MOUNTAIN REGIONAL WATER

SPECIAL SERVICE DISTRICT

ADOPTED

2013 BUDGET

And

2012 AMENDED

December 12, 2012

TABLE of CONTENTS

1.0 2011 DISTRICT BUDGET OVERVIEW

1.1 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.

1.2 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.

1.3 Hot, Dry Summer Weather

After three years of cool wet weather that reduced water sales, 2012 was hot and dry. As such, water sales – including Park City wheeling fees - are expected to exceed budget by $390,000 in 2012. This - combined with an unbudgeted $190,676 insurance payment received through Summit County to partially reimburse the District for its costs related to a lawsuit - is projected to help generate 2012 revenue that is $434,800 or 6.0% above budget.

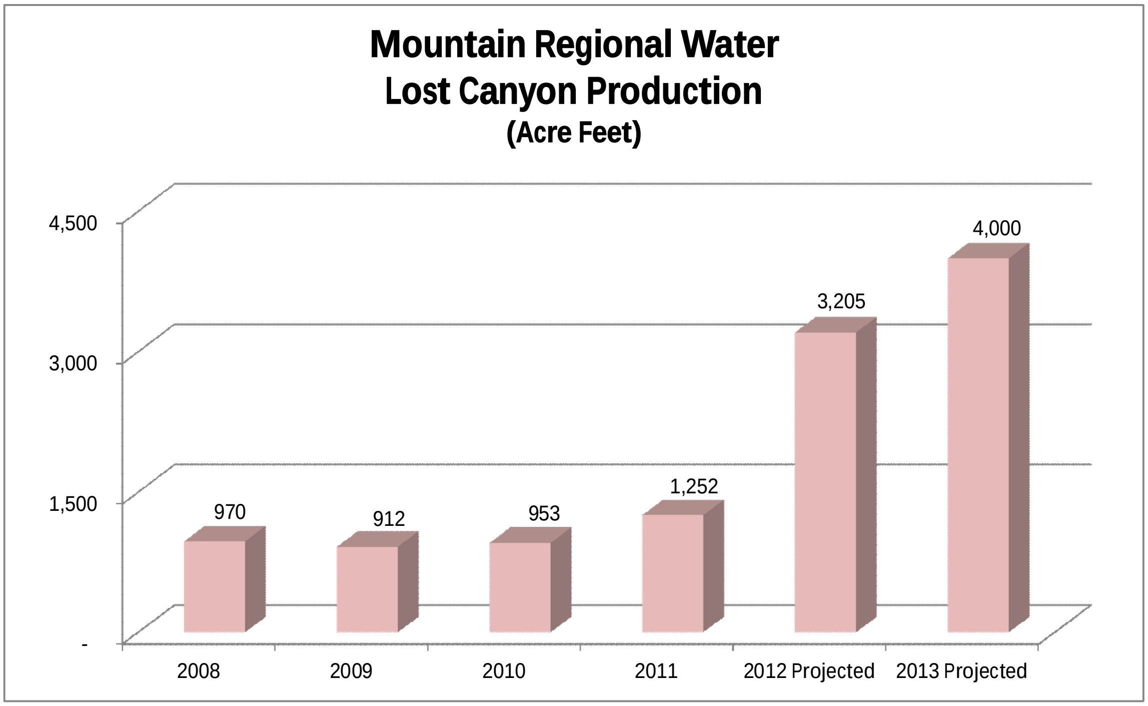
The amount above could have been higher, but impact fee collections and interest earnings are projected to be under budget in 2012. Interest earnings will be short about $65,000 as the Series 2003 debt reserves, that earned $135,000 annually, were used to reduce the par amount of the Series 2012 refunding bonds in June 2012; thereby reducing the annual interest expense on the Series 2012 bonds, as discussed in **Section 1.5**.

The cash generated from the high 2012 summer water sales will be used to:

1) help pay for much needed capital improvements and deferred maintenance;
2) increase the cash balance in the Rate Stabilization Fund (see **Section 1.6**) to $1.0 million, as required by bond commitments; and
3) increase other cash reserves to more acceptable levels.

1.4 Lost Canyon Water Production to Triple between 2011 and 2013

The District continues to rely more on the Lost Canyon project, as shown below. The District produced 407 million gallons or 1,252 acre feet from Lost Canyon in 2011; while in 2013 it is projected that 1.3 billion gallons or 4,000 acre feet will be produced.



There are two reasons for this dramatic increase in production:

1) Park City began wheeling water through Lost Canyon in late spring of 2012, and plans on wheeling 2,000 acre feet in 2013; and
2) the District has shut down production in many small inefficient wells and offset that with higher production through Lost Canyon.

As such, the Lost Canyon booster station will need to operate more on a full-time basis, which requires additional manpower. Providing additional manpower also allows the District to more closely monitor pumping schedules to reduce the need to pump water when higher peak power rates are in effect. In 2012, the District was able to avoid pumping during peak hours the entire summer; saving the District roughly $100,000.

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

1.5 Series 2012 Refunding Bonds

The District refinanced its Series 2003 revenue bonds in 2012 to take advantage of historic low interest rates; and its improved bond rating of "A+/AA-" (compared to "BBB" when the Series 2003 bonds were issued). This refunding reduced interest expense for 2012 by $193,100; although lost interest earnings from the bond refunding resulted in net savings of nearly $120,000. This refinancing will provide the District with $250,000 in net annual savings the next few years.

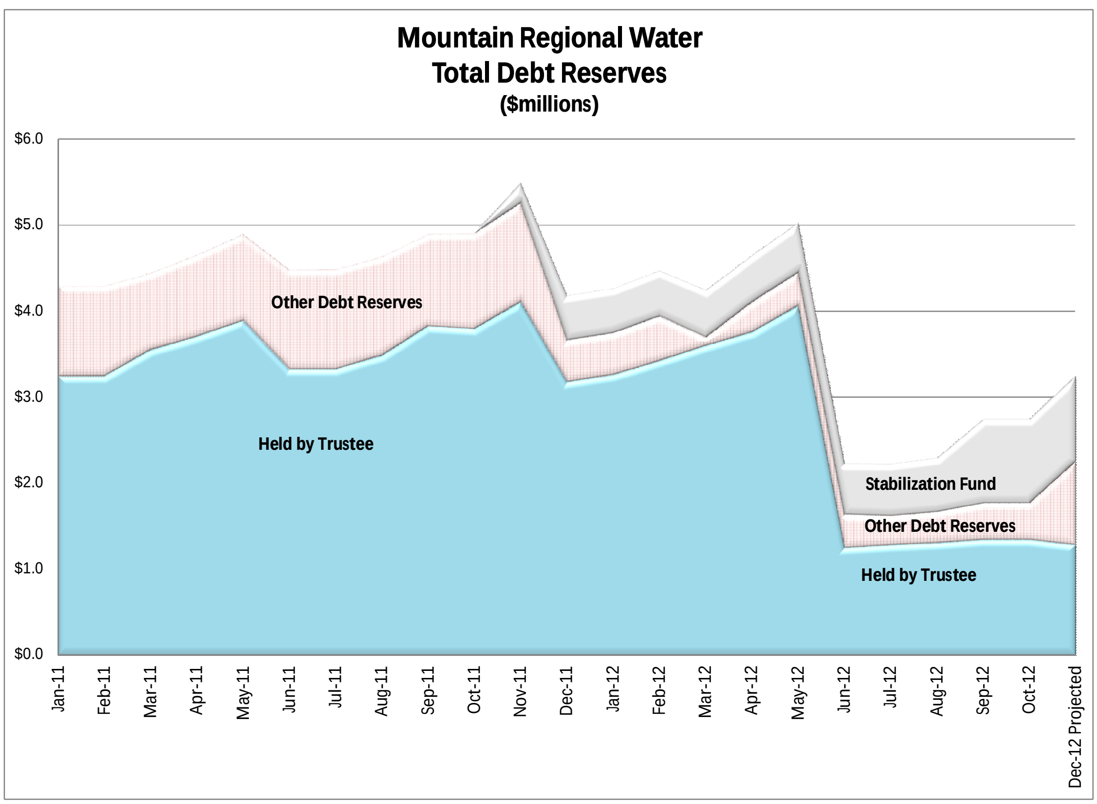
The Series 2012 refunding bonds also generated a one-time $747,000 cash infusion that will be realized over several months. The District is using this cash to prepay $200,000 of the $500,000 Summit County loan in 2012; and the remaining $300,000 in 2013. The District committed to prepay this loan from this cash infusion in order to enhance its bond rating. The remaining $247,000 will be deposited into the rate stabilization fund discussed in **Section 1.6** below.

1.6 Rate Stabilization Fund

When the District issued its Series 2011A bonds, it amended its general bond indenture to establish a rate stabilization fund to protect it from:

1) revenue fluctuations caused by weather and economic conditions; and
2) fluctuations in annual treatment plant maintenance costs.

When the Series 2012 bonds were issued in June 2012, the District agreed to increase the rate stabilization fund balance to $1.0 million in exchange for not being required to contribute to a bond mandated debt reserve fund held by the trustee for those Series 2012 bonds. As such, total debt reserves declined by $2.0 million; as reserves held by the trustee declined by $3.0 million, and the rate stabilization fund increased by $1.0 million, as shown below.



The bottom (solid) section of the above chart represents debt reserves held by the trustee – which have declined $3.0 million as mentioned. Other debt reserves held by the District have declined over time (the middle cross-hatch section), as a portion of those funds were used to prepay debt. The top (solid) section of the graph represents the balance of the rate stabilization fund growing to $1.0 million by December 2012, as required by Series 2012 bond covenants.

There are several advantages to this new structure for the District's debt reserves. First it reduces the total amount of cash tied up with the bond reserves, and provides much more flexibility to the District with the remaining reserves. Second, it allowed for lower annual debt service costs, as former debt reserves were used to reduce the par amount of the Series 2012 bond.

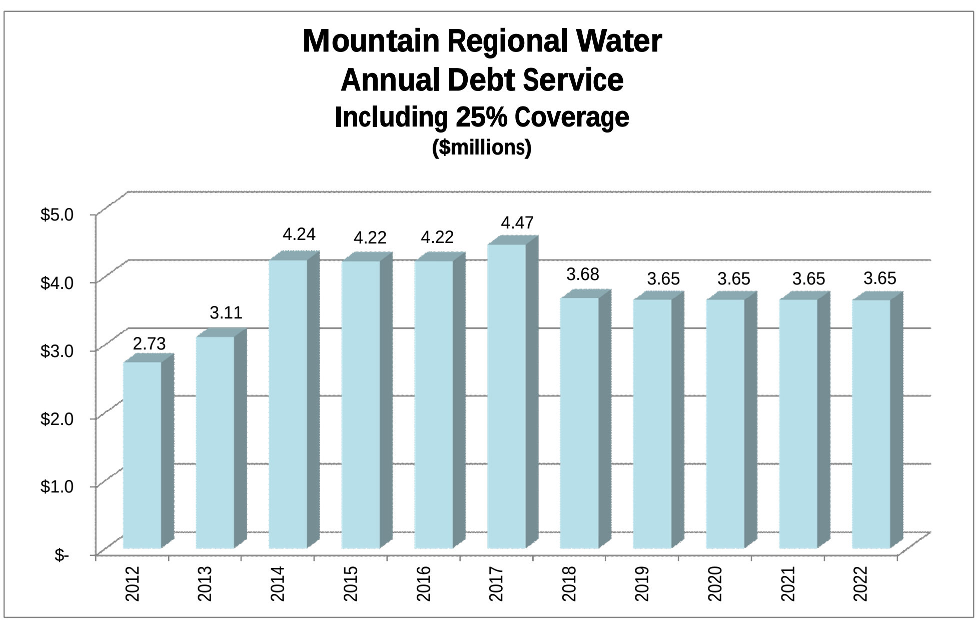
The District would never draw down the debt reserves held by the trustee except in the very unlikely event of a severe financial emergency; as this would represent a technical default on the bonds, and the bond holders would need to be notified immediately. The District would then have just 12 months to fully replenish the reserves.

Under this new debt reserve structure, the District could draw upon the higher cash balances in the rate stabilization fund and other debt reserves first, if it experiences a bad year financially, without being in technical default on its bonds. By District policy, it has three years to replenish these reserves, rather than just 12 months as is the case for bond mandated reserves.

1.7 Increasing Debt Service Payments

As discussed in **Section 1.8** below, the District will have healthy debt coverage in 2012; after which it will drop close to the minimum 1.25 coverage required by bonding agreements by 2014, unless a major rebound in the housing market occurs soon. This projected decline in debt coverage is due to increases in the debt service budget in both 2013 and 2014, as shown below.

The debt service budget (including the 1.25 coverage) for 2013 will increase $375,500 compared to 2012. The Promontory developer is required to pay $290,000 of this through additional SID assessments. This means $85,500 of the debt service increase will be funded with the additional cash generated from the recent rate increases; and will not require any further increases in rates.



For 2014, the net increase in debt service payments is an additional $298,200. This includes $1.13 million increase in the debt service budget; less $830,000 in additional required SID assessments due from the Promontory developer. This net increase in debt service costs will also be funded with the additional cash generated from the recent rate increases; and will not require any further increases in rates.

The 2013 and 2014 debt service budgets would have been even higher if not for the Series 2012 bond refunding discussed in **Section 1.5** above.

1.8 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 – 2013 Debt Service Budget**).

Mountain Regional Water Special Service District's Parity Debt Service Coverage Ratio
Excludes Rate Stabilization Fund

	2011 Actual	2012 Projected	2013 Projected	2014 Projected
Water sales	$ 4,864,730	$ 5,968,900	$ 6,215,100	$ 6,251,100
Park City Wheeling	218,887	440,000	572,000	572,000
Stagecoach Assessments	213,903	170,000	178,400	178,400
Operating fees	151,616	143,200	144,500	144,500
Impact fees	242,285	160,000	230,000	230,000
SID assessments	453,020	500,000	790,000	1,620,000
Interest available for debt service	152,677	90,200	30,600	45,000
Other non-restricted revenue	53,402	22,425	20,000	20,000
Total cash available for debt service	6,350,520	7,494,725	8,180,600	9,061,000
Cash operating expenses	(3,713,303)	(4,563,700)	(4,815,900)	(4,864,059)
Cash available for debt service	2,637,217	2,931,025	3,364,700	4,196,941
Parity debt service payments	2,092,888	1,892,600	2,466,400	3,368,800
Debt service coverage	1.26	1.55	1.36	1.25

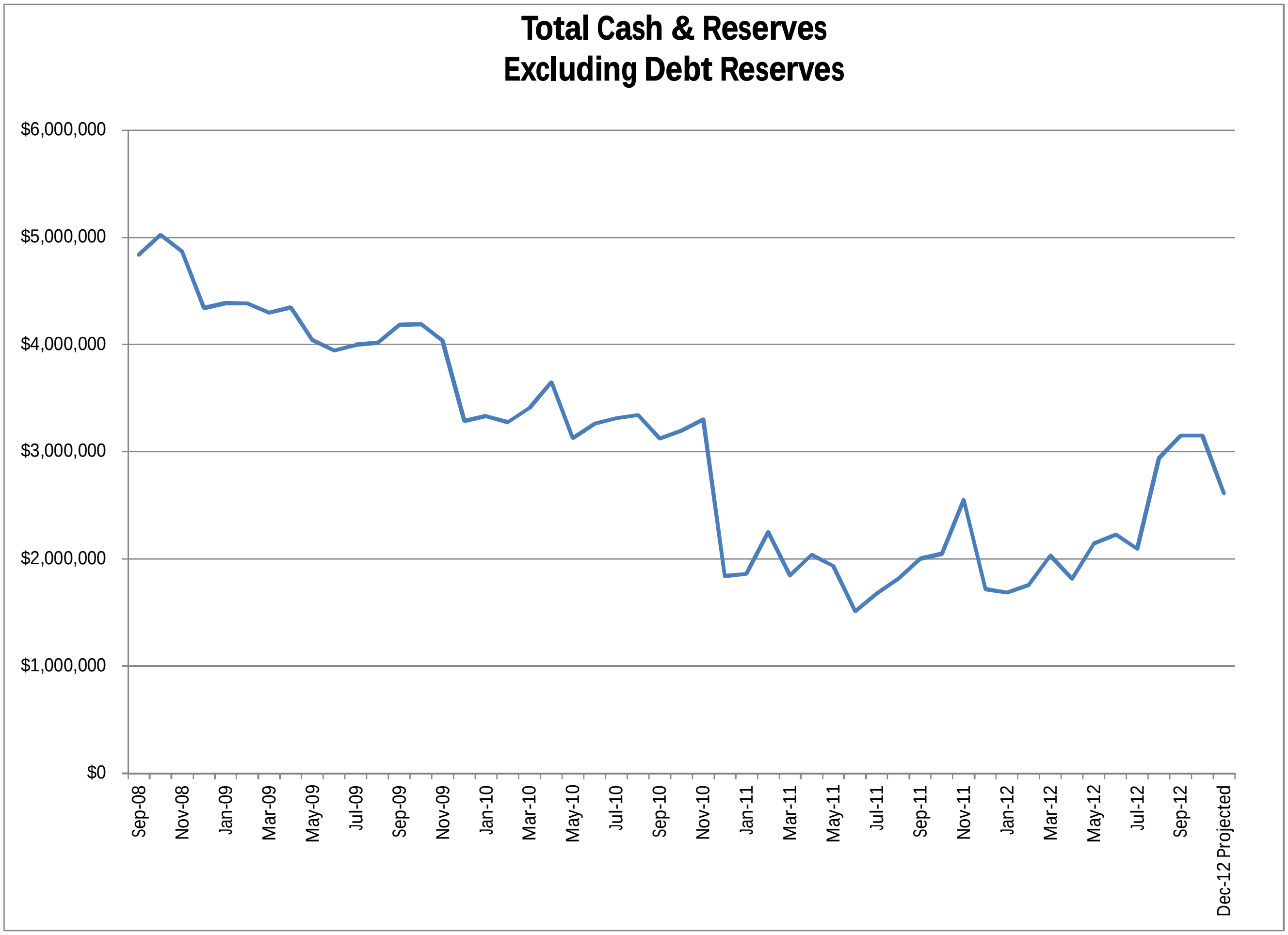
A ratio of 1.55 is now projected for 2012, compared to the budgeted 1.25 coverage ratio. This improvement is mostly due to the hot, dry summer weather, but it also benefited from the Series 2012 bond refunding.

The additional cash generated from the healthy 2012 ratio will be used to replenish cash reserves; and to pay for much needed capital improvements and deferred maintenance.

As discussed in **Section 1.7** above, increasing debt service budgets in 2013 and 2014 (net the required increases in SID assessment payments required from the Promontory developer) will drop the coverage ratio in 2013 and 2014 to a projected 1.36 and 1.25 respectively.

1.9 Cash Reserves

The District's cash and cash reserves (excluding the debt reserves discussed in **Section 1.6** above) have slowly, but steadily improved the past year as shown below.



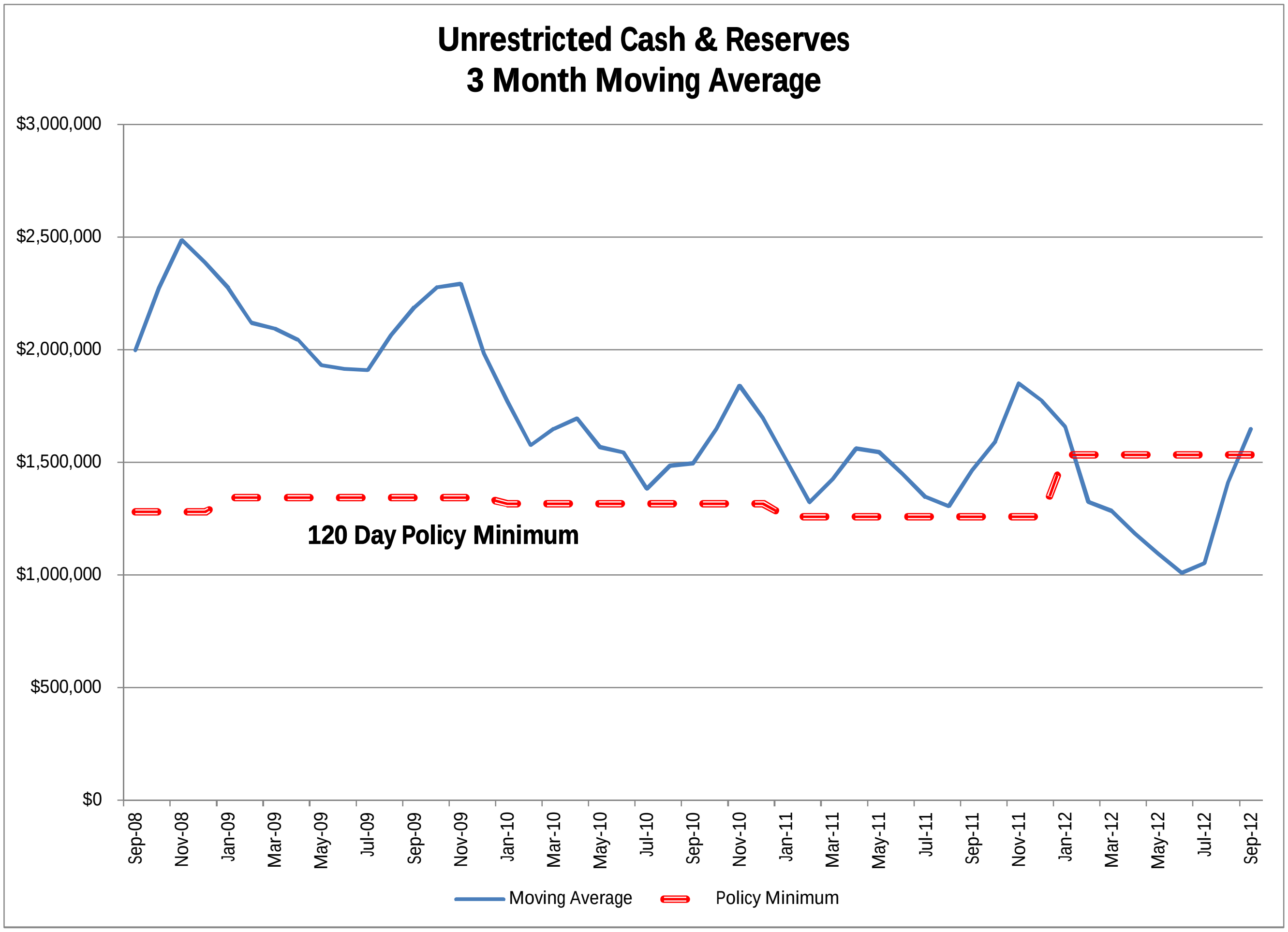
This upward trend the past year can be attributed to four factors:

1) the rate increases;
2) the hot, dry weather;
3) the Series 2012 bond refunding; and
4) power cost savings as the District managed its pumping production in 2012 so that it did not need to pay any higher on-peak rates during the hot, dry summer months.

This upward trend should continue in 2013 as the District's rate increases are in full effect for an entire year for the first time. In 2014, debt service payments are schedule to increase notably, as discussed above in **Section 1.7**. As such, cash and cash reserves should start to level off in 2014.

Unrestricted Cash & Reserves

Of the amounts represented in the chart above, the unrestricted portion was just under $1.1 million in June 2011, and fell below $1.0 million during December 2011. As of August 2012, unrestricted cash had improved to $1.5 million.



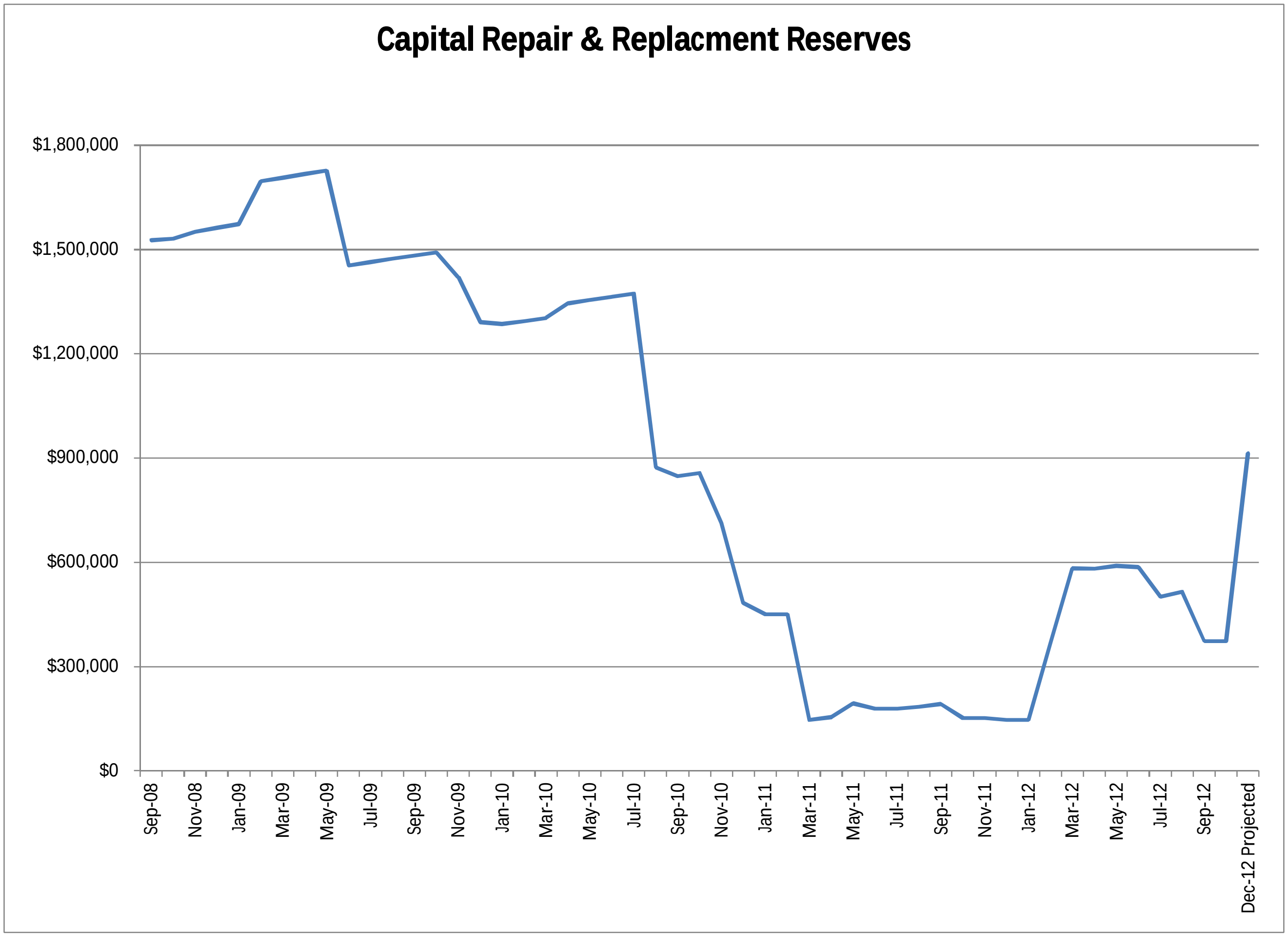
The District's policy is to maintain 120 days of unrestricted cash and reserves (represented by the dashed line in the chart above). The chart above shows a 3-month moving average of unrestricted cash and reserves compared to 120 day's reserve. The 3-month moving average was used to smooth out monthly fluctuations in cash flow in order to better demonstrate trends.

The District maintained cash and reserves above the minimum level established by policy for several years, until mid-2011. For 2013, 120 days represents nearly $1.6 million – meaning the District has made significant progress towards restoring it reserves to the level established by policy.

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.

Since then, the cool, dry weather and slow economy forced to 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 $1.0 million at the beginning of each year. The hot, dry weather and rate increases authorized in August 2011 are helping restore these reserves.

<u>2013 Total Cash Increase</u>

Overall, the 2013 budget projects a cash increase of $828,800 from operations in 2013, as shown on the following page. The District plans to allocate this additional cash for the following purposes:

Capital Facilities Repair & Replacement Funds	$ 563,800
Treatment Plant Operations Sinking Fund	65,000
To Bring Operating Reserves to level outlined in District Policy	200,000
Total	**$ 828,800**

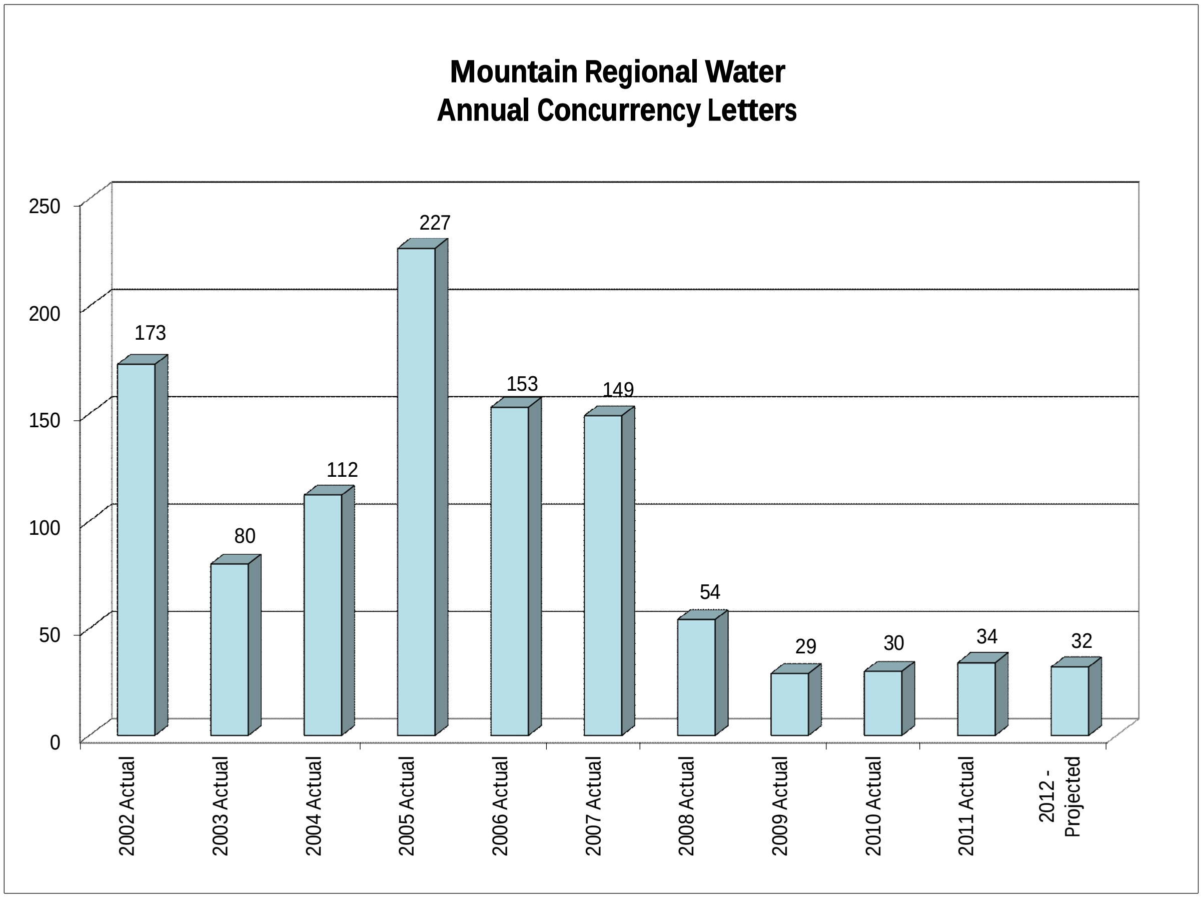
As discussed with the Summit County Council in August 2011, the rate increases adopted at that time would allow the District to improve is falling cash balances and catch up on its deferred maintenance in 2012 and 2013, before debt service payments increase significantly in 2014, as discussed in **Section 1.7** above.

MOUNTAIN REGIONAL WATER
2013 Operating Budget - Accrual and Cash Basis
Enterprise Fund

	2013 Recommended Accrual Basis	2013 Recommended Cash Basis
OPERATING REVENUE		
Water Sales	$ 6,215,100	$ 6,215,100
Park City Wheeling	572,000	572,000
Stagecoach Assessments	178,400	178,400
Operating Fees	144,500	144,500
Other	10,000	10,000
Total Operating Revenue	**7,120,000**	**7,120,000**
OPERATING EXPENSES		
Operations		
Energy & Resource Management	346,900	346,900
Lost Canyon Transmission	1,374,400	1,374,400
Treatment	452,600	452,600
Distribution	1,865,900	1,865,900
Safety	25,600	25,600
General Manager		
Engineering & Development	93,600	93,600
Human Resources	46,800	46,800
Legal Services	30,000	30,000
Public Services	348,800	348,800
Financial Management	231,300	231,300
Depreciation Expense	1,470,300	-
Total Operating Expense	**6,286,200**	**4,815,900**
OPERATING INCOME (LOSS)	**833,800**	**2,304,100**
NON-OPERATING REVENUE		
Interest Earnings - Available for Debt Service	30,600	30,600
Interest Earnings - Not Available for Debt Service	500	-
Impact Fees	230,000	230,000
Assessments	790,000	790,000
Cash Grants	-	-
Other Cash Non-operating Revenue	10,000	10,000
Non-Cash Non-operating Revenue	53,200	-
Total Non-Operating Revenue	**1,114,300**	**1,060,600**
NON-OPERATING EXPENSE		
Interest Expense/Bank Fees	1,573,300	1,577,800
Bond Principal Payments	-	958,100
Amortization Expense	72,000	-
Total Non-Operating Expense	**1,645,300**	**2,535,900**
NON-OPERATING INCOME (LOSS)	**(531,000)**	**(1,475,300)**
NET INCOME (LOSS) BEFORE TRANSFERS	**302,800**	**828,800**
TRANSFERS		
Contingency	-	-
Governmental Transfers	-	-
Contributions in Aid of Construction	-	-
NET TRANSFERS	**-**	**-**
NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)	**$ 302,800**	**$ 828,800**

1.10 Impact of Economy on Customer Growth

As shown below, the number of new construction units within the District declined dramatically after the initial banking crisis in 2008. In the 3rd quarter of 2009; new construction units showed slight improvement, and have remained relatively flat since then on a year-by-year basis.



The District's 2013 projection for new units is 30 – which is similar to 2009 through 2012. There are currently nearly 2,000 undeveloped lots and prepaid connections on standby within the District that will likely be future water users once the housing slump ends. Although current development has slowed during the housing downturn, the long-term growth potential of the District remains strong.

Once the housing market improves, it will take 18 to 24 months before new construction units start using water, and generating water sales.

1.11 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 as shown on the following page. The District now projects total revenue will exceed budget by $434,800 or 6.0% in 2012.

This turnaround is due to the rate increases effective August 2011 and August 2012; combined with the return of hot, dry weather. The one-time $190,676 insurance reimbursement also contributed.

MOUNTAIN REGIONAL WATER
Revenue History

	2011 Actual	2012 Adopted Budget	2012 Projected	2012 Projected to 2012 Budget	2013 Control Board Recommended	2013 Recommended to 2012 Adopted	2013 Recommended to 2012 Projected
CASH REVENUE (Less Grants)							
Operating Revenue							
Water Sales	$ 4,897,483	$ 5,430,800	$ 5,968,900	$ 538,100	$ 6,215,100	$ 784,300	$ 246,200
Park City Wheeling	218,887	588,100	440,000	(148,100)	572,000	(16,100)	132,000
Stagecoach Assessment	213,903	170,000	170,000	-	178,400	8,400	8,400
Operating Fees	151,616	148,500	143,200	(5,300)	144,500	(4,000)	1,300
Other Operating	15,527	15,000	205,000	190,000	10,000	(5,000)	(195,000)
Subtotal	**5,497,416**	**6,352,400**	**6,927,100**	**574,700**	**7,120,000**	**767,600**	**192,900**
Non-operating Revenue							
Interest Earnings	153,162	155,000	90,800	(64,200)	31,100	(123,900)	(59,700)
Impact Fees	242,285	230,000	160,000	(70,000)	230,000	-	70,000
Special Assessments	453,020	500,000	500,000	-	790,000	290,000	290,000
Other Non-operating	5,124	38,000	8,100	(29,900)	10,000	(28,000)	1,900
Subtotal	**853,591**	**923,000**	**758,900**	**(164,100)**	**1,061,100**	**138,100**	**302,200**
TOTAL CASH REVENUE (Less Grants)	**$ 6,351,007**	**$ 7,275,400**	**$ 7,686,000**	**$ 410,600**	**$ 8,181,100**	**$ 905,700**	**$ 495,100**
OTHER REVENUE							
Cash Grants	-	-	-	-	-	-	-
Non-Cash Amortization	11,667	11,700	35,900	24,200	53,200	41,500	17,300
OTHER REVENUE	**$ 11,667**	**$ 11,700**	**$ 35,900**	**$ 24,200**	**$ 53,200**	**$ 41,500**	**$ 17,300**
TOTAL REVENUE	**$ 6,362,674**	**$ 7,287,100**	**$ 7,721,900**	**$ 434,800**	**$ 8,234,300**	**$ 947,200**	**$ 512,400**

With the second and final phase of the rate increases in full effect for an entire year for the first time in 2013, this upward revenue trend should continue one more year before leveling off until such time as the housing economy improves.

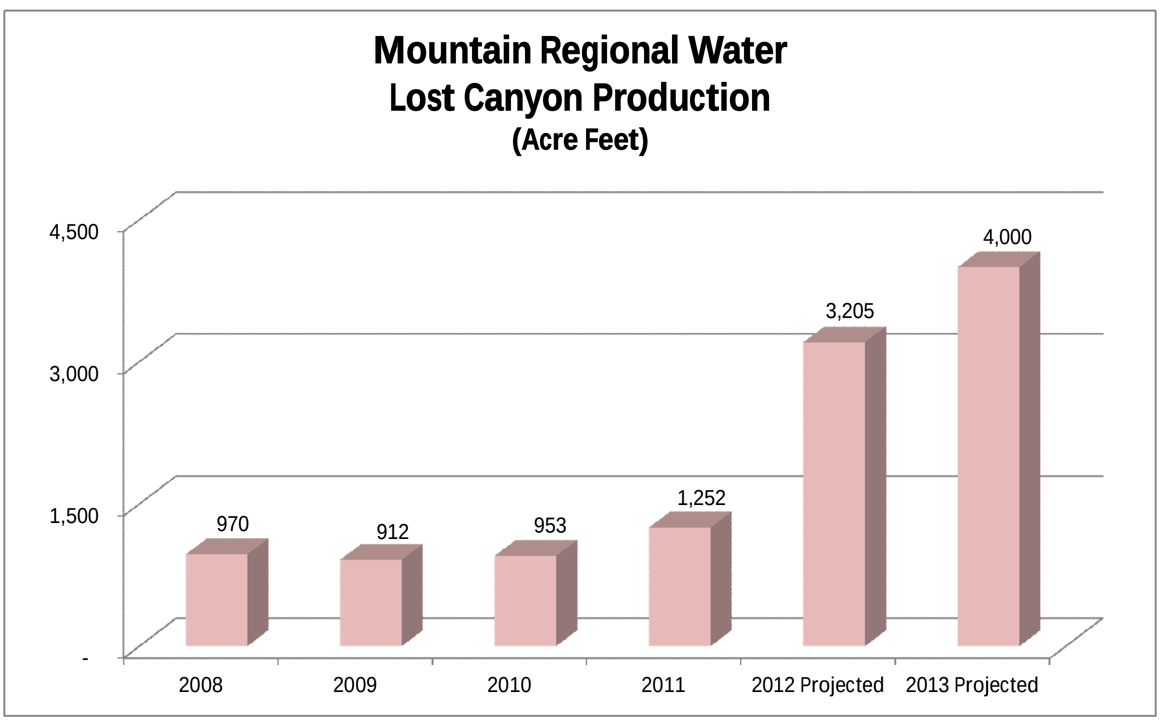
The 2013 revenue projections exceed the projected 2012 revenue by $512,400 or 6.6% despite the assumption of a return to normal weather. The major factors in the 2013 changes are:

1) a $246,200 improvement in water sales due to the August 2012 rate increase – which is partially offset by an assumed return to more normal weather patterns;
2) a $132,000 increase in Park City wheeling fees as it projects using more water;
3) a $290,000 increase in contractually required SID assessment payments from the Promontory developer;
4) a $155,800 net decline in other revenue sources including interest collections and other operating revenue (due to the Series 2012 bond refunding discussed in **Section 1.5**, and the one-time 2012 insurance reimbursement).

1.12 Staffing

In 2012, the District added one operator, along with three part-time summer positions, in order to start catching up on deferred maintenance; and to increase manpower at the Lost Canyon booster station. Increased manpower was needed at this large booster station since Park City started wheeling large quantities of its water through the District's Lost Canyon infrastructure in 2012.

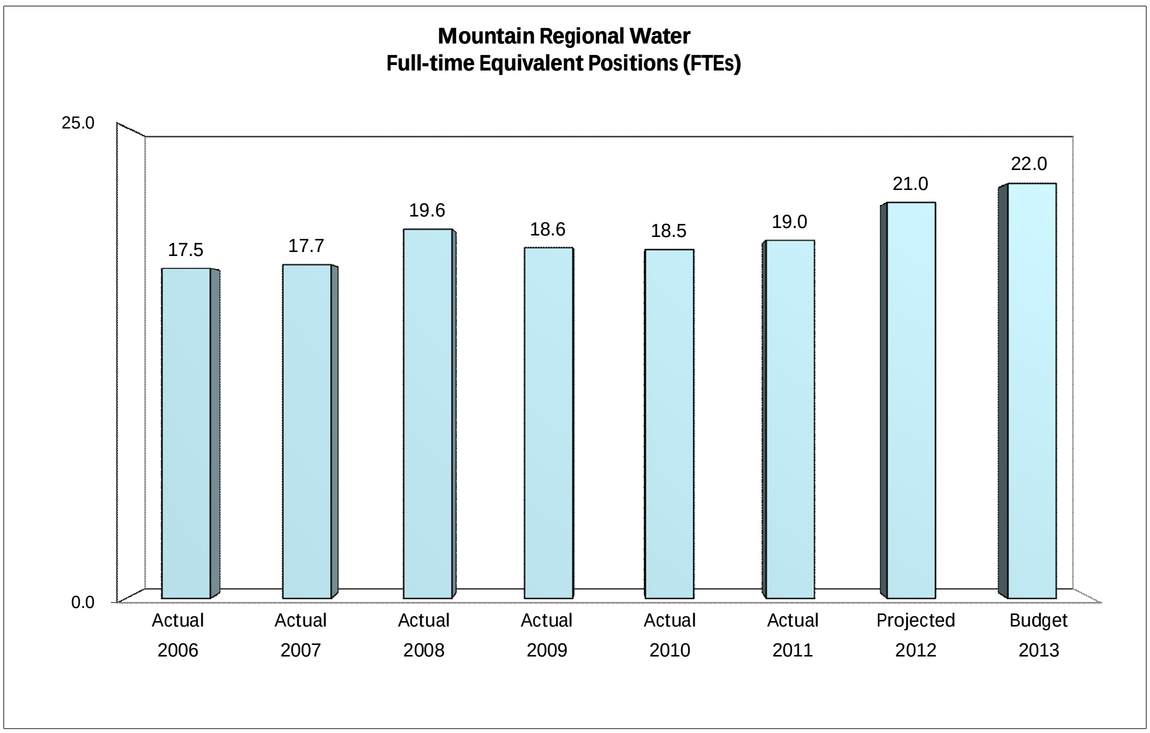
As discussed in **Section 1.4** above and shown below, the District anticipates producing three times more water through Lost Canyon in 2013 than it did in 2011; as Park City wheels more water through Lost Canyon, and the District continues to shut down small inefficient wells – which will be offset by higher Lost Canyon production. The Lost Canyon project is now the major source of water for the Snyderville Basin.



As such, the Lost Canyon booster station will operate more on a full-time basis; and the District will need to monitor pumping schedules very closely in order to reduce the need to pump water during the times of day when higher peak power rates are in effect. In 2012, the District avoided pumping during peak hours the entire summer; saving the District roughly $100,000. Additional manpower and the acquisition of backup pump motors will also allow the District to make repairs to the booster station quicker, and to keep on top of maintenance.

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

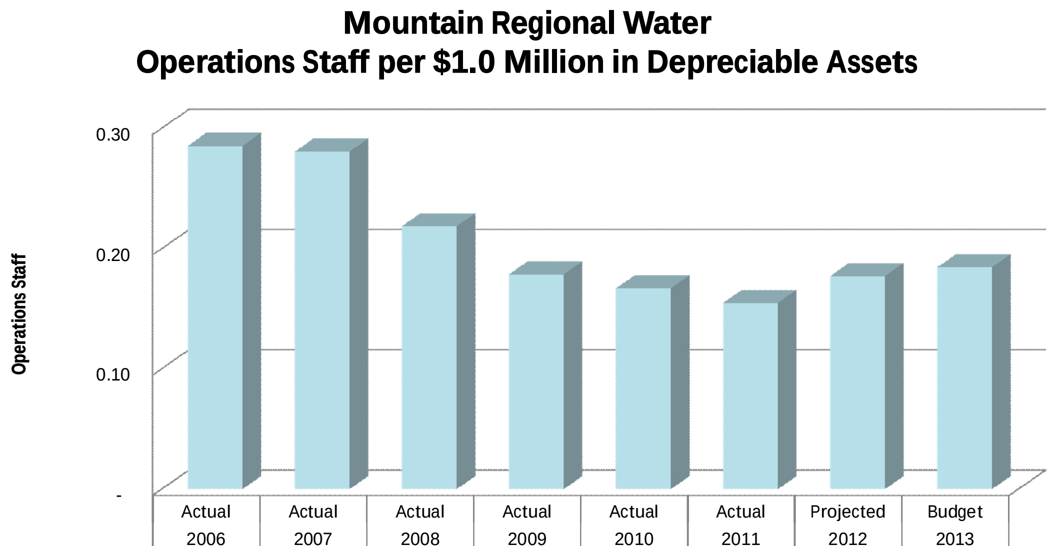
A history of the District's full-time equivalent positions (FTEs) is shown in the chart below. As it shows, FTEs declined between 2008 and 2011 as a vacant position was not filled; before increasing in 2012 and 2013 due to the new operators and summer help.



The District fell behind on maintenance from 2009 to 2011; as cool wet weather and the economic downturn caused a decline in revenue, leading to mid-year budget cuts. The Summit County Council approved rate increases effective August 2011 and August 2012 – in part to help the District catch up on deferred maintenance over the next two years – rather than falling further behind.

With the additional operations staff and part-time summer help, the District's number of operators per $1.0 million of depreciable assets for 2012 and 2013 will return the District to its 2009 level as shown below. Declining revenue delayed the hiring of additional operators in 2010 and 2011 that were needed to maintain additional infrastructure. This drop caused the District to start falling behind on deferred maintenance.

As planned, the District made notable progress on deferred maintenance in 2012. The District plans on adding another operator in 2013 to continue making progress on deferred maintenance.



	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Actual 2010	Actual 2011	Projected 2012	Budget 2013
Operations Staff	0.29	0.28	0.22	0.18	0.17	0.15	0.18	0.18

The current 0.18 operators per $1.0 million of depreciable assets for 2012 and 2013 is significantly less than the pre-2009 levels; but is sufficient to keep the District's operations and deferred maintenance programs at adequate levels.

The District is currently able to operate with fewer FTEs per $1.0 million of depreciable assets than during the pre-2009 period, despite the need to provide more manpower at Lost Canyon, due to the increased use of technology and the reorganization of the operations staff.

Since 2006, the number of FTEs has increased by 25.0% - while during the same period *Operating Revenue* increased 47.3%. The ratio of District FTEs to operating revenue has generally declined since 2008 – which demonstrates staff is not growing as fast as operating revenue.

1.13 Compensation

If approved, the proposed 2013 changes in salary and wages, along with the changes in the cost of health insurance and other benefits, will result a District personnel budget for 2013 that is ***$99,400 or 5.7% less*** than was actually paid for personnel in 2011; excluding the new positions added in 2012 and 2013. This decline is the result of the District joining the county's health insurance pool, and reflects a reduction in cost to the District for existing staff from 2011. None of these savings were passed onto District employees in the form of higher pay or benefits. This $99,400 decline would have been higher if not for higher Utah State Retirement rates.

Some of the decline in health premium costs to the District since 2011 is the result of increasing co-pays, deductibles, and out-of-pocket maximums for employees' health care coverage. Further, as discussed below in **Section 1.14**, the District intends to start charging all insured employees a portion of their health insurance premiums for the first time starting in 2013. The District will utilize a portion of the related savings to help mitigate the initial impact on employees.

When the 1.5 FTEs the District added to operations in 2012 and the additional 1.0 FTE proposed for operations in 2013 are included, budgeted personnel costs for 2013 are projected to be $91,000 or 5.3% more than was actually paid in 2011 – which is a modest 2.65% per year.

The District budget includes an average net **2.54% *pay increase*** for 2013; including a 2.0% COLA and an average 1.5% MERIT. However, when the increased employee co-pays, deductibles, and out-of-pocket maximums for health coverage are taken into account, the actual average net pay increase to employees is 2.54%.

Pay Increases

Year	Consumer Price Index: Index	Consumer Price Index: % Change	Across-the Board Pay Increases: Across-the-Board COLA/MARKET	Across-the Board Pay Increases: Average Merit	Across-the Board Pay Increases: Total	Cost with Benefits
2010	218.056	1.6%	0.0%	0.0%	0.0%	
2011	224.939	3.2%	0.0%	0.0%	0.0%	
2012 (1)	232.593	3.4%	0.0%	2.0%	2.0%	
Total Since 2010 (compounded)		**8.4%**	**0.0%**	**2.0%**	**2.00%**	
2013 Pay Increase Recommendation			**2.0%**	**1.5%**	**3.50%**	**$ 56,000**
Impact of Health Benefit Coverage Reductions					**-0.96%**	**$ (15,400)**
Net Increase to Employees					**2.54%**	**$ 40,600**

(1) - The 2012 CPI pro-rates the first ten months of 2012 over twelve months.

The proposed 2013 pay increase takes into account the level of pay increases the past three years, the consumer price index (CPI) over that same period, and the fact that Summit County gave its employees up to a 3.0% increase last year, while the District gave 2.0%. The proposed increase also considers the improved financial condition of the District.

As shown above, the CPI has increased 8.4% since 2010, while District across-the-board pay increases totaled just 2.0% in MERIT during a time when co-pays, deductibles, and out-of-pocket maximums for health services were increased.

1.14 Sharing Health Insurance Premium Costs with Employees

District employees will be required to pay more for health insurance for 2013.

Currently, the District pays the full health insurance premiums for all employees, except for those on the most costly plan. If this remained the case for 2013, the cost to the District for increased health premiums would be 8.74% or $20,700; even after increasing co-pays, deductibles, and out-of-pocket savings for employees.

This 2013 budget assumes employees will pay 5% of all health premiums in 2013, regardless of which plan each employee selects.

The long-term plan is for employees to pay 10% of all health premiums starting in 2014, with the opportunity to reduce this to 5% through participation in a wellness program (smokers would pay 5% more). The wellness program and its related premium credits was originally planned to start in 2013. However, the county insurance pool consultant indicated the District did not have enough time to implement the program for 2013.

The proposed wellness program includes measuring five biometric health targets such as:

(1) Cholesterol Level,
(2) Blood Sugar,
(3) Body Mass Index,
(4) Waist Size, and
(5) Blood Pressure.

2.0 2013 OPERATING BUDGET

2.1 Summary

As shown below, projected 2013 *Net Income after Transfers* is $302,800 on an accrual basis.

MOUNTAIN REGIONAL WATER
2013 Operating Budget - Accrual Basis
Enterprise Fund

	2011 Actual	2012 Adopted Budget	2012 Projected	2013 Control Board Recommended	2013 Recommend to 2012 Adopted	2013 Recommend to 2012 Projected
OPERATING REVENUE						
Water Sales	$ 4,897,483	$ 5,430,800	$ 5,968,900	$ 6,215,100	$ 784,300	$ 246,200
Park City Wheeling	218,887	588,100	440,000	572,000	(16,100)	132,000
Stagecoach Assessments	213,903	170,000	170,000	178,400	8,400	8,400
Operating Fees	151,616	148,500	143,200	144,500	(4,000)	1,300
Other	15,527	15,000	205,000	10,000	(5,000)	(195,000)
Total Operating Revenue	**5,497,416**	**6,352,400**	**6,927,100**	**7,120,000**	**767,600**	**192,900**
OPERATING EXPENSES						
Operations						
Energy & Resource Management	292,520	330,800	354,800	346,900	16,100	(7,900)
Lost Canyon Transmission	1,052,059	1,493,000	1,193,600	1,374,400	(118,600)	180,800
Treatment Plant	111,103	458,400	585,400	452,600	(5,800)	(132,800)
Distribution	1,516,033	1,621,600	1,704,600	1,865,900	244,300	161,300
Safety	20,920	26,600	26,600	25,600	(1,000)	(1,000)
General Manager						
Engineering & Development	88,197	91,300	88,200	93,600	2,300	5,400
Human Resources	21,442	35,200	35,200	46,800	11,600	11,600
Legal Services	18,180	50,000	20,000	30,000	(20,000)	10,000
Public Services	391,692	341,800	341,800	348,800	7,000	7,000
Financial Management	201,158	219,000	213,500	231,300	12,300	17,800
Depreciation Expense	1,359,634	1,404,900	1,435,000	1,470,300	65,400	35,300
Total Operating Expense	**5,072,938**	**6,072,600**	**5,998,700**	**6,286,200**	**213,600**	**287,500**
OPERATING INCOME (LOSS)	**424,478**	**279,800**	**928,400**	**833,800**	**554,000**	**(94,600)**
NON-OPERATING REVENUE						
Interest Earnings - Available for Debt Service	152,710	154,600	90,200	30,600	(124,000)	(59,600)
Interest Earnings - Not Available for Debt Service	452	400	600	500	100	(100)
Impact Fees	242,285	230,000	160,000	230,000	-	70,000
Assessments	453,020	500,000	500,000	790,000	290,000	290,000
Cash Grants	-	-	-	-		
Other Cash Non-operating Revenue	5,124	38,000	8,100	10,000	(28,000)	1,900
Non-Cash Non-operating Revenue	11,667	11,700	35,900	53,200	41,500	17,300
Total Non-Operating Revenue	**865,258**	**934,700**	**794,800**	**1,114,300**	**179,600**	**319,500**
NON-OPERATING EXPENSE						
Interest Expense/Bank Fees	1,890,340	1,938,700	1,734,500	1,573,300	(365,400)	(161,200)
Amortization Expense	98,726	77,900	77,900	72,000	(5,900)	(5,900)
Total Non-Operating Expense	**1,989,066**	**2,016,600**	**1,812,400**	**1,645,300**	**(371,300)**	**(167,100)**
NON-OPERATING INCOME (LOSS)	**(1,123,808)**	**(1,081,900)**	**(1,017,600)**	**(531,000)**	**550,900**	**486,600**
NET INCOME (LOSS) BEFORE TRANSFERS	**(699,330)**	**(802,100)**	**(89,200)**	**302,800**	**1,104,900**	**392,000**
TRANSFERS						
Contingency	-	-	-	-	-	-
Governmental Transfers	1,353,531	-	-	-	-	-
Contributions in Aid of Construction	722,212	-	173,200	-	-	(173,200)
NET TRANSFERS	**2,075,743**	**-**	**173,200**	**-**	**-**	**(173,200)**
NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)	**$ 1,376,413**	**$ (802,100)**	**$ 84,000**	**$ 302,800**	**$ 1,104,900**	**$ 218,800**

If non-cash *Depreciation, Amortization, and other non-cash items* are excluded, the District anticipates it will generate $828,800 in cash from operations in 2013, as discussed above in **Section 1.9** above.

The District's 2013 *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

2.2 Operating Revenue

The District is projecting 2013 *Operating Revenue* of just over $7.1 million, which is 2.8% or $192,900 more than is projected for 2012, as shown below.

Operating Revenue

	2011 Actual	2012 Adopted Budget	2012 Projection	2013 Control Board Recommended	2013 Recommended to 2012 Projection $ Change	2013 Recommended to 2012 Projection % Change
Water Sales	$ 4,897,483	$ 5,430,800	$ 5,968,900	$ 6,215,100	$ 246,200	*4.1* %
Park City Wheeling Fees	218,887	588,100	440,000	572,000	132,000	*30.0*
Stagecoach Assessments	213,903	170,000	170,000	178,400	8,400	*4.9*
Operating Fees	151,616	148,500	143,200	144,500	1,300	*0.9*
Other	15,527	15,000	205,000	10,000	(195,000)	*(95.1)*
Total Operating Revenue	**$ 5,497,416**	**$ 6,352,400**	**$ 6,927,100**	**$ 7,120,000**	**$ 192,900**	**2.8 %**

An increase of $246,200 is projected for 2013 *Water Sales* as the August 2012 rate increase will be in effect for an entire year. This rate increase is projected to be partially offset by the assumption of a return to normal weather in 2013.

Park City Wheeling Fees are estimated to increase by $132,000 as Park City anticipates wheeling more water in 2013. Less water was wheeled in 2012 because Park City's new treatment plant was not operational until late spring. The increased collections from Park City will be completely offset by increased operating expenses incurred by the District, including power costs.

The reason for $195,000 projected decline for *Other Revenue* is the District received a $190,676 one-time insurance reimbursement in 2012.

For 2012, *Operating Revenue* is projected to exceed budget by $574,700, as discussed in **Section 1.11** above. This is the result of the hot, dry weather; and the $190,676 unbudgeted one-time insurance reimbursement provided through Summit County. Without this reimbursement, 2012 *Operating Revenue* is projected to be $384,024 or 6.0% above budget.

2.3 Operating Expense

The 2013 *Operating Expense* budget is $213,600 or 3.5% higher than for 2012 as shown below. The addition of one additional operator, the depreciation of new assets, and the funding for additional repair and deferred maintenance are the main factors in the overall increase.

Excluding non-cash *Depreciation Expense*, *Operating Expense* is projected to increase $148,200 or 3.2%.

Mountain Regional Water
Operating Expense Summary

	2011 Actual	2012 Adopted Budget	2012 Projection	2013 Control Board Recommended	2013 Recommended to 2012 Budget $ Change	2013 Recommended to 2012 Budget % Change
Operations						
Energy & Resource Management	$ 292,520	$ 330,800	$ 354,800	$ 346,900	$ 16,100	
Lost Canyon Transmission	1,052,059	1,493,000	1,193,600	1,374,400	(118,600)	
Treatment Plant	111,103	458,400	585,400	452,600	(5,800)	
Distribution	1,516,033	1,621,600	1,704,600	1,865,900	244,300	
Safety	20,920	26,600	26,600	25,600	(1,000)	
Subtotal Operations	**2,992,635**	**3,930,400**	**3,865,000**	**4,065,400**	**135,000**	***3.4*** %
General Manager						
Engineering & Development	88,197	91,300	88,200	93,600	2,300	
Human Resources	21,442	35,200	35,200	46,800	11,600	
Legal Services	18,180	50,000	20,000	30,000	(20,000)	
Public Services	391,692	341,800	341,800	348,800	7,000	
Financial Management	201,158	219,000	213,500	231,300	12,300	
Subtotal Other Departments	**720,669**	**737,300**	**698,700**	**750,500**	**13,200**	***1.8*** %
Depreciation Expense (non-cash)	**1,359,634**	**1,404,900**	**1,435,000**	**1,470,300**	**65,400**	***4.7*** %
Total Operating Expense	**$ 5,072,938**	**$ 6,072,600**	**$ 5,998,700**	**$ 6,286,200**	**$ 213,600**	***3.5*** **%**
Total (excluding Depreciation Expense)	**$ 3,713,304**	**$ 4,667,700**	**$ 4,563,700**	**$ 4,815,900**	**$ 148,200**	**3.2 %**

The 2013 *Operations* budget is $135,000 or 3.4% higher than for 2012. For the *Other Departments* not included in *Operations*, the 2013 budget is $13,200 or 1.8% more than for 2012.

For 2012, cash *Operating Expenses* are now projected to be $73,900 under budget even though the District performed more deferred maintenance than anticipated. The District accomplished this by using the savings generated from avoiding higher peak power pumping rates at the Lost Canyon Booster Station.

2.4 Non-operating Revenue

The District's 2013 *Non-operating Revenue* budget is $319,500 more than projected for 2012, as shown below.

For 2013, the contractually required SID *Assessment* payments from the Promontory developer increase $290,000. It is also projected that impact fee collections will return to 2009 to 2011 levels, after falling in 2012.

Non-operating Revenue

	2011 Actual	2012 Adopted Budget	2012 Projection	2013 Control Board Recommended	2013 Recommended to 2012 Projection $ Change	2013 Recommended to 2012 Projection % Change
Interest Earnings - Available for Debt Service	$ 152,710	$ 154,600	$ 90,200	$ 30,600	$ (59,600)	*(66.1)*
Interest Earnings - Not Available for Debt Service	452	400	600	500	(100)	*(16.7)*
Impact Fees	242,285	230,000	160,000	230,000	70,000	*43.8*
Assessments	453,020	500,000	500,000	790,000	290,000	*58.0*
Cash Grants	-	-	-	-	-	*n/a*
Other Cash Non-operating Revenue	5,124	38,000	8,100	10,000	1,900	*23.5*
Non-Cash Non-opeating Revenue	11,667	11,700	35,900	53,200	17,300	*48.2*
Total Non-operating Revenue	**$ 865,258**	**$ 934,700**	**$ 794,800**	**$ 1,114,300**	**$ 319,500**	**40.2** %

On the other hand, *Interest Earnings* will be lower as the $3.0 million debt reserve that earned $135,000 annually was used to reduce the par amount of the Series 2012 refunding bonds. Reducing the par amount of the Series 2012 bonds reduced *Interest Expense* by $250,000 more than the related decline in *Interest Earnings* for the next several years.

A debt reserve for the Series 2012 bonds were not required because of the District's current "A+/AA-" bond rating, compared to "BBB' when the Series 2003 bonds were issued; and the establishment of the rate stabilization fund.

2.5 Non-operating Expense

Non-operating Expense consists of *Interest Expense / Bank Fees* and the non-cash *Amortization Expense* of bond issuance costs over the duration of the related bonds. The 2013 *Non-operating Expense* is $371,300 less than for the 2012 budget as a result of refinancing of the Series 2003 bonds with the Series 2012 refunding bonds that had a much lower interest rate.

Non-operating Expense

	2011 Actual	2012 Adopted Budget	2012 Projection	2013 Control Board Recommended	2013 Recommended to 2012 Budget $ Change	2013 Recommended to 2012 Budget % Change
Interest Expense / Bank Fees	$ 1,890,340	$ 1,938,700	$ 1,734,500	$ 1,573,300	$ (365,400)	*(18.8)*
Amortization Expense	98,726	77,900	77,900	72,000	(5,900)	*(7.6)*
Total Non-operating Expense	**$ 1,989,066**	**$ 2,016,600**	**$ 1,812,400**	**$ 1,645,300**	**$ (371,300)**	***(18.4)*** %

Although the Series 2012 bond refunding discussed in **Section 1.5** above will reduce the District's annual *Interest Expense* by $385,000 the next few years; the refunding utilized the $3.0 million debt reserve from the Series 2003 bonds to reduce the par amount of the Series 2012 refunding bond. This debt reserve earned $135,000 per year – meaning the net savings from the refinancing is $250,000 annually for the next several years.

The full $385,000 in *Interest Expense* savings from the Series 2012 bond refunding is reflected above; while the $135,000 decline in *Interest Earnings* is reflected under the *Non-Operating Revenue* budget discussed in **Section 2.4** above.

Interest Expense as a whole did not decline quite as much as the savings from the Series 2012 bond refunding because a new state loan was issued that will increase 2013 interest expense slightly.

2.6 Transfers

Although the District may receive subdivision infrastructure donations from developers in 2013, no amount is budgeted since the value of the potential *Contributions-in-Aid of Construction* is not known.

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.

Transfers

	2011 Actual	2012 Adopted Budget	2012 Projection	2013 Control Board Recommended	2013 Recommended to 2012 Projection $ Change	2013 Recommended to 2012 Projection % Change
Contingency	$ -	$ -	$ -	$ -	$ -	
Governmental Transfers	1,353,531	-	-	-	-	
Contributions in Aid of Construction	722,212	-	173,200	-	(173,200)	
Total Transfers	**$ 2,075,743**	**$ -**	**$ 173,200**	**$ -**	**$ (173,200)**	***(100.0)*** %

The large transfers shown above for 2011 include nearly $1.4 million of assets Weber Basin donated to the District for the Lost Canyon project; and $722,212 for the transfer of water system assets by developers.

3.0 2013 DEBT SERVICE BUDGET

For 2013, the District projects a debt coverage ratio of 1.36 when only parity revenue bonds are included. As discussed in **Section 1.8** above, this ratio is required to meet or exceed 1.25 to comply with bond covenants. However, it is good practice to budget to meet or exceed the 1.25 requirement when all bonds, including subordinated debt, are included. For 2013, this ratio is projected to be 1.33.

MOUNTAIN REGIONAL WATER		
2013 Debt Service Budget - Cash Basis		
(Excludes Rate Stabilzation Fund)		
		2013 Control Board
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$	833,800
Add Back Depreciation		1,470,300
Add in Interest Available for Debt Service		30,600
Add In Impact Fees		230,000
Add In SID Assessments		790,000
Add in Other Non-operating Income		10,000
Total Available For Debt Service	**$**	**3,364,700**
TOTAL DEBT COVERAGE		
Required Coverage Principal	$	958,100
Required Coverage Interest/Bank Fees		1,577,800
Total Required Debt Service		**2,535,900**
Debt Service X 1.25	**$**	**3,169,900**
Required Debt Coverage Ratio		**1.33**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	$	945,000
Parity Bond Interest		1,521,400
Total Parity Debt Service		**2,466,400**
Debt Service X 1.25	**$**	**3,083,100**
Parity Debt Coverage Ratio		**1.36**
Total Cash Generated from Operations	**$**	**828,800**
Appropriation to Capital Facilities Repair & Replacement Funds	$	563,800
Appropriation to Treatment Plant Sinking Fund		65,000
To Bring Operating Reserves to Level Outlined in District Policy		200,000
Total Cash Appropriations	**$**	**828,800**
Unallocated Portion of Cash Increase	**$**	**-**

A 1.33 projected coverage ratio would result in an $828,800 increase in cash in 2013, excluding capital projects. This increase in cash will be allocated as shown at the bottom of the table above.

These ratios do not include the rate stabilization fund in 2013, 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 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.

Due to increasing debt service payments, as discussed above in **Section 1.7**; it is projected the debt coverage ratio will be close to 1.25 by 2014; unless a strong rebound in the housing market occurs soon.

4.0 CAPITAL BUDGET

The District is requesting $1.03 million in new capital spending authorization, as shown below – which is $547,500 or 35.0% less than authorized in 2012.

One-third of the new request for funding ($365,000) is for continuation of the Summit Park project 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.

The other requests include:

1) $94,200 in 2013 for the "Green Projects" authorized in the 2012 budget. When the budget was developed in 2012, the estimated bond amount was $1.15 million; while the actual bond amount later approved by the Summit County Council was $1.278 million (less $33,800 in closing costs).
2) $125,000 in 2012 to increase pumping capacity in the Northridge area, including redundancy;
3) $213,100 in 2013 for capitalized personnel costs; and
4) $235,000 in 2013 for small projects & equipment (the District priority list exceeds $500,000).

Except for the "Green Projects" that will be funded from a state loan, these items will be paid for with funds generated from the 25% additional coverage requirement for 2012 and previous years, including the high summer water sales resulting from the hot, dry weather in 2012.

Mountain Regional Water
Capital Budget

	2012 Adopted Budget	2012 Projected Actual	2012 Budget Savings	2012 Savings Carryover	Control Board Recommended Increases	2013 Total Budget	2012 & 2013 Total Budget
CASH SOURCES							
State Loan					$ 94,200		
Carryover Cash and Capital Reserves					938,100		
TOTAL SOURCES					**$ 1,032,300**		
CASH USES							
State Loan Funded							
Green Power Projects	$ 1,150,000	$ 700,000	$ 450,000	$ 450,000	$ 94,200	$ 544,200	$ 1,244,200
Subtotal	**1,150,000**	**700,000**	**450,000**	**450,000**	**94,200**	**544,200**	**1,244,200**
MRW Funded							
Completed Projects	53,293	53,293	-	-	-	-	53,293
Northridge Pumping Capacity	-	-	-	-	125,000	125,000	125,000
Summit Park Restoration with Summit County	-	-	-	-	365,000	365,000	365,000
Capitalized Personnel Costs	213,100	201,400	11,700	-	213,100	213,100	414,500
Other Improvements & Equipment	276,300	276,300	-	-	235,000	235,000	511,300
Contingency	46,833	46,833	-	-	-	-	46,833
Total Capital Projects - MRW Funded	**589,526**	**577,826**	**11,700**	**-**	**938,100**	**938,100**	**1,515,926**
TOTAL USES	**$ 1,739,526**	**$ 1,277,826**	**$ 461,700**	**$ 450,000**	**$ 1,032,300**	**$ 1,482,300**	**$ 2,760,126**

Colony Developer Funded Pumping Capacity Increase	**$ 250,000**	

The District will also spend $250,000 in funds provided directly from the Colony developer to increase pumping capacity to that development.

5.0 2012 BUDGET AMENDMENTS

5.1 2012 OPERATING BUDGET

No amendments are needed for 2012 since there are no required expense budget increases. The table below shows the projected 2012 financial results compared to the 2012 Adopted Budget.

MOUNTAIN REGIONAL WATER
2012 Amended Operating Budget - Accrual Basis
Enterprise Fund

	2011 Actual	2012 Adopted Budget	2012 Projection	2012 Projection to Adopted
OPERATING REVENUE				
Water Sales	$ 4,897,483	$ 5,430,800	$ 5,968,900	$ 538,100
Park City Wheeling	218,887	588,100	440,000	(148,100)
Stagecoach Assessment	213,903	170,000	170,000	-
Operating Fees	151,616	148,500	143,200	(5,300)
Contract Maintenance	-	-	-	-
Other	15,527	15,000	205,000	190,000
Total Operating Revenue	**5,497,416**	**6,352,400**	**6,927,100**	**574,700**
OPERATING EXPENSES				
Operations Management				
Energy & Resource Management	292,520	330,800	354,800	24,000
Distribution	1,516,033	1,621,600	1,704,600	83,000
Lost Canyon Transmission	1,052,059	1,493,000	1,193,600	(299,400)
Treatment Plant	111,103	458,400	585,400	127,000
Safety	20,920	26,600	26,600	-
General Manager				-
Engineering & Development	88,197	91,300	88,200	(3,100)
Human Resources	21,442	35,200	35,200	-
Legal Services	18,180	50,000	20,000	(30,000)
Public Services	391,692	341,800	341,800	-
Financial Management	201,158	219,000	213,500	(5,500)
Depreciation Expense	1,359,634	1,404,900	1,435,000	30,100
Total Operating Expense	**5,072,938**	**6,072,600**	**5,998,700**	**(73,900)**
OPERATING INCOME (LOSS)	**424,478**	**279,800**	**928,400**	**648,600**
NON-OPERATING REVENUE				
Interest Earnings - Available for Debt Service	152,710	154,600	90,200	(64,400)
Interest Earnings - Not Available for Debt Service	452	400	600	200
Impact Fees	242,285	230,000	160,000	(70,000)
Assessments	453,020	500,000	500,000	-
Cash Grants	5,124	38,000	8,100	(29,900)
Other Cash Non-operating Revenue	11,667	11,700	35,900	24,200
Non-Cash Non-operating Revenue	-	-	-	-
Total Non-operating Revenue	**865,258**	**934,700**	**794,800**	**(139,900)**
NON-OPERATING EXPENSE				
Interest Expense/Bank Fees	1,890,340	1,938,700	1,734,500	(204,200)
Amortization Expense	98,726	77,900	77,900	-
Total Non-operating Expense	**1,989,066**	**2,016,600**	**1,812,400**	**(204,200)**
NON-OPERATING INCOME (LOSS)	**(1,123,808)**	**(1,081,900)**	**(1,017,600)**	**64,300**
NET INCOME (LOSS) BEFORE TRANSFERS	**(699,330)**	**(802,100)**	**(89,200)**	**712,900**
TRANFERS				
Contingency	-	-	-	-
Governmental Transfers	1,353,531	-	-	-
Contributions in Aid of Construction	722,212	-	173,200	173,200
NET TRANSFERS	**2,075,743**	**-**	**173,200**	**173,200**
NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)	**$ 1,376,413**	**$ (802,100)**	**$ 84,000**	**$ 886,100**

For 2012, *Net Income after Transfers* is projected to be $84,000 – which is much better than budget. As discussed above, the main reasons for this positive variance is:

1) the hot, dry weather;
2) the Series 2012 bond refunding;
3) the $190,676 insurance reimbursement; and
4) power cost savings as the District managed its pumping production in 2012 so that it did not need to pay any higher on-peak rates during the hot, dry summer.

5.2 2012 DEBT SERVICE BUDGET

The 2012 *Debt Service Budget* projected a 1.25 parity debt coverage ratio. It is now projected this ratio will be 1.55. This increase is due mostly to the hot, dry summer weather; while the Series 2012 bond refunding also contributed.

MOUNTAIN REGIONAL WATER
2012 Debt Coverage Calculation - Cash Basis
(Excludes Rate Stabilzation Fund)

	2012 Budget	2012 Projection
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$ 279,800	$ 928,400
Add Back Depreciation	1,404,900	1,435,000
Add in Interest Available for Debt Service	154,600	90,200
Add In Impact Fees	230,000	160,000
Add In SID Assessments	500,000	500,000
Add in Other Non-operating Income	38,000	8,100
Deduct One-time Revenue	-	(190,675)
Total Available For Debt Service	**2,607,300**	**2,931,025**
TOTAL DEBT COVERAGE		
Required Coverage Principal	247,800	201,000
Required Coverage Interest/Bank Fees	1,938,700	1,750,400
Total Required Debt Service	**2,186,500**	**1,951,400**
Debt Service X 1.25	**2,733,200**	**2,439,300**
Required Debt Coverage Ratio	**1.19**	**1.50**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	209,700	187,900
Parity Bond Interest	1,875,800	1,704,700
Total Parity Debt Service	**2,085,500**	**1,892,600**
Debt Service X 1.25	**2,606,900**	**2,365,800**
Parity Debt Coverage Ratio	**1.25**	**1.55**