MOUNTAIN REGIONAL WATER

SPECIAL SERVICE DISTRICT

2020 TENTATIVE BUDGET

And

2019 PROPOSED AMENDED BUDGET

November 6, 2019

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1.0 BACKGROUND

1.01 The District

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

The District currently has 4,447 customers using water and about 1,600 additional connections on standby. In June of 2019 the District annexed 500 customers from the former Community Water system located at the base of the Canyons Village resort. 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 connections mentioned above).

The District also wheels up to 2,900 acre-feet of raw water annually to Park City. Additionally, under the Western Summit County Project Master Agreement the District will sell 1,100 acre-feet of surplus culinary water to Weber Basin for delivery to Summit Water located in the Snyderville Basin. These two wholesale contracts will account for 56% of the District's water production in 2020.

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.

2.0 OVERVIEW

The following will be discussed in the sections below:

Section 3.0 – 2020 District Budget Review

- This section provides an overview and analysis of current trends in District operations used for 2020 budget assumptions

Section 4.0 – 2020 Operating Budget

- This section explores the detailed revenue and operating expenses for 2020

Section 5.0 – 2020 Debt Service Budget

- This section details the cash available for debt payments in 2020

Section 6.0 – 2020 Capital Budget

- This section will define the capital projects to be carried over from 2019 and new capital expenditures planned for 2020

Section 7.0 – 2019 Budget Amendments

- This section details budget amendments needed for the 2019 Operating Budget and 2019 Debt Service Budget

3.0 2020 DISTRICT BUDGET REVIEW

3.01 Retail Water Consumption

As shown below in Figure 1, the average District culinary consumption per customer estimated for 2019 is 144,280 gallons, compared to 171,819 gallons for 2018, a 16.0% decrease. Usage per culinary customer was closer to the consumption seen in the other cooler wet summers of 2014 and 2015. This decrease can be attributed to two factors; 1) a cool wet beginning and end of summer experienced in 2019 and 2) the addition of 500 Community Water customers consisting primarily of condominiums and townhomes, which are typically lower water users.

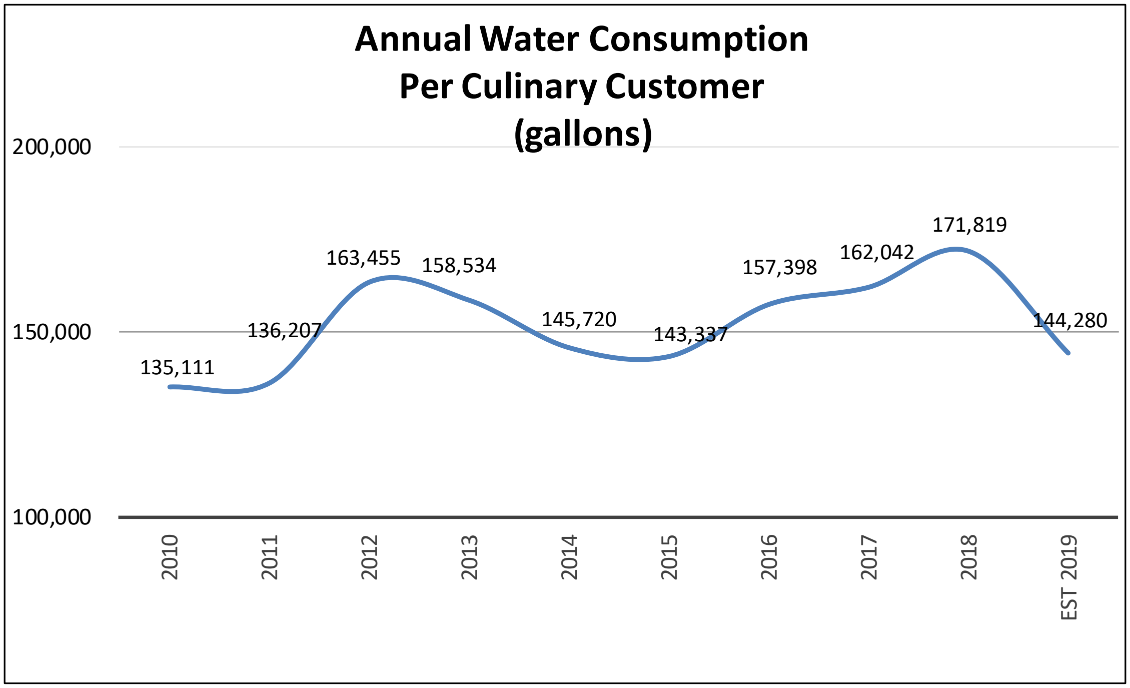

Figure 1: Annual Water Consumption

For 2019, it is projected retail water sales will be below budget at $7.82 million, which is $268,300 (3.32%) lower than initial budget projections and significantly lower than retail water sales in 2018 of $8.34 million, as shown in Figure 2 below.

The District adopted a 3% rate increase effective January 1, 2019 which added approximately $220,000 to revenue for 2019. Additionally, as noted above, 500 customers from the annexed Community Water system were added, which created an additional $250,000 in 2019 revenue. Despite these increases in revenue, the cool wet beginning and end to summer brought water usage down below average usage rates projected in the District's rate model. Accordingly, projected retail water sales as compared to 2018 are lower by $513,751 (6.16%).

This illustrates the volatility of revenue fluctuations due to changes in weather patterns. Prior to 2019 the District had three consecutive years of hot dry summers which lead to record revenue collections. This allowed the District to establish adequate cash reserves and the ability to continue to fund capital projects from cash on hand even when a wet and mild year is experienced.

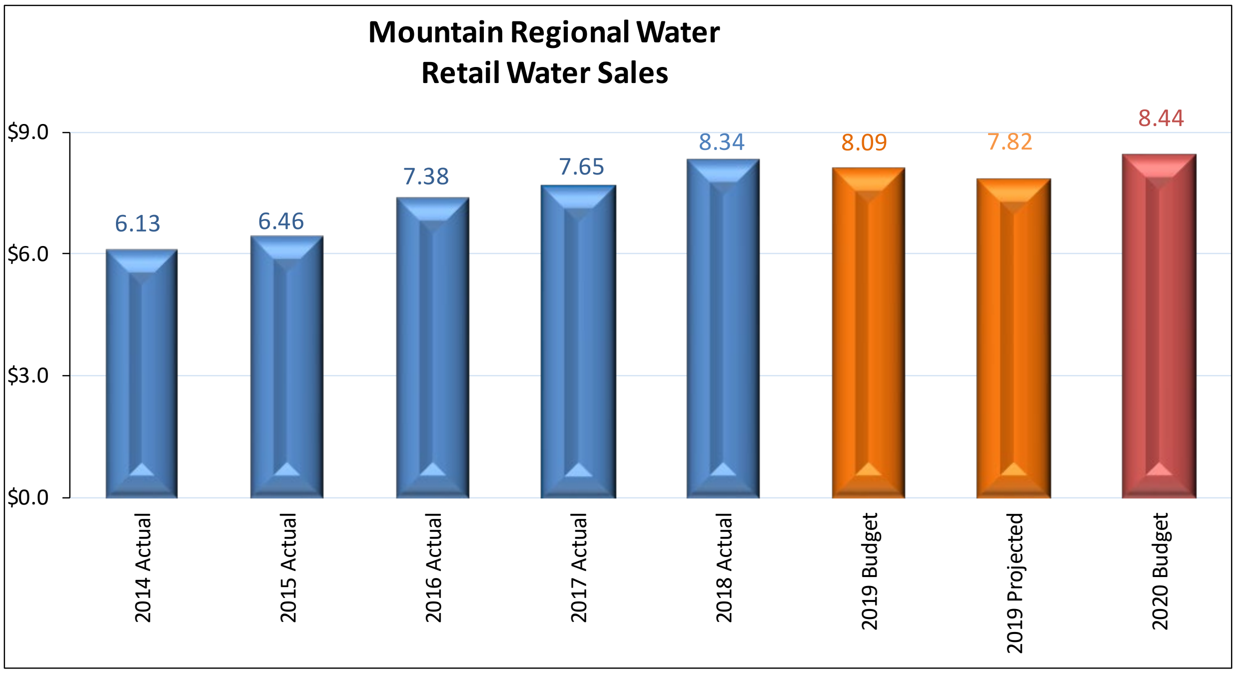

Figure 2: Retail Water Sales

The 2020 retail water sales forecast of $8.44 million is based on a five-year average monthly consumption by customer (from 2015 through projected 2019) as determined by a rate model created last year by the District in conjunction with Zions Bank.

The increase of $620,700 from 2019 Projected to 2020 Budget is due to a full year of Community Water customers, a 2% District wide growth increase, and a five-year average customer consumption projection.

3.02 Development Related Collections Are Declining

As shown in Figure 3, annual new water connections have averaged 125 since 2014, the highest since the post-Olympic building boom. From 2009 to 2012, average annual connections were only 31. Average annual connections over the past ten years is 95 – the number used for 2020 revenue projections.

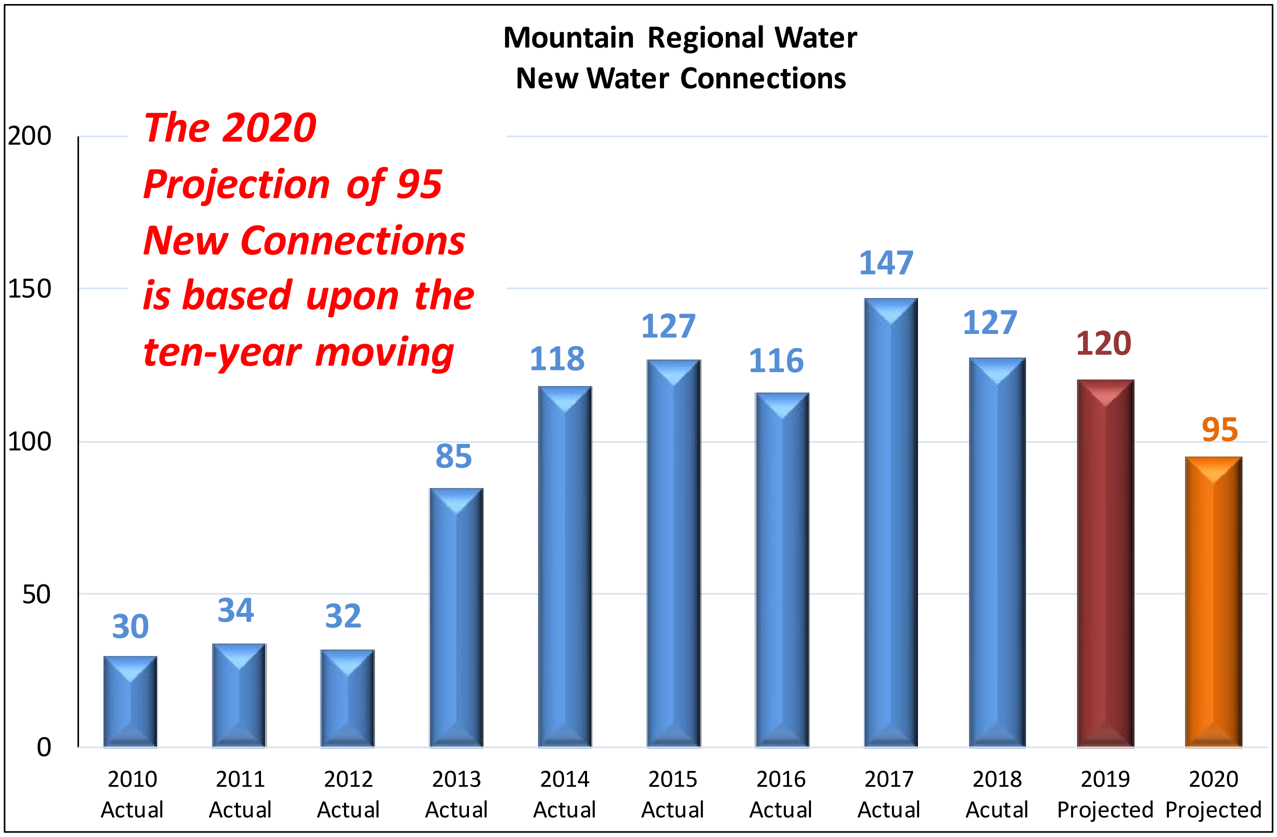

Figure 3: New Water Connections

The District has updated its Impact Fee Facility Plan and approved an Impact Fee Resolution in late October 2019. The price per ERC is coming down from $10,513 per ERC to $8,119 per ERC. This is a 22.8% decrease. In addition, there have been indications of a slowdown in the building economy. Based on this information, the District has estimated $500,000 in impact fees for 2020, as shown in Figure 4 on the following page.

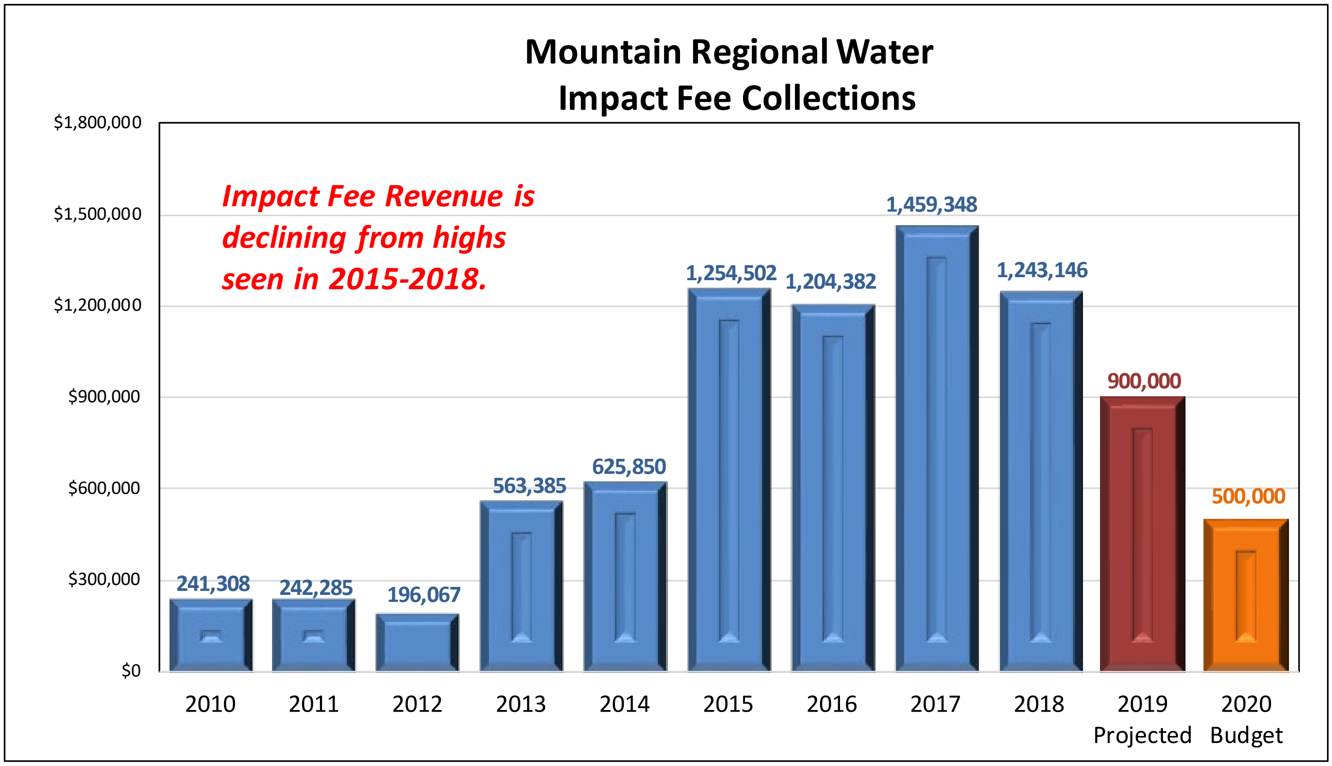

Figure 4: Impact Fee Collections

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

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 based upon livable square footage – which varies drastically among the District's service areas.

Due to the above, it has been District practice to forecast impact fees budget based upon the ten-year moving average for new water connections which is 95 new connections. The current average impact fee per connection is $8,100. This average impact fee is lower than the previous $10,513 base fee as many prepaid connections are being used in Silver Creek, 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.

As discussed previously, with the pending decrease in price per ERC of approximately $2,400 the average per connection should come down even further to approximately $6,200 per ERC. Accordingly, the District has estimated conservatively at $500,000 in impact fees for 2020.

3.03 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 due to the volume of water purchased and lower distribution and administrative costs.

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. 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 $700,000 in 2020, slightly lower than what was projected for 2019, due to lower Lost Canyon production costs.

Summit Water has contracted for 1,100 acre-feet of wholesale water from the District for 2020 under the Western Summit County Project Master Agreement. This take-or-pay contract will provide approximately $2.0 million in 2020 revenue, compared to $1.0 million in 2019 for 800 acre-feet. The increase in revenue is due to the increase in water delivery (300 acre feet) as well as an increase in rate which adjusts for increases in District operating costs, Weber Basin lease fees, and improved recapture of previously unallocated costs.

As both these wholesale contracts are on a take-or-pay basis (i.e. the purchaser pays the full contracted amount whether or not they use the water) 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.

3.04 District Water Production

As shown in Figure 5, 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 Western Summit County Project Master Agreement.

Production for 2018 was up significantly, primarily due to Park City wheeling an additional 900 acre-feet through Lost Canyon and due to a very hot dry summer that led to an additional 300 acre-feet of water used my MRW Customers.

Production for 2019 is now projected to be 5,539 acre-feet, which is 164 acre-feet lower than 2018 primarily due to the wet and mild beginning to summer experienced in 2019.

Production for 2020 is projected to reach almost 6,000 acre-feet, primarily due to an additional 300 acre-feet of wholesale water taken by Summit Water and a slight increase in water used by MRW Customers due to growth and the addition of 500 annexed customers from Community Water.

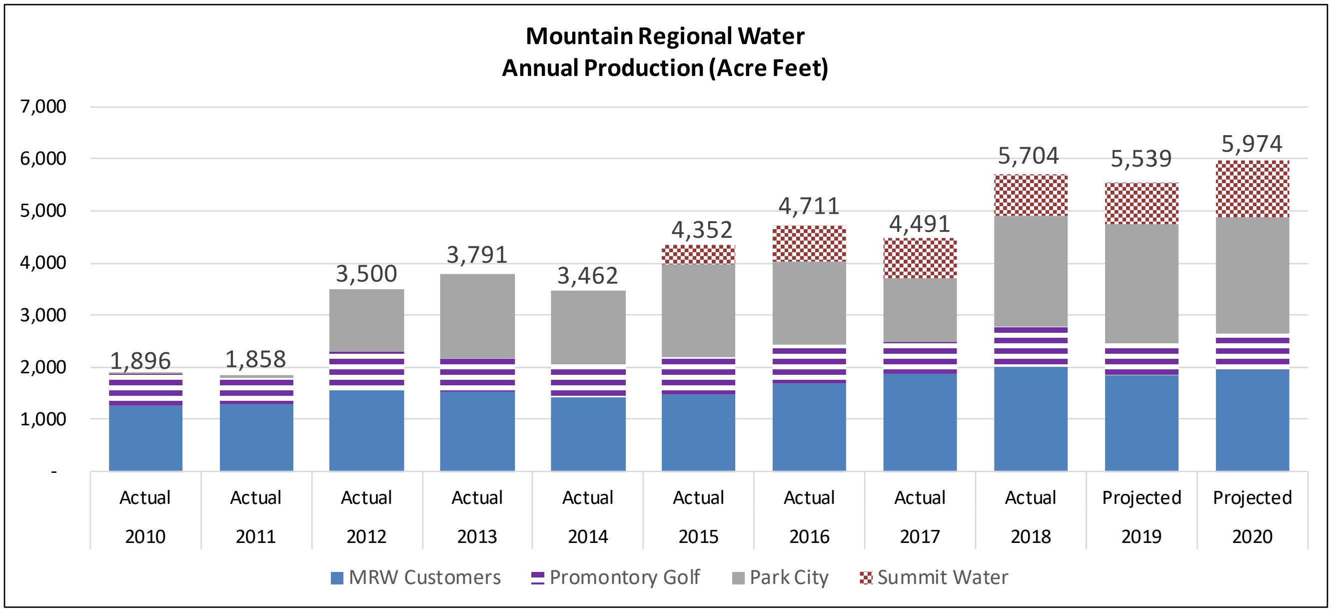

Figure 5: Annual Production (Acre Feet)

3.05 Operations Expense Contingency

In the 2020 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 temporarily needs to pump water during on-peak power rates, or if unusually hot dry weather is experienced.

This practice provides $100,000 per year in operating expense contingencies – which is the amount of operating expense contingency included in the 2020 budget.

The District makes every effort to pump off-peak and take advantage of lower rates, which can be seen in Figure 6 below. However, if the District experiences a hot dry summer and Park City takes more water than in prior years, the District may need to pump on-peak at times during the summer and accordingly use a portion of this contingency.

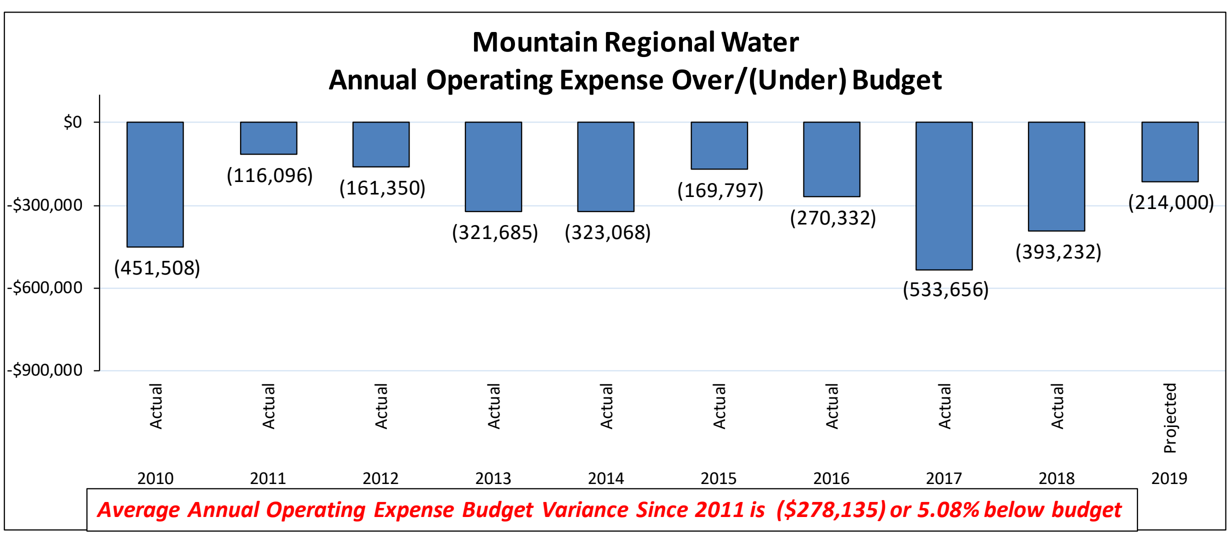

Figure 6: Annual Operating Expense Over/(Under) Budget

3.06 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:

<u>Rate Stabilization Fund – Bond Reserves</u> **-** 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 2019 year-end reserve balance is $1.2 million. The District has never needed to use these funds.

<u>Rate Stabilization Fund – Treatment Plant Operations</u> – Each year, the District budgets one-seventh of the projected seven year cost for treatment plant membrane filters, and one-fourth of the projected four year cost of carbon regeneration/replacement. These items are 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 swings in debt coverage, and possibly rates.

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. 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. During 2019, $81,000 was expended for carbon replacement and an additional $146,400 was expended for replacement of membrane filters. Accordingly, $92,400 will be added to the debt coverage calculation. The year-end 2019 balance is projected to be $250,000.

For 2020, it is estimated $85,000 will be used for carbon regeneration and replacement.

<u>Rate Stabilization Fund - Expanded Lost Creek Canyon Repair and Replacement</u> – 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 2019 projected year-end balance is expected to exceed $500,000. 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.

3.07 Debt Coverage Ratio

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

Mountain Regional Water
Parity Debt Service Coverage Ratio

	2017 Actual	2018 Actual	2019 Projected	2020 Budget
Water Sales	$ 7,652,899	$ 8,335,751	$ 7,822,000	$ 8,442,700
Park City Wheeling	583,457	675,450	707,200	700,000
Weber Basin Regionalization Collections	889,600	940,800	1,003,200	1,996,700
Operating Fees	442,186	376,970	375,000	288,800
Impact Fees	1,459,348	1,243,146	900,000	500,000
Promontory Developer Assessments	1,674,531	1,169,735	387,100	389,400
Stagecoach Assessments	188,280	209,426	163,000	163,000
Community Water Assessments	-	-	93,800	159,000
Interest Available for Debt Service	173,091	295,388	404,300	240,000
Other Non-restricted Revenue	143,419	237,114	110,000	77,500
Treatment Plant Stabilization Fund	-	-	92,300	85,000
Total Cash Available for Debt Service	13,206,811	13,483,780	12,057,900	13,042,100
Cash Operating Expenses	(5,605,845)	(6,117,468)	(6,825,200)	(7,238,000)
Net Cash Available for Debt Service	7,600,966	7,366,312	5,232,700	5,804,100
Parity Debt Service Payments	3,695,368	3,314,352	3,317,100	3,680,600
Debt Service Coverage	2.06	2.22	1.58	1.58

Table 1: Parity Debt Service Coverage Ratio

As shown in Table 1 above, the District has had strong debt coverage ratios the past several years, largely due to strong development related collections, and hot dry summers. As seen in projected 2019, development related collections are beginning to decline. Additionally, the Park City area experienced a very cool wet May, June and September, which is reflected in decreased retail water sales. Due to the weakening building economy and decreased impact fee per ERC, development related collections will continue to decline. Due to the volatility of these revenue sources, 2020 budget projections are based on more conservative assumptions for impact fees and a five-year average for retail water sales, as discussed previously.

For 2019 and 2020, the ratio is projected to drop to 1.58, due to the decrease in Promontory Developer Assessments, causing a reduction in net cash available for debt service. The 2019 and 2020 ratios however are still above the 1.25 required per bond covenants and when subordinate debt is included the ratio for 2019 and 2020 is expected to be 1.47 and 1.48, respectively. This ratio is still within the District goal of 1.35, which allows for a contingency and sufficient funds for capital projects.

3.08 District Cash & Reserves

As shown in Figure 7 below, District cash and reserves (excluding cash held by the bond trustee for debt payments) have steadily improved since 2012.

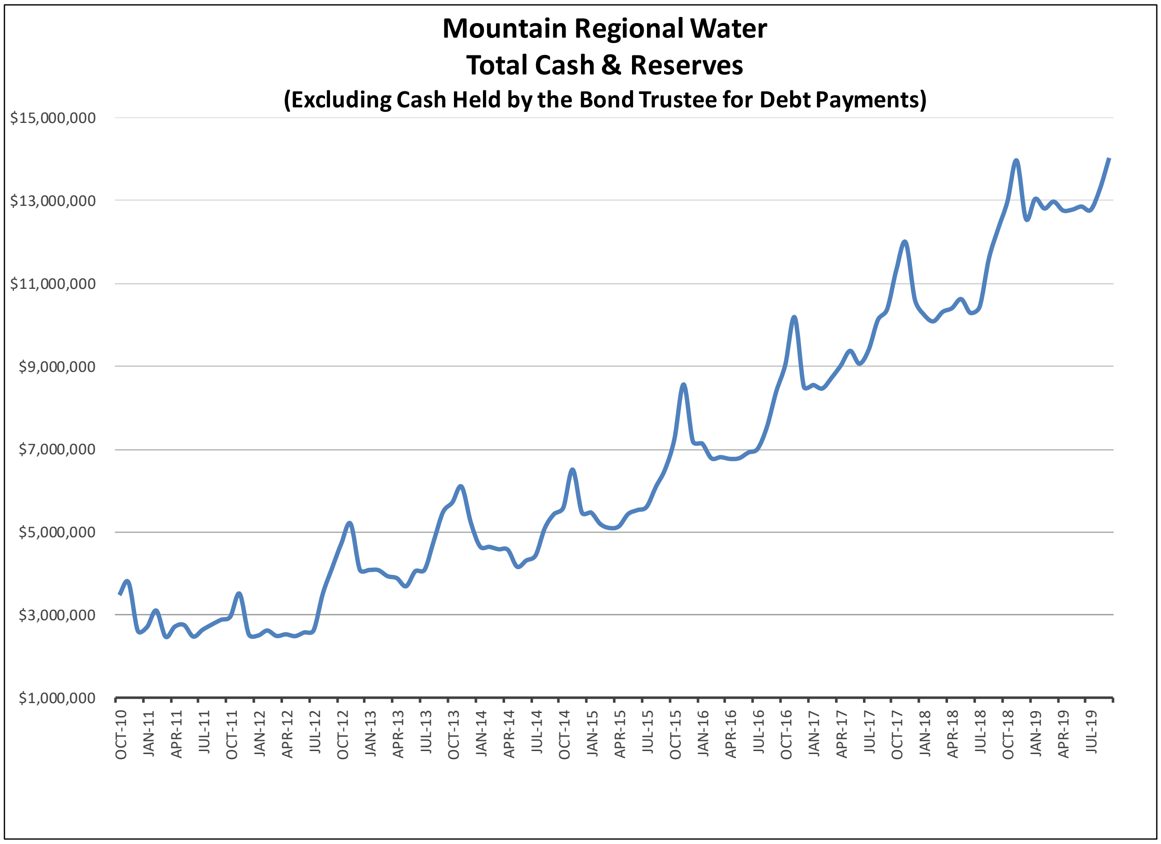

Figure 7: Total Cash & Reserves

This upward trend can be attributed to the following factors:

1) Three successive years of hot dry weather, 2016-2018;
2) A strong local building economy leading to record development related collections, 2015-2018;
3) Wholesale water sales to Weber Basin through the Western Summit County Project Master Agreement
4) Debt restructuring;
5) The establishment of a $1.0 million rate stabilization fund to replace required bond reserves held by the trustee; and
6) Rate and fee increases.

The District planned to use a portion of these reserves to defease debt in December 2018. However, due to the 2018 Tax Cuts and Jobs Act an advanced refunding of nontaxable bonds was no longer available to the District. Recently a new vehicle to refund debt has been discussed by the District and its Municipal Advisor, Zions Bank. This new vehicle will allow the District to refund its nontaxable bonds with taxable bonds and potentially unlock $1.4 million in net present value savings, or approximately $125,000 per year. The District is currently preparing for a bond sale at the end of October. Once the revised debt numbers are known, an update to this tentative budget will be made.

The District anticipates this upward trend will stabilize as cash reserves are applied to capital projects

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.

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 in Figure 8 below, *Unrestricted Operating Cash and Reserves* has steadily increased since 2015 due to three years of successive hot dry weather and rate and fee increases. Additionally, although to a lesser extent, the strong building economy the past five years provided an impact, due to higher operating (new meter) fee collections. However, most of the additional revenue generated from a strong building economy in the form of impact fees is deposited into *Debt Reserves Held by the District* discussed later.

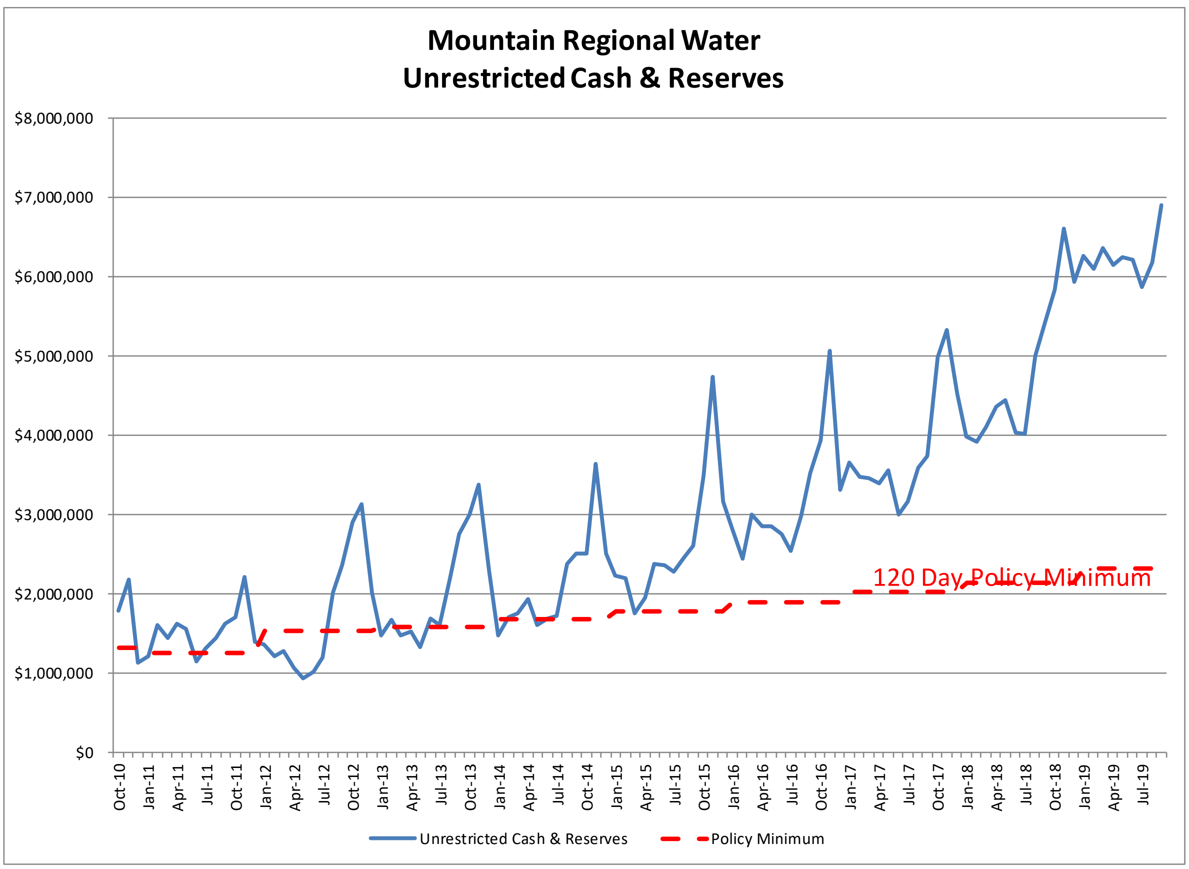

Figure 8: Unrestricted Cash & Reserves

The peaks each year shown in Figure 8 are from summer water sales collections, while the sharp decline once each year is due to large annual Weber Basin lease payments. The sharp increase from

July 2018 to November 2018 was due to record water sales in the summer of 2018 due hot and dry weather. Since November 2018, *Unrestricted Operating Cash and Reserves* have remained fairly consistent at around $6.0 million and approximately 300 days reserves as compared to the policy minimum of 120 days reserves (based on budgeted annual cash operating expenses). These reserves dropped below the minimum amount several times between 2009 and 2014 due to cool wet weather and lower operating (new meter) fee collections during the recession that started in 2008.

<u>Debt Reserves Held by the District</u>

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 included the decision to establish a $1.0 million *Rate Stabilization Fund* (see **Section 3.06)**.

As shown in Figure 9 below, *Debt Reserves Held by the District* increased significantly the past four years due to improved building related collections which resulted in higher impact fees collected. Additionally, the District established a Regionalization Reserve in September 2015 to deposit 30% of its wholesale water sales revenue. The Regionalization Reserve has grown to $1.7 million as of September 2019.

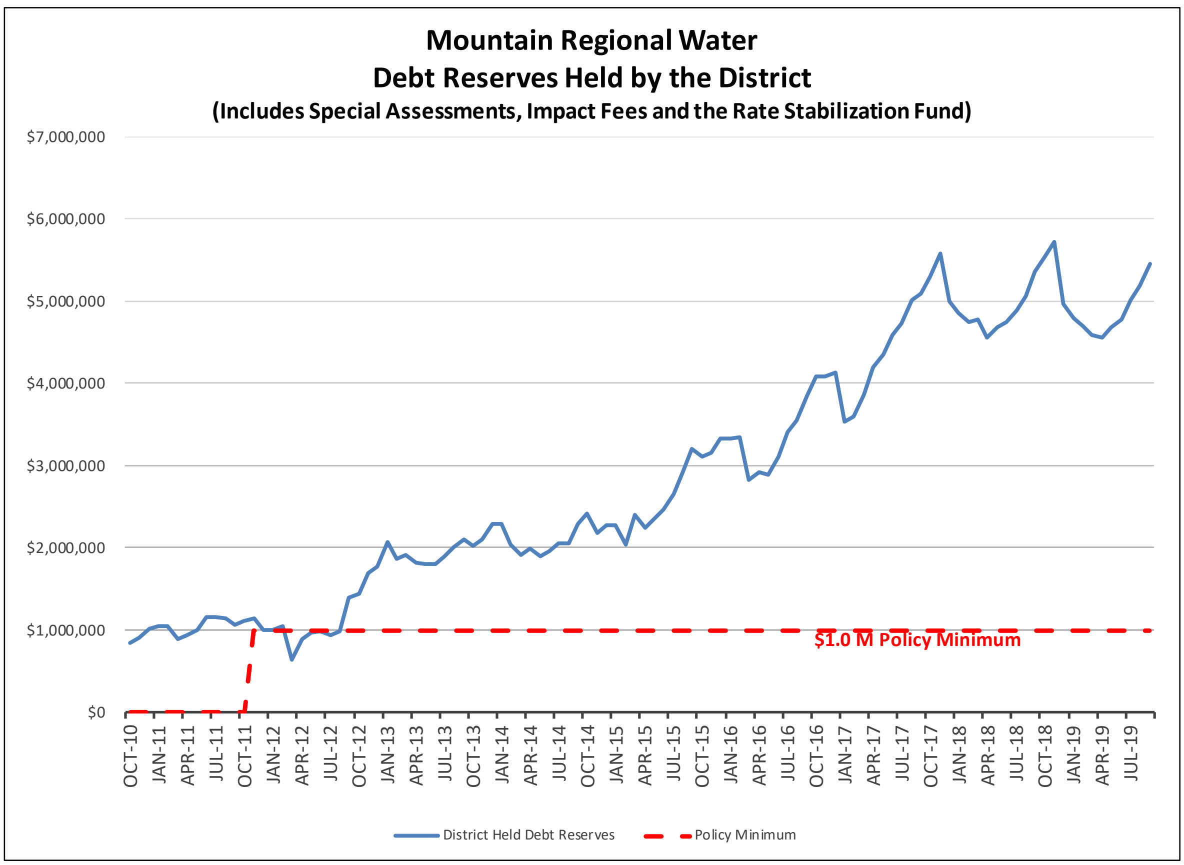

Figure 9: Debt Reserves Held by the District

A portion of these reserves, $1.1 million (current balance in the Rate Stabilization Fund), 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.

Impact fees, which represent almost half of these reserves, experience wide swings in annual collections, as shown on Figure 4 in ***Section 3.02.*** 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 high of $1.46 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 $1.46 million.

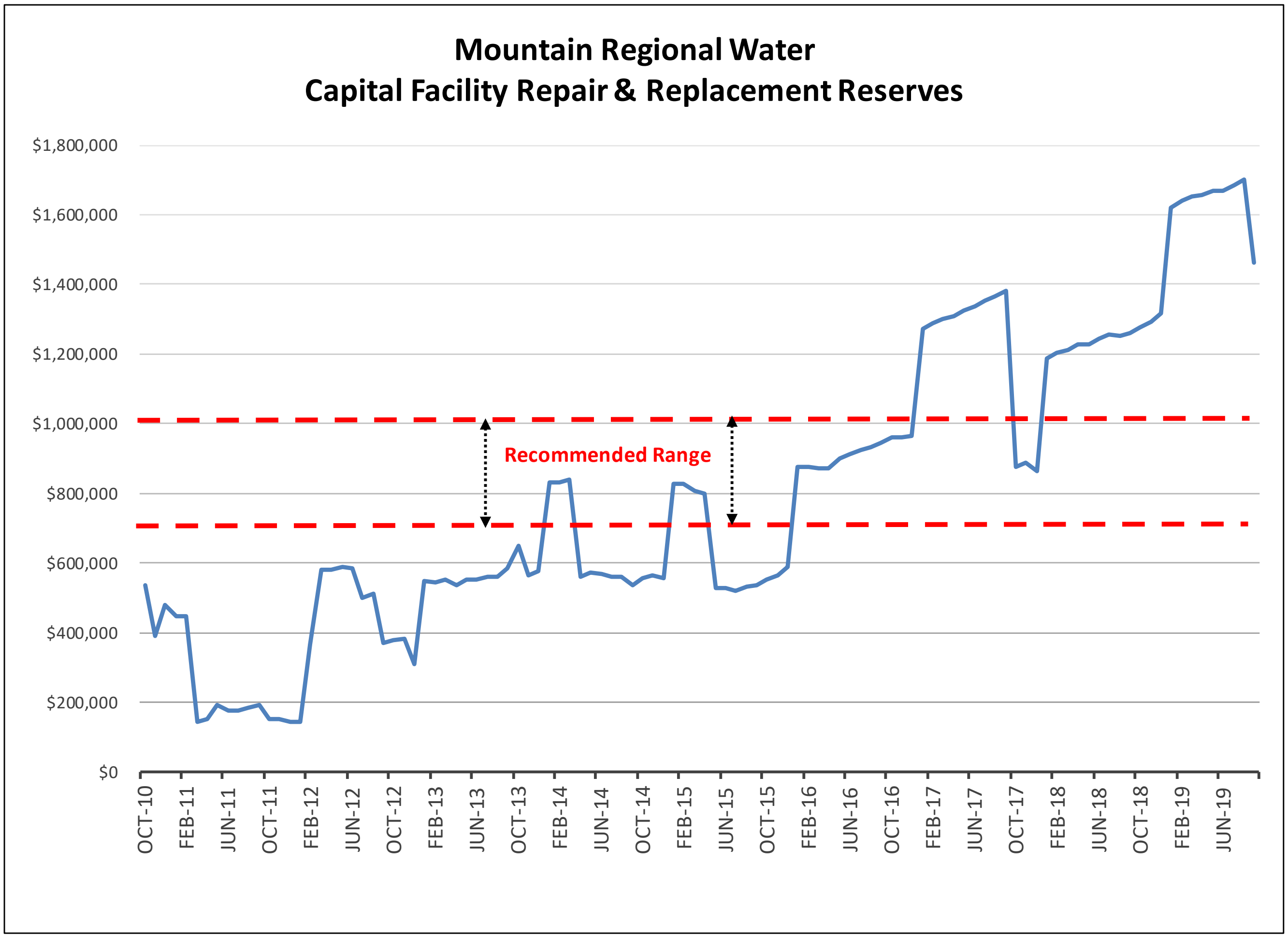

Figure 10: Capital Facility Repair & Replacement Reserves

The District has used $800,000 of these reserves through September 2019 to fund its meter upgrade program. These new meters provide both the District and customers access to hourly reads in real-time using a water software management tool called EyeOnWater, to help monitor usage and more quickly identify leaks. By year-end 2019, capital facility reserves are projected to be close to $1.40 million – allowing the excess to be used to fund other capital projects in 2020 and 2021.

2020 Budgeted Cash Change

As shown below, the 2020 budget projects a $1.79 million cash increase, excluding capital budget items being funded with bond proceeds or with current cash on hand.

Mountain Regional Water
2020 Operating Budget - Accrual and Cash Basis
Enterprise Fund

	2020 Control Board Recommended Accrual Basis	2020 Control Board Recommended Cash Basis
OPERATING REVENUE		
Retail Water Sales	$ 8,442,700	$ 8,442,700
Park City Wheeling	700,000	700,000
Weber Basin Regionalization Collections	1,996,700	1,996,700
Operating Fees	288,800	288,800
Other	47,500	47,500
Total Operating Revenue	**11,475,700**	**11,475,700**
OPERATING EXPENSES		
Operations		
Energy & Resource Management	557,000	557,000
Lost Canyon Transmission	1,717,500	1,717,500
Treatment	867,600	867,600
Distribution	2,565,200	2,565,200
Safety	70,500	70,500
General Manager		
Engineering & Development	319,100	319,100
Human Resources	123,000	123,000
Legal Services	67,000	67,000
Public Services	516,800	516,800
Financial Management	434,300	434,300
Depreciation Expense	1,798,500	-
Total Operating Expense	**9,036,500**	**7,238,000**
OPERATING INCOME	**2,439,200**	**4,237,700**
NON-OPERATING REVENUE		
Interest Earnings - Available for Debt Service	240,000	240,000
Interest Earnings - Not Available for Debt Service	10,000	-
Impact Fees	500,000	500,000
Promontory Developer Assessments	389,400	389,400
Stagecoach Infrastructure Assessments	163,000	163,000
Community Water Assessments	159,000	159,000
Other Cash Non-operating Revenue	30,000	30,000
Non-Cash Non-operating Revenue	11,700	-
Total Non-Operating Revenue	**1,503,100**	**1,481,400**
NON-OPERATING EXPENSE		
Interest Expense/Bank Fees	1,439,900	1,547,400
Bond Principal Payments	-	2,382,500
Bond Issuance Expenses	6,500	-
Total Non-Operating Expense	**1,446,400**	**3,929,900**
NON-OPERATING INCOME	**56,700**	**(2,448,500)**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**2,495,900**	**1,789,200**
TRANSFERS		
NET TRANSFERS	-	-
CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 2,495,900**	**$ 1,789,200**

The District plans to allocate the $1.79 million cash increase as follows:

Capital Facility Reserves Mandatory Deposit	$ 361,900
Regionalization Reserves	599,000
Capital Projects	828,300
Total	**$ 1,789,200**

3.09 Personnel & Compensation

The District currently has 23 full time employees and two part time employees. The 2020 budget includes **NO** new positions. However, the District currently has two vacant positions which it intends to fill in 2020.

The 2020 Budget includes funding for a 2.5% COLA and a 3.0% average merit pay increase for employees, which is consistent with Summit County's projected increases.

3.10 No Rate Increase Needed in 2020

Due to an increase in scheduled debt payments in 2019, along with the new annual payment of Weber Basin regionalization fees of $245,000, the District adopted a 3% increase to base and usage fees beginning in 2019.

As revenue growth is very difficult to forecast, the District's approach was to initiate a 3% rate increase in 2019 and as needed, continue with smaller rate increases each year, to cover rising costs.

However, with the annexation of 500 new customers from the former private Community Water system, additional wholesale water sales to Weber Basin in 2020 and 2021, and more than adequate cash reserve balances, the District is not suggesting a rate increase in 2020.

The District will however continue to monitor weather patterns and local development which can lead to significant variances. Each year the rate model will be updated to reflect those building and weather patterns so the District can more appropriately react to trends and adjust rate increases accordingly.

4.0 2020 OPERATING BUDGET

4.01 Summary

As shown below, projected 2020 *Net Income after Transfers* is $2.50 million on an accrual basis.

Mountain Regional Water
2020 Operating Budget - Accrual Basis
Enterprise Fund

	2018 Actual	2019 Adopted Budget	2019 Proposed Amended	2020 Control Board Recommended	2020 Recommend to 2019 Amended
OPERATING REVENUE					
Retail Water Sales	$ 8,335,751	$ 8,090,300	$ 7,822,000	$ 8,442,700	$ 620,700
Park City Wheeling	675,450	707,200	707,200	700,000	(7,200)
Weber Basin Regionalization Collections	940,800	1,003,200	1,003,200	1,996,700	993,500
Operating Fees	376,970	300,000	375,000	288,800	(86,200)
Contract Maintenance	505	-	-	2,500	2,500
Other	79,695	50,000	50,000	45,000	(5,000)
Total Operating Revenue	**10,409,171**	**10,150,700**	**9,957,400**	**11,475,700**	**1,518,300**
OPERATING EXPENSES					
Operations					
Energy & Resource Management	512,843	576,800	576,800	557,000	(19,800)
Lost Canyon Transmission	1,450,316	1,803,800	1,728,800	1,717,500	(11,300)
Treatment Plant	567,468	765,600	765,600	867,600	102,000
Distribution	2,180,478	2,316,200	2,316,200	2,565,200	249,000
Safety	58,378	69,100	69,100	70,500	1,400
General Manager					
Engineering & Development	316,009	345,900	345,900	319,100	(26,800)
Human Resources	100,269	121,900	121,900	123,000	1,100
Legal Services	29,307	66,000	66,000	67,000	1,000
Public Services	532,468	558,100	558,100	516,800	(41,300)
Financial Management	369,932	415,800	415,800	434,300	18,500
Depreciation Expense	1,634,015	1,862,300	1,862,300	1,798,500	(63,800)
Total Operating Expense	**7,751,483**	**8,901,500**	**8,826,500**	**9,036,500**	**210,000**
OPERATING INCOME	**2,657,688**	**1,249,200**	**1,130,900**	**2,439,200**	**1,308,300**
NON-OPERATING REVENUE					
Interest Earnings - Available for Debt Service	295,388	254,300	372,600	240,000	(132,600)
Interest Earnings - Not Available for Debt Service	8,336	2,600	2,600	10,000	7,400
Impact Fees	1,243,146	700,000	700,000	500,000	(200,000)
Promontory Developer Assessments	1,169,735	387,100	387,100	389,400	2,300
Stagecoach Assessments	209,426	163,000	163,000	163,000	-
Community Water Assessments	-	79,500	79,500	159,000	79,500
Other Cash Non-operating Revenue	156,914	30,000	30,000	30,000	-
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-
Total Non-Operating Revenue	**3,094,612**	**1,628,200**	**1,746,500**	**1,503,100**	**(243,400)**
NON-OPERATING EXPENSE					
Interest Expense/Bank Fees	1,485,282	1,473,400	1,473,400	1,439,900	(33,500)
Bond Issuance Costs and Amortization Expense	15,734	6,500	6,500	6,500	-
Total Non-Operating Expense	**1,501,016**	**1,479,900**	**1,479,900**	**1,446,400**	**(33,500)**
NON-OPERATING INCOME	**1,593,596**	**148,300**	**266,600**	**56,700**	**(209,900)**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**4,251,284**	**1,397,500**	**1,397,500**	**2,495,900**	**1,098,400**
TRANSFERS					
Contributions in Aid of Construction	2,126,661	-	-	-	-
NET TRANSFERS	**2,126,661**	**-**	**-**	**-**	**-**
BUDGET CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 6,377,945**	**$ 1,397,500**	**$ 1,397,500**	**$ 2,495,900**	**$ 1,098,400**
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	*22,808*	*TBD*	*TBD*	*TBD*	*N/A*
ACTUAL CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 6,400,753**	**$ 1,397,500**	**$ 1,397,500**	**$ 2,495,900**	**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 2020 budget, since the amount won't be known until well after the fiscal year ends. As such, prior year actual amounts include cash retirement expense for comparison purposes rather than the accrued expense.

4.02 2020 Revenue

Operating Revenue

As shown in Table 3, the District projects $11.48 million in 2020 *Operating Revenue* - which is $1.33 million (13.1%) higher than was budgeted for 2019; and $1.52 million (15.2%) more than is now projected for 2019.

Table 3: Operating Revenue

Operating Revenue	2018 Actual	2019 Adopted Budget	2019 Projection		2020 Control Board Recommended	2020 Recommended to 2019 Budget $ Change	% Change	2020 Recommended to 2019 Projection $ Change	% Change
Retail Water Sales	$ 8,335,751	$ 8,090,300	$ 7,822,000		$ 8,442,700	$ 352,400	*4.4* %	$ 620,700	*7.9* %
Park City Wheeling Fees	675,450	707,200	707,200		700,000	(7,200)	*(1.0)*	(7,200)	*(1.0)*
Weber Basin Regionalization Collections	940,800	1,003,200	1,003,200		1,996,700	993,500	*99.0*	993,500	*99.0*
Operating Fees	376,970	300,000	375,000		288,800	(11,200)	*(3.7)*	(86,200)	*(23.0)*
Contract Maintenance	505	-	-		2,500	2,500	*n/a*	2,500	*n/a*
Other	79,695	50,000	50,000		45,000	(5,000)	*(10.0)*	(5,000)	*(10.0)*
Total Operating Revenue	**$ 10,409,171**	**$ 10,150,700**	**$ 9,957,400**		**$ 11,475,700**	**$ 1,325,000**	**13.1** %	**$ 1,518,300**	**15.2** %
			$ (193,300)	*-1.9%*					

The 2020 *Retail Water Sales* budget of $8.44 million is $352,400 (4.4%) higher than the 2019 budget. This is the result of an additional 500 new customers from the Community Water annexation, combined with approximately 100 new customers using water that will generate additional revenue.

A slight decrease of $7,200 (1.0%) is projected for *Park City Wheeling Fees* in 2020 due to lower personnel costs at Lost Canyon, slightly offset by a higher anticipated volume (acre feet) being wheeled to Park City due to the Quinn's treatment plant being used while their new Spiro treatment plant is under construction.

Weber Basin Regionalization Collections are expected to increase $993,500 (99.0%) to $2.0 million in 2020 due to; 1) an additional 300 acre feet of water being taken in 2020 and 2) an increase in rate which adjusts for increases in District operating costs, Weber Basin lease fees, and improved recapture of previously unallocated costs.

Operating Fees (including new meter fees) are projected to be $375,000 in 2019 – which is $75,000 (25.0%) more than budgeted for 2019. Although actual 2019 collections will exceed budget due to new meter fees collected from Discovery and condo/townhome complexes at Silver Creek. The continued strong customer growth is expected to decline in 2020 as additions in Discovery and Silver Creek come on slower than in 2019.

Non-operating Revenue

As shown in Table 4, *Non-operating Revenue* is projected to be $1.50 million in 2020. This is a $125,100 (7.7%) decrease when compared to the 2019 budget, primarily related to a $200,000 projected decrease in impact fees offset by an increase of $79,500 in Community Water assessments.

Table 4: Non-operating Revenue

Non-operating Revenue

	2018 Actual	2019 Adopted Budget	2019 Projection		2020 Control Board Recommended	2020 Recommended to 2019 Budget $ Change	% Change	2020 Recommended to 2019 Projection $ Change	% Change
Interest Earnings	$ 303,724	$ 256,900	$ 413,300		$ 250,000	$ (6,900)	*(2.7)*	$ (163,300)	*(39.5)* %
Impact Fees	1,243,146	700,000	900,000		500,000	(200,000)	*(28.6)*	(400,000)	*(44.4)*
Promontory Developer Assessments	1,169,735	387,100	387,100		389,400	2,300	*0.6*	2,300	*0.6*
Stagecoach Assessments	209,426	163,000	163,000		163,000	-	-	-	-
Community Water Assessments	-	79,500	93,800		159,000	79,500	*100.0*	65,200	*69.5*
Other Cash Non-operating Revenue	156,914	30,000	60,000		30,000	-	-	(30,000)	*(50.0)*
Non-Cash Non-operating Revenue	11,667	11,700	11,700		11,700	-	-	-	-
Total Non-operating Revenue	**$ 3,094,612**	**$ 1,628,200**	**$ 2,028,900**		**$ 1,503,100**	**$ (125,100)**	**(7.7) %**	**$ (525,800)**	**(25.9) %**
			$ 400,700	*24.6%*					

The $500,000 projection for 2020 *Impact Fees* is $400,000 (44.4%) lower than the 2019 projection. This is due to a weakening of the strong building economy seen over the past four years and an expected 22.8% decline in impact fees per ERC due to the revised Impact Fee Facilities Plan as discussed in ***Section 3.02.***

Community Water Assessments is $79,500 (100.0%) higher than the 2019 budget due to collections of Community Water assessments for the full year of 2020.

Interest Earnings are projected to decrease $163,300 (39.5%) in 2020 when compared to 2019 projections due to a drop in the interest rate paid by the Public Treasurers Investment Fund (PTIF) during 2019. 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.

4.03 2020 Expenses

Operating Expenses

The 2020 *Operating Expense* budget is $9.04 million, which is $210,000 (2.4%) higher than the 2019 Proposed Amended Budget, as shown in Table 5.

Table 5: Operating Expenses

Operating Expense	2018 Actual	2019 Adopted Budget	2019 Amended	2020 Recommended	2020 Recommended to 2019 Amended $ Change	% Change
Operations						
Energy & Resource Management	$ 512,843	$ 576,800	$ 576,800	$ 557,000	$ (19,800)	
Lost Canyon Transmission	1,450,316	1,803,800	1,728,800	1,717,500	(11,300)	
Treatment Plant	567,468	765,600	765,600	867,600	102,000	
Distribution	2,180,478	2,316,200	2,316,200	2,565,200	249,000	
Safety	58,378	69,100	69,100	70,500	1,400	
Subtotal Operations	**4,769,483**	**5,531,500**	**5,456,500**	**5,777,800**	**321,300**	***5.9*** %
General Manager						
Engineering & Development	316,009	345,900	345,900	319,100	(26,800)	
Human Resources	100,269	121,900	121,900	123,000	1,100	
Legal Services	29,307	66,000	66,000	67,000	1,000	
Public Services	532,468	558,100	558,100	516,800	(41,300)	
Financial Management	369,932	415,800	415,800	434,300	18,500	
Subtotal Other Departments	**1,347,985**	**1,507,700**	**1,507,700**	**1,460,200**	**(47,500)**	***(3.2)*** %
Depreciation Expense	1,634,015	1,862,300	1,862,300	1,798,500	(63,800)	
Non-Cash Expenses	**1,634,015**	**1,862,300**	**1,862,300**	**1,798,500**	**(63,800)**	***(3.4)*** %
Total Operating Expense	**$ 7,751,483**	**$ 8,901,500**	**$ 8,826,500**	**$ 9,036,500**	**$ 210,000**	***2.4*** **%**
Total Cash Operating Expense	*6,117,468*	*7,039,200*	*6,964,200*	*7,238,000*	*273,800*	***3.9***

Non-cash Depreciation Expense is expected to decrease $63,800 (3.4%) as compared to the 2019 adopted budget due to the timing of assets being depreciated.

Accordingly, the 2020 budgeted *cash increase* in *Operating Expenses* is $273,800 (3.9%). Primarily related to $250,000 of regionalization and reservation fees to be paid to Weber Basin in January 2020.

The increase in Operations is partially offset by decreases in other administrative departments as compared to the 2019 Adopted Budget are discussed below.

Midway through 2019 the Water Quality technician from Engineering & Development was temporarily reassigned to Operations in order to assist, as two operator positions were vacated. At the end of the summer the temporarily assigned employee was transferred to Distribution permanently. The replacement for this position is not expected to be hired until later in 2020, as such the Engineering & Development department budget for 2020 is $26,800 lower than the 2019 Budget.

The $41,300 decrease in *Public Services* is due to a reduction in one part time staff due to increased efficiencies by outsourcing check payment processing and moving cash receipting to Financial Management.

The $18,500 increase in *Financial Management* is largely due to increased payment processing fees due to the check processing noted above, for new customers, and as more customers choose to use credit cards.

Non-operating Expenses

Non-operating Expense consists of *Interest Expense / Trustee Fees* and bond related expenses - including issuance costs. As shown below, the 2020 *Non-operating Expense* budget is $1.45 million, which is $33,500 (2.3% less) than the 2019 Adopted Budget. The decline in scheduled 2020 interest payments is the result of 2019 principal payments.

Table 6: Non-operating Expenses

Non-operating Expense

	2018 Actual	2019 Adopted Budget	2020 Recommended	2020 Recommended to 2019 Amended Budget $ Change	% Change
Interest Expense / Bank Fees	$ 1,485,282	$ 1,473,400	$ 1,439,900	$ (33,500)	
Bond Issuance Costs & Amortization	15,734	6,500	6,500	-	
Total Non-operating Expense	**$ 1,501,016**	**$ 1,479,900**	**$ 1,446,400**	**$ (33,500)**	***(2.3)* %**

4.04 2020 Transfers

Although the District may receive subdivision infrastructure contributions from developers in 2020, no amount is budgeted since the value of *Contributions-in-Aid of Construction* is not known, and varies significantly year-over-year.

Table 7: Transfers

Transfers

	2018 Actual	2019 Adopted Budget	2019 Projection	2020 Control Board Recommended	2020 Recommended to 2019 Budget $ Change	% Change	2020 Recommended to 2019 Projection $ Change	% Change
Contingency	$ -	$ -	$ -	$ -	$ -		$ -	
Governmental Transfers	-	-	-	-	-		-	
Contributions in Aid of Construction	2,126,661	-	-	-	-		-	
Total Transfers	**$ 2,126,661**	**$ -**	**$ -**	**$ -**	**$ -**	**n/a %**	**$ -**	**n/a %**

Developers building within the District are required to pay for their own subdivision infrastructure and then transfer 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.

5.0 2020 DEBT SERVICE BUDGET

For 2020, the District projects a debt coverage ratio of 1.58 when only parity revenue bonds are included. As discussed in ***Section 3.07***, this ratio is required to meet or exceed 1.25 to comply with bond covenants.

MOUNTAIN REGIONAL WATER

2020 Debt Service Budget - Cash Basis

		2020
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$	2,439,200
Add Back Depreciation		1,798,500
Add In Interest Available for Debt Service		240,000
Add In Impact Fees		500,000
Add In Promontory SID Assessments on Developer		389,400
Add in Stagecoach Assessments		163,000
Add in Community Water Assessments		159,000
Add in Other Non-operating Income		30,000
Add in Treatment Plant Stabilization Fund		85,000
Total Available For Debt Service	**$**	**5,804,100**
TOTAL DEBT COVERAGE		
Required Coverage Principal	$	2,382,500
Required Coverage Interest/Bank Fees		1,547,400
Total Required Debt Service		**3,929,900**
Debt Service X 1.25	**$**	**4,912,400**
Total Debt Coverage Ratio		**1.48**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	$	2,235,000
Parity Bond Interest		1,445,600
Total Parity Debt Service		**3,680,600**
Debt Service X 1.25	**$**	**4,600,800**
Parity Debt Coverage Ratio		**1.58**
Cash Excess/(Shortfall)		**1,874,200**
Less Treatment Plant Stabilization Fund		(85,000)
Projected Cash Generated		**1,789,200**
Capital Facility Reserves		(361,900)
Regionalization Reserves		(599,000)
Excess Cash from 2018 for 2021 Capital Projects		482,100
Cash Available for Capital Budgets		**1,310,400**

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

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

District policy prohibits including the $1.0 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. The District has never needed to use the funds.

The projected 1.48 coverage ratio for all 2020 scheduled debt payments would result in a $1.79 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.

6.0 CAPITAL BUDGET

The District is requesting $1.59 million in new capital spending appropriations for 2020, as shown below.

Mountain Regional Water
2020 Capital Budget

	2019 Adopted Budget	2019 Proposed Amendment	2019 Estimated Completed	2019 Estimated Carryover	General Manager Recommended Increases	2020 Total Estimate
CASH SOURCES						
Previous Year Budget Carryover	$ 360,200	$ -	$ 360,200	$ -	$ -	$ -
Cash Available from Previous Years	2,222,000	4,600	1,246,600	980,000	912,100	1,892,100
Capitalized Items	73,000	-	73,000	-	-	-
Impact Fees	615,000	(4,600)	-	610,400	164,600	775,000
District Capital Reserves	800,000	-	800,000	-	510,000	510,000
Series 2019 Bond Proceeds - CW	2,600,000	-	-	2,600,000	-	2,600,000
TOTAL SOURCES	**$ 6,670,200**	**$ -**	**$ 2,479,800**	**$ 4,190,400**	**$ 1,586,700**	**$ 5,777,100**
CASH USES						
Completed Projects						
Meter Program	$ 1,333,000	$ 20,000	$ 1,353,000	-	$ -	$ -
Silver Creek EPA Line	499,800	(300,000)	199,800	-	-	-
Land Acquisition Well Site - Silver Creek	222,000	(50,000)	172,000	-	-	-
Office Improvements	25,000	-	25,000	-	-	-
Continuing Projects						
Community Water Infastructure	2,600,000	-	-	2,600,000	-	2,600,000
Capitalized Personnel Costs	262,200	-	262,200	-	252,100	252,100
General System Improvements	278,300	30,000	178,300	130,000	345,000	475,000
Weber Basin Interconnection Project	350,000	135,400	-	485,400	14,600	500,000
Vehicles & Equipment	334,900	-	284,900	50,000	180,000	230,000
2020 Capital Projects						
Summit Park Restoration (Phase VI)	200,000	100,000	-	300,000	400,000	700,000
Willow Creek/Atkinson Inteconnect	125,000		-	125,000	15,000	140,000
Old Ranch Surge Pump Upgrades	140,000	(135,400)	4,600	-	-	-
Land Acquisition & Office Site	300,000	200,000	-	500,000	-	500,000
Glenwild Pump Station Upgrades	-	-	-	-	135,000	135,000
Kilby Pump Upgrades	-	-	-	-	125,000	125,000
Treatment Plant Chlorinator Upgrade	-	-	-	-	120,000	120,000
TOTAL USES	**$ 6,670,200**	**$ -**	**$ 2,479,800**	**$ 4,190,400**	**$ 1,586,700**	**$ 5,777,100**

<u>Funding</u>

No additional borrowing or financing is needed to fund the recommended $1.59 million capital budget increase.

Instead, it can be funded with $912,100 in cash available from prior years, $164,600 from impact fees and $510,000 from capital facility reserves.

Completed Projects

Meter Replacement Program - The District has upgraded to meters that can be read hourly, with information available to both the District and individual customers in real time using a water software management tool called EyeOnWater. This will allow both the District and customers to better monitor usage and identify potential leaks sooner.

Silver Creek EPA Line – This was an additional pipeline needed to serve the Silver Creek Tank and Pump Station. Approval from the Environmental Protection Agency was granted during 2019 and the pipeline was completed.

Land Acquisition Well Site, Silver Creek – The land purchase from the Snyderville Basin Water Reclamation District is expected to close in the coming month. This site includes existing infrastructure including the District's Silver Creek Tank and pump station; future uses include a well site which will supplement the source deficiency for the annexed Community Water customers, and a site for material storage and laydown yard.

Office Improvements – Several office improvements are expected to be completed by year end including an upgrade to the HVAC system and remodel of an office.

2019 Continuing Projects

Community Water Infrastructure – The Community Water annexation was completed in June 2019 and the $2.6 million infrastructure loan approved by the Division of Drinking Water in 2018 is anticipated to close in December. The majority of the infrastructure projects for Community Water are anticipated to be completed in 2020.

Capitalized Personnel Costs - As District employees spend a portion of their time working on or managing capital projects, the District capitalizes some personnel costs. For 2020, the budget includes $252,100, which will be funded from cash on hand.

General System Improvements - The budget includes $345,000 for several small capital projects to upgrade pumps, repair wells, for water line replacement and minor improvements to pump and chlorine stations. $130,000 will be carried over from 2019 related to construction of a water line in the Glenwild area.

Weber Basin Interconnection Project - In 2019 the District participated in a regionalization project, administered by Weber Basin, to construct several interconnect facilities. These interconnections will allow connectivity between Park City, Summit Water and the District. The portion of the cost attributable to the District is anticipated to be approximately $500,000. $350,000 will be carried over from last year, a 2019 Capital Budget Amendment will allow for an additional $135,400 (see 2019 Capital Budget Amendments section) and the remaining $14,600 will be funded from the 2020 Capital Budget.

Vehicles & Equipment - The remaining $180,000 is for vehicle replacement and a generator for the Old Ranch Road pump station. $50,000 is estimated to be carried over from 2019.

2020 Capital Projects

Summit Park Restoration (Phase VI) - This is the next phase of the Summit Park Restoration project that the District is doing in conjunction with Summit County and the Snyderville Basin Water Reclamation District. This project was originally scheduled for 2018 but will now be completed in 2020. By replacing District waterlines at the same time as the sewer lines and roads are replaced, the District's costs are significantly reduced. The 2019 capital budget included $200,000 for this project plus an additional $100,000 discussed below in 2019 Capital Budget Amendments. In addition, the District is requesting $400,000 in 2020 for additional work in the Summit Park area as during the summer of 2019 several water line breaks happened in one specific area of Summit Park. The County has approved this section of Summit Park to be added to Phase VI, which the District will be solely responsible for.

The Willow Creek/Atkinson Interconnect – This project was delayed in 2019, however, the District anticipates this project to be completed in 2020. 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 higher elevation Colony development. An additional $15,000 is being requested for increase in costs due to delays.

Land Acquisition and Office Site - The District will continue discussions in 2020 related to a future site for an office and shop complex. Several sites have been identified in the Silver Creek area and the District has allocated $300,000 for this land acquisition and is requesting an additional $200,000 as discussed in 2019 Capital Budget Amendments below.

Glenwild Pump Station Upgrades - This project involves an upgrade to the existing pump station from approximately 200 gpm to 450 gpm capacity to support future demands in the Northridge service area at build-out. The upgrade will involve replacing the existing pumps with two 450 gpm Grundfos pumps, new suction and discharge headers, valving and electrical upgrades. This project has an engineer's estimate of $132,300.

Kilby Pump Upgrades - The electrical panels of the Kilby pump station are planned to be moved from the below ground vault, to an above ground location on the existing pump station structure to improve the safety of our employees working at the facility. These improvements have been estimated at $125,000.

Treatment Plant Chlorinator Upgrade - The current chlorine generation system at the Signal Hill Water Treatment Plant is at its design capacity (100 lbs. per day). A system with higher production capacity (200 lbs. per day) is needed to keep pace with the District's growing water demands. This larger system has been quoted at $120,000.

2019 Capital Budget Amendments

Several amendments are needed in the 2019 capital budget.

1) The first is needed to reallocate $300,000 from the *Silver Creek EPA Line* as the completion of the Silver Creek Tank and Pump Station as well as the line came in under the original budgeted amount. Accordingly, $200,000 in savings can be allocated to a *Land Acquisition and Office Site* and the remaining $100,000 can be allocated to *Summit Park Restoration (Phase VI)* as a two-year delay in the project has increased costs.

2) The second is needed to reallocate $50,000 from the *Land Acquisition Well Site – Silver Creek*, as the cost of the land purchase was lower than originally budgeted. Accordingly, $30,000 in savings can be allocated to a the Glenwild pipeline in *General System Improvements* and the remaining $20,000 can be allocated to the completion of the *Meter Replacement Program.*

3) The third amendment is needed to reallocate $135,400 from Old Ranch Surge Pump Upgrades to the Weber Basin Interconnection Project. Per further review with the District's engineering consultants, it was determined as this time the upgrades at Old Ranch pump station are not needed. The funds from this project can be allocated to the Weber Basin Interconnection Project which will continue into 2020.

7.0 2019 BUDGET AMENDMENTS

7.01 2019 Operating Budget

For the 2019 *Operating Budget*, one amendment is needed totaling $268,300.

MOUNTAIN REGIONAL WATER
2019 Amended Operating Budget - Accrual Basis
Enterprise Fund

	2017 Actual	2018 Actual	2019 Budget	2019 Proposed Amended	2019 Amendments	2019 Projection	2019 Projection to Adopted
OPERATING REVENUE							
Retail Water Sales	$ 7,652,899	$ 8,335,751	$ 8,090,300	$ 7,822,000	$ (268,300)	$ 7,822,000	$ (268,300)
Park City Wheeling	583,457	675,450	707,200	707,200	-	707,200	-
Weber Basin Regionalization Fees	889,600	940,800	1,003,200	1,003,200	-	1,003,200	-
Operating Fees	442,186	376,970	300,000	375,000	75,000	375,000	75,000
Contract Maintenance	65	505	-	-	-	-	-
Other	73,795	79,695	50,000	50,000	-	50,000	-
Total Operating Revenue	**9,642,002**	**10,409,171**	**10,150,700**	**9,957,400**	**(193,300)**	**9,957,400**	**(193,300)**
OPERATING EXPENSES							
Operations Management							
Energy & Resource Management	442,218	512,843	576,800	576,800	-	551,800	(25,000)
Distribution	1,979,912	2,180,478	2,316,200	2,316,200	-	2,316,200	-
Lost Canyon Transmission	1,355,781	1,450,316	1,803,800	1,728,800	(75,000)	1,628,800	(175,000)
Treatment Plant	624,494	567,468	765,600	765,600	-	855,600	90,000
Safety	51,210	58,378	69,100	69,100	-	69,100	-
General Manager							-
Engineering & Development	250,655	316,009	345,900	345,900	-	310,900	(35,000)
Human Resources	83,690	100,269	121,900	121,900	-	121,900	-
Legal Services	29,680	29,307	66,000	66,000	-	50,000	(16,000)
Public Services	476,024	532,468	558,100	558,100	-	505,100	(53,000)
Financial Management	312,180	369,932	415,800	415,800	-	415,800	-
Depreciation Expense	1,579,364	1,634,015	1,862,300	1,862,300	-	1,742,300	(120,000)
Total Operating Expense	**7,185,208**	**7,751,483**	**8,901,500**	**8,826,500**	**(75,000)**	**8,567,500**	**(334,000)**
OPERATING INCOME	**2,456,794**	**2,657,688**	**1,249,200**	**1,130,900**	**(118,300)**	**1,389,900**	**140,700**
NON-OPERATING REVENUE							
Interest Earnings - Available for Debt Service	173,091	295,388	254,300	372,600	118,300	404,300	150,000
Interest Earnings - Not Available for Debt Service	3,896	8,336	2,600	2,600	-	9,000	6,400
Impact Fees	1,459,348	1,243,146	700,000	700,000	-	900,000	200,000
Promontory Developer SID Assessments	1,674,531	1,169,735	387,100	387,100	-	387,100	-
Stagecoach Infrastructure Assessment	188,280	209,426	163,000	163,000	-	163,000	-
Other Cash Non-operating Revenue	69,559	156,914	30,000	30,000	-	60,000	30,000
Non-Cash Non-operating Revenue	11,667	11,667	11,700	11,700	-	11,700	-
Total Non-operating Revenue	**3,580,372**	**3,094,612**	**1,628,200**	**1,746,500**	**118,300**	**2,028,900**	**400,700**
NON-OPERATING EXPENSE							
Interest Expense/Bank Fees	1,482,967	1,485,282	1,473,400	1,473,400	-	1,473,400	-
Bond Issuance Costs and Amortization Expense	15,734	15,734	6,500	6,500	-	6,500	-
Total Non-operating Expense	**1,498,701**	**1,501,016**	**1,479,900**	**1,479,900**	**-**	**1,479,900**	**-**
NON-OPERATING INCOME	**2,081,671**	**1,593,596**	**148,300**	**266,600**	**118,300**	**549,000**	**400,700**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**4,538,465**	**4,251,284**	**1,397,500**	**1,397,500**	**-**	**1,938,900**	**541,400**
TRANFERS							
Contingency	-	-	-	-	-	-	-
Governmental Transfers	-	-	-	-	-	-	-
Contributions in Aid of Construction	1,284,366	2,126,661	-	-	-	-	-
NET TRANSFERS	**1,284,366**	**2,126,661**	**-**	**-**	**-**	**-**	**-**
BUDGET CHANGE IN NET POSITION AFTER TRANSFERS	**$ 5,822,831**	**$ 6,377,945**	**$ 1,397,500**	**$ 1,397,500**	**$ -**	**$ 1,938,900**	**$ 541,400**
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	*(94,103)*	*22,808*	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
ACTUAL CHANGE IN NET POSITION	*5,728,728*	*6,400,753*	*1,397,500*	*1,397,500*	*-*	*1,938,900*	*541,400*

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 amendment of $268,300 is needed to cover the revenue shortfall for retail water sales due to the very wet and mild summer experienced in 2019. The funding for this shortfall can come from the following; 1) $75,000 of increased operating fees as connection revenues exceeding budget, 2) $75,000 of reduced power costs at Lost Canyon (due to the lower customer usage), and 3) $118,300 from higher interest earnings due to higher than anticipated interest rates earned on cash balances in the PTIF.

As shown in the "*2019 Projection to Adopted*" column above, the District now anticipates 2019 Change in Net Position, will exceed budget by $541,400. Primarily attributable to lower operations expenses of $334,000 and higher impact fees of $200,000, offset by lower operating revenue than expected of $193,300. Additionally, cash balances were higher than anticipated which led to the $150,000 increase in interest earnings.

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

7.02 2019 Debt Service Budget

The adopted 2019 *Debt Service Budget* projected a 1.44 parity debt coverage ratio and 1.34 when subordinated debt was included.

Due to the $541,400 additional revenue the District now expects to collect in 2019 beyond the budgeted amount (see ***Section 7.01***), these ratios are now projected at 1.58 and 1.47 respectively – as shown below.

MOUNTAIN REGIONAL WATER
2019 Debt Coverage Calculation - Cash Basis

	2019 Budget	2019 Projection
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$ 1,249,200	$ 1,389,900
Add Back Depreciation	1,862,300	1,742,300
Add in Interest Available for Debt Service	254,300	404,300
Add In Impact Fees	700,000	900,000
Add In Promontory SID Assessments on Developer	387,100	387,100
Add in Stagecoach Assessments	163,000	163,000
Add in Community Water Assessments	79,500	93,800
Add in Other Non-operating Income	30,000	60,000
Add in Treatment Plant Stabilization Fund	85,000	92,300
Total Available For Debt Service	**4,810,400**	**5,232,700**
TOTAL DEBT COVERAGE		
Required Coverage Principal	2,000,700	2,002,000
Required Coverage Interest/Bank Fees	1,580,900	1,562,900
Total Required Debt Service	**3,581,600**	**3,564,900**
Debt Service X 1.25	**4,477,000**	**4,456,100**
Total Debt Coverage Ratio	**1.34**	**1.47**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	1,861,000	1,861,000
Parity Bond Interest	1,469,100	1,456,100
Total Parity Debt Service	**3,330,100**	**3,317,100**
Debt Service X 1.25	**4,162,700**	**4,146,400**
Parity Debt Coverage Ratio	**1.44**	**1.58**
Cash Excess/(Shortfall)	**1,228,800**	**1,667,800**
Less Treatment Plant Stabilization Fund	(85,000)	(92,300)
Projected Cash Generated	**1,143,800**	**1,575,500**
Capital Facility Reserves	(352,000)	(407,000)
Impact Fee Reserves	-	(200,000)
Community Water Assessments	(79,500)	(93,800)
Regionalization Reserves	(301,000)	(301,000)
Excess Cash from 2018 for 2020 Capital Projects	-	393,400
Cash Available for 2020 Capital Budget	**411,300**	**967,100**

8.0 SUMMARY

In conclusion, with the rate increase in 2019, a declining but adequate building economy, and high cash reserves the District is in a stable financial position to fund debt service requirements, react to building trends and weather patterns, while still maintaining adequate funding for capital projects. The District will continue to monitor closely the build out of the Silver Creek area and review on an annual basis any adjustments to rates needed after 2020 as weather patterns change and wholesale water sales begin to be reduced in 2021.