



**MOUNTAIN REGIONAL WATER
SPECIAL SERVICE DISTRICT**

2022 BUDGET

And

2021 AMENDED BUDGET

December 8, 2021

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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 4,816 customers using water and about 2,044 additional equivalent connections on standby. Construction is progressing faster than expected at Silver Creek Village, a multi-use development with approval for over 1,000 units. There are currently 115 units already connected and receiving water with another 245 units that have either started construction or are expected to in the next few months.

The District also wheels up to 2,900 acre-feet of raw water annually to Park City, and in 2022, under the Western Summit County Project Master Agreement, the District will sell 700 acre-feet of its Regional Water Supply to Weber Basin Water Conservancy District for delivery to Summit Water Distribution Company located in the Snyderville Basin. These two contracts account for approximately half of the District's current water production.

In 2021 the District experienced a year unlike any in its history. A record number of new customers have paid deposits and impact fees to become water using customers once construction on their residence is completed. At the same time the severe drought has required the District to ask current customers to monitor their usage and conserve. The results of these efforts have been seen in water usage decreases in August and September of 2021.

1.02 District Budgets

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

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

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

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

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

2.0 OVERVIEW

The following will be discussed in the sections below:

Section 3.0 – 2022 District Budget Review

- This section provides an overview and analysis of current trends in District operations used for 2022 budget assumptions

Section 4.0 – 2022 Operating Budget

- This section explores the detailed revenue and operating expenses for 2022

Section 5.0 – 2022 Debt Service Budget

- This section details the cash available for debt payments in 2022

Section 6.0 – 2022 Capital Budget

- This section will define the capital projects to be carried over from 2021 and new capital expenditures planned for 2022

Section 7.0 – 2021 Budget Amendments

- This section details budget amendments needed for the 2021 Operating Budget and 2021 Debt Service Budget

3.0 2022 DISTRICT BUDGET REVIEW

3.01 Retail Water Consumption

As shown below in Figure 1, the average District culinary consumption per customer estimated for 2021 is 140,696 gallons, compared to 166,445 gallons for 2020, a 15.5% decrease. This decrease reflects the conservation efforts of District customers in conjunction with a wet August that also helped decrease usage.

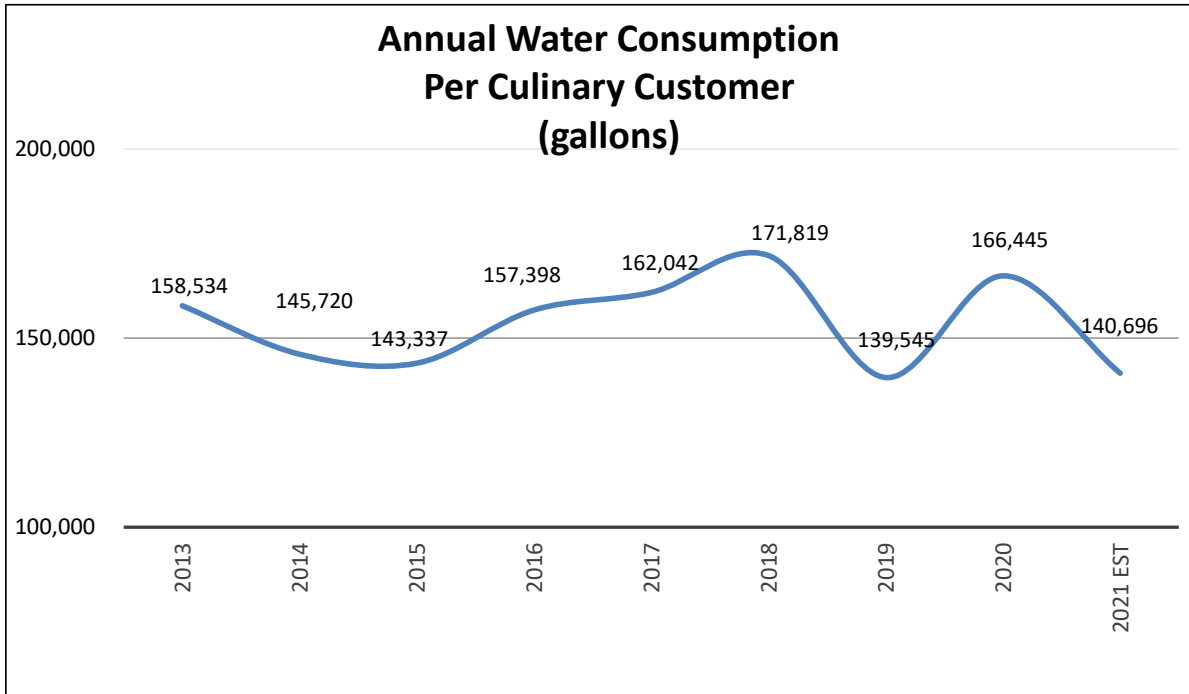


Figure 1: Annual Water Consumption

For 2021, projected retail water sales are near budget at \$9.02 million, which is \$80,000 (0.88%) lower than initial budget projections. Projected retail water sales revenue for 2022 is higher than previous years due to strong growth in both active and standby customers. (See Figure 2 below).

Figure 2 illustrates the volatility of revenue fluctuations that can occur due to changes in weather patterns. In 2019, the spring was very cool and wet, and the summer was milder as compared to the extended, long, hot, and dry summer experienced in 2020, leading to a difference in revenue of \$1.7 million (of which \$500,000 was related to the annexation of Community Water and the related increase in customer base). In 2021 conservation efforts and a wet August have led to slightly lower than budgeted revenue.

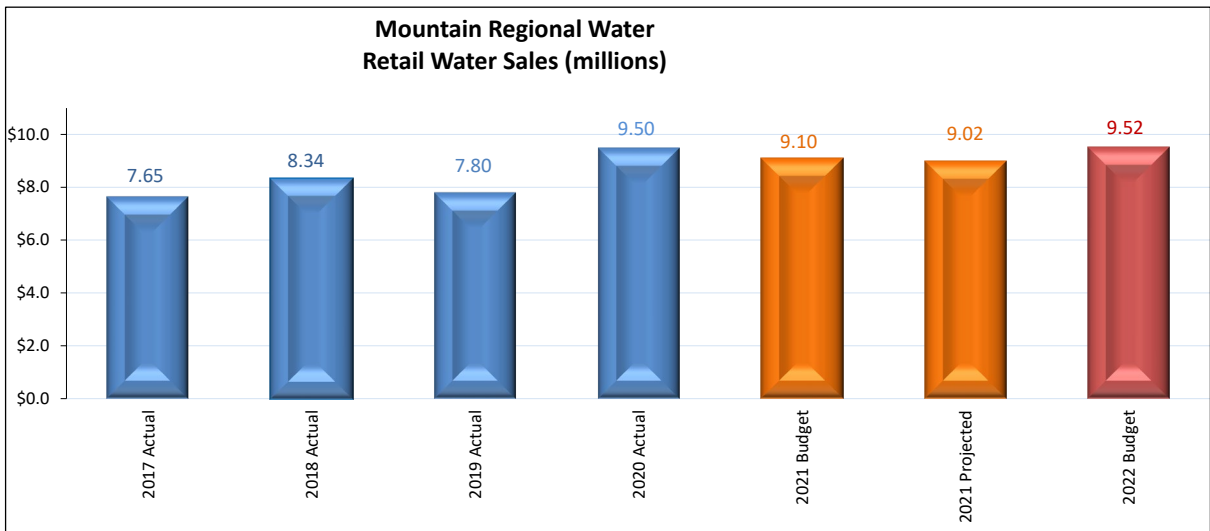


Figure 2: Retail Water Sales

The 2022 retail water sales forecast of \$9.52 million is based on customer usage during 2021. Usage patterns in the District have been influenced by the drought and conservation efforts by customers. Since it is unlikely the drought will be resolved by a single year's snowpack, the District expects lower usage patterns to continue in 2022. Thus, the District is using the usage patterns established in 2021 under drought and conservation influences, to project revenue for 2022.

The increase in the retail water sales budgeted for 2022 is mainly attributed to the increase in base revenue resulting from the increased number of customers in the District.

3.02 Development Related Collections

As alluded to previously, customer growth in 2021 has far exceeded the growth in any previous year. As shown in Figure 3 below, the number of new connections for 2021 is projected to be 360, which is more than double any previous year. For 2022, the District is projecting the strong building cycle to continue and projecting 290 new connections.

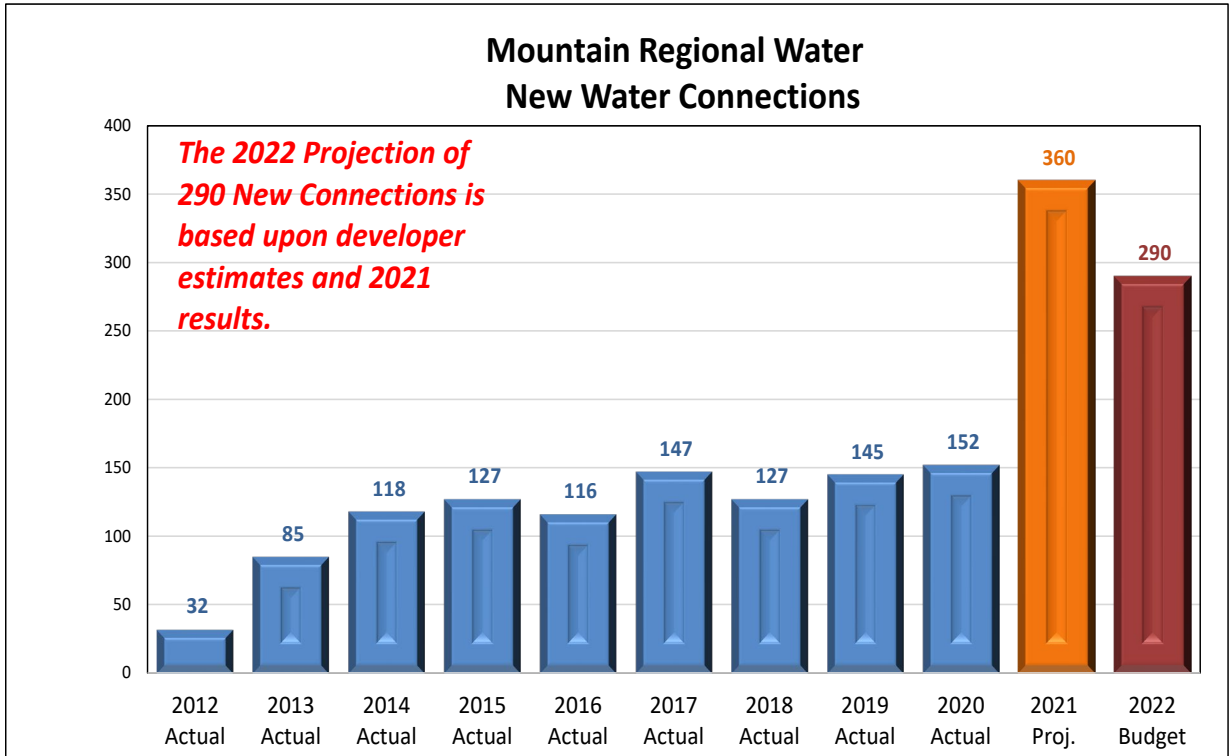


Figure 3: New Water Connections

In comparing Figure 3: New Water Connections and Figure 4: Impact Fee Collections, the correlation is apparent although not always perfectly linear. This is caused by variability in the size of project connecting (and related size of Impact Fee) and the possible use of District prepaid connection credits.

In 2021 the new connections to impact fee ratio was skewed by seven large connections in the Canyons area. Six of these are related to the Canyons Workforce Housing project and one to the Ascent Hotel. These seven connections amounted for just over \$1.15 million of the projected \$3.15 million in impact fees. For 2022 there are no known projects of this magnitude, thus the 290 new connections and \$1.6 million in impact fees are projected from mainly residential growth.

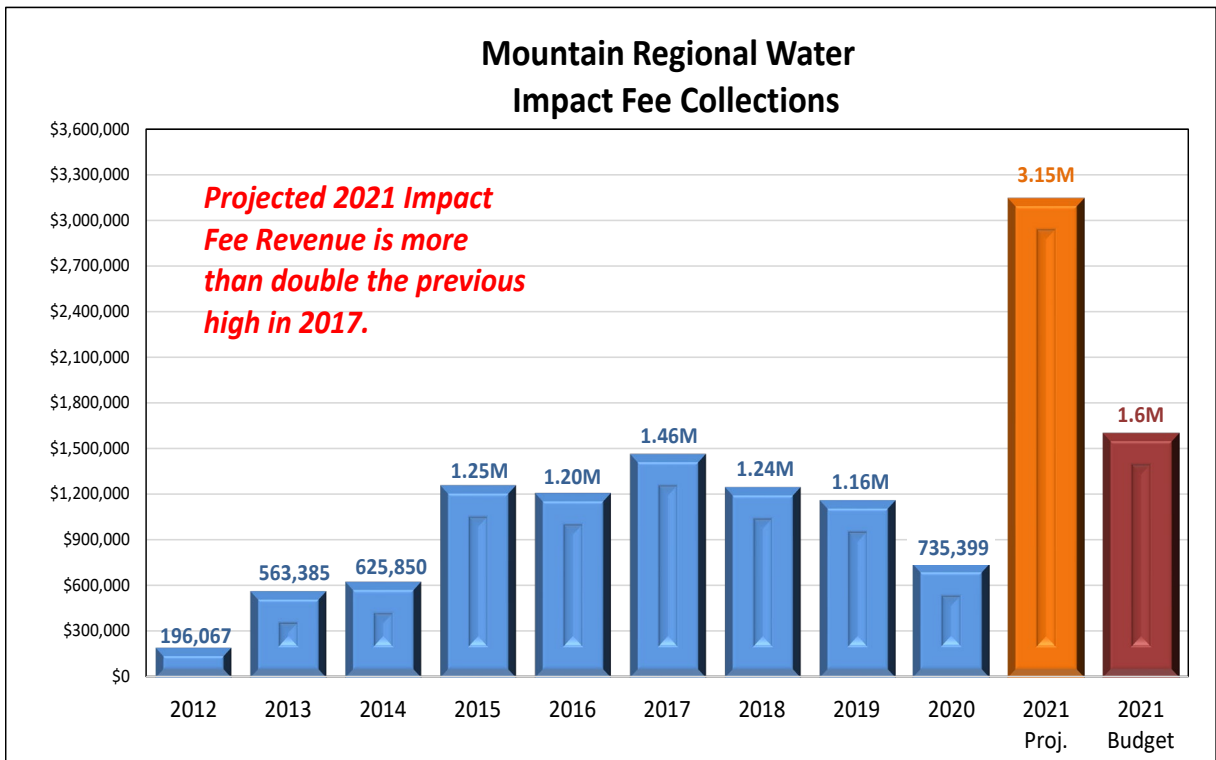


Figure 4 also demonstrates the dramatic swings in impact fee collections year-to-year due to the local building trends.

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

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

The projected \$1.6 million in impact fee collections for 2022 is based upon 2021 collection data and the calculation of revenue generated from residential focused growth.

3.03 Major Water Contracts

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

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

Park City wheeling revenue is projected to be \$765,000 in 2022. This is \$65,000 higher than 2021 due to increases in personnel costs and power costs expected from a new hire and increased power costs being experienced to wheel the water.

Summit Water Distribution Company has contracted for 700 acre-feet of the District's treated Regional Water Supply for 2022 under the Western Summit County Project Master Agreement. This take-or-pay contract will provide approximately \$1.19 million in 2022 revenue, compared to \$1.91 million in 2021 when the contract was for delivery of 1,100 acre-feet.

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

3.04 District Water Production

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

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

Production for 2021 is projected to be 6,239 acre-feet, a 4% decrease compared to 2020. This decrease is due to the conservation efforts of the District as well as the wet August experienced in the Park City area, driving down usage for both the MRW Retail Customers and Promontory Golf Courses. Although the District is experiencing historical growth in customer base, production for 2022 is projected to decrease below the projected 2021 totals due to a decrease in the water delivered to Summit Water Distribution Company (less 400 acre-feet).

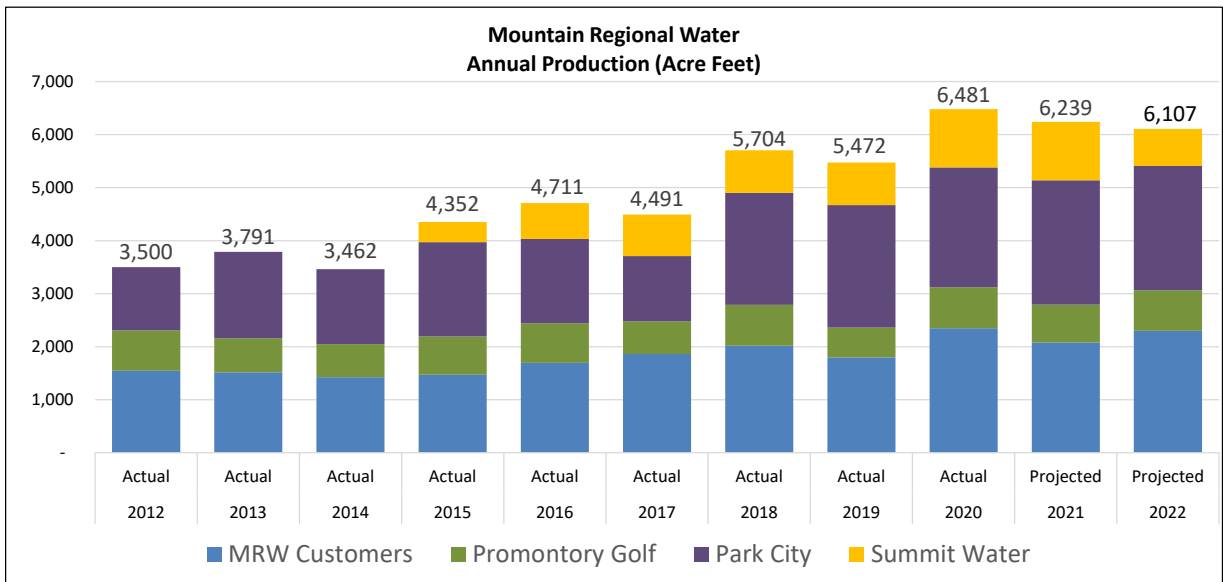


Figure 5: Annual Production (Acre Feet)

3.05 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 2021 year-end reserve balance is \$1.2 million. The District has never needed to use these funds.

Rate Stabilization Fund – Treatment Plant Operations – 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 at these intervals 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.

The current base budget is \$135,000 per year. During 2021 no money has been expended against this budget as there were large expenditures for both carbon and membranes in 2020. The year-end 2021 cash reserve balance in this category is projected to be \$265,000. In 2022 there is a planned expenditure for carbon of \$120,000.

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 2021 projected year-end balance is expected to be \$655,000. During 2022 there is a planned expenditure of \$150,000 for repairs/maintenance on valves at the Lost Canyon pump station. 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.

3.06 Debt Coverage Ratio

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

Mountain Regional Water Parity Debt Service Coverage Ratio				
	2019 Actual	2020 Actual	2021 Projected	2022 Budget
Water Sales	\$ 7,804,956	\$ 9,497,365	\$ 9,017,800	\$ 9,521,500
Park City Wheeling	700,484	649,407	714,000	765,000
Weber Basin Regionalization Collections	1,003,200	1,676,200	1,913,900	1,191,100
Operating Fees	463,753	535,831	589,000	488,200
Impact Fees	1,157,279	735,399	3,145,000	1,600,000
Promontory Developer Assessments	393,929	493,489	554,000	383,300
Stagecoach Assessments	160,519	209,770	170,000	163,000
Community Water Assessments	93,477	161,999	159,000	159,000
Interest Available for Debt Service	393,473	164,660	66,300	71,000
Other Non-restricted Revenue	144,426	136,058	354,300	77,500
Treatment Plant/Lost Canyon Stabilization	92,334	123,854	-	150,000
Total Cash Available for Debt Service	12,407,829	14,384,032	16,683,300	14,569,600
Cash Operating Expenses	(6,405,177)	(7,152,478)	(7,770,500)	(8,674,600)
Net Cash Available for Debt Service	6,002,652	7,231,554	8,912,800	5,895,000
Parity Debt Service Payments	2,814,575	3,526,528	3,552,800	3,539,600
Debt Service Coverage	2.13	2.05	2.51	1.67

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. The projected ratio for 2021 is 2.51 due to the historically high collection of Impact Fees and development related revenue.

For 2022, the ratio is projected to drop to 1.67 primarily due to lower projected Impact Fees (reduction of \$1.55 million) and lower Weber Basin Regionalization Collections (reduction of \$722,750). Promontory Developer Assessments are budgeted at the amount required to be paid by Promontory for the associated bond payment. However, the assessments will exceed budget if the developer meets their lot sales projections. Offsetting the decrease in developer related collections is an increase to Water Sales due to strong customer growth seen in 2021 and expected to continue in 2022. This projected ratio of 1.67 is still above the District goal of 1.35, which allows for a contingency and sufficient funds for capital projects.

3.07 District Cash & Reserves

As shown in Figure 6 below, District cash and reserves (excluding cash held by the bond trustee for debt payments) have steadily improved since 2012.

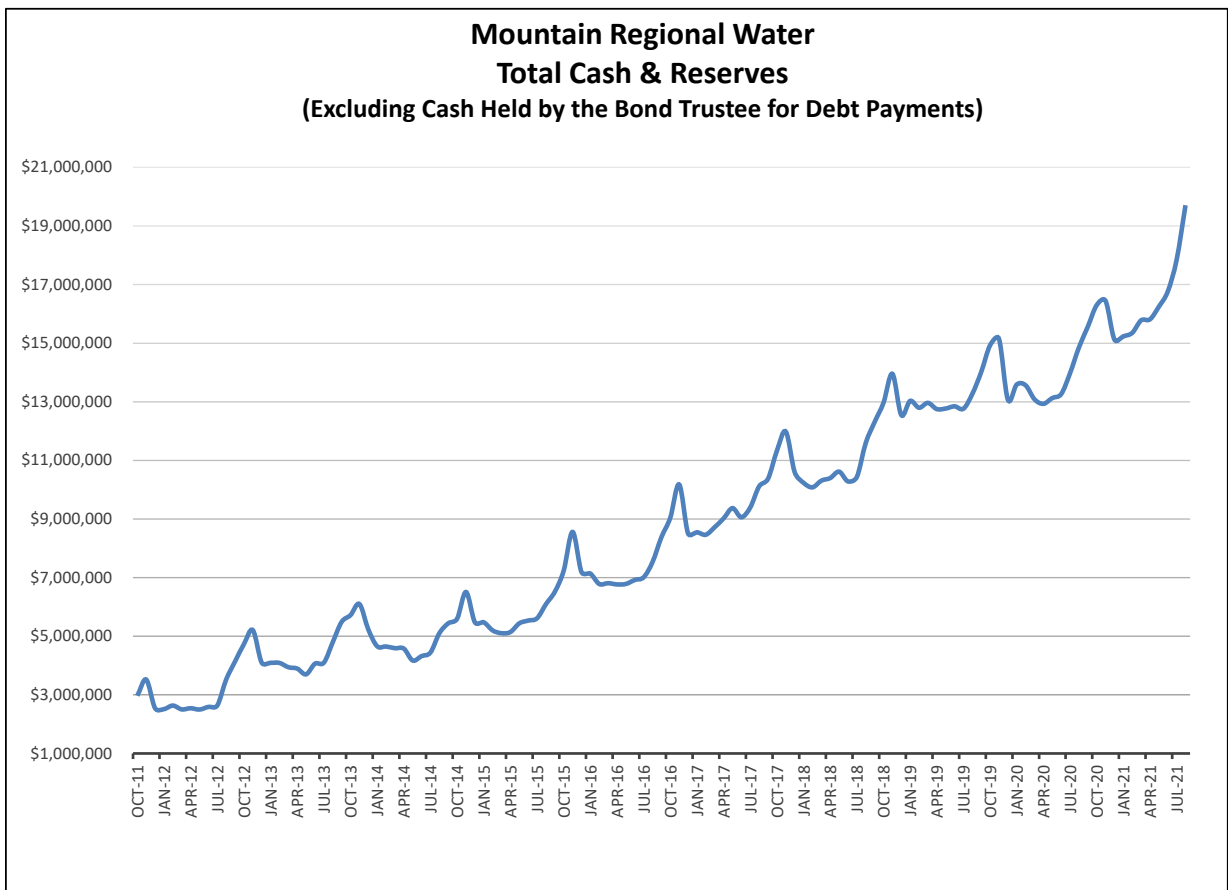


Figure 6: Total Cash & Reserves

This upward trend can be attributed to the following factors:

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

5) Water Revenue from strong customer growth

The District anticipates this upward trend will stabilize as cash reserves are applied to capital projects and development related collections do not continue at their record levels. Two large capital projects are planned in the coming years; a new District office and maintenance facility will support the needs of the growing organization and utilize unrestricted operating cash; the Signal Hill Water Treatment Plant will undergo an expansion to meet the water demands of the District’s growing customer base and will largely utilize Impact Fee funds.

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 7 below, *Unrestricted Operating Cash and Reserves* has steadily increased since 2015 due to several years of hot dry weather and the strong building economy from 2015 through 2021 providing 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.

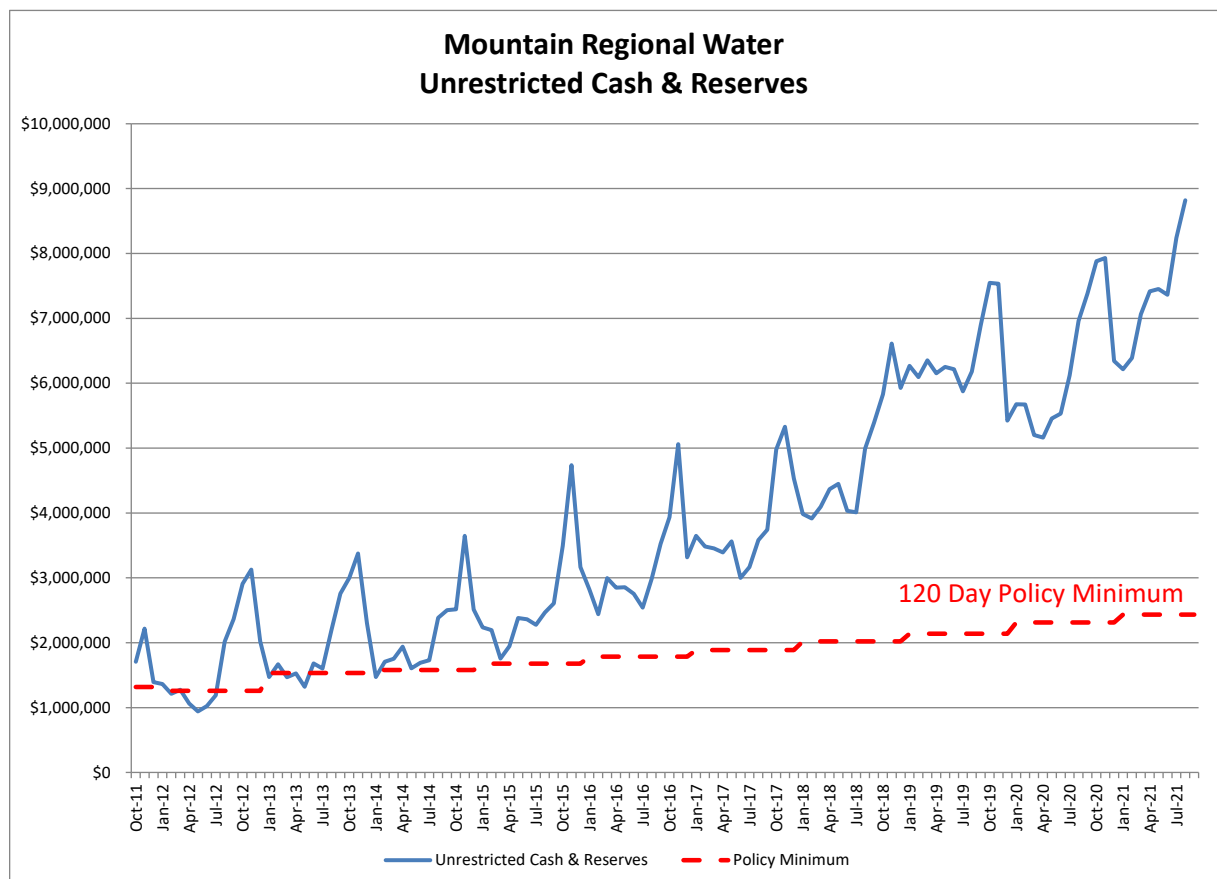


Figure 7: Unrestricted Cash & Reserves

The peaks each year shown in Figure 7 are from summer water sales collections, while the sharp decline once each year is due to large annual Weber Basin lease payments. The policy minimum for *Unrestricted Operating Cash and Reserves* is 120 days based on budgeted annual cash operating expenses. During the last several years the District has averaged over 300 days reserves, however these reserves did drop 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. The use of unrestricted cash for the design and construction of the new District office facility is anticipated to reduce these levels to a more typical 180-300 days cash on hand.

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 included the decision to establish a \$1.0 million *Rate Stabilization Fund* (see **Section 3.05**).

As shown in Figure 8 below, *Debt Reserves Held by the District* has increased significantly from April of 2015 at \$2.24 million, to \$8.80 million at the end of August 2021. Thus, the District is in a strong position to handle any fluctuations in revenue whether from water sales or impact fees.

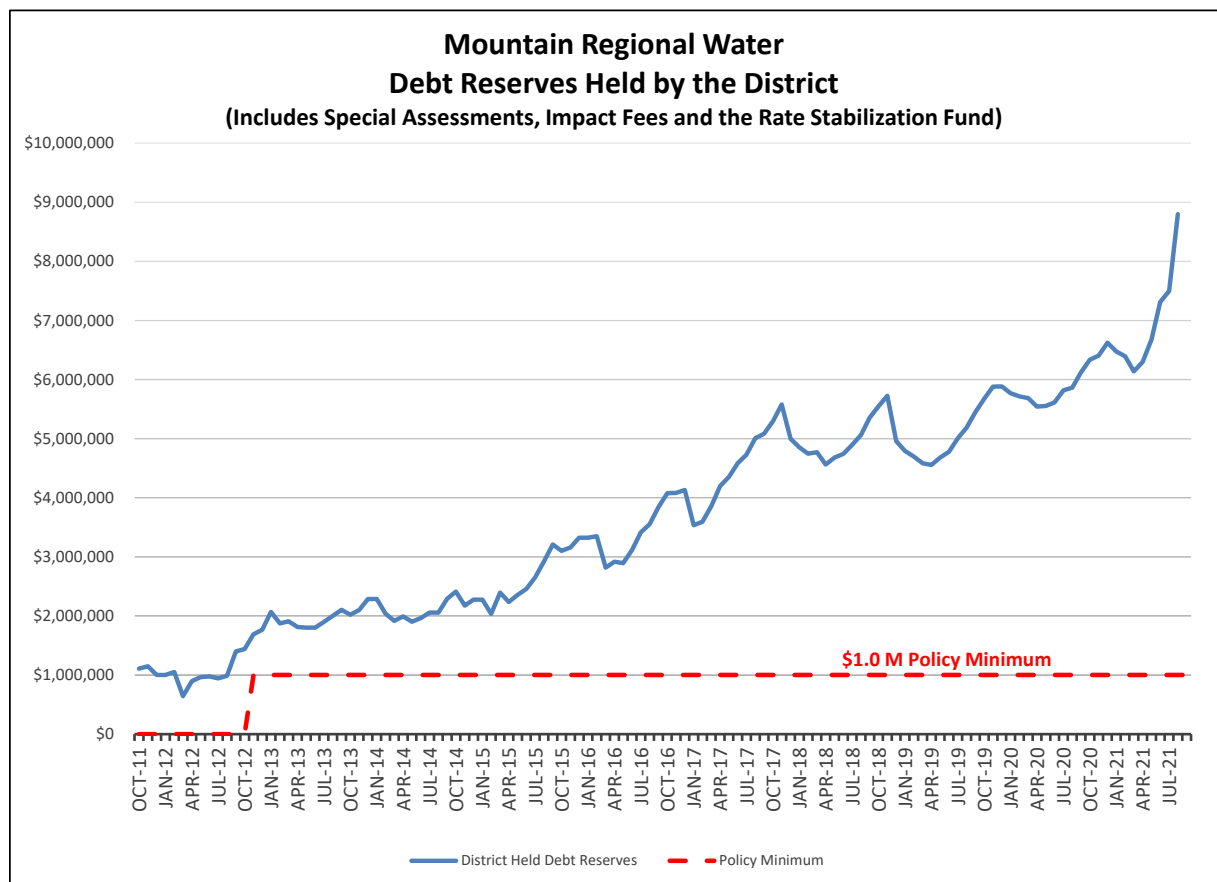


Figure 8: Debt Reserves Held by the District

The Debt Reserves Held by the District are made up of four main categories:

- **Impact Fees (\$4.24 million, 48.1% of reserve balance)** Impact fees experience wide swings in annual collections (ranged from a low of \$196,067 in 2012 to a high of over \$3 million in the current year), as shown on Figure 4 in **Section 3.02**. The extreme volatility in impact fee collections year-to-year makes having reserves prudent as these reserves can be used to make debt payments and ensure the debt service coverage is maintained above minimum required levels per bond covenants.

During 2022 a total of \$1.13 million of Impact Fees are planned to be spent on capital projects to support rapid growth in the District. As previously discussed, the Signal Hill Water Treatment Plant is planned to undergo an expansion and will leverage these funds as well.

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.

- **Regionalization Reserve (\$2.71 million, 30.8% of reserve balance)** The District established this reserve in September 2015 to deposit a portion of its wholesale water sales revenue.
- **Rate Stabilization Reserve (\$1.16 million, 13.2% of reserve balance)** The Rate Stabilization Reserve 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.
- **Assessments (\$689,887, 7.9% of reserve balance)** Assessments are used to pay bonds related to particular areas within the District. The areas are Stagecoach, Community Water and Promontory.

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 \$1.87 million.

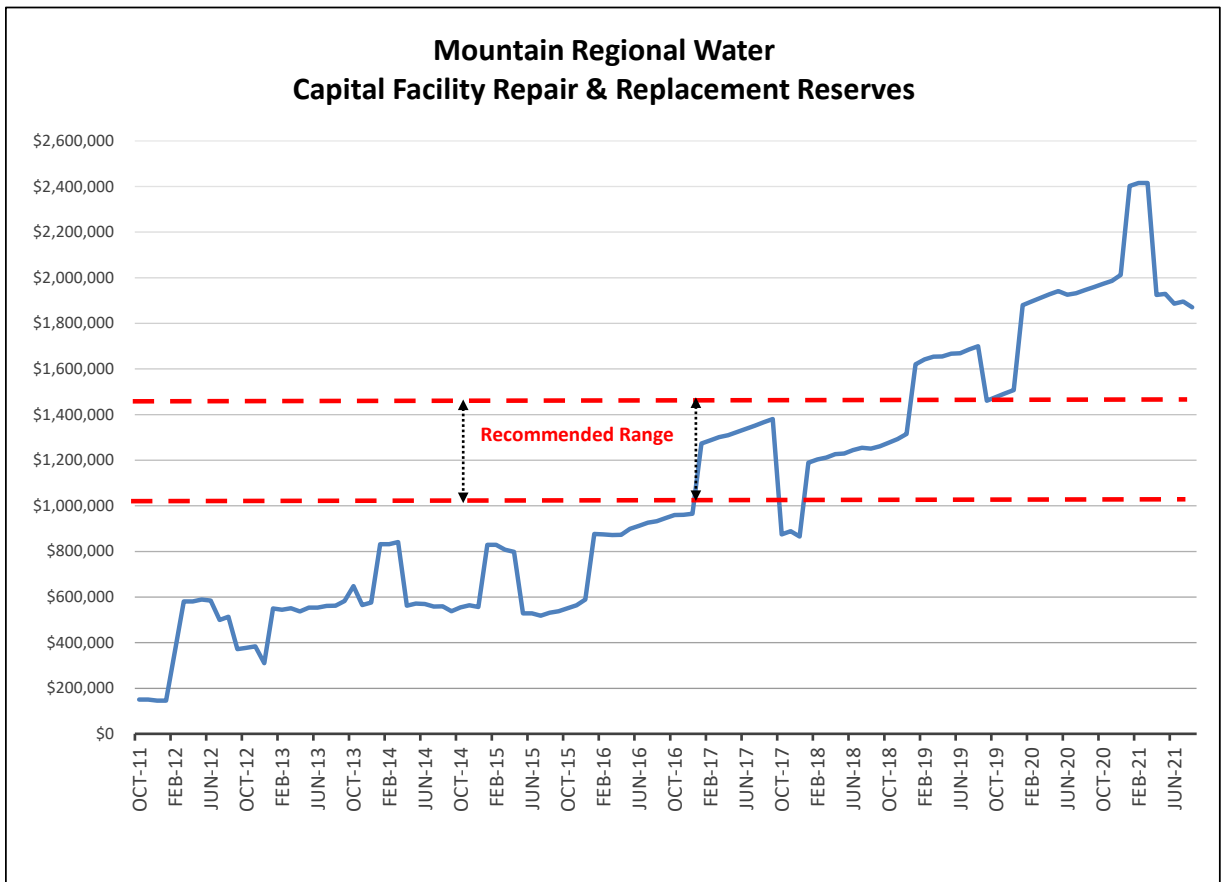


Figure 9: Capital Facility Repair & Replacement Reserves

In 2022 the District is planning to use roughly \$600,000 of these funds to pay for capital projects in several areas in the District. Additionally, the District will be using just under \$400,000 before the end of 2021 to pay for the Kilby Road water line project that is nearly completed.

2022 Budgeted Cash Change

As shown below, the 2022 budget projects a \$2.00 million cash increase, excluding capital budget items being funded with bond proceeds or with current cash on hand.

Mountain Regional Water		
2022 Operating Budget - Accrual and Cash Basis		
Enterprise Fund		
	2022 Control Board Recommended Accrual Basis	2022 Control Board Recommended Cash Basis
<u>OPERATING REVENUE</u>		
Retail Water Sales	\$ 9,521,500	\$ 9,521,500
Park City Wheeling	765,000	765,000
Weber Basin Regionalization Collections	1,191,100	1,191,100
Operating Fees	488,200	488,200
Other	47,500	47,500
Total Operating Revenue	12,013,300	12,013,300
<u>OPERATING EXPENSES</u>		
Operations		
Energy & Resource Management	683,400	683,400
Lost Canyon Transmission	2,056,100	2,056,100
Treatment	868,800	868,800
Distribution	3,214,900	3,214,900
Safety	80,200	80,200
General Manager		
Engineering & Development	343,700	343,700
Human Resources	150,400	150,400
Legal Services	72,200	72,200
Public Services	722,600	722,600
Financial Management	482,300	482,300
Depreciation Expense	1,987,800	-
Total Operating Expense	10,662,400	8,674,600
OPERATING INCOME	1,350,900	3,338,700
<u>NON-OPERATING REVENUE</u>		
Interest Earnings - Available for Debt Service	71,000	71,000
Interest Earnings - Not Available for Debt Service	1,800	-
Impact Fees	1,600,000	1,600,000
Promontory Developer Assessments	383,300	383,300
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	2,419,800	2,406,300
<u>NON-OPERATING EXPENSE</u>		
Interest Expense/Bank Fees	925,700	991,400
Bond Principal Payments	-	2,752,700
Bond Insurance Expense	2,000	-
Total Non-Operating Expense	927,700	3,744,100
NON-OPERATING INCOME	1,492,100	(1,337,800)
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	2,843,000	2,000,900
<u>TRANSFERS</u>		
NET TRANSFERS	-	-
CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 2,843,000	\$ 2,000,900

The District plans to allocate the \$2.00 million cash increase as follows:

Capital Facility Reserves Mandatory Deposit	\$ 433,700
Capital Projects	\$ 1,567,200
Total	\$ 2,000,900

3.08 Personnel & Compensation

The District currently has 25 full-time employees and one part-time employee. With the significant growth seen in the District, the 2022 budget includes three new full-time positions and the current part-time employee moving to full-time. Two of the new full-time positions are in the customer service department, as well as the part-time employee moving to full-time. The other new full-time position will support the District's transmission operations.

The 2022 Budget includes funding for a 7.0% COLA, a 3.0% average merit pay increase, and an additional 1% of wages budgeted for performance incentives for employees, aligned with the District's new Human Resources reporting tool, Trakstar®.

For 2022 the District is increasing the amount deposited into employees Health Saving Account for Two-Party and Family health insurance coverage from \$2,500 to \$3,000 and for Single coverage from \$1,250 to \$1,500. This is to match the change being made by Summit County. All other benefits for health, dental and AD&D insurance are remaining the same for 2022.

3.09 COVID-19 Discussion

As we continue through 2021, the District has seen stabilization of its commercial water sales revenue and overall water sales revenues are very near budget projections. Delinquencies are near historic lows; operating expenses have experienced tradeoffs in pandemic induced conditions (higher material costs, lower costs due to reduced travel and training). In summary, COVID-19 has not had a significant impact on 2021 revenue or expenses.

3.10 Establishment of Drought Reserve Fund

During 2021 the District completed a Drought Response Plan. This plan was presented to the Administrative Control Board on April 22, 2021 and adopted during the Board meeting on July 15, 2021. Portions of the Drought Response Plan address the financial impact caused by a severe drought and outline a three-pronged approach to mitigating these impacts, they include:

- Expense Reductions
- Drought Surcharges
- Drought Reserves

The District has adopted different expense reduction targets depending on the severity of the drought. In general expense reductions are targeted to offset 30% of the financial impacts of a drought.

Drought Surcharges would not be used at the lower severity drought levels, however, at the most severe level, Drought Surcharges would be required to offset between 45-50% of the financial impact.

Drought Reserves in the plan would offset 70% of the financial impact at the Moderate level minimizing the effect on customers. In the most severe drought scenario the reserves would be used to offset between 20-25% of the financial impacts.

The District is recommending funding this Drought Reserve Fund during the current budgeting cycle. The funds will be drawn from the Regionalization Reserve that has previously been established and has a current balance of \$2.71 million. The District is requesting \$800,000 be reallocated to the Drought Reserve Fund, established earlier this year.

3.11 No Rate Increase Needed in 2022

With the high number of new customer requests received in 2021, and the resulting projected increase in water revenue in 2022, coupled with adequate cash reserve balances, the District is not recommending a rate increase in 2022.

The District will 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 for rate increases accordingly.

4.0 2022 OPERATING BUDGET

4.01 Summary

As shown below, projected 2022 *Net Income after Transfers* is \$2.84 million on an accrual basis.

Mountain Regional Water 2022 Operating Budget - Accrual Basis Enterprise Fund					
	2020 Actual	2021 Adopted Budget	2021 Proposed Amended	2022 Control Board Recommended	2022 Recommend to 2021 Amended
<u>OPERATING REVENUE</u>					
Retail Water Sales	\$ 9,497,365	\$ 9,097,800	\$ 9,017,800	\$ 9,521,500	\$ 503,700
Park City Wheeling	649,407	700,000	700,000	765,000	65,000
Weber Basin Regionalization Collections	1,676,200	1,914,200	1,914,200	1,191,100	(723,100)
Operating Fees	535,831	375,000	455,000	488,200	33,200
Contract Maintenance	5,278	2,500	2,500	2,500	-
Other	40,352	45,000	45,000	45,000	-
Total Operating Revenue	12,404,432	12,134,500	12,134,500	12,013,300	(121,200)
<u>OPERATING EXPENSES</u>					
Operations					
Energy & Resource Management	475,866	663,800	663,800	683,400	19,600
Lost Canyon Transmission	1,469,072	1,786,200	1,786,200	2,056,100	269,900
Treatment Plant	915,880	890,400	850,400	868,800	18,400
Distribution	2,917,312	2,924,100	2,964,100	3,214,900	250,800
Safety	58,999	91,000	91,000	80,200	(10,800)
General Manager					
Engineering & Development	236,455	292,400	292,400	343,700	51,300
Human Resources	110,042	133,200	133,200	150,400	17,200
Legal Services	48,283	70,000	70,000	72,200	2,200
Public Services	485,777	473,500	473,500	722,600	249,100
Financial Management	429,302	445,900	445,900	482,300	36,400
Depreciation Expense	1,859,035	1,927,300	1,927,300	1,987,800	60,500
Total Operating Expense	9,006,023	9,697,800	9,697,800	10,662,400	964,600
OPERATING INCOME	3,398,409	2,436,700	2,436,700	1,350,900	(1,085,800)
<u>NON-OPERATING REVENUE</u>					
Interest Earnings - Available for Debt Service	164,660	120,000	66,300	71,000	4,700
Interest Earnings - Not Available for Debt Service	5,863	2,600	1,800	1,800	-
Impact Fees	735,399	600,000	600,000	1,600,000	1,000,000
Promontory Developer Assessments	493,489	386,400	386,400	383,300	(3,100)
Stagecoach Assessments	209,770	163,000	163,000	163,000	-
Community Water Assessments	161,999	159,000	159,000	159,000	-
Other Cash Non-operating Revenue	90,429	30,000	84,500	30,000	(54,500)
Non-Cash Non-operating Revenue	14,067	11,700	11,700	11,700	-
Total Non-Operating Revenue	1,875,675	1,472,700	1,472,700	2,419,800	947,100
<u>NON-OPERATING EXPENSE</u>					
Interest Expense/Bank Fees	1,114,029	1,013,900	1,013,900	925,700	(88,200)
Bond Issuance Costs and Amortization Expense	2,000	2,100	2,100	2,000	(100)
Total Non-Operating Expense	1,116,029	1,016,000	1,016,000	927,700	(88,300)
NON-OPERATING INCOME	759,646	456,700	456,700	1,492,100	1,035,400
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	4,158,055	2,893,400	2,893,400	2,843,000	(50,400)
<u>TRANSFERS</u>					
Contributions in Aid of Construction	114,417	-	-	-	-
NET TRANSFERS	114,417	-	-	-	-
BUDGET CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 4,272,472	\$ 2,893,400	\$ 2,893,400	\$ 2,843,000	\$ (50,400)
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	-	TBD	TBD	TBD	N/A
ACTUAL CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	\$ 4,272,472	\$ 2,893,400	\$ 2,893,400	\$ 2,843,000	N/A
<i>The actual amounts shown above in the program expense budgets have been adjusted to remove the non-cash GASB 68 retirement accrual. This is done to provide a much better year-over-year budget comparison.</i>					

The annual non-cash accruals for retirement expense are not included in the 2022 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 2022 Revenue

Operating Revenue

As shown in Table 3, the District projects \$12.01 million in 2022 *Operating Revenue* - which is \$121,200 (1.0%) lower than was budgeted for 2021; and \$275,700 (2.2%) lower than is now projected for 2021.

Operating Revenue									
	2021			2022	2022		2022		
	2020	Adopted	2021	Tentative Budget	Recommended to	Recommended to	Recommended to	Recommended to	
	Actual	Budget	Projection	Recommended	2021 Budget	% Change	2021 Projection	% Change	
Retail Water Sales	\$ 9,497,365	\$ 9,097,800	\$ 9,017,800	\$ 9,521,500	\$ 423,700	4.7 %	\$ 503,700	5.6 %	
Park City Wheeling Fees	649,407	700,000	714,000	765,000	65,000	9.3	51,000	7.1	
Weber Basin Regionalization Collections	1,676,200	1,914,200	1,913,900	1,191,100	(723,100)	(37.8)	(722,800)	(37.8)	
Operating Fees	535,831	375,000	589,000	488,200	113,200	30.2	(100,800)	(17.1)	
Contract Maintenance	5,278	2,500	9,300	2,500	-	-	(6,800)	(73.1)	
Other	40,352	45,000	45,000	45,000	-	-	-	-	
Total Operating Revenue	\$ 12,404,432	\$ 12,134,500	\$ 12,289,000	\$ 12,013,300	\$ (121,200)	(1.0) %	\$ (275,700)	(2.2) %	
			\$ 154,500	1.3%					

Table 3: Operating Revenue

The 2022 *Retail Water Sales* budget of \$9.52 million is \$423,700 (4.7%) higher than the 2021 budget. The increase is due mainly to the additional customers paying the monthly base charge, usage revenue increase is expected to be minimal.

Park City Wheeling Fees are expected to increase for 2022 as the shared expenses are planned to increase with one additional staff being hired for Lost Canyon operations to meet growing repair and maintenance needs. The District recently inquired of Park City concerning their water needs for 2022 and were informed to plan on the same wheeling amount as this year which is projected to be 2,344 acre-feet. Park City has a maximum of 2,900 acre-feet that can be wheeled to them in any given year.

Weber Basin Regionalization Collections are contracted to decrease \$723,100 (37.8%) to \$1.19 million in 2022. This decrease is planned. As growth within the District results in additional water needs for District customers, the District planned for reductions in Regional Water Supply availability in 2022.

Operating Fees (including new meter fees) are projected to be \$589,000 in 2021 – which is \$214,000 more than budgeted for 2021. The District has increased the budget for operating fees to \$488,200 for 2022 which is a 30.2% increase, due to continued strong customer growth.

Non-operating Revenue

As shown in Table 4, *Non-operating Revenue* is projected to be \$4.41 million in 2021. This is \$2.94 million more than budgeted for 2021. This significant variance is the result of historically high impact fees being received this year. These impact fees are deposited into the Impact Fee Fund and are used to pay for capital projects required by the growth that is being experienced.

Non-operating Revenue									
	2021			2022	2022		2022		
	2020	Adopted	2021	Tentative Budget	Recommended to	Recommended to	Recommended to	Recommended to	
	Actual	Budget	Projection	Recommended	2021 Budget	% Change	2021 Projection	% Change	
Interest Earnings	\$ 170,523	\$ 122,600	\$ 68,100	\$ 72,800	\$ (49,800)	(40.6)	\$ 4,700	6.9 %	
Impact Fees	735,399	600,000	3,145,000	1,600,000	1,000,000	166.7	(1,545,000)	(49.1)	
Promontory Developer Assessments	493,489	386,400	554,000	383,300	(3,100)	(0.8)	(170,700)	(30.8)	
Stagecoach Assessments	209,770	163,000	170,000	163,000	-	-	(7,000)	(4.1)	
Community Water Assessments	161,999	159,000	159,000	159,000	-	-	-	-	
Other Cash Non-operating Revenue	90,429	30,000	300,000	30,000	-	-	(270,000)	(90.0)	
Non-Cash Non-operating Revenue	14,067	11,700	11,700	11,700	-	-	-	-	
Total Non-operating Revenue	\$ 1,875,675	\$ 1,472,700	\$ 4,407,800	\$ 2,419,800	\$ 947,100	64.3 %	\$ (1,988,000)	(45.1) %	
			\$ 2,935,100	199.3%					

Table 4: Non-operating Revenue

The \$1.6 million budgeted for 2022 *Impact Fees* is \$1.0 million (166.7%) higher than the 2021 budget, but \$1.55 lower than the projected record impact fees collected in 2021. See discussion in **Section 3.02**.

4.03 2022 Expenses

Operating Expenses

The 2022 *Operating Expense* budget is \$10.66 million, which is \$964,600 (9.9%) higher than the 2021 Proposed Amended Budget, as shown in Table 5.

	Operating Expense				2022	
	2020 Actual	2021 Adopted Budget	2021 Amended	2022 Recommended	Recommended to 2021 Amended \$ Change	% Change
Operations						
Energy & Resource Management	\$ 475,866	\$ 663,800	\$ 663,800	\$ 683,400	\$ 19,600	
Lost Canyon Transmission	1,469,072	1,786,200	1,786,200	2,056,100	269,900	
Treatment Plant	915,880	890,400	850,400	868,800	18,400	
Distribution	2,917,312	2,924,100	2,964,100	3,214,900	250,800	
Safety	58,999	91,000	91,000	80,200	(10,800)	
Subtotal Operations	5,837,129	6,355,500	6,355,500	6,903,400	547,900	8.6 %
General Manager						
Engineering & Development	236,455	292,400	292,400	343,700	51,300	
Human Resources	110,042	133,200	133,200	150,400	17,200	
Legal Services	48,283	70,000	70,000	72,200	2,200	
Public Services	485,777	473,500	473,500	722,600	249,100	
Financial Management	429,302	445,900	445,900	482,300	36,400	
Subtotal Other Departments	1,309,859	1,415,000	1,415,000	1,771,200	356,200	25.2 %
Depreciation Expense	1,859,035	1,927,300	1,927,300	1,987,800	60,500	
Non-Cash Expenses	1,859,035	1,927,300	1,927,300	1,987,800	60,500	3.1 %
Total Operating Expense	\$ 9,006,023	\$ 9,697,800	\$ 9,697,800	\$ 10,662,400	\$ 964,600	9.9 %
<i>Total Cash Operating Expense</i>	<i>7,146,988</i>	<i>7,770,500</i>	<i>7,770,500</i>	<i>8,674,600</i>	<i>904,100</i>	<i>11.6 %</i>

Table 5: Operating Expenses

Non-cash Depreciation Expense is expected to increase \$60,500 (3.1%) as compared to the 2021 adopted budget due to the additional assets being depreciated.

The 2022 budgeted *cash increase* in *Operating Expenses* is \$904,100 (11.6%). The increase is a combination of several factors including the hiring of three new staff, inflationary increases in projected repairs costs, an infrequent repair that is scheduled at the Lost Canyon booster station, and COLA and merit increases as mentioned in **Section 3.08**.

The largest increases to the budget as seen in Table 5 above are Lost Canyon Transmission (\$269,900), Distribution (\$250,800), and Public Service (\$249,100).

The increase in Lost Canyon Transmission is the result of the infrequent repair (valve replacement) mentioned above and the need to hire one additional staff to support District transmission operations.

The increase in Distribution is the result of needing to purchase a significant number of new meters to support high customer growth. Additionally, Distribution which has the highest budget, is also most susceptible to wage increases and the increasing costs of supplies, services, and repairs being experienced in the current economy.

The increase in Public Service is mainly the result of the need to hire two additional staff members and move one staff member from part-time to full-time. One of the new hires will be working in the field handling customer work orders and installing new meters. The other new staff member will be in the District office providing Customer Service support to the ever-growing number of customers. Since 2018 the District has added over 1,000 water using accounts and another nearly 400 Standby accounts (over a 30% increase in customers) without adding any additional staff. This additional office staff will help alleviate this increased burden.

Non-operating Expenses

Non-operating Expense consists of *Interest Expense / Trustee Fees* and bond related expenses - including issuance costs. As shown below, the 2022 *Non-operating Expense* budget is \$927,700, which is \$88,300 (8.7%) less than the 2021 Proposed Amended Budget. The decline is primarily related the cost savings from the 2019 bond refinancing and the prepayment of debt obligations with Zions Bank.

Non-operating Expense						
	2020	2021	2021	2022	2022	
	Actual	Adopted Budget	Proposed Amended	Recommended	Recommended to 2021 Amended Budget	
					\$ Change	% Change
Interest Expense / Trustee Fees	\$ 1,114,029	\$ 1,013,900	\$ 1,013,900	\$ 925,700	\$ (88,200)	
Bond Issuance Costs & Amortization	2,000	2,100	2,100	2,000	(100)	
Total Non-operating Expense	\$ 1,116,029	\$ 1,016,000	\$ 1,016,000	\$ 927,700	\$ (88,300)	(8.7) %

Table 6: Non-operating Expenses

5.0 2022 DEBT SERVICE BUDGET

For 2022, the District projects a debt coverage ratio of 1.67 when only parity revenue bonds are included. As discussed in **Section 3.06**, this ratio is required to meet or exceed 1.25 to comply with bond covenants.

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

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 \$1.16 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 1.57 coverage ratio for all 2022 scheduled debt payments would result in a \$2.00 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 \$3.73 million in new capital spending appropriations for 2022, as shown below.

Mountain Regional Water 2022 Capital Budget						
	2021 Adopted Budget	2021 Proposed Amendment	2021 Estimated Completed	2021 Estimated Carryover	General Manager Recommended Increases	2022 Total Estimate
CASH SOURCES						
Previous Year Budget Carryover	\$ 1,453,200	\$ 130,000	\$ 366,200	1,217,000	\$ -	\$1,217,000
Cash Available from Previous Years	1,345,800	(508,300)	647,500	190,000	2,012,300	2,202,300
Impact Fees	580,000	-	560,000	20,000	1,130,000	1,150,000
District Capital Reserves	615,000	(215,000)	400,000	-	585,300	585,300
Series 2019 Bond Proceeds - CW	2,600,000	-	2,600,000	-	-	-
TOTAL SOURCES	\$ 6,594,000	\$ (593,300)	\$ 4,573,700	\$ 1,427,000	\$ 3,727,600	\$5,154,600
CASH USES						
Completed Projects						
Community Water Infrastructure	2,600,000	-	2,600,000	-	-	-
Weber Basin Interconnection Project	560,000	-	560,000	-	-	-
Kilby Road Water Line Replacement	615,000	(215,000)	400,000	-	-	-
Silver Creek Maintenance & Storage Yard	443,300	(443,300)	-	-	-	-
Treatment Plant Chlorinator Upgrade	120,000	-	120,000	-	-	-
Treatment Plant Improvements	140,000	-	140,000	-	-	-
Continuing Projects						
Kilby PBS Electrical Upgrade	140,000	-	-	140,000	-	140,000
Land Acquisition & Office	750,000	-	-	750,000	-	750,000
Vehicles & Equipment	315,000	65,000	380,000	-	240,000	240,000
Capitalized Personnel Costs	217,500	-	217,500	-	236,300	236,300
General System Improvements	693,200	-	156,200	537,000	110,000	647,000
2022 Capital Projects						
Summit Park Tank (\$390K Impact Fee Eligible)	-	-	-	-	1,300,000	1,300,000
Pipeline Replacement (Summit Park)	-	-	-	-	500,000	500,000
Spine Road Pump Station Electrical	-	-	-	-	190,000	190,000
Red Hawk Booster Pump Station (\$68k Impact Fee Eligible)	-	-	-	-	145,000	145,000
Southpointe Distribution Line (Impact Fee Eligible)	-	-	-	-	303,000	303,000
Solar Array on Treatment Plant Pond	-	-	-	-	378,300	378,300
Engineering Design Fees (Impact Fee Eligible)	-	-	-	-	325,000	325,000
TOTAL USES	\$ 6,594,000	\$ (593,300)	\$ 4,573,700	\$ 1,427,000	\$ 3,727,600	\$5,154,600

Funding

Due to the availability of previous year budget carryovers, including Cash Available from Previous Years, no additional borrowing or financing is needed to fund the recommended \$3.73 million capital budget increase.

Instead, it can be funded with the cash available from prior years in the amount of \$2.01 million, \$1.13 million from impact fees, and \$585,300 from capital facility reserves.

Completed 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 closed at the end of 2019. The projects identified in the annexation agreement will be completed and capitalized by the end of 2021. It is estimated the full loan of \$2.6 million will be utilized, however if the full amount is not used, the loan will only be for the amount utilized and the decrease in payments will come off the end of the loan.

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 Distribution Company, and the District. The portion of the cost attributable to the District was originally estimated to be \$500,000. However, the latest estimates have the District's portion at \$560,000. The District has paid \$380,200 towards the interconnects and will be receiving the invoice for the final interconnect before the end of 2021. The District's portion of the final interconnect is estimated to be less than \$180,000.

Kilby Road Water Line Replacement – The Kilby Road water main, which services Summit Park, has experienced a number of leaks, likely resulting from highway salt percolating down to the aging water main and deteriorating it. The project to replace the deteriorated portions of this line will be completed by the end of October 2021. The project was originally budgeted for \$615,000 but is coming in under budget at roughly \$400,000.

Silver Creek Maintenance & Storage Yard – The District was planning to make improvements to its Silver Creek property to facilitate storage of equipment, vehicles, and materials. However, the determination was made to not move forward with this project and rather meet this need at the new District office currently in design and planned to be constructed in the next few years.

Treatment Plant Chlorinator Upgrade - The existing chlorine generation system at the Signal Hill Water Treatment Plant was not designed to meet the growing production needs. The current system was designed for 100 lbs. per day. The new system being installed this fall has capacity for 200 lbs. per day and will meet the needs of the District moving forward. The purchase order for the system is for \$119,300.

Treatment Plant Improvements – Treatment plant improvements were budgeted for \$140,000 and should all be completed in 2021. Improvements made included insulation repairs (done internally), exterior staining, pump capacity upgrades, new submersible transfer pumps and new membrane skid pumps. The full driveway rehabilitation project was descope to include spot repairs until a future treatment plant expansion is performed and a more complete improvement is performed.

2021 Continuing Projects

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 employee safety. These improvements are estimated at \$140,000. The project, although begun in 2021, will not be completed until 2022.

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 2022, the budget includes \$236,300, which will be funded from cash on hand.

General System Improvements - The budget includes \$647,00 for varying items in 2022. These include engineering design fees, upgrades at the Silver Springs pump station, and various smaller projects.

Vehicles & Equipment - The District is budgeting to purchase five trucks and a forklift during 2022. These purchases are anticipated to cost \$240,000.

2022 Capital Projects

Land Acquisition and Office - The District is working closely with Summit County to identify the future site of the District office. The District has allocated \$750,000 for this land acquisition and office design development.

Summit Park Tank – The lowest elevation Summit Park tank (known internally as Tank 1) needs to be replaced with a larger volume tank to support additional development in the area. The current tank's volume is 100,000 gallons; the new tank is planned to have a volume of 250,000 gallons and include a combined tank mixing, chlorination system.

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

Spine Road Electrical Upgrade – The Spine Road pump station has a similar electrical design as the Kilby Road pump station which is currently undergoing an electrical upgrade to improve employee safety. The Spine Road pump station will undergo a similar improvement with electrical panels being moved above grade. Structural modifications will additionally be necessary to complete this project.

Red Hawk Booster Pump Station – The Red Hawk booster pump station needs to be upgraded to provide additional uphill capacity to the growing Preserve and Stagecoach subdivisions. Upgrades are expected to include electrical, mechanical, pumping, and control systems.

Southpoint Distribution Line – The District will be evaluating the potential benefit of a betterment (line size upgrade) to be applied to distribution infrastructure planned by Promontory. The water main being studied will provide water service to the south end of the Promontory subdivision.

Solar Array on Treatment Plant pond – The District has long been interested in installing a floating solar array on the Signal Hill Water Treatment Plant pond which would offset the electrical energy load and costs of the treatment plant, decrease the evaporation rate of water lost from the pond, and reduce algae growth in the pond providing a water quality benefit. \$378,300 has been allocated to be applied as needed as the District awaits notice of award of grant funds.

Engineering Design Fees – Engineering design fees are needed to perform a conceptual design (10% design) of the expanded water treatment facility at Signal Hill (\$325,000).

2021 Capital Budget Amendments

Two amendments are needed in the 2021 capital budget.

- 1) The first is needed to reallocate \$215,000 from the *Kilby Road Water Line Replacement* project which came in under the budgeted amount. Accordingly, the \$215,000 can be allocated to future use of the repair and replace fund for capital projects.
- 2) The second is needed to reallocate \$443,300 from the *Silver Creek Maintenance & Storage Yard* project which was abandoned. Accordingly, \$65,000 in savings will be allocated to the *Vehicles and Equipment* line item to pay for new computer equipment needed to enable a new more secure IT system. The remaining \$387,300 will be used for future capital projects.

7.0 2021 BUDGET AMENDMENTS

7.01 2021 Operating Budget

For the 2021 *Operating Budget*, four amendments are needed of \$80,000, \$40,000, \$53,700, and \$800 respectively.

MOUNTAIN REGIONAL WATER							
2021 Amended Operating Budget - Accrual Basis							
<i>Enterprise Fund</i>							
	2019	2020	2021	2021	2021	2021	2021
	Actual	Actual	Budget	Proposed	Amendments	Projection	Projection to
				Amended			Adopted
OPERATING REVENUE							
Retail Water Sales	\$ 7,804,956	\$ 9,497,365	\$ 9,097,800	\$ 9,017,800	\$ (80,000)	\$ 9,017,800	\$ (80,000)
Park City Wheeling	700,484	649,407	700,000	700,000	-	714,000	14,000
Weber Basin Regionalization Fees	1,003,200	1,676,200	1,914,200	1,914,200	-	1,913,900	(300)
Operating Fees	463,753	535,831	375,000	455,000	80,000	589,000	214,000
Contract Maintenance	17,194	5,278	2,500	2,500	-	9,300	6,800
Other	50,005	40,352	45,000	45,000	-	45,000	-
Total Operating Revenue	10,039,592	12,404,432	12,134,500	12,134,500	-	12,289,000	154,500
OPERATING EXPENSES							
Operations Management							
Energy & Resource Management	506,681	475,866	663,800	663,800	-	663,800	-
Distribution	2,233,853	2,917,312	2,924,100	2,964,100	40,000	2,964,100	40,000
Lost Canyon Transmission	1,460,105	1,466,072	1,786,200	1,786,200	-	1,786,200	-
Treatment Plant	845,251	915,880	890,400	850,400	(40,000)	850,400	(40,000)
Safety	59,481	58,999	91,000	91,000	-	91,000	-
General Manager							
Engineering & Development	298,868	236,455	292,400	292,400	-	292,400	-
Human Resources	110,849	110,042	133,200	133,200	-	133,200	-
Legal Services	44,918	48,283	70,000	70,000	-	70,000	-
Public Services	498,982	485,777	473,500	473,500	-	473,500	-
Financial Management	408,876	429,302	445,900	445,900	-	445,900	-
Depreciation Expense	1,704,766	1,859,035	1,927,300	1,927,300	-	1,927,300	-
Total Operating Expense	8,172,629	9,006,023	9,697,800	9,697,800	-	9,697,800	-
OPERATING INCOME	1,866,963	3,398,409	2,436,700	2,436,700	-	2,591,200	154,500
MOUNTAIN REGIONAL WATER							
2021 Amended Operating Budget - Accrual Basis							
<i>Enterprise Fund</i>							
	2019	2020	2021	2021	2021	2021	2021
	Actual	Actual	Budget	Proposed	Amendments	Projection	Projection to
				Amended			Adopted
NON-OPERATING REVENUE							
Interest Earnings - Available for Debt Service	393,473	164,660	120,000	66,300	(53,700)	66,300	(53,700)
Interest Earnings - Not Available for Debt Service	12,371	5,863	2,600	1,800	(800)	1,800	(800)
Impact Fees	1,157,279	735,399	600,000	600,000	-	3,145,000	2,545,000
Promontory Developer SID Assessments	393,929	493,489	386,400	386,400	-	554,000	167,600
Stagecoach Infrastructure Assessment	160,519	209,770	163,000	163,000	-	170,000	7,000
Community Water Infrastructure Assessment	93,477	161,999	159,000	159,000	-	159,000	-
Other Cash Non-operating Revenue	77,226	90,429	30,000	84,500	54,500	300,000	270,000
Non-Cash Non-operating Revenue	11,767	14,067	11,700	11,700	-	11,700	-
Total Non-operating Revenue	2,300,041	1,875,675	1,472,700	1,472,700	-	4,407,800	2,935,100
NON-OPERATING EXPENSE							
Interest Expense/Bank Fees	944,486	1,114,029	1,013,900	1,013,900	-	1,010,300	(3,600)
Bond Issuance Costs and Amortization Expense	339,767	2,000	2,100	2,100	-	2,100	-
Total Non-operating Expense	1,284,254	1,116,029	1,016,000	1,016,000	-	1,012,400	(3,600)
NON-OPERATING INCOME	1,015,787	759,646	456,700	456,700	-	3,395,400	2,938,700
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	2,882,750	4,158,055	2,893,400	2,893,400	-	5,986,600	3,093,200
TRANSFERS							
Contingency			-	-	-	-	-
Governmental Transfers			-	-	-	-	-
Contributions in Aid of Construction	1,831,643	114,417	-	-	-	-	-
NET TRANSFERS	1,831,643	114,417	-	-	-	-	-
BUDGET CHANGE IN NET POSITION AFTER TRANSFERS	\$ 4,714,393	\$ 4,272,472	\$ 2,893,400	\$ 2,893,400	\$ -	\$ 5,986,600	\$ 3,093,200
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	-	-	TBD	TBD	TBD	TBD	TBD
ACTUAL CHANGE IN NET POSITION	4,714,393	4,272,472	2,893,400	2,893,400	-	5,986,600	3,093,200

The First amendment is to cover the shortfall in Retail Water Sales of \$80,000 due to conservation efforts and a rainy August, with \$80,000 in Operating Fees. Both items are from Operating Revenue and cash related.

The second amendment of \$40,000 is needed to reallocate expenses between departments in Operations. Due to the high volume of new meter installations this year, more meters had to be purchased than originally budgeted. The Distribution department is projected to exceed their operating budget by \$40,000. The overage in this department can be offset with savings in Treatment Plant operations.

The third amendment of \$53,700 resulted from overestimating the interest that would be earned on the District's funds invested in the PTIF accounts. Interest rates have remained at very low levels resulting in lower-than-expected earnings.

The fourth amendment of \$800 is very similar to the third amendment however this only relates to the funds invested in the PTIF account that are not available for debt service.

These negative variances are being offset by non-operating revenues in Other Cash Non-operating fees that are higher than originally budgeted.

As shown in the "2021 Projection to Adopted" column above, the District now anticipates 2021 Change in Net Position, will exceed budget by \$3.09 million. Primarily attributable to higher Impact Fees than originally budgeted.

7.02 2021 Debt Service Budget

The adopted 2021 *Debt Service Budget* identified a 1.64 parity debt coverage ratio and 1.53 when subordinated debt was included.

Due to the higher-than-expected revenue from Impact Fees (\$2.5 million) and moderate cost savings, the 2021 ratios are now projected at 2.51 and 2.34 respectively – as shown below.

MOUNTAIN REGIONAL WATER			
2021 Debt Coverage Calculation - Cash Basis			
	2021		2021
	Budget		Projection
COVERAGE CALCULATION FOR PARITY REVENUE BONDS			
Operating Income (Loss)	\$ 2,436,700	\$	2,591,200
Add Back Depreciation	1,927,300		1,927,300
Add in Interest Available for Debt Service	120,000		66,300
Add In Impact Fees	600,000		3,145,000
Add In Promontory SID Assessments on Developer	386,400		554,000
Add in Stagecoach Assessments	163,000		170,000
Add in Community Water Assessments	159,000		159,000
Add in Other Non-operating Income	30,000		300,000
Add in Treatment Plant Stabilization Fund	-		-
Total Available For Debt Service	5,822,400		8,912,800
TOTAL DEBT COVERAGE			
Required Coverage Principal	2,699,500		2,693,000
Required Coverage Interest/Bank Fees	1,102,700		1,108,100
Total Required Debt Service	3,802,200		3,801,100
Debt Service X 1.25	4,752,800		4,751,400
Total Debt Coverage Ratio	1.53		2.34
REQUIRED PARITY BOND DEBT COVERAGE			
Parity Bond Principal	2,552,000		2,552,000
Parity Bond Interest	1,000,800		1,000,800
Total Parity Debt Service	3,552,800		3,552,800
Debt Service X 1.25	4,441,000		4,441,100
Parity Debt Coverage Ratio	1.64		2.51
Cash Excess/(Shortfall)			
Cash Excess/(Shortfall)	2,020,200		5,111,700
Less Treatment Plant Stabilization Fund	-		-
Projected Cash Generated	2,020,200		5,111,700
Capital Facility Reserves	(388,500)		(388,500)
Impact Fee Reserves	-		(2,545,000)
Regionalization Reserves	(574,300)		(574,200)
Cash Available for 2022 Capital Budget	1,057,400		1,604,000

8.0 SUMMARY

In conclusion, 2021 has been unlike any year in the District's history. A record number of new connections have been requested resulting in higher impact fee revenue by more than double any previous year. At the same time, drought conditions led the District to request customers to increase their conservation efforts, leading to decreased usage in both August and September when compared to previous years.

For 2022, the District is projecting the strong building economy to continue with above average customer growth. Impact fee revenue is also projected to be high, not as high as 2021, but still higher than any other previous year.

Inflationary increases are being experienced and are reflected in the District's 2022 Operating Budget. However, these increases are being absorbed within the budget and without a need to request a rate increase. This is in part due to the growth that has, and is, occurring within the District.