Promontory if it fails to pay the higher *SID Assessments*.

**Non-operating Revenue**

| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Projection | 2014 Control Board Recommended | 2014 Recommended to 2013 Budget $ Change | 2014 Recommended to 2013 Budget % Change |
|---|---|---|---|---|---|---|---|
| Interest Earnings - Available for Debt Service | $ 152,710 | $ 101,985 | $ 30,600 | $ 25,300 | $ 29,900 | $ (700) | *(2.8)* |
| Interest Earnings - Not Available for Debt Service | 452 | 693 | 500 | 200 | 500 | - | - |
| Impact Fees | 242,285 | 196,067 | 230,000 | 550,000 | 450,000 | 220,000 | *40.0* |
| Assessments | 453,020 | 499,397 | 790,000 | 790,000 | 1,620,000 | 830,000 | *105.1* |
| Cash Grants | - | - | - | - | - | - | *n/a* |
| Other Cash Non-operating Revenue | 5,124 | 22,563 | 10,000 | 8,100 | 35,000 | 25,000 | *308.6* |
| Non-Cash Non-opeating Revenue | 11,667 | 11,667 | 53,200 | 11,700 | 11,700 | (41,500) | *(354.7)* |
| **Total Non-operating Revenue** | **$ 865,258** | **$ 832,372** | **$ 1,114,300** | **$ 1,385,300** | **$ 2,147,100** | **$ 1,032,800** | **74.6** % |

As discussed above, development related fee collections improved significantly in 2013 due to a modest recovery in the housing market. It is projected that *Impact Fee* collections for 2014 will be $220,000 more than budgeted for 2013; but $100,000 less that is currently projected for 2013.

Once again, the District currently has $800,821 in impact fee cash reserves that can be used if the uptick in the building economy is not sustained through 2014.

As mentioned above, several developers started talking to the District in 2013 about water service to new developments – the first time since 2008 that developers have contacted the District. As such, there may be upside potential in *Impact Fee* collections in 2014.

## 2.05 Non-operating Expense

*Non-operating Expense* consists of *Interest Expense / Bank Fees* and the non-cash *Amortization Expense* of bond insurance costs over the duration of the related bonds. The 2014 *Non-operating Expense* budget is $1.48 million, which is $161,800 or 9.8% less than for 2013. *Interest Expense* is declining modestly as the amount of bonds on which interest is paid is slowly dropping.

**Non-operating Expense**

| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Projection | 2014 Control Board Recommended | 2014 Recommended to 2013 Budget $ Change | 2014 Recommended to 2013 Budget % Change |
|---|---|---|---|---|---|---|---|
| Interest Expense / Bank Fees | $ 1,890,340 | $ 1,689,534 | $ 1,573,300 | $ 1,531,800 | $ 1,466,000 | $ (107,300) | *(6.8)* |
| Amortization Expense | 46,266 | 1,107,774 | 72,000 | 20,000 | 17,500 | (54,500) | *(75.7)* |
| **Total Non-operating Expense** | **$ 1,936,606** | **$ 2,797,308** | **$ 1,645,300** | **$ 1,551,800** | **$ 1,483,500** | **$ (161,800)** | ***(9.8)*** **%** |

*Amortization Expense* is declining due to the accounting change regarding bond issuance costs as discussed in **Section 1.03** above.

## 2.06 Transfers

Although the District may receive subdivision infrastructure donations from developers in 2014, no amount is budgeted since the value of the potential *Contributions-in-Aid of Construction* is not known.

| Transfers | | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Projection | 2014 Control Board Recommended | 2014 Recommended to 2013 Budget $ Change | 2014 Recommended to 2013 Budget % Change |
| Contingency | $ - | $ - | $ - | $ - | $ - | $ - | |
| Governmental Transfers | 1,353,531 | - | - | - | - | - | |
| Contributions in Aid of Construction | 722,212 | 369,677 | - | 173,200 | - | - | |
| **Total Transfers** | **$ 2,075,743** | **$ 369,677** | **$ -** | **$ 173,200** | **$ -** | **$ -** | **- %** |

Developers building within the District are required to pay for their own subdivision infrastructure; and then donate the related water assets to the District at the time the District approves them for use.

These are non-cash transfers that increase net income the year they are made, but not cash flow. In future years these transfers increase non-cash *Depreciation Expense*, and require operation, maintenance and repairs by the District; thereby reducing future net income and cash flow.

## 3.0 2014 DEBT SERVICE BUDGET

For 2014, the District projects a debt coverage ratio of 1.34 when only parity revenue bonds are included. As discussed in **Section 1.10** above, this ratio is required to meet or exceed 1.25 to comply with bond covenants.

However, 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 in order to generate sufficient cash to make required deposits to reserves and to fund future capital equipment and small projects. For 2014, this ratio is projected to be 1.25.

**MOUNTAIN REGIONAL WATER**
**2014 Debt Service Budget - Cash Basis**
**(Excludes Rate Stabilization Fund)**

| | | 2014 Control Board |
|---|---|---|
| **COVERAGE CALCULATION FOR PARITY REVENUE BONDS** | | |
| Operating Income (Loss) | $ | 657,600 |
| Add Back Depreciation | | 1,500,300 |
| Add in Interest Available for Debt Service | | 29,900 |
| Add In Impact Fees | | 450,000 |
| Add In SID Assessments | | 1,620,000 |
| Add in Other Non-operating Income | | 35,000 |
| **Total Available For Debt Service** | **$** | **4,292,800** |
| **TOTAL DEBT COVERAGE** | | |
| Required Coverage Principal | $ | 1,879,500 |
| Required Coverage Interest/Bank Fees | | 1,551,000 |
| **Total Required Debt Service** | | **3,430,500** |
| **Debt Service X 1.25** | **$** | **4,288,200** |
| **Required Debt Coverage Ratio** | | **1.25** |
| **REQUIRED PARITY BOND DEBT COVERAGE** | | |
| Parity Bond Principal | $ | 1,783,000 |
| Parity Bond Interest | | 1,420,600 |
| **Total Parity Debt Service** | | **3,203,600** |
| **Debt Service X 1.25** | **$** | **4,004,600** |
| **Parity Debt Coverage Ratio** | | **1.34** |
| **Total Cash Generated from Operations** | **$** | **862,300** |
| **Appropriation to Capital Facilities Repair & Replacement Funds** | $ | 356,800 |
| **Appropriation to Treatment Plant Sinking Fund** | | 65,000 |
| **To Bring Operating Reserves to Level Outlined in District Policy** | | 200,000 |
| **Total Cash Appropriations** | **$** | **621,800** |
| **Unallocated Portion of Cash Increase** | **$** | **240,500** |

A 1.25 projected coverage ratio for all debt would result in an $862,300 increase in cash in 2014, excluding cash spent on capital equipment and projects. The District plans to allocate this cash increase as shown at the bottom of the table above.

These ratios do not include the rate stabilization fund in 2014, as the District's policy is to budget for a ratio of 1.25 from the current year cash flow. There are two instances when the District will include the rate stabilization fund in its budget for debt coverage calculations:

1) Every few years, treatment plant maintenance costs will be higher than most years as expensive membranes need to be replaced in 8 to 10 year cycles, and not evenly over the ten year period; and

2) Promontory lots sales will exceed projections in some years, and fall below projections other years. The related SID assessments collected during the years with higher lots sales will be deposited into the rate stabilization fund, and then included in debt coverage calculations in years that lots sales are below projections.

As discussed in more detail in **Section 1.08** above, the rate stabilization funds have the following projected year-end balances for 2013:

***Rate Stabilization Fund – Bond Reserves -*** $1.06 million

***Rate Stabilization Fund – Treatment Plant Operations*** – $65,000

***Rate Stabilization Fund - Expanded Lost Creek Canyon Repair and Replacement*** – $75,000

## 4.0 CAPITAL BUDGET

The District is requesting $776,600 in new capital spending authorization for 2014, as shown below.

The ongoing Summit Park restoration project budget of $375,000 represents nearly one-half of the new 2014 request. The Summit Park project is being done in conjunction with Summit County and the Snyderville Basin Water Reclamation District. This project is allowing the District to replace leaking water main lines at a lower cost than would be the case if the District was doing this project on its own.

Since District employees spend a portion of their time working on, or managing capital projects, the District capitalizes some personnel costs. For 2014, the budget includes $224,300 for this purpose.

The remaining $177,300 of the new request will fund capital equipment, electrical upgrades, pump redundancy, and pressure regulating valves (PRVs). The District's list of small capital project needs exceeds this amount – but that is the amount of funding available.

As such, only the most critical needs are being addressed; although the capital needs not funded do not represent a high risk to the District. Further, there are capital facility reserves in excess of $600,000 that are available for unexpected critical needs.

**Mountain Regional Water**
**Capital Budget**

| | 2013 Adopted Budget | 2013 Projected Actual | 2013 Budget Savings | 2013 Savings Carryover | Control Board Recommended Increases | 2014 Total Budget | 2013 & 2014 Total Budget |
|---|---|---|---|---|---|---|---|
| **CASH SOURCES** | | | | | | | |
| 2013 Budget Carryover | | | | $ 376,600 | $ 376,600 | | |
| 2013 Cash Available for 2014 Capital Budget | | | | | - | | |
| Capital Facility Reserves | | | | | 200,000 | | |
| Impact Fees (to debt service) | | | | | 200,000 | | |
| **TOTAL SOURCES** | | | | **$ 376,600** | **$ 776,600** | | |
| **CASH USES** | | | | | | | |
| Completed Projects | 1,953,590 | 1,953,590 | - | - | n/a | n/a | n/a |
| Northridge Pumping Capacity | 125,000 | 50,000 | 75,000 | 75,000 | - | 75,000 | 125,000 |
| Summit Park Restoration with Summit County | - | - | - | - | 375,000 | 375,000 | 375,000 |
| Capitalized Personnel Costs | 213,100 | 213,100 | - | - | 224,300 | 224,300 | 437,400 |
| Other Improvements & Equipment | 321,633 | 110,000 | 211,633 | 211,600 | 177,300 | 388,900 | 498,900 |
| Contingency | 90,039 | - | 90,039 | 90,000 | - | 90,000 | 90,000 |
| **TOTAL USES** | **$ 2,703,362** | **$ 2,326,690** | **$ 376,672** | **$ 376,600** | **$ 776,600** | **$ 1,153,200** | **$ 1,526,300** |

The District typically funds small capital projects up to $500,000 using cash generated in previous years.

Medium sized capital projects between $500,000 and $3.0 million are typically funded by issuing small bonds directly to the State of Utah. These loans offer low interest rates over twenty years. The District expects to issue a small state bond every three to five years, as needed.

Large capital projects in excess of $3.0 million typically require the issuance of market bonds. The District does not anticipate a need to issue market bonds; as no major capital projects are anticipated long-term.

Using bond proceeds to fund medium and large capital projects ensures that the existing rate payers won't be burdened by paying the full cost of infrastructure that will benefit future customers.

## 5.0 2013 BUDGET AMENDMENTS

### 5.01 2013 OPERATING BUDGET

For 2013, two budget amendments are needed that will have no net change on the budget; as the $49,000 in increases for those two items will be offset in a reduction in the power budget.

First, the Human Resources budget has been increased $29,000 to cover a potential severance package for a part-time position that is being eliminated; and to fund the District's recently implemented employee Wellness Program. In addition, the District Legal budget has been increased $20,000 to cover costs increases due to an unusual amount of legal activity in 2013; including the Weber Basin regionalization agreement, the impact fee study, and personnel issues.

**MOUNTAIN REGIONAL WATER**
**2013 Amended Operating Budget - Accrual Basis**
***Enterprise Fund***

| | 2011 Actual | 2012 Actual | 2013 Adopted Budget | 2013 Amended Budget | 2013 Amended to Adopted | 2013 Projection | 2013 Projection to Adopted |
|---|---|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | | | |
| Water Sales | $ 4,864,731 | $ 6,226,121 | $ 6,190,100 | $ 6,190,100 | $ - | $ 6,203,800 | $ 13,700 |
| Park City Wheeling | 218,887 | 448,276 | 572,000 | 572,000 | - | 470,000 | (102,000) |
| Stagecoach Assessment | 213,903 | 198,751 | 178,400 | 178,400 | - | 174,000 | (4,400) |
| Operating Fees | 151,616 | 153,805 | 144,500 | 144,500 | - | 242,000 | 97,500 |
| Contract Maintenance | - | - | - | - | - | - | - |
| Other | 48,279 | 236,215 | 35,000 | 35,000 | - | 50,000 | 15,000 |
| **Total Operating Revenue** | **5,497,416** | **7,263,168** | **7,120,000** | **7,120,000** | **-** | **7,139,800** | **19,800** |
| **OPERATING EXPENSES** | | | | | | | |
| Operations Management | | | | | | | |
| Energy & Resource Management | 292,520 | 323,309 | 346,900 | 346,900 | - | 346,900 | - |
| Distribution | 1,516,033 | 1,762,278 | 1,865,900 | 1,865,900 | - | 1,862,200 | (3,700) |
| Lost Canyon Transmission | 1,052,059 | 1,085,581 | 1,374,400 | 1,325,400 | (49,000) | 1,204,500 | (169,900) |
| Treatment Plant | 111,103 | 642,992 | 452,600 | 452,600 | - | 391,500 | (61,100) |
| Safety | 20,920 | 26,685 | 25,600 | 25,600 | - | 37,600 | 12,000 |
| General Manager | | | | | - | | - |
| Engineering & Development | 88,197 | 92,535 | 93,600 | 93,600 | - | 93,600 | - |
| Human Resources | 21,442 | 36,138 | 46,800 | 75,800 | 29,000 | 46,800 | - |
| Legal Services | 18,180 | 4,805 | 30,000 | 50,000 | 20,000 | 30,000 | - |
| Public Services | 391,692 | 330,663 | 348,800 | 348,800 | - | 349,200 | 400 |
| Financial Management | 201,158 | 201,364 | 231,300 | 231,300 | - | 230,100 | (1,200) |
| Depreciation Expense | 1,359,634 | 1,412,111 | 1,470,300 | 1,470,300 | - | 1,470,300 | - |
| **Total Operating Expense** | **5,072,938** | **5,918,461** | **6,286,200** | **6,286,200** | **-** | **6,062,700** | **(223,500)** |
| **OPERATING INCOME (LOSS)** | **424,478** | **1,344,707** | **833,800** | **833,800** | **-** | **1,077,100** | **243,300** |
| **NON-OPERATING REVENUE** | | | | | | | |
| Interest Earnings - Available for Debt Service | 152,710 | 101,985 | 30,600 | 30,600 | - | 25,300 | (5,300) |
| Interest Earnings - Not Available for Debt Service | 452 | 693 | 500 | 500 | - | 200 | (300) |
| Impact Fees | 242,285 | 196,067 | 230,000 | 230,000 | - | 550,000 | 320,000 |
| Assessments | 453,020 | 499,397 | 790,000 | 790,000 | - | 790,000 | - |
| Cash Grants | 5,124 | 22,563 | 10,000 | 10,000 | - | 8,100 | (1,900) |
| Other Cash Non-operating Revenue | 11,667 | 11,667 | 53,200 | 53,200 | - | 11,700 | (41,500) |
| Non-Cash Non-operating Revenue | - | - | - | - | - | - | - |
| **Total Non-operating Revenue** | **865,258** | **832,372** | **1,114,300** | **1,114,300** | **-** | **1,385,300** | **271,000** |
| **NON-OPERATING EXPENSE** | | | | | | | |
| Interest Expense/Bank Fees | 1,890,340 | 1,689,534 | 1,573,300 | 1,573,300 | - | 1,531,800 | (41,500) |
| Amortization Expense | 46,266 | 1,107,774 | 72,000 | 72,000 | - | 20,000 | (52,000) |
| **Total Non-operating Expense** | **1,936,606** | **2,797,308** | **1,645,300** | **1,645,300** | **-** | **1,551,800** | **(93,500)** |
| **NON-OPERATING INCOME (LOSS)** | **(1,071,348)** | **(1,964,936)** | **(531,000)** | **(531,000)** | **-** | **(166,500)** | **364,500** |
| **CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)** | **(646,870)** | **(620,229)** | **302,800** | **302,800** | **-** | **910,600** | **607,800** |
| **TRANFERS** | | | | | | | |
| Contingency | - | - | - | - | - | - | - |
| Governmental Transfers | 1,353,531 | - | - | - | - | - | - |
| Contributions in Aid of Construction | 722,212 | 369,677 | - | - | - | 173,200 | 173,200 |
| **NET TRANSFERS** | **2,075,743** | **369,677** | **-** | **-** | **-** | **173,200** | **173,200** |
| **CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)** | **$ 1,428,873** | **$ (250,552)** | **$ 302,800** | **$ 302,800** | **$ -** | **$ 1,083,800** | **$ 781,000** |

As shown above, the District now projects the 2013 change in net position of $1.08 million – which is $781,000 better than budgeted.

*Operating Revenue* is expected to be $19,800 above budget in 2013, as higher operating fees will offset lower Park City wheeling fees. *Non-operating Revenue* is projected to be $271,000 over the 2013 budget, due to higher *Impact Fee* collections that resulted from the improving building economy.

Expenses for 2013 are also projected at $336,800 below budget. This is due mostly to power costs savings as on-peak pumping rates were avoided by carefully managing water production. *Interest Expense* is also under budget, although most of this is due to an accounting change.

## 5.02 2013 DEBT SERVICE BUDGET

The 2013 *Debt Service Budget* projected a 1.46 parity debt coverage ratio. It is now projected this ratio will be 1.70. This increase is largely due to increased development related revenue and power cost savings.

**MOUNTAIN REGIONAL WATER**
**2013 Debt Coverage Calculation - Cash Basis**

| | 2013 Budget | 2013 Projection |
|---|---|---|
| **COVERAGE CALCULATION FOR PARITY REVENUE BONDS** | | |
| Operating Income (Loss) | $ 833,800 | $ 1,077,100 |
| Add Back Depreciation | 1,470,300 | 1,470,300 |
| Add in Interest Available for Debt Service | 30,600 | 25,300 |
| Add In Impact Fees | 230,000 | 550,000 |
| Add In SID Assessments | 790,000 | 790,000 |
| Add in Other Non-operating Income | 10,000 | 8,100 |
| Deduct One-time Revenue | - | - |
| **Total Available For Debt Service** | **3,364,700** | **3,920,800** |
| **TOTAL DEBT COVERAGE** | | |
| Required Coverage Principal | 958,100 | 958,100 |
| Required Coverage Interest/Bank Fees | 1,577,800 | 1,577,800 |
| **Total Required Debt Service** | **2,535,900** | **2,535,900** |
| **Debt Service X 1.25** | **3,169,900** | **3,169,900** |
| **Required Debt Coverage Ratio** | **1.33** | **1.55** |
| **REQUIRED PARITY BOND DEBT COVERAGE** | | |
| Parity Bond Principal | 864,000 | 864,000 |
| Parity Bond Interest | 1,437,000 | 1,437,000 |
| **Total Parity Debt Service** | **2,301,000** | **2,301,000** |
| **Debt Service X 1.25** | **2,876,300** | **2,876,300** |
| **Parity Debt Coverage Ratio** | **1.46** | **1.70** |