



**MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT**

2018 BUDGET

And

2017 AMENDED BUDGET

December 6, 2017

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1.0 2017 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 living within the District. Since its creation numerous small water companies and new developments joined the District.

The District currently has over 3,700 customers using water and about 1,600 additional lots on standby. In addition, construction recently started on Silver Creek Village, a multi-use development with approval for over 1,000 new units (of which 376 are part of the 1,600 standby lots mentioned above).

The District also wheels up to 2,900 acre-feet of raw water annually to Park City; and entered into an MOU to sell Summit Water 800 acre-feet of surplus culinary water in 2018 under the Weber Basin regionalization agreement. These two wholesale contracts now account for almost 50% of the District's water production.

1.02 District Budgets

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

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

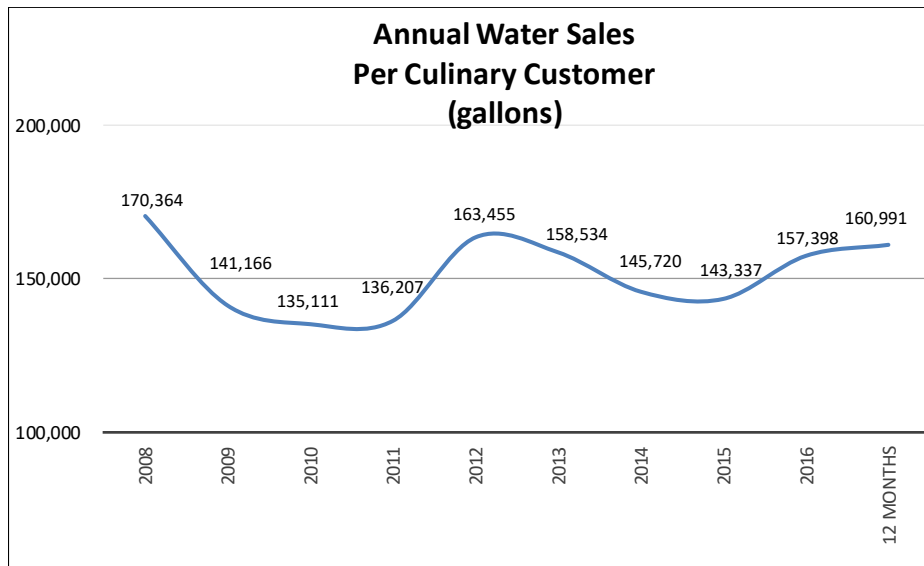
This budget includes interest expense on debt (see *Debt Service Budget* below), and the depreciation of capital assets (see *Capital Budget* below). However, it does not include debt proceeds or the upfront cost of capital equipment and projects; or principal payments on debt.

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

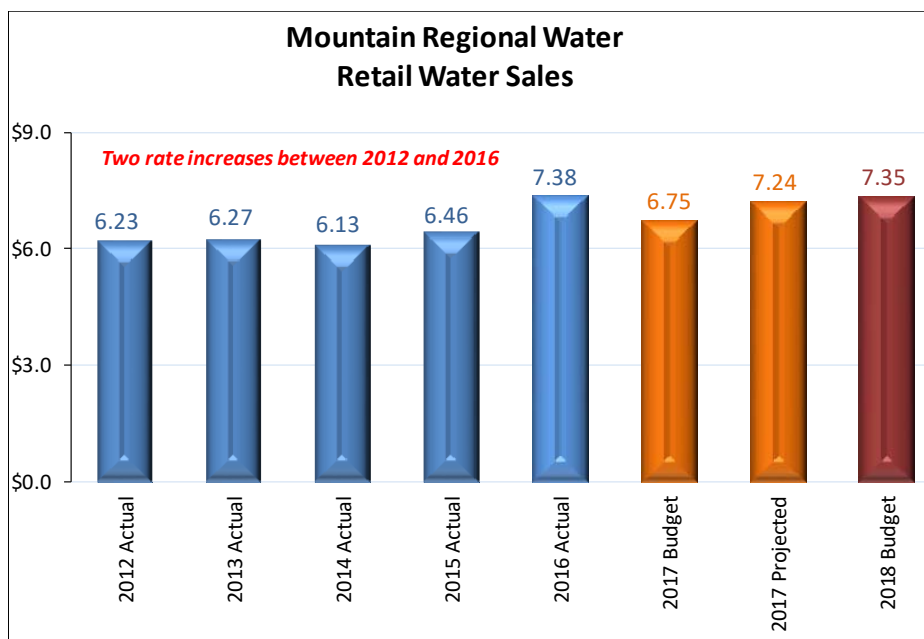
Capital Budget – This project “cash based” budget includes capital equipment, water system infrastructure, buildings, and water rights costing \$5,000 or more. These budgets remain in effect over the life of a project rather than a calendar year. Its cash sources typically include debt proceeds, grants,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

1.03 Retail Water Consumption Rebounded in 2016 and 2017

As shown below, average District culinary consumption per customer the past twelve months was 160,991 gallons, compared to 157,398 gallons for 2016, a 2.3% increase. Due to hot dry summer weather during 2017, the District experienced the highest consumption per customer since 2012.



Due to this higher consumption, it is now projected 2017 retail water sales will be \$7.24 million – which is \$486,100 (7.2%) above initial budget projections, as shown below.



There is more variance in District retail water sales than consumption due to conservation water rates, as water usage charges increase significantly as more water is consumed. This results in a higher average charge per 1,000 gallons when more water is consumed during hot dry weather.

The 2018 retail water sales forecast of \$7.35 million is based on six-year average monthly consumption by customer as determined by a 2017 study. The study should not only lead to more accurate forecasts moving forward, it also provided two other key pieces of information.

First, if the 2016 waters rates and number of customers are applied to the actual monthly usage over a six year period between 2011 and 2016, the District’s annual retail water sales would have varied by nearly \$1.04 million between the hottest driest weather year and the coolest wettest weather year over that period. This is shown below by customer type.

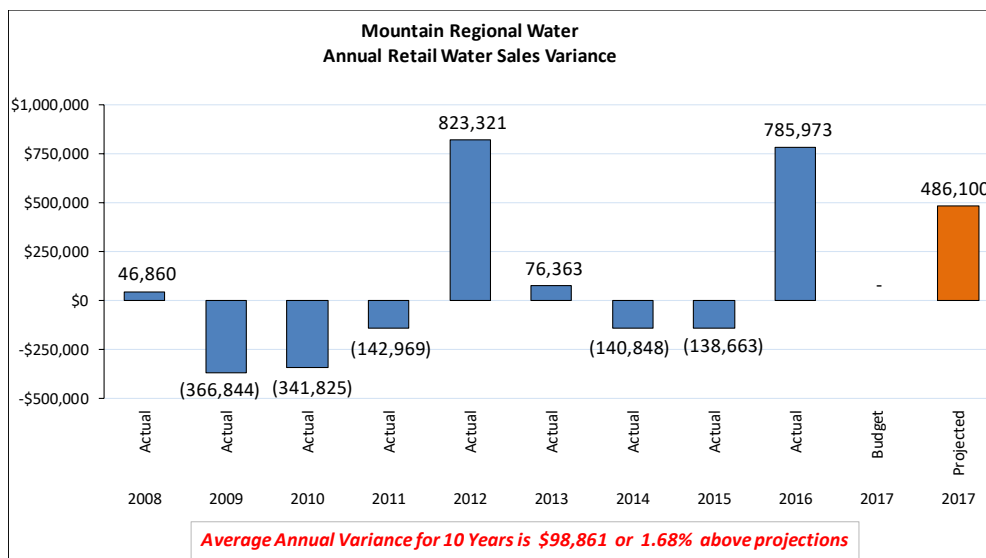
Customer Type	Total Retail Water Sales - 2011 to 2016						
	2016 Units	Average	Low	High	Difference High Over Low	Percent High to Low	Percent of Total
Residential	3,298	\$ 4,648,089	\$ 4,354,129	\$ 5,189,794	\$ 835,665	19.2%	65.3%
Irrigation	59	645,681	526,391	724,987	198,596	37.7%	15.5%
Non-Bulk Wholesale	42	271,874	206,332	348,817	142,485	69.1%	11.1%
Non-Residential	140	754,253	702,694	806,304	103,611	14.7%	8.1%
Stagecoach Infrastructure	n/a	156,491	156,491	156,491	-	0.0%	0.0%
Standby Fees	1,697	773,435	773,435	773,435	-	0.0%	0.0%
Total Retail Water Sales	5,236	7,249,822	6,811,761	7,847,685	1,035,924 *	15.2%	100.0%

* The "Difference" column foots across the "Total Retail Water Sales" row; but not down the "Difference" column since the lowest and highest water sales years were different across customer types. This also impacts the "Percent of Total" column.

Residential users – who represent 60.3% of customers - accounted for \$835,665 (65.3%) of the largest annual variance in retail water sales due to weather between 2011 and 2016, a 19.2% swing. Although irrigation sales varied 37.7%, the dollar variance was just \$198,596 between the hottest driest year and the coolest wettest year since there are only 59 irrigation accounts.

Non-bulk wholesale users had the largest percentage sales variance at 69.1% (\$142,485), but there are only 42 customers. Non-bulk wholesale sales include construction, snowmaking, and bobsled ice making water that is not impacted by summer weather. As such, these users' highest and lowest water sales years differed from all the other customer types.

Since the District includes a \$150,000 to \$200,000 contingency in its annual retail water sales projections, it has more potential upside in sales than downside risk, as shown below.

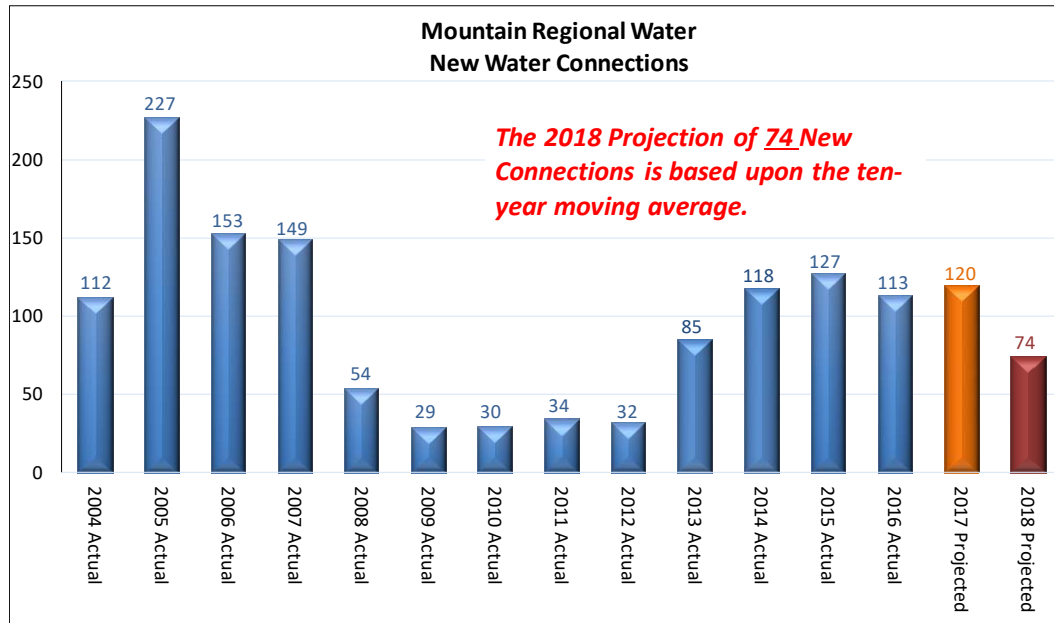


The second piece of information provided by the study is the District's base budget for retail water sales for 2016 and 2017 was \$300,000 too low. This is corrected in the 2018 budget.

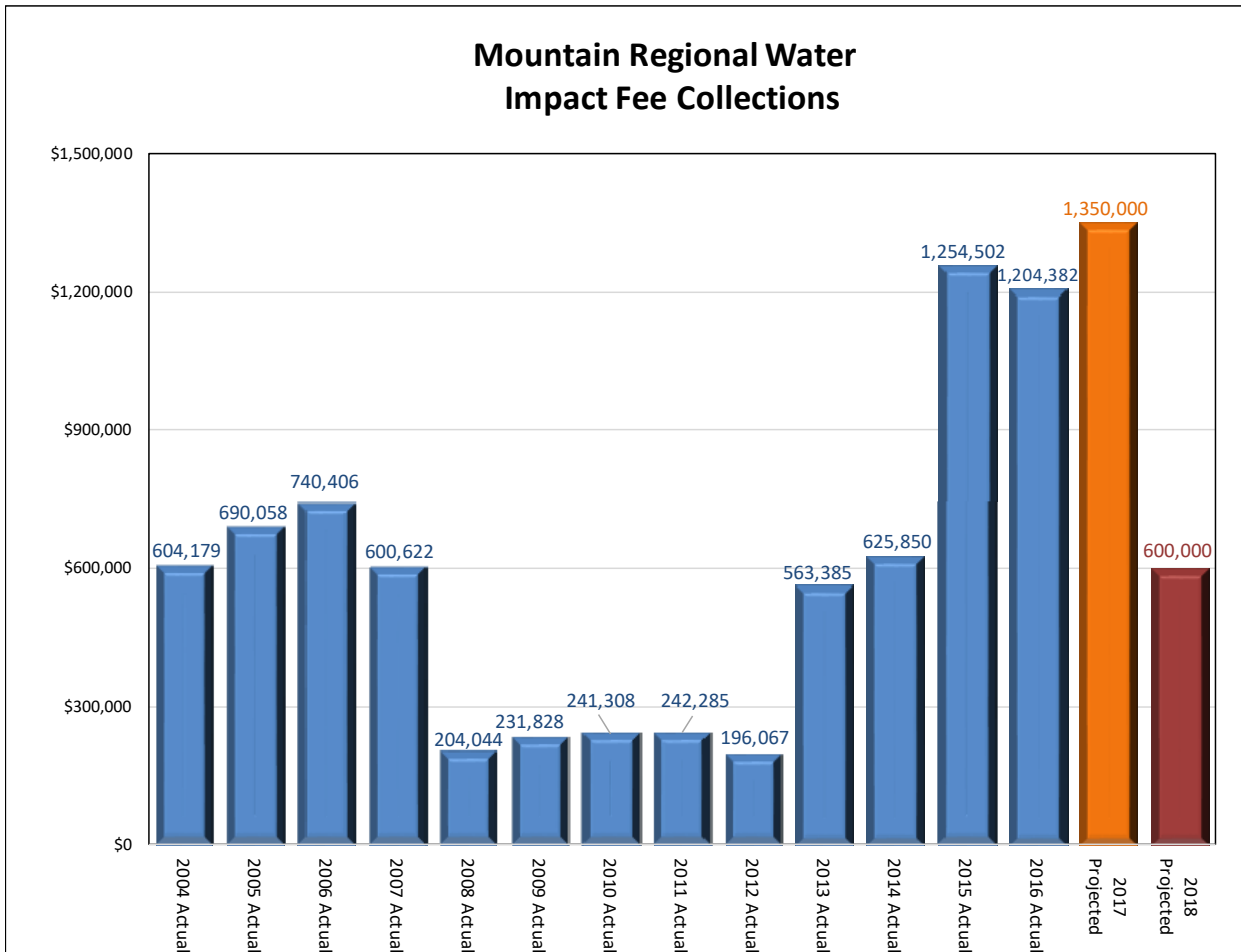
1.04 Development Related Collections Remain Strong

As shown below, annual new water connections have averaged 120 since 2014, the highest since the post-Olympic building boom. From 2009 to 2012, average annual connections were

only 31. Average annual connections the past ten years is 74 – the number used for 2018 revenue projections.



Based upon an average impact fee of about \$8,100 (including prepaid connections), the District projects \$600,000 in related impact fee collections for 2018, as shown below.



The table above also demonstrates the dramatic swings in impact fee collections year-to-year due to the local building cycle.

1.05 Major Wholesale Water Contracts

The District has two major wholesale customers that account for about half its annual production. These customers receive lower bulk rates since the District incurs no related distribution costs, and one customer pays its lease fees directly to Weber Basin.

Park City has contractual rights to wheel up to 2,900 acre-feet of its Rockport Reservoir water leases through the District's Lost Canyon project on an annual basis. Park City pays for this on a take-or-pay basis, but has only been using about half this amount annually the past few years. The calculation of the wheeling rate is outlined in a contract with Park City, and includes 43.9% of most Lost Canyon production costs.

Park City wheeling revenue is projected to be \$615,200 in 2018, the same as for 2017. Although Lost Canyon production costs are increasing in 2018, Park City will receive a credit against its 2018 wheeling rate since Lost Canyon production costs will likely be under budget in 2017.

Summit Water has purchased 800 acre-feet of wholesale water from the District for 2018 under the Weber Basin regionalization agreement. The related take-or-pay contract will provide \$940,800 in 2018 revenue. This compares to \$889,600 in 2017 for 800 acre-feet; as higher production costs, particularly Weber Basin water lease fees, led to higher pass-thru costs in 2018.

The District plans to put 30% of these proceeds into its *Regionalization Reserve Fund* to help offset \$250,000 in new annual regionalization fees the District must start paying to Weber Basin in 2020.

Since both these wholesale contracts are on a take-or-pay basis – which means the purchaser pays the full price for all the water whether they use it or not – these contracts help mitigate a portion of the fluctuation in retail water sales caused by weather.

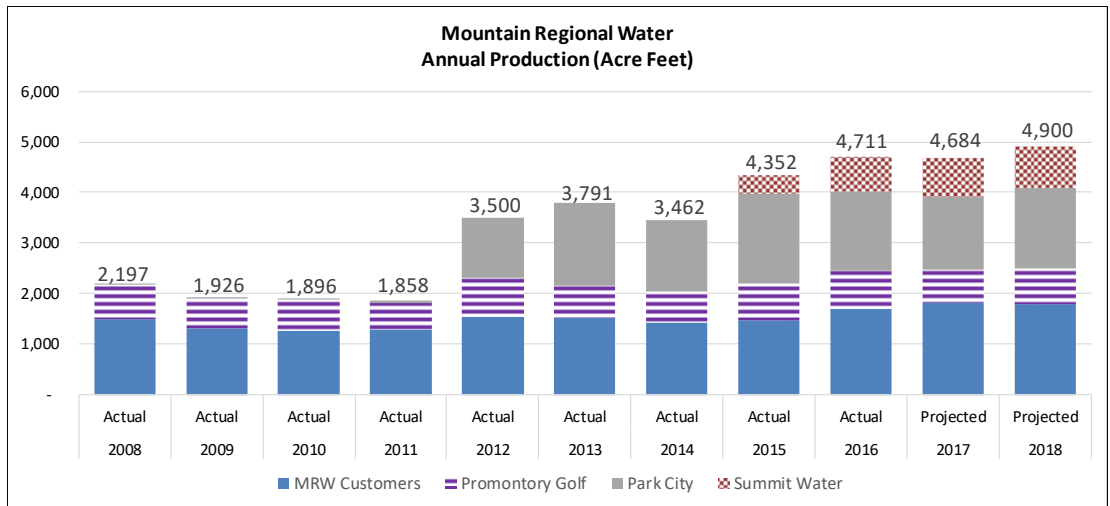
The only exception to the take-or-pay arrangement of these contracts is that Park City only pays for actual powers costs incurred for its actual usage. If they use more water, the revenue generated by the District will increase the same amount as the power costs.

1.06 District Water Production

As shown on the following page, District water production increased significantly in 2012 when Park City began wheeling a large portion of its water through the Lost Canyon project.

Production increased notably again in 2015 when Summit Water started taking water under the Weber Basin regionalization agreement.

Production for 2018 is now projected to be 4,900 acre-feet, which is 216 acre-feet more than is currently forecast for 2017 due to strong customer growth, along with an anticipated increase in water wheeled to Park City in 2018. Park City used less water in 2017 due to operational issues at its treatment plant.

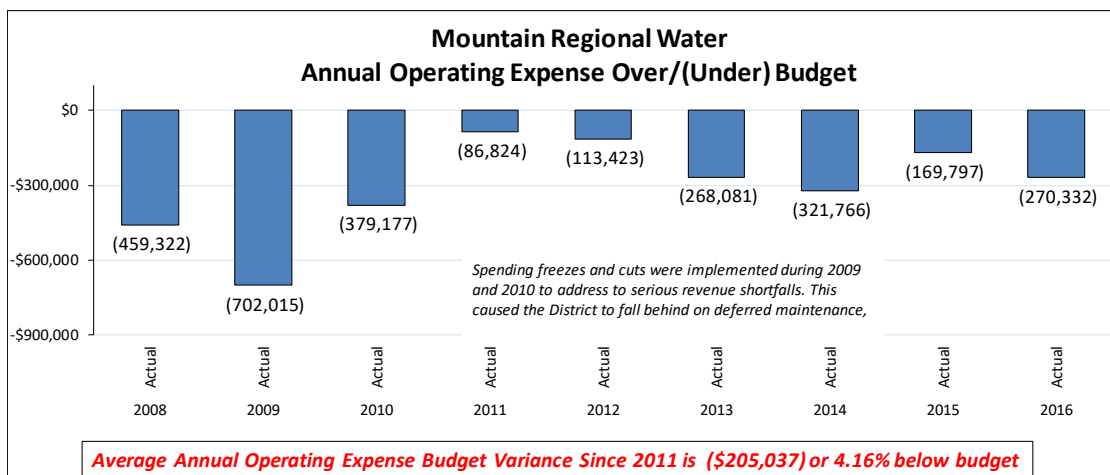


1.07 Operations Expense Contingency

In the 2018 budget, the District assumes it will need to pump water during the day, when on-peak power rates are in effect, for a three-month period during the year, despite using average water sales revenue projections. This is done in case the District inadvertently or temporarily needs to pump water during on-peak power rates, or if unusually hot dry weather is experienced.

This practice provides \$150,000 per year in operating expense contingencies – which is the amount of operating expense contingency included in the 2018 budget.

As shown below, the District has exercised prudence by not spending operating expense contingencies, as it has not needed to pump water on-peak during the summer the past few years. The negative numbers below represent operating expenses finishing under budget.



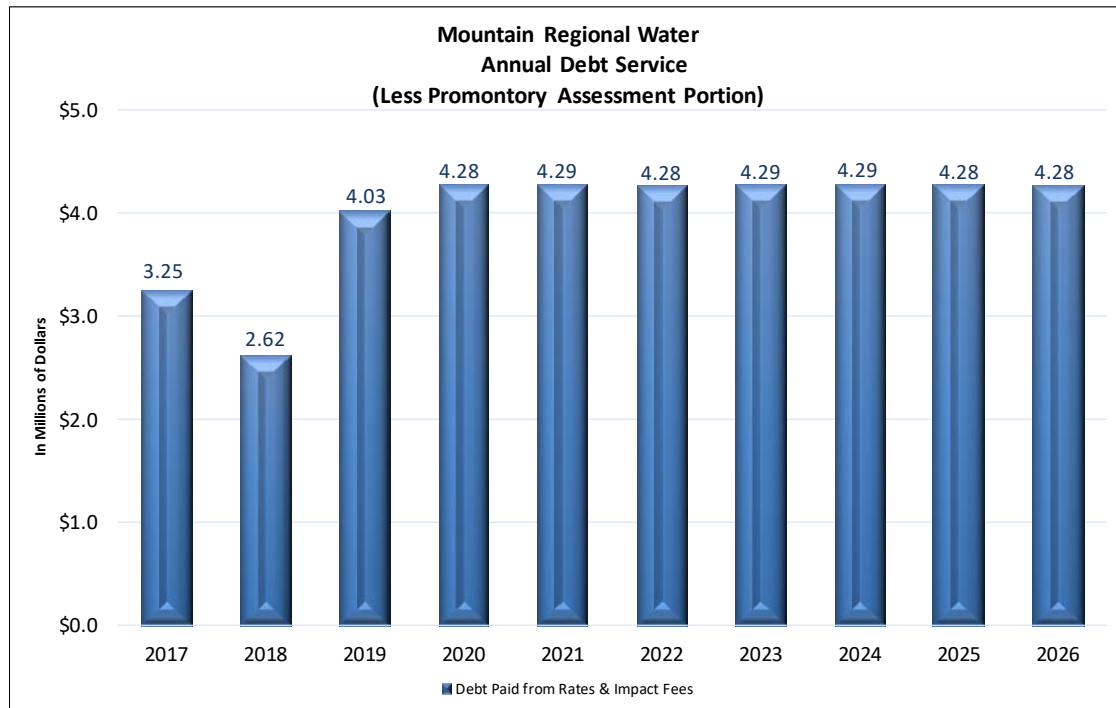
The average operating expense budget variance since 2011 is \$205,037 (4.16%) **under** budget. The large variances in 2009 and 2010 resulted from mid-year spending freezes implemented due to large revenue shortfalls. This caused the District to fall behind on system maintenance, but the District has since caught up. The \$702,015 positive operating expense budget variance in 2009 also benefitted from an unbudgeted \$209,451 one-time credit from Weber Basin for past double charges on lease fees.

1.08 No Rate or Fee Increases Needed Until 2019

Due to the one-time drop in 2018 debt service requirements, combined with the annual Weber Basin regionalization revenue collections the District will receive from Summit Water in 2018, a water rate and fee increase for District customers will not be needed before 2019.

However, due to the large increase in scheduled debt payments starting in 2019, along with the new \$250,000 Weber Basin regionalization fee the District will start paying in 2020, rate and fee increases will likely be needed for District customers in both 2019 and 2020.

As shown below, annual requirements for existing debt funded from District water sales and impact fees will increase substantially in 2019.



In fact, total debt service requirements (including the 1.25 coverage) are scheduled to increase \$773,786 between 2017 and 2019 – from \$3.25 million to \$4.03 million. These amounts do not include debt that will be paid from assessments on the Promontory developer.

However, there is a one-time anomaly in 2018, when the service requirements on existing debt are scheduled to decline \$630,503 when compared to 2017. This one-time decline will provide more cash - on a one-time basis - for small capital projects and capital equipment in 2018.

Although Weber Basin lease fees will increase approximately \$200,000 combined in 2018 and 2019, strong customer growth and regionalization water sales will allow the District to absorb these 2018 and 2019 increases without a rate increase.

However, the additional \$250,000 regionalization fee the District will start paying Weber Basin in 2020 likely can't be absorbed within existing revenue sources, leading to a likely rate increase.

The District has no control over Weber Basin lease fee increases, despite their significant financial impact on the District.

Due to the anticipated rate increases in 2019 and again in 2020, the District established a *Regionalization Reserve Fund* in 2015 into which it has been, and will continue to deposit 30.0% of the revenue collections generated from selling wholesale water under the Weber Basin regionalization agreement. At year-end 2017, the projected balance in this fund is \$1.16 million, and by December 2018 it is projected to be \$1.39 million.

The District plans to use a portion of these funds in December 2018 to defease debt due between 2019 and 2021 to reduce the annual debt service requirements in those years; and use the remaining funds in 2022 to prepay debt due in 2022 and 2023. This would allow the District to phase in the rate increases in smaller increments over four to five years, and hopefully spread it over a larger customer base.

This early retirement of debt should allow the District to increase monthly water rates between \$2.50 and \$4.00 each year for four or five years, rather than an estimated combined \$12 to \$18 monthly rate increase for 2019 and 2020.

As shown in the chart above, debt service costs are flat between 2020 and 2026.

1.09 Rate Stabilization Fund

The District's general bond indenture allows it to establish a *Rate Stabilization Fund* that is available to cover revenue shortfalls and/or unexpected expenditures. This is critical for the District as it provides a healthy cushion of cash reserves since its revenue varies significantly year-to-year due to both changing weather patterns and the building cycle.

The *Rate Stabilization Fund* has three components:

Rate Stabilization Fund – Bond Reserves - These reserves can only be applied to scheduled annual debt payments in the event cash flow in any given year is insufficient to make those payments. District policy prohibits using these funds when calculating debt coverage for budgeting purposes.

In the event the reserve balance falls below \$1.0 million, policy requires the District to restore it to \$1.0 million within three years. The projected 2017 year-end reserve balance is \$1.09 million. The District has never needed to use these funds.

Rate Stabilization Fund – Treatment Plant Operations – Each year, the District budgets one-tenth of the projected ten-year cost for treatment plant carbon and membrane filters. These items are only purchased every few years at a cost of several hundred thousand dollars.

As such, budgeting for these only in years when they are purchased would lead to wild swings in debt coverage, and possibly rates. Therefore, if the amount expended for these items is below the budget amount at year-end, the difference is deposited into this reserve until it reaches \$750,000; while if the amount expended exceeds the budget amount, the difference is drawn from this reserve to supplement ongoing revenue in that year.

District Policy allows these funds to be included in debt coverage calculations for budget purposes only up to the amount that the actual projected cost for any given year exceeds the base budget amount (which is the ten-year average). Actual debt coverage calculations can only include the actual annual cost for carbon and membranes, less the base budget amount.

The current base budget is \$135,000 per year. For 2018, it is expected all this will be deposited into this stabilization fund. The year-end 2017 balance is projected to be \$195,000.

Rate Stabilization Fund - Expanded Lost Creek Canyon Repair and Replacement – The District has a contract with Park City that requires it 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 2017 projected year-end balance is expected to exceed \$300,000. If the balance in this fund reaches \$1.0 million, no additional deposits from Park City and the District will be required until it falls below \$1.0 million again.

1.10 Debt Coverage Ratio

Per bond covenants, the District must budget for 1.25 parity debt coverage each year; meaning once all cash operational costs are paid, the remaining budgeted cash revenue must be equal to 1.25 times that year’s scheduled parity bond principal and interest payments (see **Section 3.0**). It is the 1.25 coverage requirement that drives rates and fees.

Mountain Regional Water Parity Debt Service Coverage Ratio				
	2015 Actual	2016 Actual	2017 Projected	2018 Budget
Water Sales	\$ 6,459,837	\$ 7,384,473	\$ 7,239,300	\$ 7,348,900
Park City Wheeling	535,223	629,928	575,000	615,200
Weber Basin Regionalization Collectio	367,200	684,600	889,600	940,800
Stagecoach Assessments	208,749	182,038	185,000	163,000
Operating Fees	421,448	407,984	401,000	279,000
Impact Fees	1,254,502	1,204,382	1,350,000	600,000
Promontory Developer Assessments	1,730,632	1,742,175	1,617,100	1,787,800
Interest Available for Debt Service	80,464	112,443	150,900	126,600
Other Non-restricted Revenue	331,201	113,756	106,800	82,500
Treatment Plant Stabilization Fund	87,184	87,968	-	-
Total Cash Available for Debt Service	<u>11,476,440</u>	<u>12,549,747</u>	<u>12,514,700</u>	<u>11,943,800</u>
Cash Operating Expenses	<u>(5,265,001)</u>	<u>(5,493,068)</u>	<u>(6,142,000)</u>	<u>(6,453,700)</u>
Net Cash Available for Debt Service	<u>6,211,439</u>	<u>7,056,679</u>	<u>6,372,700</u>	<u>5,490,100</u>
Parity Debt Service Payments	<u>3,463,535</u>	<u>3,747,398</u>	<u>3,695,500</u>	<u>3,314,500</u>
Debt Service Coverage	<u>1.79</u>	<u>1.88</u>	<u>1.72</u>	<u>1.66</u>

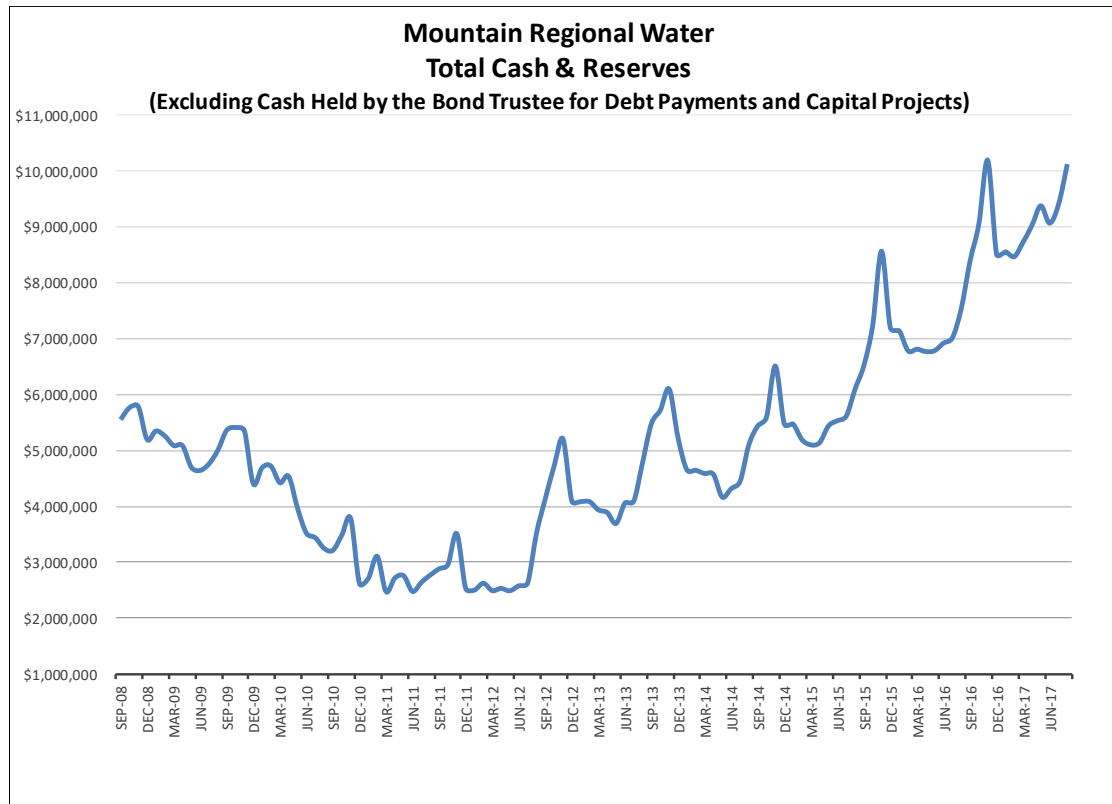
As shown above, the District has had strong debt coverage ratios the past few years, largely due to strong development related collections, and hot dry weather. It is likely development related collections will decline at some point, and it is unlikely the hot dry weather will continue indefinitely.

For 2018, a 1.66 debt coverage ratio is projected when only parity debt is included. This very strong ratio is the result of the one-time \$630,503 decline in scheduled debt service requirements. The ratio if subordinate debt is included is projected to be 1.52.

As discussed earlier, debt service requirements are scheduled to increase \$773,786 between 2017 and 2019. This will likely cause the ratio to decline starting in 2019. The District will adopt whatever rate and fee increases are necessary to maintain a healthy debt coverage ratio of at least 1.25.

1.11 District Cash & Reserves

As shown below, District cash and reserves (excluding cash held by the bond trustee for debt payments and capital projects) have slowly, but steadily improved since 2011 – at which time a rating agency reported the District’s cash and reserves were “barely adequate”.



This upward trend can be attributed to the following factors:

- 1) Rate and fee increases;
- 2) Debt restructuring;
- 3) The establishment of a \$1.0 million rate stabilization fund to replace required bond reserves held by the trustee;
- 4) A strong local building economy leading to record development related collections; and
- 5) Two successive years of hot dry weather.

However, this upward trend could end soon as debt payments increase, debt is defeased in December 2018, and cash reserves are applied to small capital projects and equipment.

Normally, the District would have already used a portion of these reserves to prepay debt. However, none of its market bonds are callable until December 2022. As such, the District won’t start to defease debt until December 2018 to reduce the negative interest arbitrage. Bonds that

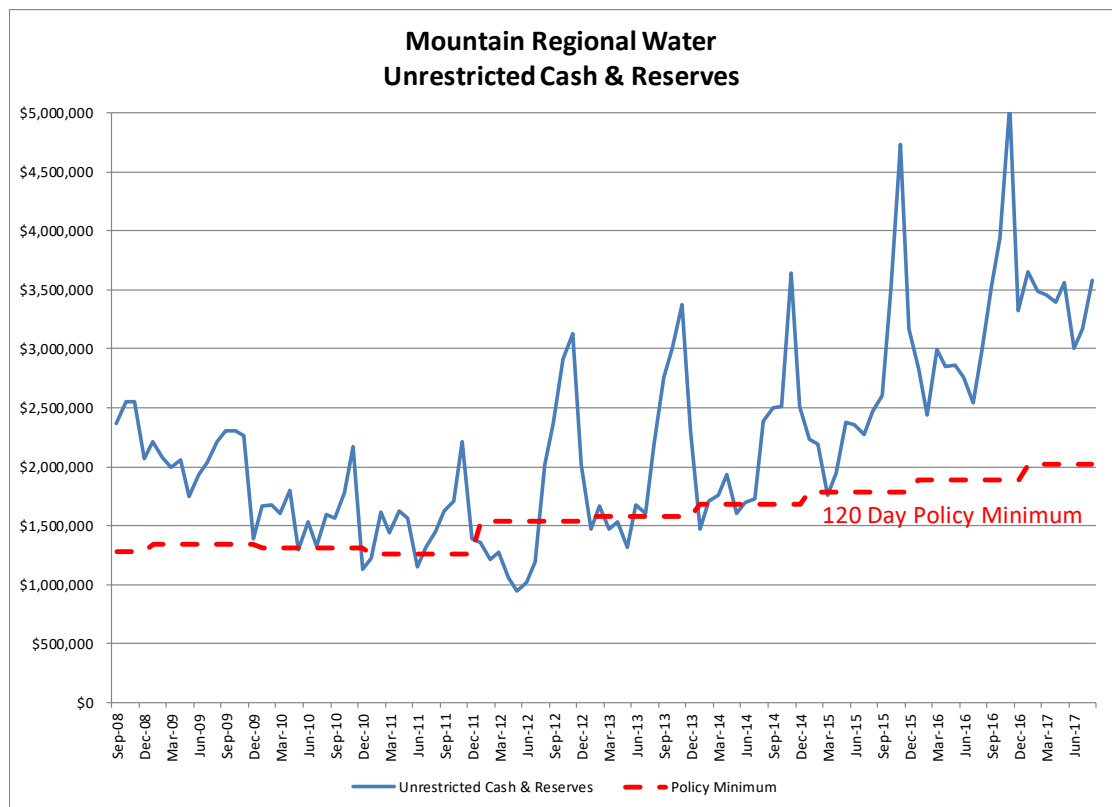
are not callable can be prepaid through a defeasance process. However, when bonds are defeased the future interest, along with the principal, must be paid at the time of defeasance. On the other hand, when bonds are prepaid through a call, only the principal needs to be paid.

Unrestricted Operating Cash and Reserves

Unrestricted Operating Cash and Reserves can be used for any legitimate District purpose; while restricted cash can only be used for specific purposes outlined in state law, District policy, or contractual arrangements. Although cash restricted by District policy is considered unrestricted by governmental accounting standards, they are considered restricted for this analysis.

Unrestricted Operating Cash and Reserves excludes all required capital facility repair, stabilization, impact fee, and assessment reserves held by the District. It also excludes bond proceeds, customer deposits, and debt reserves held by the bond trustee.

As shown below, *Unrestricted Operating Cash and Reserves* has steadily increased since 2012 due to rate and fee increases, debt restructuring, and two years of successive hot dry weather. The peaks each year shown in the table are from summer water sales collections, while the sharp decline once each year is due to large annual Weber Basin lease payments.



The strong building economy the past four years provided a minor positive impact on *Unrestricted Operating Cash and Reserves* as well, due to higher operating (new meter) fee collections. However, most of the additional revenue generated from a strong building economy is deposited into *Debt Reserves Held by the District* discussed later.

Unrestricted Operating Cash and Reserves have remained above the policy minimum of 120 days reserves (based on budgeted annual cash operating expenses) since 2014. These reserves dropped below the minimum amount several times between 2009 and 2013 due to cool wet

weather and lower operating (new meter) fee collections during the recession that started in 2008.

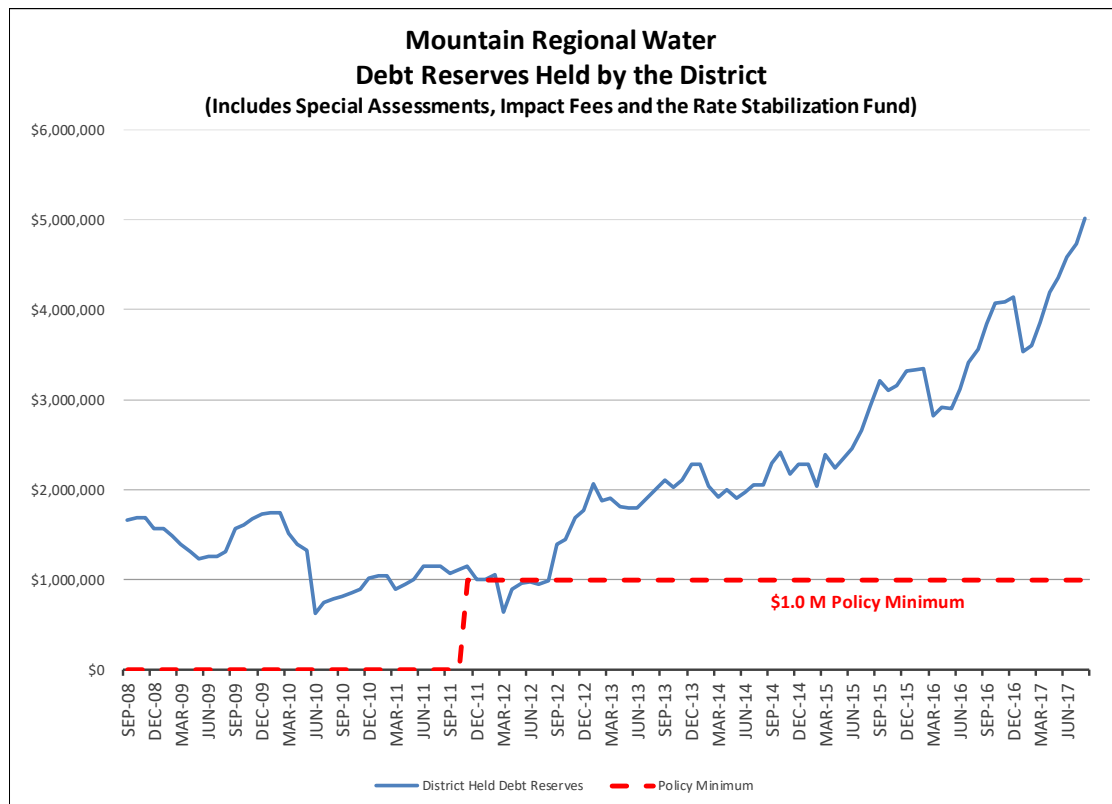
Unrestricted Operating Cash and Reserves finally reached a level in 2014 where the District should be able to maintain 120 days of reserves of budgeted cash operating expenses year-round, in compliance with policy.

Debt Reserves Held by the District

The District chose, by policy, to hold additional debt reserves beyond those held by the bond trustee in order to mitigate potential revenue shortfalls due to the wide fluctuations in building related revenue and changing weather patterns; as well as for unexpected expenditures.

This includes the decision to establish a \$1.0 million *Rate Stabilization Fund* (see **Section 1.09**) that led to a net \$2.5 million reduction in debt reserves; as the amount of reserves that would have otherwise been required for the Series 2012 and Series 2014 bonds would have increased the amount of those bonds by \$3.5 million, greatly increasing annual interest expense. The impact from using District held reserves to cover revenue shortfalls has much less negative impact when compared to the impact if trustee held debt reserves are used.

As shown below, *Debt Reserves Held by the District* increased dramatically the past six years due to improved building related collections and the establishment of the \$1.0 million *Rate Stabilization Fund* discussed in **Section 1.09**.



A portion of these reserves can only be used to make debt payments in years when revenue does not meet projections, or unanticipated expenditures are incurred. On the other hand, impact fee and assessment reserves can also be used to prepay debt. In fact, impact fee and assessment reserves were used during the 2008 to 2012 recession to make debt payments.

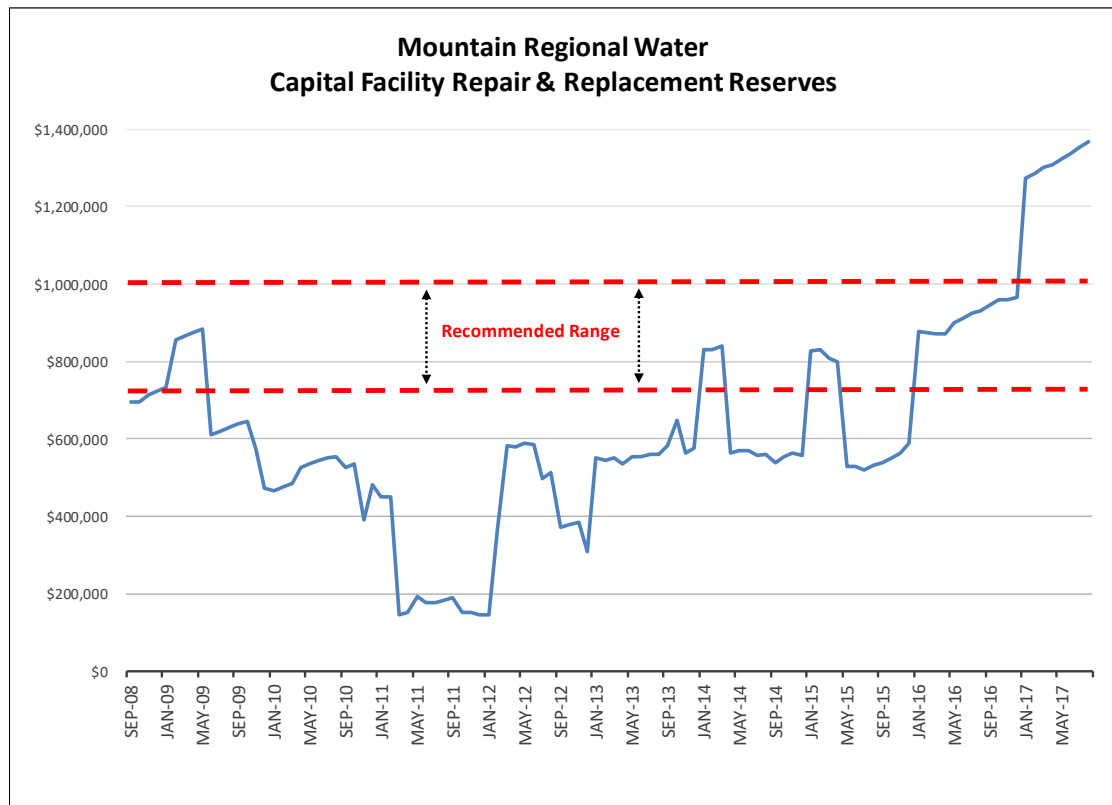
If these reserves are healthy, as they are now, the District typically prepays debt on its callable bonds. Currently, no market bonds are callable until those due in December 2022. However, if these reserves remain healthy, the District will use a portion of them starting in December 2018 (in addition to the regionalization reserves) to defease debt due between 2019 and 2021, and then to prepay debt due in 2022 and perhaps 2023 to help phase in the rate increases that would otherwise be needed in 2019 and 2020.

Impact fees, which represent almost half of these reserves, experience wide swings in annual collections, as shown on the table in **Section 1.04**. The extreme volatility in impact fee collections year-to-year makes these reserves critical, as annual collections have ranged from a low of \$196,067 in 2012 to a projected high of \$1.35 million in 2017.

It is critical the District not become too reliant on strong building related collections to meet its 1.25 bond coverage requirements. Otherwise, large rate and fee increases might be needed when the building economy slows; or serious expense cuts might be needed that result in the District falling behind on system maintenance as happened in 2009 and 2010.

Capital Facility Repair & Replacement Reserves

The District seeks to keep \$750,000 to \$1.0 million in reserves to fund unanticipated large repairs and non-bonded capital improvements. Currently, these reserves are \$1.37 million.



The District is using \$500,000 of these reserves in 2017 to fund its meter upgrade program. These new meters provide both the District and customers access to daily reads on both smart phones and the Internet to help monitor usage and more quickly identify leaks. By year-end 2017, it is projected capital facility reserves will be close to \$1.0 million – which is the high end of the recommended range.

2018 Budgeted Cash Change

As shown below, the 2018 budget projects a \$1.89 million cash increase, excluding capital budget items being funded with bond proceeds or with current cash on hand.

Mountain Regional Water		
2018 Operating Budget - Accrual and Cash Basis		
Enterprise Fund		
	2018 Control Board Recommended Accrual Basis	2018 Control Board Recommended Cash Basis
<u>OPERATING REVENUE</u>		
Retail Water Sales	\$ 7,348,900	\$ 7,348,900
Park City Wheeling	615,200	615,200
Weber Basin Regionalization Collections	940,800	940,800
Stagecoach Assessments	163,000	163,000
Operating Fees	279,000	279,000
Other	52,500	52,500
Total Operating Revenue	9,399,400	9,399,400
<u>OPERATING EXPENSES</u>		
Operations		
Energy & Resource Management	560,200	560,200
Lost Canyon Transmission	1,647,700	1,647,700
Treatment	711,400	711,400
Distribution	2,168,200	2,168,200
Safety	55,400	55,400
General Manager		
Engineering & Development	283,000	283,000
Human Resources	126,600	126,600
Legal Services	50,000	50,000
Public Services	545,200	545,200
Financial Management	306,000	306,000
Depreciation Expense	1,762,300	-
Total Operating Expense	8,216,000	6,453,700
OPERATING INCOME	1,183,400	2,945,700
<u>NON-OPERATING REVENUE</u>		
Interest Earnings - Available for Debt Service	126,600	126,600
Interest Earnings - Not Available for Debt Service	500	-
Impact Fees	600,000	600,000
Promontory Developer Assessments	1,787,800	1,787,800
Cash Grants	-	-
Other Cash Non-operating Revenue	30,000	30,000
Non-Cash Non-operating Revenue	11,700	-
Total Non-Operating Revenue	2,556,600	2,544,400
<u>NON-OPERATING EXPENSE</u>		
Interest Expense/Bank Fees	1,540,100	1,669,300
Bond Principal Payments	-	1,934,300
Bond Issuance Expenses	15,800	-
Total Non-Operating Expense	1,555,900	3,603,600
NON-OPERATING INCOME	1,000,700	(1,059,200)
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	2,184,100	1,886,500
<u>TRANSFERS</u>		
Contingency	-	-
Governmental Transfers	-	-
Contributions in Aid of Construction	-	-
NET TRANSFERS	-	-
CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 2,184,100	\$ 1,886,500

The projected \$1.89 million cash increase will benefit from the \$630,503 one-time decline in scheduled debt requirements in 2018. The District plans to allocate this cash increase as follows:

Capital Facility Reserves Mandatory Deposit	\$ 322,700
Increase Unrestricted Cash to Maintain Policy Level	99,800
Deposits into Regionalization Reserve	282,200
Capital Projects	1,181,800
Total	\$ 1,886,500

1.12 Personnel & Compensation

The 2018 budget does not include any new positions.

It does include funding for a 2.0% COLA and a 2.0% average merit pay increase.

One the other hand, the District plans to adopt Summit County's health insurance program, which will increase the amount of premiums paid by some District employees.

2.0 2018 OPERATING BUDGET

2.01 Summary

As shown below, projected 2018 *Net Income after Transfers* is \$2.18 million on an accrual basis.

Mountain Regional Water					
2018 Operating Budget - Accrual Basis					
Enterprise Fund					
	2016	2017	2017	2018	2018
	Actual	Adopted	Proposed	Control Board	Recommend to
		Budget	Amended	Recommended	2017 Amended
<u>OPERATING REVENUE</u>					
Retail Water Sales	\$ 7,384,473	\$ 6,753,200	\$ 6,753,200	\$ 7,348,900	\$ 595,700
Park City Wheeling	629,928	615,200	615,200	615,200	-
Weber Basin Regionalization Collections	684,600	889,600	889,600	940,800	51,200
Stagecoach Assessments	182,038	163,000	163,000	163,000	-
Operating Fees	407,984	303,300	303,300	279,000	(24,300)
Contract Maintenance	-	5,000	5,000	2,500	(2,500)
Other	68,056	45,000	45,000	50,000	5,000
Total Operating Revenue	9,357,079	8,774,300	8,774,300	9,399,400	625,100
<u>OPERATING EXPENSES</u>					
Operations					
Energy & Resource Management	580,822	411,500	411,500	560,200	148,700
Lost Canyon Transmission	1,270,655	1,625,800	1,625,800	1,647,700	21,900
Treatment Plant	491,014	693,600	693,600	711,400	17,800
Distribution	2,251,023	2,155,700	2,155,700	2,168,200	12,500
Safety	31,125	45,300	45,300	55,400	10,100
General Manager					
Engineering & Development	101,184	274,500	274,500	283,000	8,500
Human Resources	91,417	122,300	122,300	126,600	4,300
Legal Services	13,306	50,000	43,500	50,000	6,500
Public Services	401,438	490,700	490,700	545,200	54,500
Financial Management	261,084	280,600	276,600	306,000	29,400
Depreciation Expense	1,474,478	1,662,300	1,662,300	1,762,300	100,000
Total Operating Expense	6,967,546	7,812,300	7,801,800	8,216,000	414,200
OPERATING INCOME	2,389,533	962,000	972,500	1,183,400	210,900
<u>NON-OPERATING REVENUE</u>					
Interest Earnings - Available for Debt Service	112,443	84,900	84,900	126,600	41,700
Interest Earnings - Not Available for Debt Service	498	500	500	500	-
Impact Fees	1,204,382	600,000	600,000	600,000	-
Promontory Developer Assessments	1,742,175	1,617,100	1,617,100	1,787,800	170,700
Cash Grants	-	-	-	-	-
Other Cash Non-operating Revenue	46,852	20,000	20,000	30,000	10,000
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-
Total Non-Operating Revenue	3,118,017	2,334,200	2,334,200	2,556,600	222,400
<u>NON-OPERATING EXPENSE</u>					
Interest Expense/Bank Fees	1,514,690	1,582,600	1,598,900	1,540,100	(58,800)
Bond Issuance Costs and Amortization Expense	15,734	15,800	15,800	15,800	-
Total Non-Operating Expense	1,530,424	1,598,400	1,614,700	1,555,900	(58,800)
NON-OPERATING INCOME	1,587,593	735,800	719,500	1,000,700	281,200
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	3,977,126	1,697,800	1,692,000	2,184,100	492,100
<u>TRANSFERS</u>					
Contributions in Aid of Construction	35,064	-	-	-	-
NET TRANSFERS	35,064	-	-	-	-
BUDGET CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 4,012,190	\$ 1,697,800	\$ 1,692,000	\$ 2,184,100	\$ 492,100
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	87,094	TBD	TBD	TBD	N/A
ACTUAL CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 4,099,284	\$ 1,697,800	\$ 1,692,000	\$ 2,184,100	N/A

The actual amounts shown above in the program expense budgets have been adjusted to remove the non-cash GASB 68 retirement accrual. This is done to provide a much better year-over-year budget comparison.

The annual non-cash accruals for retirement expense are not included in the 2018 budget, since the amount won't be known until well after the fiscal year ends. As such, all prior year actual amounts include cash retirement expense for comparison purposes rather than the accrued expense.

2.02 2018 Revenue

Operating Revenue

As shown below, the District projects \$9.40 million in 2018 *Operating Revenue* - which is \$625,100 (7.1%) higher than was budgeted for 2017; and \$56,500 (0.6%) more than is now projected for 2017. Unusually hot dry weather experienced in 2017 has led to higher water consumption and an associated increase in retail water sales estimated at \$486,100 (7.2%).

Operating Revenue									
	2016	2017	2017	2018	2018		2018		
	Actual	Adopted	Projection	Control Board	Recommended to		Recommended to		
		Budget		Recommended	\$ Change	% Change	\$ Change	% Change	
Retail Water Sales	\$ 7,384,473	\$ 6,753,200	\$ 7,239,300	\$ 7,348,900	\$ 595,700	8.8 %	\$ 109,600	1.5 %	
Park City Wheeling Fees	629,928	615,200	575,000	615,200	-	-	40,200	7.0	
Weber Basin Regionalization Collections	684,600	889,600	889,600	940,800	51,200	5.8	51,200	5.8	
Stagecoach Assessments	182,038	163,000	185,000	163,000	-	-	(22,000)	(11.9)	
Operating Fees	407,984	303,300	401,000	279,000	(24,300)	(8.0)	(122,000)	(30.4)	
Contract Maintenance	-	5,000	-	2,500	(2,500)	(50.0)	2,500	n/a	
Other	68,056	45,000	53,000	50,000	5,000	11.1	(3,000)	(5.7)	
Total Operating Revenue	\$ 9,357,079	\$ 8,774,300	\$ 9,342,900	\$ 9,399,400	\$ 625,100	7.1 %	\$ 56,500	0.6 %	
			\$ 568,600	6.5%					

The 2018 *Retail Water Sales* budget of \$7.35 million is \$595,700 (8.8%) higher than the 2017 budget. This is the result of 160 new customers using water that will generate additional revenue, combined with the \$300,000 increase in the base forecast discussed in **Section 1.03**. However, these increases will be partially offset by the collection of fewer standby fees, as new customers using water no longer pay standby fees.

Prior to the last recession, standby fees often remained flat or increased despite the growth in new water connections, as the new lots platted each year exceeded the number of existing lots that connected to the water system. For the past few years, growth in new customers using water is occurring more quickly than the platting of new lots – leading to a decline in standby fee collections.

The 2018 retail water sales budget is \$109,600 (1.5%) higher than now projected for 2017 due to strong customer growth. As mentioned above, 160 new units will begin using water in 2018.

No increase is projected for *Park City Wheeling Fees* in 2018 despite increasing Lost Canyon production costs, as the contract with Park City provides it with a credit if the previous year's Lost Canyon production costs incurred by the District are below budget, which appears likely for 2017.

Weber Basin Regionalization Collections will increase \$51,200 (5.8%) to \$940,800 in 2018 due to the pass-thru of higher production and treatment costs.

Operating Fees (including new meter fees) are projected to be \$279,000 in 2018 – which is \$24,300 (8.0%) less than budgeted for 2017. Although actual 2017 collections will exceed budget due to strong customer growth, the District uses the ten-year moving average for new water connections each year to develop revenue projections. For 2018, this ten-year average dropped from 80 to 74. Further, a large portion of the increase in *Operating Fees* for 2017 came from new meter fees collected from three condo/apartment complexes at Blackstone Flats (LV4).

Non-operating Revenue

As shown below, *Non-operating Revenue* is projected to be \$2.56 million in 2018. This is a \$222,400 (9.5%) increase when compared to the 2017 budget, as contractually required *Promontory Developer Assessments* are increasing \$170,700 (10.6%) in 2018. The portion of 2018 debt payments funded by Promontory assessments is increasing by this same amount.

Non-operating Revenue								
	2016	2017	2017	2018	2018		2018	
	Actual	Adopted	Projection	Control Board	Recommended to		Recommended to	
		Budget		Recommended	2017 Budget	% Change	2017 Projection	% Change
					\$ Change		\$ Change	
Interest Earnings	\$ 112,941	\$ 85,400	\$ 154,500	\$ 127,100	\$ 41,700	48.8	\$ (27,400)	(17.7) %
Impact Fees	1,204,382	600,000	1,350,000	600,000	-	-	(750,000)	(55.6)
Promontory Developer Assessments	1,742,175	1,617,100	1,617,100	1,787,800	170,700	10.6	170,700	10.6
Cash Grants	-	-	-	-	-	n/a	-	n/a
Other Cash Non-operating Revenue	46,852	20,000	53,800	30,000	10,000	50.0	(23,800)	(44.2)
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-	-	-	-
Total Non-operating Revenue	\$ 3,118,017	\$ 2,334,200	\$ 3,187,100	\$ 2,556,600	\$ 222,400	9.5 %	\$ (630,500)	(19.8) %
			\$ 852,900	36.5%				

Interest Earnings are projected to increase \$41,700 (48.8%) in 2018 when compared to the 2017 budget due to a series of recent increases in the interest rate paid by the Public Treasurers Investment Fund (PTIF) during 2017. Most District cash reserves are deposited with the PTIF, which typically provides better returns than other potential investments that comply with state law for local governments.

The \$600,000 projection for 2018 *Impact Fees* is the same as for 2017. This is based upon average new customer growth of 74 new water connections and an average \$8,100 impact fee.

This average impact fee is lower than the \$10,513 base fee since many prepaid connections are being used, plus many of the new water connections are in Promontory - which has a lower impact fee since most of its infrastructure was funded with special assessment bonds.

It is difficult to forecast impact fees for three reasons:

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

Thus, it is District practice to forecast impact fees budget based upon the ten-year moving average for new water connections that dropped from 80 units in 2017 to 74 in 2018. However, the average impact fee has increased recently due to a fee increase on larger homes adopted in 2015.

2.03 2018 Expenses

Operating Expenses

The 2018 *Operating Expense* budget is \$8.22 million, which is \$414,200 (5.3%) higher than the 2017 Proposed Amended Budget, as shown below.

	Operating Expense			2018 Recommended	2018 Recommended to 2017 Amended Budget	
	2016 Actual	2017 Adopted Budget	2017 Proposed Amended		\$ Change	% Change
Operations						
Energy & Resource Management	\$ 580,822	\$ 411,500	\$ 411,500	\$ 560,200	\$ 148,700	
Lost Canyon Transmission	1,270,655	1,625,800	1,625,800	1,647,700	21,900	
Treatment Plant	491,014	693,600	693,600	711,400	17,800	
Distribution	2,251,023	2,155,700	2,155,700	2,168,200	12,500	
Safety	31,125	45,300	45,300	55,400	10,100	
Subtotal Operations	4,624,639	4,931,900	4,931,900	5,142,900	211,000	4.3 %
General Manager						
Engineering & Development	101,184	274,500	274,500	283,000	8,500	
Human Resources	91,417	122,300	122,300	126,600	4,300	
Legal Services	13,306	50,000	43,500	50,000	6,500	
Public Services	401,438	490,700	490,700	545,200	54,500	
Financial Management	261,084	280,600	276,600	306,000	29,400	
Subtotal Other Departments	868,429	1,218,100	1,207,600	1,310,800	103,200	8.5 %
Depreciation Expense	1,474,478	1,662,300	1,662,300	1,762,300	100,000	
Non-Cash Expenses	1,474,478	1,662,300	1,662,300	1,762,300	100,000	6.0 %
Total Operating Expense	\$ 6,967,546	\$ 7,812,300	\$ 7,801,800	\$ 8,216,000	\$ 414,200	5.3 %
<i>Total Cash Operating Expense</i>	<i>5,493,068</i>	<i>6,150,000</i>	<i>6,139,500</i>	<i>6,453,700</i>	<i>314,200</i>	<i>5.1</i>

Non-cash Depreciation Expense is expected to increase \$100,000 (6.0%) as capital projects funded with the Series 2014 bond proceeds are completed.

Thus, the 2018 budgeted *cash increase* in *Operating Expenses* is \$314,200 (5.1%). This includes a \$129,300 (13.6%) increase in Weber Basin lease fees charged to operations – which alone accounts for almost half the increase in the *cash Operating Expenses* budget.

Without the higher lease fees, the 2018 increase in the *cash Operating Expenses* budget drops to 3.0%. This compares to a 4.2% increase in new customers using water, and 2.0% inflation the past year.

For 2018, a full-time position is being moved from *Distribution* to *Energy and Resource Management*. This and increasing IT costs explain the \$148,700 increase in *Energy & Resource Management* for 2018. This also explains why *Distribution* shows only a \$12,500 increase in 2018 despite the large increase in Weber Basin lease fees.

A full-time customer services operator hired midway through 2017 will be charged for a full year to *Public Services* in 2018. This explains most of the \$54,500 increase in *Public Service*. The

current Control Board has also become more involved, particularly in training, requiring additional funding.

The \$29,400 increase in *Financial Management* includes an additional \$10,000 to fund a potential increase in its independent audit costs.

Non-operating Expenses

Non-operating Expense consists of *Interest Expense / Bank Fees* and bond related expenses - including issuance costs. As shown below, the 2018 *Non-operating Expense* budget is \$1.56 million, which is \$58,800 (3.7% less) than the 2017 Proposed Amended Budget. The decline in scheduled 2018 interest payments is the result of 2017 principal payments.

Non-operating Expense						
	2016 Actual	2017 Adopted Budget	2017 Proposed Amended	2018 Recommended	2018 Recommended to 2017 Amended Budget	
					\$ Change	% Change
Interest Expense / Bank Fees	\$ 1,514,690	\$ 1,582,600	\$ 1,598,900	\$ 1,540,100	\$ (58,800)	
Bond Issuance Costs & Amortization	15,734	15,800	15,800	15,800	-	
Total Non-operating Expense	\$ 1,530,424	\$ 1,598,400	\$ 1,614,700	\$ 1,555,900	\$ (58,800)	(3.7) %
		2017 Amended to Adopted		\$ 16,300	1.0%	

Although not included in the District’s *Operating Budget*, principal payments are also declining in 2018, before increasing significantly in 2019 as discussed in **Section 1.08**. Principal payments are only included in the *Debt Service Budget* discussed in **Section 3.0**.

2.04 2018 Transfers

Although the District may receive subdivision infrastructure donations from developers in 2018, no amount is budgeted since the value of *Contributions-in-Aid of Construction* is not known, and varies significantly year-over-year.

Transfers								
	2016 Actual	2017 Adopted Budget	2017 Projection	2018 Control Board Recommended	2018 Recommended to 2017 Budget		2018 Recommended to 2017 Projection	
					\$ Change	% Change	\$ Change	% Change
Contingency	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	
Governmental Transfers	-	-	-	-	-		-	
Contributions in Aid of Construction	35,064	-	-	-	-		-	
Total Transfers	\$ 35,064	\$ -	\$ -	\$ -	\$ -	n/a %	\$ -	n/a %

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 District’s change in net position (net income) in 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 change in net position (net income) and cash flow.

3.0 2018 DEBT SERVICE BUDGET

For 2018, the District projects a debt coverage ratio of 1.66 when only parity revenue bonds are included. As discussed in **Section 1.10**, this ratio is required to meet or exceed 1.25 to comply with bond covenants. This strong 2018 ratio is due to a one-time \$630,503 decline in scheduled 2018 debt service requirements.

MOUNTAIN REGIONAL WATER	
2018 Debt Service Budget - Cash Basis	
	2018
COVERAGE CALCULATION FOR PARITY REVENUE BONDS	
Operating Income (Loss)	\$ 1,183,400
Add Back Depreciation	1,762,300
Add In Interest Available for Debt Service	126,600
Add In Impact Fees	600,000
Add In Promontory SID Assessments on Developer	1,787,800
Add in Other Non-operating Income	30,000
Add in Treatment Plant Stabilization Fund	-
Total Available For Debt Service	\$ 5,490,100
TOTAL DEBT COVERAGE	
Required Coverage Principal	\$ 1,934,300
Required Coverage Interest/Bank Fees	1,669,300
Total Required Debt Service	3,603,600
Debt Service X 1.25	\$ 4,504,600
Required Debt Coverage Ratio	1.52
REQUIRED PARITY BOND DEBT COVERAGE	
Parity Bond Principal	\$ 1,807,000
Parity Bond Interest	1,507,500
Total Parity Debt Service	3,314,500
Debt Service X 1.25	\$ 4,143,200
Parity Debt Coverage Ratio	1.66
Cash Excess/(Shortfall)	
Cash Excess/(Shortfall)	1,886,500
Less Treatment Plant Stabilization Fund	-
Projected Cash Generated	1,886,500
Capital Facility Reserves	(322,700)
Operating Reserves	(99,800)
Regionalization Reserves	(282,200)
Cash Available for Capital Budgets	1,181,800

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

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

The projected 1.52 coverage ratio for all 2018 scheduled debt payments would result in a \$1.89 million cash increase, excluding cash spent on capital equipment and projects. The District plans to allocate this cash increase as shown at the bottom of the above table.

There are two exceptions to the District's policy to budget for a ratio of 1.25 from the current year cash flows:

- 1) Every few years, treatment plant maintenance costs will be higher than most other years as expensive membranes need to be replaced in eight to ten-year cycles rather than evenly over the ten-year period. Further, expensive carbon needs to be replaced every two to three years.

As such, the District currently budgets \$135,000 per year from ongoing revenue for these items. If expenses in any given year exceed budget, the balance is transferred from the treatment plant reserve fund and used to calculate debt coverage. If expenses are under budget, the difference is deposited into the treatment plant reserve fund.

- 2) Assessment related lot sales will exceed projections in some years, and fall below projections other years. The related assessments collected during the years with higher lots sales are deposited into a restricted fund, and may be included in debt coverage calculations in years when lots sales are below projections.

District policy prohibits including the \$1.0 million *Rate Stabilization Fund – Bond Reserves* balance to calculate debt coverage for budgeting purposes. These funds are only included in debt coverage calculations at year-end if revenue falls significantly short of budget – or unanticipated expenditures are incurred. These District has never needed to use the funds.

4.0 CAPITAL BUDGET

The District is requesting \$1.52 million in new capital spending appropriations for 2018, as shown below.

Mountain Regional Water 2018 Capital Budget							
	2017 Adopted Budget	2017 Previously Amended	2017 Proposed Amendment	2017 Estimated Completed	2017 Estimated Carryover	Control Board Recommended Increases	2018 Total Estimate
CASH SOURCES							
Previous Year Budget Carryover	\$ 54,800	\$ 54,800	\$ -	\$ 54,800	\$ -	\$ -	\$ -
Cash Available from Previous Years	900,000	1,200,000	-	1,150,000	50,000	884,800	934,800
Cash Available in Excess of 1.25 Coverage	-	-	-	-	-	460,200	460,200
Series 2014 Bond Proceeds - MRW	3,991,900	4,051,900	4,000	4,055,900	-	-	-
Capitalized Items	173,100	173,100	-	173,100	-	-	-
Impact Fees	-	1,158,500	(4,000)	1,154,500	500,000	125,000	625,000
District Capital Reserves	500,000	500,000	-	500,000	-	50,000	50,000
Zions Capital Lease	-	375,000	-	375,000	-	-	-
Lost Canyon Capital Reserves	-	50,000	-	50,000	-	-	-
TOTAL SOURCES	\$ 5,619,800	\$ 7,563,300	\$ -	\$ 7,513,300	\$550,000	\$ 1,520,000	\$2,070,000
CASH USES							
Completed Projects							
Mountain Regional Revenue Bond Projects	\$ 4,865,000	\$ 5,883,500	\$ -	\$ 5,883,500	\$500,000	\$ -	\$ 500,000
Generators	-	425,000	-	425,000	-	-	-
Continuing Projects							
Capitalized Personnel Costs	256,900	256,900	-	256,900	-	270,000	270,000
General System Improvements & Equipment	272,900	272,900	-	222,900	50,000	475,000	525,000
Meter Program	225,000	725,000	-	725,000	-	250,000	250,000
New 2018 Capital Projects							
Summit Park Restoration (Phase VI)	-	-	-	-	-	400,000	400,000
Willow Creek/Atkinson Inteconnect	-	-	-	-	-	125,000	125,000
TOTAL USES	\$ 5,619,800	\$ 7,563,300	\$ -	\$ 7,513,300	\$550,000	\$ 1,520,000	\$2,070,000

Funding

No additional borrowing or financing is needed to fund the recommended \$1.52 million capital budget increase.

Instead, it can be funded with \$884,800 in cash available from prior years, plus another \$460,200 cash generated from 2018 operations that will be available due to the one-time decrease in scheduled debt service requirements of \$630,503. In addition, \$175,000 from other District reserves will provide additional funding for capital projects.

Capitalized Personnel Costs

Since District employees spend a portion of their time working on or managing capital projects, the District capitalizes some personnel costs. For 2018, the budget includes \$270,000 for this – which will be funded from cash on hand.

General System Improvements & Equipment

The budget includes \$475,000 for capital equipment, vehicle replacement, and several small capital projects. These projects will be funded with cash on hand.

Meter Replacement Program

The Summit County Council appropriated \$725,000 for a meter upgrade program in 2017. The 2018 budget includes another \$250,000 for this program. Of this, \$50,000 will come from capital facility reserves and the remainder from cash on hand.

The District is upgrading to meters that can be read daily, with read information available to both the District and individual customers on the Internet or smart phones. This will allow both the District and customers to better monitor usage and identify potential leaks sooner.

It is expected that another \$300,000 will need to be appropriated in 2019 to complete this program.

2018 New Capital Projects

The District plans to start and complete two new capital projects in 2018.

This includes Phase VI of the Summit Park Restoration project that the District is doing in conjunction with Summit County and the Snyderville Basin Water Reclamation District. By replacing its waterlines at the same time as the sewer lines and roads are replaced, the District's costs are reduced since it will not need to pay to repave the road. Summit Park has more leaking waterlines than any other service area in the District. The 2018 capital budget includes \$400,000 for this project.

The District also plans to construct a pipeline interconnect between Willow Creek and Atkinson to reduce power costs. This interconnect will allow water to be transported to the Willow Creek area in the future without the need to pump it up to a tank in the mountainous Colony development. Impact fee reserves of \$125,000 are available to fund this project.

2017 Capital Budget Amendments

The Summit County Council previously approved two capital budget amendments for 2017. The "2017 Previously Amended" column reflects both these amendments.

A third amendment for 2017 is needed to switch funding sources, since delays in the Series 2014 bond projects led to an additional \$4,000 in interest earnings that must be spent on bond funded capital projects. This will allow \$4,000 less impact fees to be applied to the Series 2014 bond projects.

5.0 2017 BUDGET AMENDMENTS

5.01 2017 Operating Budget

For the 2017 *Operating Budget*, only one additional budget amendment is needed beyond the \$5,800 amendment previously approved by the Summit County Council.

MOUNTAIN REGIONAL WATER 2017 Amended Operating Budget - Accrual Basis <i>Enterprise Fund</i>							
	2015 Actual	2016 Actual	2017 Previously Amended	2017 Proposed Amended	2017 Additional Amendments	2017 Projection	2017 Projection to Adopted
OPERATING REVENUE							
Retail Water Sales	\$ 6,459,837	\$ 7,384,473	\$ 6,753,200	\$ 6,753,200	\$ -	\$ 7,239,300	\$ 486,100
Park City Wheeling	535,223	629,928	615,200	615,200	-	575,000	(40,200)
Weber Basin Regionalization Fees	367,200	684,600	889,600	889,600	-	889,600	-
Stagecoach Assessment	208,749	182,038	163,000	163,000	-	185,000	22,000
Operating Fees	421,448	407,984	303,300	303,300	-	401,000	97,700
Contract Maintenance	12,710	-	5,000	5,000	-	-	(5,000)
Other	62,328	68,056	45,000	45,000	-	53,000	8,000
Total Operating Revenue	8,067,495	9,357,079	8,774,300	8,774,300	-	9,342,900	568,600
OPERATING EXPENSES							
Operations Management							
Energy & Resource Management	493,103	580,822	411,500	411,500	-	411,500	-
Distribution	2,013,058	2,251,023	2,155,700	2,155,700	-	2,155,700	-
Lost Canyon Transmission	1,330,813	1,270,655	1,625,800	1,625,800	-	1,625,800	-
Treatment Plant	494,856	491,014	693,600	693,600	-	693,600	-
Safety	33,357	31,125	45,300	45,300	-	45,300	-
General Manager							
Engineering & Development	131,044	101,184	274,500	274,500	-	274,500	-
Human Resources	93,662	91,417	122,300	122,300	-	122,300	-
Legal Services	24,560	13,306	50,000	43,500	(6,500)	42,000	(8,000)
Public Services	400,570	401,438	490,700	490,700	-	490,700	-
Financial Management	249,980	261,084	280,600	276,600	(4,000)	280,600	-
Depreciation Expense	1,465,973	1,474,478	1,662,300	1,662,300	-	1,662,300	-
Total Operating Expense	6,730,976	6,967,546	7,812,300	7,801,800	(10,500)	7,804,300	(8,000)
OPERATING INCOME	1,336,519	2,389,533	962,000	972,500	10,500	1,538,600	576,600
NON-OPERATING REVENUE							
Interest Earnings - Available for Debt Service	80,464	112,443	84,900	84,900	-	150,900	66,000
Interest Earnings - Not Available for Debt Service	494	498	500	500	-	3,600	3,100
Impact Fees	1,254,502	1,204,382	600,000	600,000	-	1,350,000	750,000
Promontory Developer SID Assessments	1,730,632	1,742,175	1,617,100	1,617,100	-	1,617,100	-
Cash Grants	-	-	-	-	-	-	-
Other Cash Non-operating Revenue	256,164	46,852	20,000	20,000	-	53,800	33,800
Non-Cash Non-operating Revenue	11,718	11,667	11,700	11,700	-	11,700	-
Total Non-operating Revenue	3,333,974	3,118,017	2,334,200	2,334,200	-	3,187,100	852,900
NON-OPERATING EXPENSE							
Interest Expense/Bank Fees	1,667,763	1,514,690	1,588,400	1,598,900	10,500	1,596,400	8,000
Bond Issuance Costs and Amortization Expense	15,734	15,734	15,800	15,800	-	15,800	-
Total Non-operating Expense	1,683,497	1,530,424	1,604,200	1,614,700	10,500	1,612,200	8,000
NON-OPERATING INCOME	1,650,477	1,587,593	730,000	719,500	(10,500)	1,574,900	844,900
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	2,986,996	3,977,126	1,692,000	1,692,000	-	3,113,500	1,421,500
TRANSFERS							
Contingency	-	-	-	-	-	-	-
Governmental Transfers	-	-	-	-	-	-	-
Contributions in Aid of Construction	683,791	35,064	-	-	-	-	-
NET TRANSFERS	683,791	35,064	-	-	-	-	-
BUDGET CHANGE IN NET POSITION AFTER TRANSFERS	\$ 3,670,787	\$ 4,012,190	\$ 1,692,000	\$ 1,692,000	\$ -	\$ 3,113,500	\$ 1,421,500
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	125,447	87,094	TBD	TBD	TBD	TBD	TBD
ACTUAL CHANGE IN NET POSITION	3,796,234	4,099,284	1,692,000	1,692,000	-	3,113,500	1,421,500

The actual amounts shown above in the program expense budgets have been adjusted to remove the non-cash GASB 68 retirement accrual. This is done to provide a much better year-over-year budget comparison.

This original \$5,800 amendment provided funding for the 2017 interest payments due on a 20-year lease purchase agreement the District entered into during 2017 to acquire backup generators for Lost Canyon pump station. The capital budget was also amended in 2017 to fund the cost to purchase and install those generators.

The additional \$10,500 amendment is needed to cover higher banking costs associated with increased credit payment transactions by customers, and higher fees. The funding for this amendment can come from \$4,000 savings in *Financial Management* due to audit costs falling below budget; while another \$6,500 can come from the *Legal Services*, as related costs are projected to be well under budget in 2017.

As shown in the “*2017 Projection to Adopted*” column above, the District now anticipates 2017 revenue, (and thus change in net position after transfers) will exceed budget by \$1.42 million. Almost half this can be attributed to impact and connection (new meter) fees from three condo/apartment buildings that are under construction at Blackstone Flats (LV4).

Some of this additional revenue will be put into reserves as required by state law or District policy. The remaining revenue will help fund 2018 capital projects and equipment.

The District has experienced strong customer growth the past eighteen months. Further, 2017 summer weather was hot and dry. These factors led to higher 2017 retail water sales than budgeted.

5.02 2017 Debt Service Budget

The adopted 2017 *Debt Service Budget* projected a 1.34 parity debt coverage ratio and 1.26 when subordinated debt was included.

Due to the \$1.42 million additional revenue the District now expects to collect in 2017 beyond the budgeted amount (see **Section 5.01**), these ratios are now projected at 1.72 and 1.61 respectively – as shown below.

MOUNTAIN REGIONAL WATER			
2017 Debt Coverage Calculation - Cash Basis			
	2017		2017
	Budget		Projection
COVERAGE CALCULATION FOR PARITY REVENUE BONDS			
Operating Income (Loss)	\$ 962,000	\$	1,538,600
Add Back Depreciation	1,662,300		1,662,300
Add in Interest Available for Debt Service	84,900		150,900
Add In Impact Fees	600,000		1,350,000
Add In Promontory SID Assessments on Developer	1,617,100		1,617,100
Add in Other Non-operating Income	20,000		53,800
Add in Treatment Plant Stabilization Fund	-		-
Total Available For Debt Service	4,946,300		6,372,700
TOTAL DEBT COVERAGE			
Required Coverage Principal	2,228,200		2,228,200
Required Coverage Interest/Bank Fees	1,711,800		1,725,600
Total Required Debt Service	3,940,000		3,953,800
Debt Service X 1.25	4,925,100		4,942,300
Required Debt Coverage Ratio	1.26		1.61
REQUIRED PARITY BOND DEBT COVERAGE			
Parity Bond Principal	2,119,000		2,119,000
Parity Bond Interest	1,576,500		1,576,500
Total Parity Debt Service	3,695,500		3,695,500
Debt Service X 1.25	4,619,400		4,619,400
Parity Debt Coverage Ratio	1.34		1.72
Cash Excess/(Shortfall)			
Cash Excess/(Shortfall)	1,006,300		2,418,900
Less Treatment Plant Stabilization Fund			-
Projected Cash Generated	1,006,300		2,418,900
Capital Facility Reserves	(307,500)		(307,500)
Impact Fee Reserves	-		(750,000)
Operating Reserves	(135,300)		(135,300)
Regionalization Reserves	(341,300)		(341,300)
Cash Available for 2018 Capital Budget	222,200		884,800