Mountain Regional Water

Special Service District

ADOPTED

2016 BUDGET

And

2015 AMENDED BUDGET

December 9, 2015

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1.0 2016 DISTRICT BUDGET OVERVIEW

1.01 The District

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

The District currently has over 3,200 customers using water and nearly 1,900 additional lots on standby. The District is close to entering into an operating agreement with Silver Creek Village, a multi-use development with Summit County approval for over 1,000 new units (of which 376 are part of the 1,900 standby lots mentioned above).

The District also wheels up to 2,900 acre feet or raw water annually to Park City; and has entered into an agreement to sell Summit Water 700 acre feet of culinary water in 2016 under the Weber Basin regionalization agreement.

1.02 District Budgets

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

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

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

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

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

1.03 Change in Retirement Accounting

Starting in 2015, the District will be required to show any actuarial deficit / (surplus) for its defined benefit pension program as a "net pension liability / (asset)" on its balance sheet. The District is a member of the Utah State Retirement System (URS) and will share any URS actuarial deficits (surpluses) on a pro-rata basis, as determined by the number of employees.

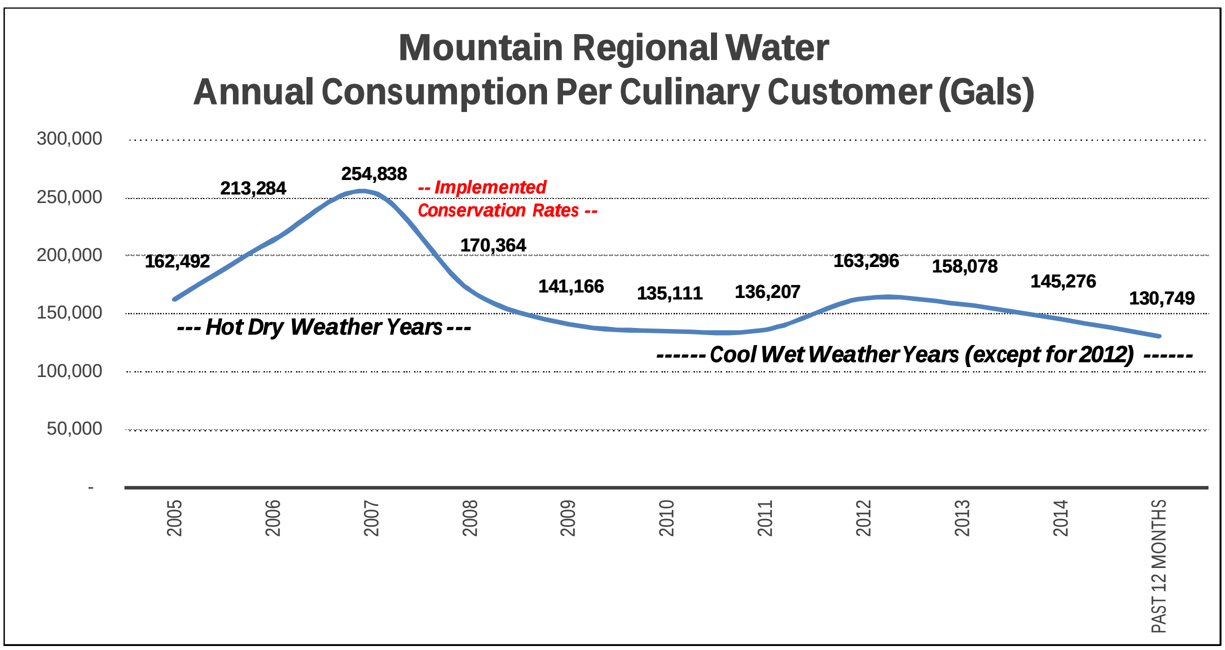
The 2015 year-end net pension liability won't be known until mid-2016, but the 2014 year-end net pension liability was $708,042.

In addition, the District's year-end audited financial statements will now show the actuarially determined annual pension expense, rather than the prior practice of showing the annual cash contributions to URS.

However, the District will continue to budget pension expense based upon projected cash contributions, and not the actuarially determined annual pension expense. This is because the information needed to record the annual actuarial pension expense for the year-end audited financial statements won't be known at the time the budget is adopted. As such, the changes made to the year-end audited financial statements for the actuarially determined pension amounts will be non-budget adjustments.

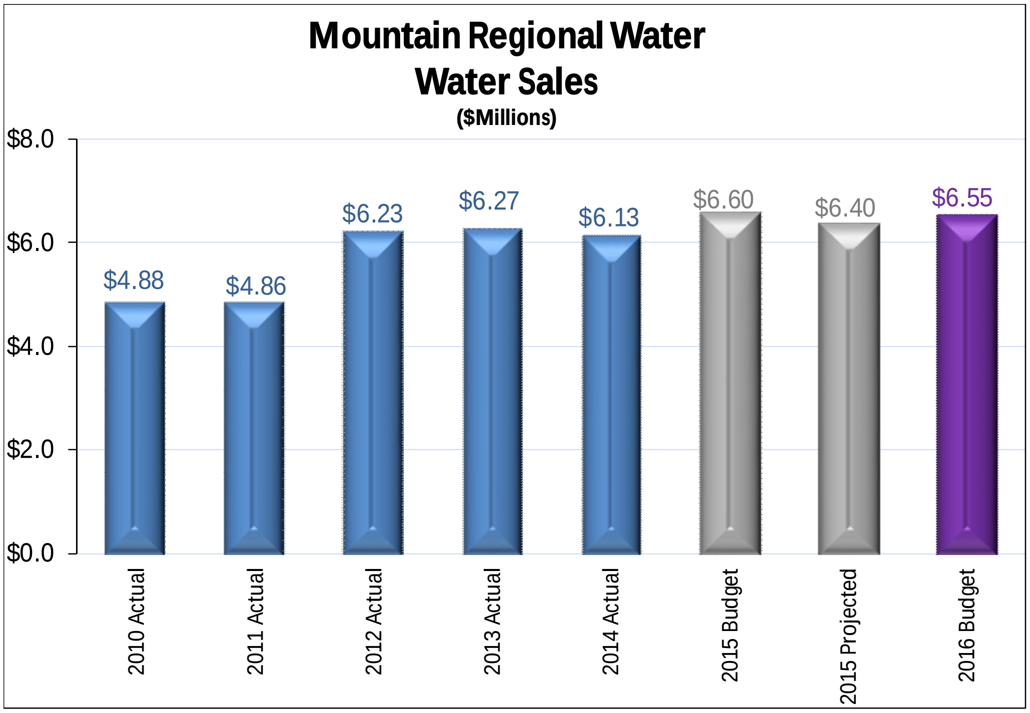
1.04 Low Water Consumption Reduces Water Sales despite Rate Increases

As shown below, very cool rainy spring and/or summer weather the past three years has led to declining annual water consumption per culinary customer. Average consumption the past twelve months was only 130,749 gallons - the lowest in District history.



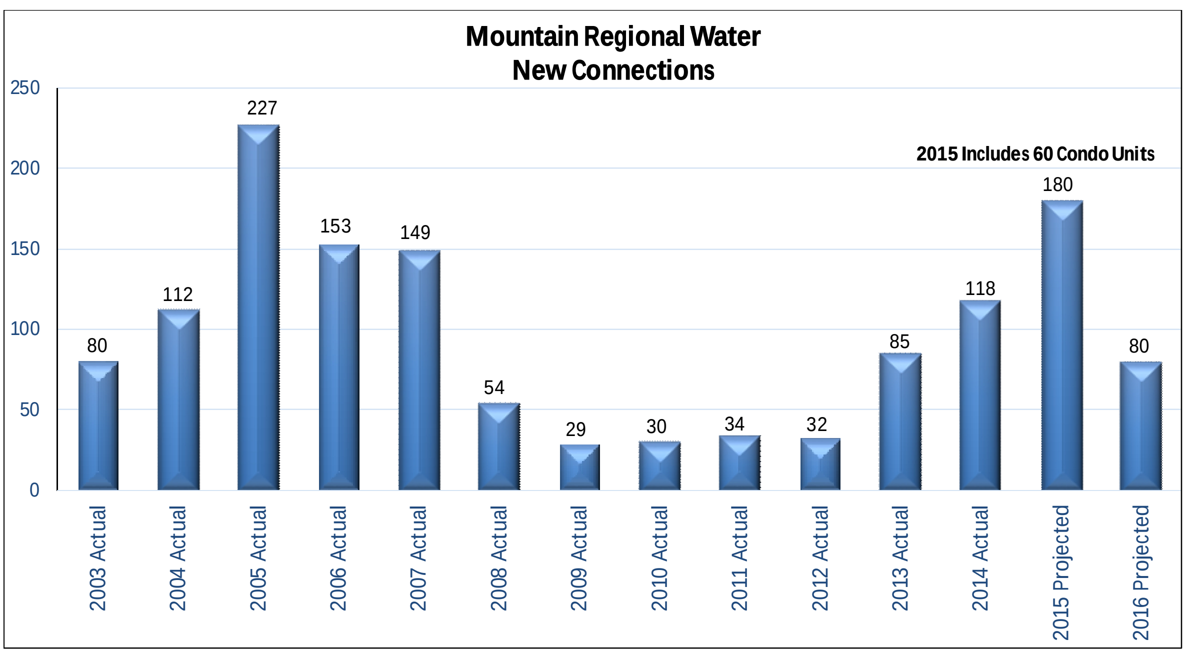
In turn, this led to a decline in water sales to District customers over that same period despite rate increases effective in August 2012, August 2014 and August 2015. Although average annual culinary consumption has dropped 11.0% since 2012, water sales only declined 1.6% over that same period due to the rate increases. During that time, there was only a small increase in customers using water, as the increase in new construction units that started in mid-2013 did not result in higher water sales until recently, as it typically takes twelve to eighteen months after a new unit starts construction before it begins using water.

It is now projected 2015 water sales will be $6.4 million – which is $201,500 or 3.1% under budget, as shown below. The 2015 Budget and 2015 Projected are shown in grey.



The dramatic increase in water sales between 2011 and 2012 resulted from a rate increase and unusually hot dry summer weather.

The history of new connections shown below demonstrates the strong rebound in new development. This, along with the $4.00 per month rate increase effective August 2015 should help increase water sales in 2016, even if the spring or summer weather remains cool and wet.



1.05 Development Related Revenue and Regionalization Collections Offset Low Water Sales

Despite the significant decline in water sales, it is now projected that 2015 revenue collections will exceed budget by $1.12 million – or 11.5%. This is due to a very strong rebound in new development within the District during 2015.

Mountain Regional Water
Total Revenue

	2015 Adopted Budget	2015 Projected	2015 Projected Variance	
CASH REVENUE				
Operating Revenue				
Water Sales	$ 6,598,500	$ 6,397,000	$ (201,500)	
Park City Wheeling	522,000	500,000	(22,000)	
Weber Basin Regionalization Collections	-	367,200	367,200	
Stagecoach Assessment	167,000	180,000	13,000	
Operating Fees	303,000	366,400	63,400	
Contract Maintenance	-	12,000	12,000	
Other Operating	65,000	57,500	(7,500)	
Subtotal	**7,655,500**	**7,880,100**	**224,600**	***2.9%***
Non-operating Revenue				
Interest Earnings	25,500	63,100	37,600	
Impact Fees	388,900	1,200,000	811,100	
Promontory Developer Assessments	1,536,000	1,486,000	(50,000)	
Other Non-operating	136,700	236,700	100,000	
Subtotal	**2,087,100**	**2,985,800**	**898,700**	***43.1%***
TOTAL CASH REVENUE	**$ 9,742,600**	**$ 10,865,900**	**$ 1,123,300**	***11.5%***

In fact, several development related revenue sources are now projected to exceed budget significantly in 2015 as shown below:

	Budget	**Projected**	**Variance**
Impact Fees	$ 388,900	$1,200,000	$811,100
Operating / Connection Fees	303,000	366,400	63,400
Land Sale	*in 2014 Budget*	95,000	95,000

It is important to note that the $1.2 million now projected for impact fee collections in 2015 is 62.1% higher than the $740,406 collected in 2006 – the most collected by the District in one year until 2015.

In addition to higher 2015 development revenue, the District will receive $367,200 in unanticipated regionalization collections in 2015, as discussed in **Section 1.06** below. Although this will necessitate some 2015 budget amendments for additional electricity, manpower, and repairs & maintenance costs as discussed in **Section 5.01** below; after these costs are deducted the District projects it will receive an estimated $175,000 net cash benefit from regionalization in 2015 that will be deposited into the new regionalization reserves discussed below.

1.06 Regionalization Collections

Summit Water purchased 400 acre feet of wholesale water from the District under the Weber Basin regionalization agreement in 2015 - one year sooner than it had previously indicated. For 2016, Summit Water has contracted to purchase 700 acre feet from the District through the regionalization agreement, with the following impact on District finances.

Mountain Regional Water

Net Benefits from Weber Basin Regionalization Agreement

		2016
New Revenue		
Wholesale Water Sales	$	684,600
Total Revenue		***684,600***
New Expenditures		
Electricity		78,100
Manpower		71,900
Repairs & Maintenance		30,600
Debt Service		170,000
Total New Expenditures		***350,600***
Net Cash Benefit	**$**	**334,000**
Existing Expenditures Included in Lease Fees		
Weber Basin Lease Fees		201,300
Total Existing Expenditures		***201,300***
Change in Net Position (Net Income)	**$**	**132,700**

After $350,600 in anticipated new expenditures are deducted from the $684,600 in 2016 contracted collections, the District projects the regionalization agreement will generate an additional $334,000 in net cash during 2016.

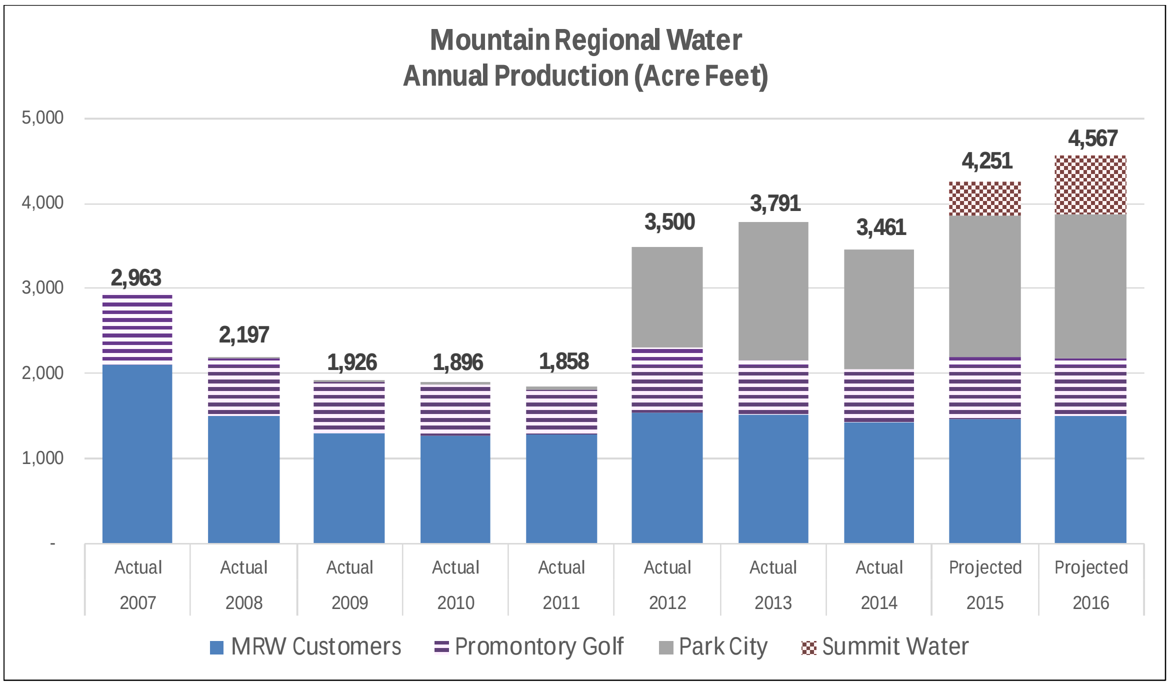
The District plans to deposit $230,000 of this into a new regionalization reserve that can be used to prepay debt starting in 2019 as a way to mitigate the $275,000 in annual regionalization fees the District will start paying to Weber Basin in December 2019. The remaining $104,000 cash benefit can be used to help offset the lower water sales to District customers if the cool wet spring and/or summer weather continues.

It should also be noted that the District will pay $201,300 in Weber Basin lease fees for the 700 acre feet of wholesale water it will sell Summit Water in 2016. These fees are included in the regionalization rate; but don’t reduce the net cash benefit to the District since the District must pay these lease fees whether or not the water is used. However, it does reduce the “net income” to $132,700 from regionalization water sales.

1.07 District Water Production

The sale of regionalization water will result in a significant increase in production in 2016 when compared to 2014 – the year before the District started selling regionalization water to Summit Water. As mentioned in **Section 1.06** above, Summit Water contracted for 400 acre feet in 2015 and has contracted for 700 acre feet in 2016, as demonstrated by the red hatch section of the graph below.

This, combined with an increase in the amount of water Park City wheels through the District's Lost Canyon project over the past two years, accounts for almost all of the increase in production - from 3,461 acre feet in 2014 to the 4,567 acre feet projected for 2016. The District is now the largest water producer in western Summit County.



The increase in total production from 1,858 to 3,500 acre feet between 2011 and 2012 resulted from two factors. First, Park City started wheeling roughly 1,600 acre feet annually through the District's Lost Canyon project, as shown by the lighter shaded section of the graph. Second, the 2012 summer was unusually hot and dry.

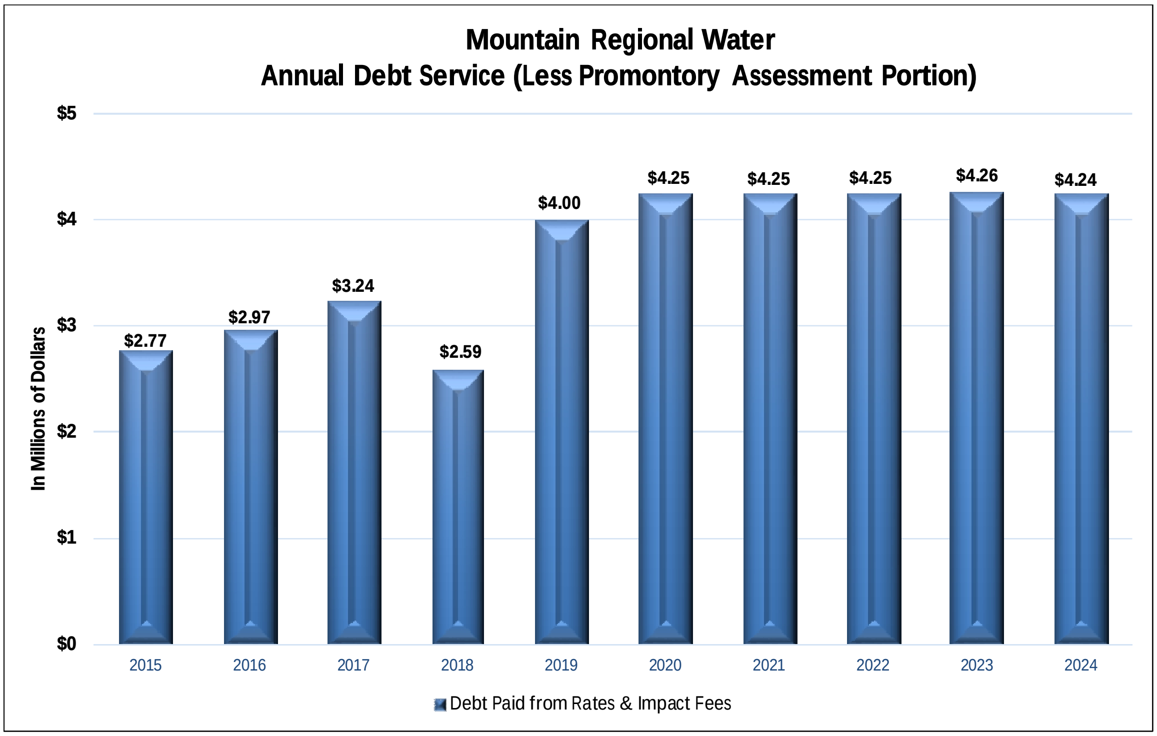
The horizontal lavender section of the graph represents usage by the Promontory golf course that has ranged from 522 acre feet in 2011 due to cool wet weather, to 762 acre feet in 2012 due to hot dry weather. The unusually high golf course usage of 856 acre feet in 2007 was due to the construction and burn-in of the Nicklaus course.

The steady decline in production between 2007 and 2011 for Mountain Regional Water customers, as shown by the darker shaded section of the graph, resulted from cool wet spring and/or summer weather and the implementation of conservation water rates that led to lower consumption.

1.08 Increasing Debt Service Payments thru 2019 & Long-term Rate Impacts

The annual service requirements for existing debt funded from District water sales and impact fees is increasing substantially over the next four years. In fact, total debt service requirements (including the required 25% excess coverage requirement discussed in **Section 1.10**) are scheduled to increase by $1.03 million between 2016 and 2019 – from $2.97 million to nearly $4.0 million. These amounts do not include debt that will be paid from assessments on the Promontory developer.

However, there is a one-time anomaly in 2018, when the payments required on existing debt are scheduled to drop $646,476. This is followed by a dramatic $1.41 million increase between 2018 and 2019, resulting in a net increase between 2018 and 2019 of $757,811.



Due to the one-time drop in 2018 debt service requirements, combined with the anticipated annual regionalization collections the District should receive over the next few years from the sale of its surplus water, a water rate and fee increase may not be needed before 2019. However, the dramatic debt service increase in 2019 - combined with the annual $275,000 regionalization fee the District must start paying to Weber Basin in 2019 – will likely require a notable water rate and fee increase at that time, even if the current strong growth in new customers continues.

As mentioned in **Section 1.06** above, the District has established a regionalization fund into which it plans to deposit most of its net cash increase from selling wholesale water under the Weber Basin regionalization agreement. In addition, the $646,476 drop in 2018 debt service costs could provide additional funding for the regionalization reserves.

The District anticipates these funds could then be used to prepay debt between 2019 and 2023 in order to reduce the annual debt service requirements in those years. This would allow the District to phase in the necessary rate and fee increase in smaller increments over a five year period, and spread it over a larger customer base if strong growth in new customers continues.

Another option to mitigate the large rate and fee increase anticipated for 2019 is to adopt small increases between now and 2019 - so that the 2019 rate increase is not as large. However, it appears at this time that the District may have healthy cash reserves during that period, perhaps making it hard to justify a rate increase prior to 2019 - even though the debt coverage for 2017 is currently projected to be very tight. Keep in mind, the rate stabilization fund is available in 2017 if revenues fall below projections.

1.09 Rate Stabilization Fund

The District's general bond indenture allows it to establish a rate stabilization fund. These funds are available to use to cover revenue shortfalls and/or unexpected expenditures.

The Rate Stabilization Fund has three components:

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

Although it appears at this time that debt coverage for 2017 may be tight, as discussed above, the existence of this fund provides assurance the District can meets the 1.25 times bond coverage requirements (see **Section 1.10** below) in 2017 without a rate increase, even if the cool wet spring and/or summer weather continues.

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 2015 year-end reserve balance is $1.06 million. The District has never needed to use these funds.

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

As such, only budgeting for these items during years when they are purchased would lead to wild swings in debt coverage. Therefore, if the amount expended for these items is below the budget amount at the end of a year, the difference is deposited into this reserve until it reaches $500,000; while if the amount expended exceeds of the budget amount, the difference is withdrawn from this reserve to supplement ongoing revenue in that year. The District typically budgets $65,000 per year from ongoing revenue.

For 2015 it is anticipated that $22,400 will be used from this fund to help pay an estimated $87,400 for pretreatment carbon, resulting in a projected 2015 year-end reserve balance of $109,900. The 2016 budget includes another $25,000 that will be used to help pay for the purchase of an estimated $90,000 of carbon for pretreatment in 2016.

<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 2015 projected year-end balance is $120,000.

The District increased the annual contribution to this fund by 50% starting in July 2015 in order to help it reach its goal to increase this reserve to $250,000 over the next three years. The amount the District contributes to this fund was increased from $56,916 annually to $85,374; while Park City's contribution was increased from $44,631 annually to $66,946.

1.10 Debt Coverage Ratio

Per bond covenants, the District must budget for 1.25 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 parity bond principal and interest payments (see **Section 3.0 – 2016 Debt Service Budget**). It is the 1.25 coverage requirement that drives rates and fees.

Mountain Regional Water
Parity Debt Service Coverage Ratio

	2013 Actual	2014 Actual	2015 Projected (1)	2016 Budget
Water Sales	$ 6,266,463	$ 6,126,252	$ 6,397,000	$ 6,549,500
Park City Wheeling	444,373	492,605	500,000	521,300
Weber Basin Regionalization Collections	-	-	367,200	684,600
Stagecoach Assessments	174,109	193,972	180,000	163,000
Operating Fees	259,851	350,920	366,400	303,300
Impact Fees	563,385	625,850	1,200,000	600,000
Promontory Developer Assessments	794,375	1,575,816	1,486,000	1,953,600
Interest Available for Debt Service	26,491	29,670	30,700	51,400
Other Non-restricted Revenue	105,311	148,208	294,500	60,000
Treatment Plant Stabilization Fund	-	-	30,000	25,000
Total Cash Available for Debt Service	8,634,358	9,543,293	10,851,800	10,911,700
Cash Operating Expenses	(4,494,215)	(4,740,832)	(5,527,500)	(5,738,400)
Net Cash Available for Debt Service	4,140,143	4,802,461	5,324,300	5,173,300
Parity Debt Service Payments	2,300,899	3,203,382	3,151,700	3,747,500
Debt Service Coverage	1.80	1.50	1.69	1.38

(1) The debt coverage calculation for 2015 does not include an estimated $275,000 in capitalized interest that will be funded with proceeds from the Series 2014 revenue bonds. This is because the capitalized interest is not funded from ongoing revenues.

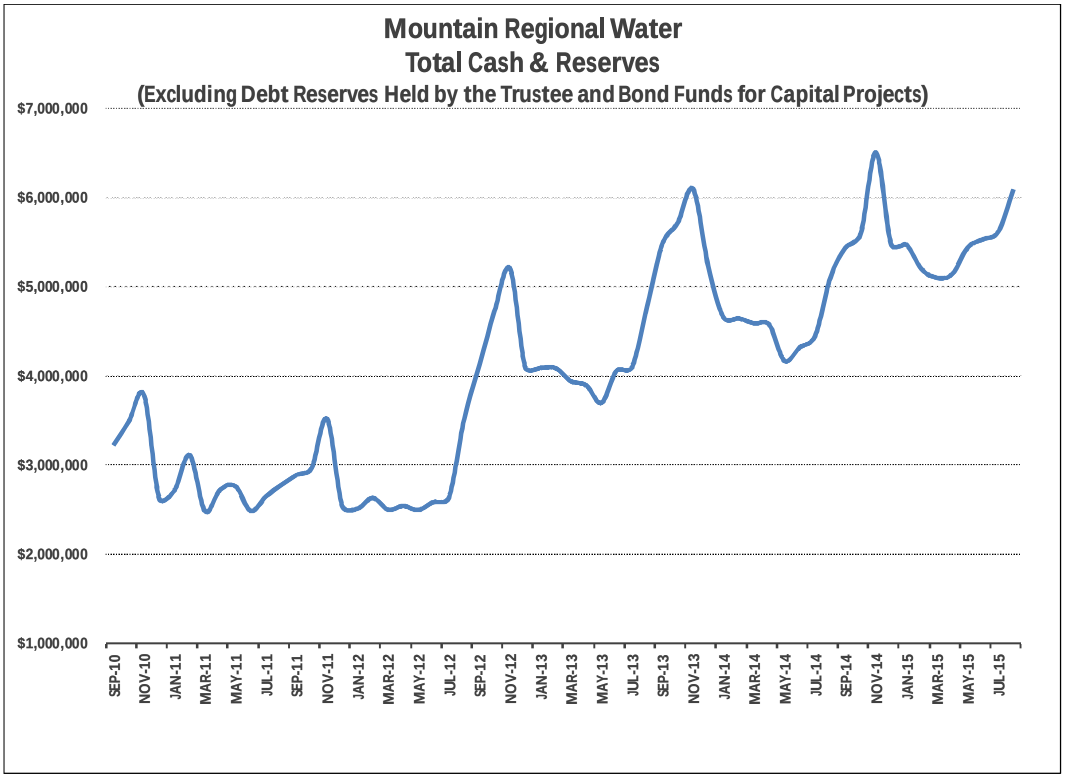
As shown above, the District has had strong debt coverage ratios the past few years, largely due to much improved development related collections.

For 2016, a 1.38 debt coverage ratio is projected based upon slightly cooler and wetter spring and/or summer weather than is usual (but not as cool and wet as for the spring of 2015), and new customer growth based upon a ten year average of 80 new connections.

This is similar to the 85 new connections in 2013; but significantly less than the 150 new units averaged the past two years. Meanwhile, the District averaged only 31 new connections each year between 2009 and 2012.

1.11 Cash

The District's cash and reserves (excluding debt service reserves held by the bond trustee and bond funds for capital projects) have slowly, but steadily improved since 2011 – at which time a rating agency reported that the District's cash and reserves were "barely adequate".



This upward trend can be attributed to the following factors:

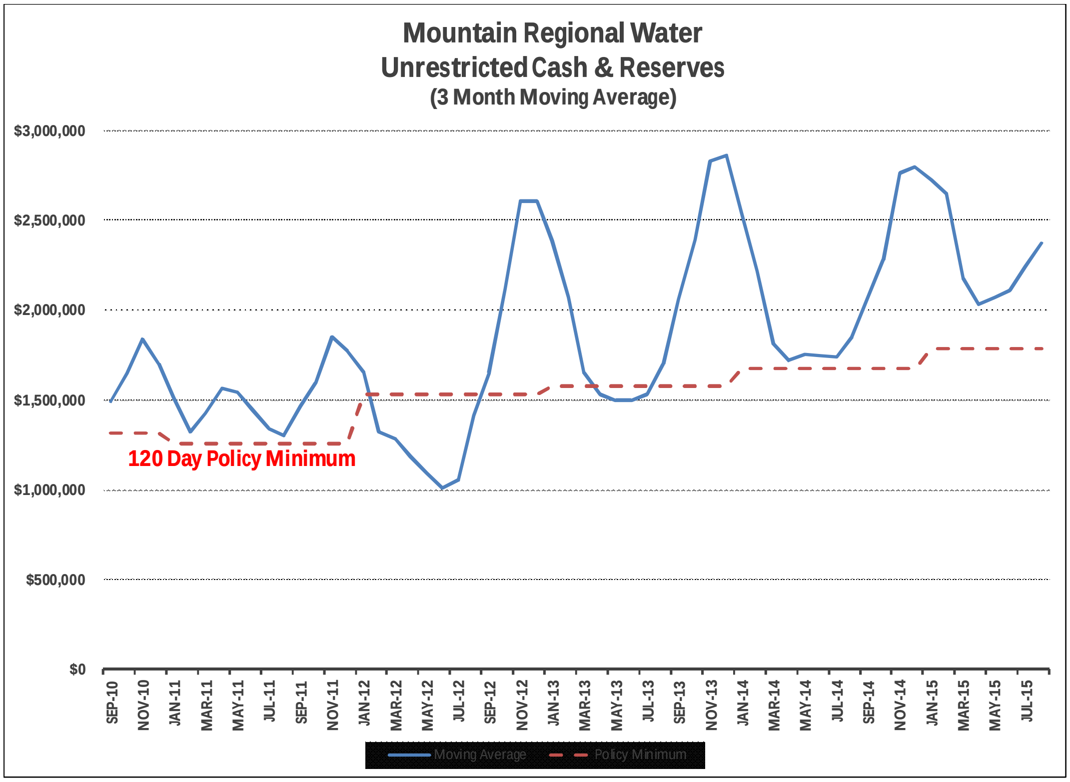
1) Rate and fee increases;
2) The establishment of a $1.0 million rate stabilization fund to replace bond debt reserves held by the trustee; and
3) A stronger building economy leading to record development related collections.

This upward trend is expected to level off moving forward as debt service payments increase, with the exception of the projected increases in the regionalization reserve fund discussed in **Section 1.06**.

<u>Unrestricted Operating Cash and Reserves</u>

Unrestricted operating cash and reserves can be used for any legitimate District purpose; while restricted cash sources can only be used for the specific purpose outlined either in state law, contractual arrangements, or District policy. Although funds restricted by District policy are considered unrestricted by governmental accounting standards, they are considered restricted for this cash analysis.

As such, the unrestricted operating cash and reserves shown in the chart below exclude all capital facility repair funds, the stabilization funds, the impact fee and special assessment funds, bond proceeds, customer deposits, and debt reserves held by the bond trustee.



As shown above, unrestricted cash and reserves have steadily increased since mid-2012 due to the rate and fee increases and the restructuring of debt in 2012. In fact, in 2012 these reserves fell $591,527 below the minimum amount established by policy of 120 days reserves. Unrestricted operating cash and reserves finally reached a level in 2014 where the District should be able to maintain at least 120 days of reserves year-round, in compliance with policy.

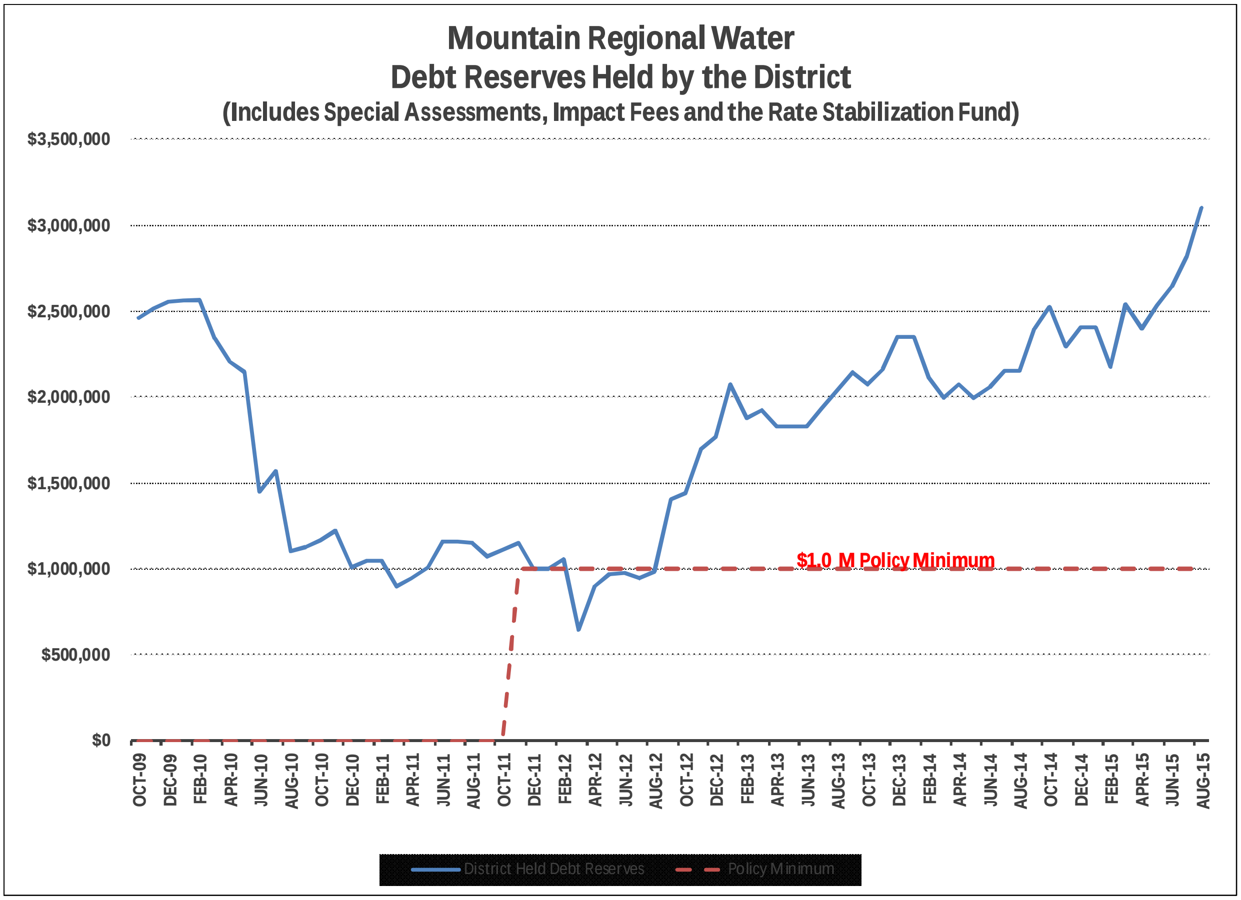
The graph above shows a three month moving average to smooth out monthly fluctuations. The peaks each year are from summer water sales collections, while the sharp decline each year is due to Weber Basin lease payments of nearly $1.2 million that are made each December.

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

The District has chosen, by policy, to hold debt reserves in addition to those required by bond holders and held by the bond trustee. The policy decision to establish these reserves was made to mitigate the potential significant shortfall in revenue collections due to weather conditions and wide fluctuations in building related revenue; as well as for unexpected expenditures.

This also helped allow the District to issue both the Series 2012 and Series 2014 bonds without a debt reserve held by the trustee. The impact from using District held reserves to fund revenue shortfalls or unexpected expenditures has a dramatically lower impact on the District when compared to the impact if trustee held debt reserves are ever used.

The District did utilize the impact fee reserves held by the District between 2009 and 2012 due to the low impact fee collections experienced during the Great Recession. In fact, impact fee collections during that period were $714,468 below budget, even after reducing budget from $600,000 in 2008 to only $230,000 for 2012.



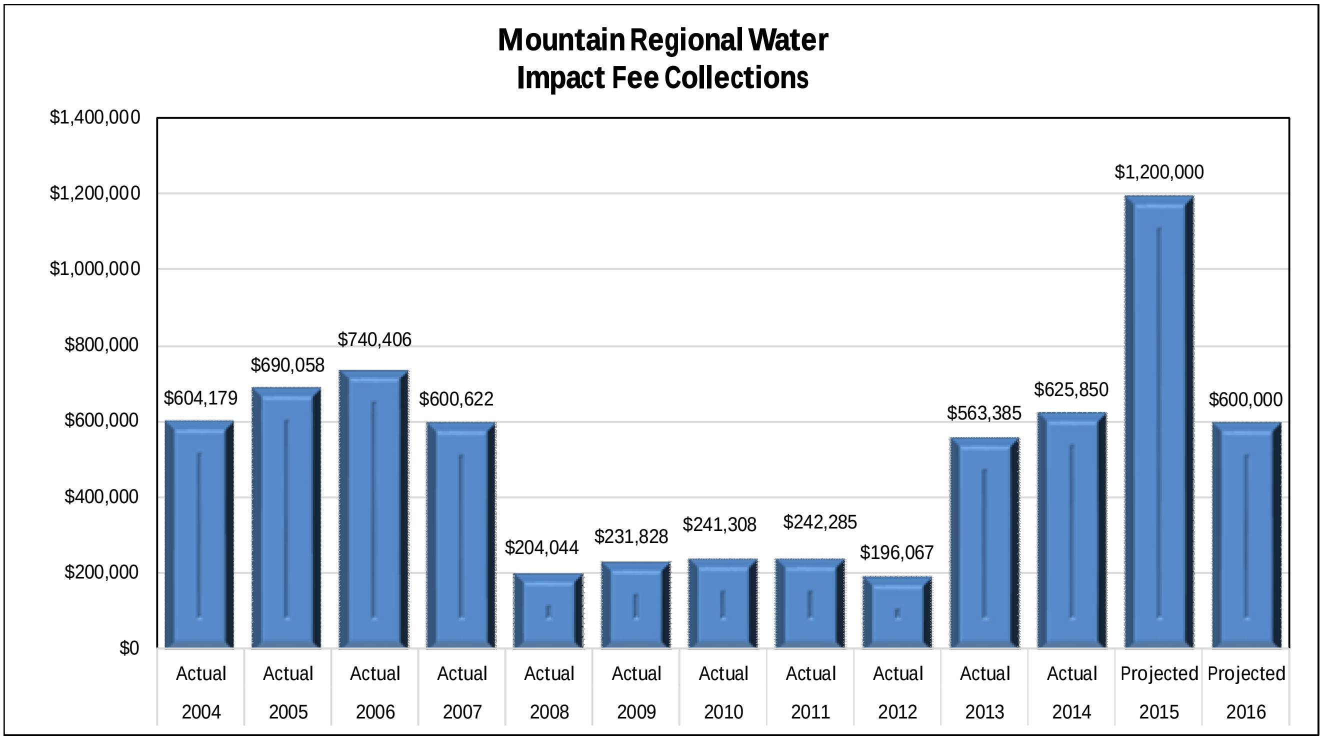
As shown above, these reserves have increased dramatically the past four years due to improved building related collections, along with a policy decision made in November 2011 to establish a $1.0 million rate stabilization reserve, as discussed in **Section 1.09** above.

In addition to $1.06 million currently in the debt service stabilization fund, strong building related collections including impact fees and special assessments have resulted in another $1.86 million in reserves; although it is anticipated about $585,000 of this will be used to make debt payments during the rest of 2015.

These reserves can only be used to make related debt payments. If these reserves are healthy, the District prepays debt on its callable bonds. Currently, no market bonds are callable.

The remaining impact fee and assessment reserves – which should exceed $1.3 million at 2015 year-end - will be used to make debt payments in years when development related revenue does not meet projections.

As shown below, the extreme volatility in impact fee collections year-to-year makes these reserves critical, as they have ranged from a low of $196,067 in 2012 to a projected high of $1.2 million in 2015.



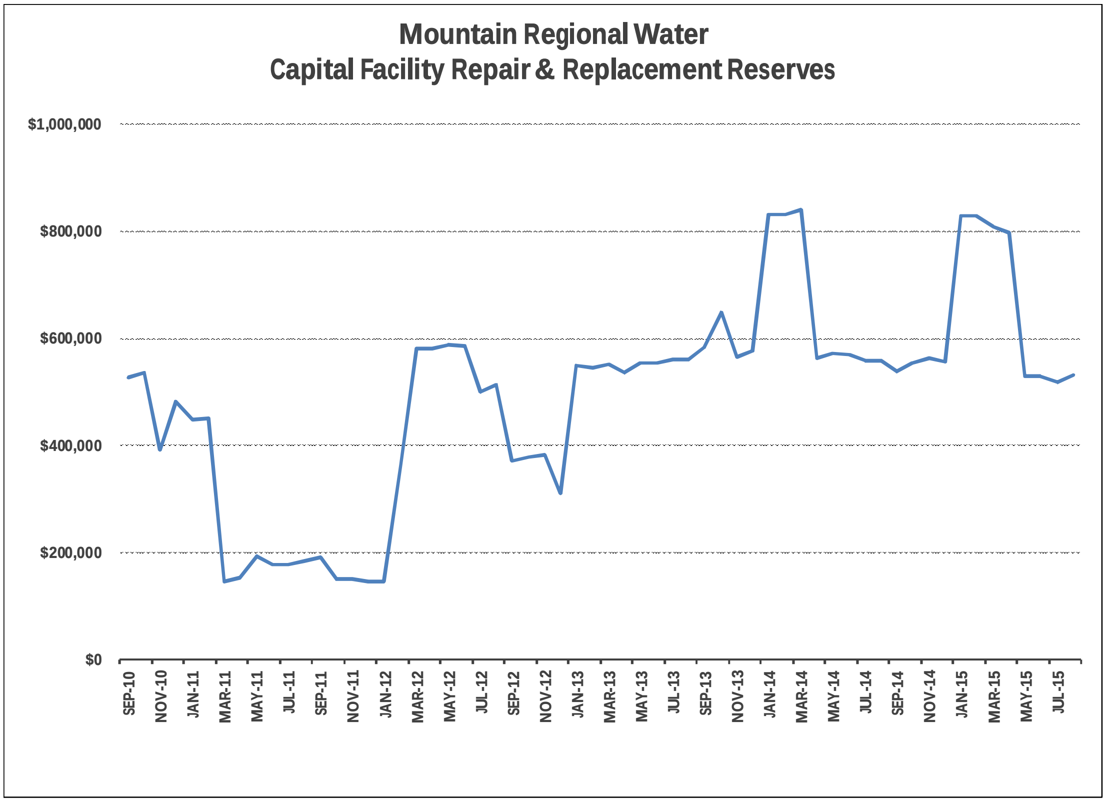
Thus, it is critical that the District does not become too reliant upon strong building related collections to meet its 1.25 bond coverage requirements. Otherwise, large rate and fee increases might be needed when the building economy slows.

Capital Facility Repair & Replacement Reserves

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

These reserves are typically set aside to fund unanticipated emergency facility costs or to fund critical small projects. However, the District has used these reserves in the past to pay for non-emergency projects that were still a high priority due to revenue shortfalls.

In fact, wetter weather and a slow building economy from 2008 to 2012 required the District to use nearly all these reserve funds for small high priority capital projects and equipment, as shown in the chart below.



Since then, rate and fee increases have helped the District to increase these reserves to a more reasonable level. The District's goal is to maintain capital facility and repair funds of at least $1.0 million at the beginning of each year.

<u>2016 Budgeted Cash Change</u>

As shown below, the 2016 budget projects a $1.15 million cash increase; excluding capital budget items that are being funded with bond proceeds or with cash on hand as of December 2015.

The District plans to allocate this 2016 projected cash increase as follows:

Capital Facility Reserves Mandatory Deposit	$ 286,900
Increase Unrestricted Cash to Maintain Policy Level	125,000
Deposits into Regionalization Reserve	230,000
Future Year Capital Projects	510,300
Total	**$ 1,152,200**

Mountain Regional Water
2016 Operating Budget - Accrual and Cash Basis
Enterprise Fund

	2016 Control Board Recommended Accrual Basis	2016 Control Board Recommended Cash Basis
OPERATING REVENUE		
Water Sales	$ 6,549,500	$ 6,549,500
Park City Wheeling	521,300	521,300
Weber Basin Regionalization Collections	684,600	684,600
Stagecoach Assessments	163,000	163,000
Operating Fees	303,300	303,300
Other	45,000	45,000
Total Operating Revenue	**8,266,700**	**8,266,700**
OPERATING EXPENSES		
Operations		
Energy & Resource Management	532,000	532,000
Lost Canyon Transmission	1,415,100	1,415,100
Treatment	481,800	481,800
Distribution	2,297,800	2,297,800
Safety	53,800	53,800
General Manager		
Engineering & Development	104,800	104,800
Human Resources	106,200	106,200
Legal Services	50,000	50,000
Public Services	414,800	414,800
Financial Management	282,100	282,100
Depreciation Expense	1,622,300	-
Total Operating Expense	**7,360,700**	**5,738,400**
OPERATING INCOME (LOSS)	**906,000**	**2,528,300**
NON-OPERATING REVENUE		
Interest Earnings - Available for Debt Service	51,400	51,400
Interest Earnings - Not Available for Debt Service	500	-
Impact Fees	600,000	600,000
Promontory Developer Assessments	1,953,600	1,953,600
Cash Grants	5,000	-
Other Cash Non-operating Revenue	15,000	15,000
Non-Cash Non-operating Revenue	11,700	-
Total Non-Operating Revenue	**2,637,200**	**2,620,000**
NON-OPERATING EXPENSE		
Interest Expense/Bank Fees	1,652,400	1,781,600
Bond Principal Payments	-	2,214,500
Bond Issuance Expenses	15,800	-
Total Non-Operating Expense	**1,668,200**	**3,996,100**
NON-OPERATING INCOME (LOSS)	**969,000**	**(1,376,100)**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**1,875,000**	**1,152,200**
TRANSFERS		
Contingency	-	-
Governmental Transfers	-	-
Contributions in Aid of Construction	-	-
NET TRANSFERS	**-**	**-**
CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 1,875,000**	**$ 1,152,200**

1.12 Revenue Trends

As mentioned in **Section 1.05**, the District now projects total revenue will exceed the budget in 2015 by $1.12 million or 11.5%, as shown below. Declining water sales caused by cool wet spring weather will be more than offset by higher building related revenue, and the unbudgeted collections from selling 400 acre feet of water to Summit Water one year earlier than anticipated.

Mountain Regional Water
Total Revenue

	2015 Adopted Budget	2015 Projected	2015 Projected Variance		2016 Control Board Recommend	2016 Recommended to 2015 Budget		2016 Recommended to 2015 Projected	
CASH REVENUE									
Operating Revenue									
Water Sales	$ 6,598,500	$ 6,397,000	$ (201,500)		$ 6,549,500	$ (49,000)		$ 152,500	
Park City Wheeling	522,000	500,000	(22,000)		521,300	(700)		21,300	
Weber Basin Regionalization Collections	-	367,200	367,200		684,600	684,600		317,400	
Stagecoach Assessment	167,000	180,000	13,000		163,000	(4,000)		(17,000)	
Operating Fees	303,000	366,400	63,400		303,300	300		(63,100)	
Contract Maintenance	-	12,000	12,000		5,000	5,000		(7,000)	
Other Operating	65,000	57,500	(7,500)		40,000	(25,000)		(17,500)	
Subtotal	**7,655,500**	**7,880,100**	**224,600**	***2.9%***	**8,266,700**	**611,200**	***8.0%***	**386,600**	***4.9%***
Non-operating Revenue									
Interest Earnings	25,500	63,100	37,600		51,900	26,400		(11,200)	
Impact Fees	388,900	1,200,000	811,100		600,000	211,100		(600,000)	
Promontory Developer Assessments	1,536,000	1,486,000	(50,000)		1,953,600	417,600		467,600	
Other Non-operating	136,700	236,700	100,000		31,700	(105,000)		(205,000)	
Subtotal	**2,087,100**	**2,985,800**	**898,700**	***43.1%***	**2,637,200**	**550,100**	***26.4%***	**(348,600)**	***-11.7%***
TOTAL CASH REVENUE	**$ 9,742,600**	**$ 10,865,900**	**$ 1,123,300**	***11.5%***	**$10,903,900**	**$1,161,300**	***11.9%***	**$ 38,000**	***0.3%***

For 2016, total revenue is projected to be $10.9 million, which is $1.16 million or 11.9% more than budgeted for 2015, but only $38,000 or 0.3% more than is now projected for 2015.

The 2016 increase is due to higher anticipated water sales from new customer growth and rate increases; a $317,400 increase in Weber Basin regionalization collections as Summit Water has contracted to purchase 700 acre feet of water in 2016 compared to only 400 acre feet in 2015; and a $467,700 increase in the contractually required assessment payments from the Promontory developer.

On the other hand, it is projected that development related revenue will normalize in 2016, resulting in a 2016 impact fee projection that is $600,000 lower than the $1.2 million now projected for 2015. Prior to 2015, the most impact fees collected in a single year was $740,406 in 2006.

The changes in the 2016 revenue projections are discussed in more detail in **Section 2.02** below.

1.13 Personnel & Compensation

The 2016 budget includes no additional positions.

The District has budgeted for a 3.5% ***average*** MERIT increase for 2016. However, it anticipates giving the same percentage raise as Summit County gives its employees for 2016.

2.0 2016 OPERATING BUDGET

2.01 Summary

As shown below, projected 2016 *Net Income after Transfers* is $1.87 million on an accrual basis.

Mountain Regional Water
2016 Operating Budget - Accrual Basis
Enterprise Fund

	2014 Actual	2015 Adopted Budget	2015 Amended Budget	2016 Control Board Recommended	2016 Recommend to 2015 Adopted
OPERATING REVENUE					
Water Sales	$ 6,126,252	$ 6,598,500	$ 6,598,500	$ 6,549,500	(49,000)
Park City Wheeling	492,605	522,000	522,000	521,300	(700)
Weber Basin Regionalization Collections	-	-	367,200	684,600	684,600
Stagecoach Assessments	193,972	167,000	167,000	163,000	(4,000)
Operating Fees	350,920	303,000	303,000	303,300	300
Contract Maintenance	-	-	-	5,000	5,000
Other	52,913	65,000	65,000	40,000	(25,000)
Total Operating Revenue	**7,216,662**	**7,655,500**	**8,022,700**	**8,266,700**	**611,200**
OPERATING EXPENSES					
Operations					
Energy & Resource Management	345,813	494,800	494,800	532,000	37,200
Lost Canyon Transmission	1,165,515	1,251,100	1,271,100	1,415,100	164,000
Treatment Plant	368,396	536,100	536,100	481,800	(54,300)
Distribution	1,962,004	2,149,100	2,189,100	2,297,800	148,700
Safety	31,856	46,400	46,400	53,800	7,400
General Manager					
Engineering & Development	94,450	102,000	134,700	104,800	2,800
Human Resources	80,966	105,300	105,300	106,200	900
Legal Services	45,499	60,000	60,000	50,000	(10,000)
Public Services	382,042	404,400	404,400	414,800	10,400
Financial Management	264,291	285,600	285,600	282,100	(3,500)
Depreciation Expense	1,429,555	1,500,000	1,500,000	1,622,300	122,300
Total Operating Expense	**6,170,387**	**6,934,800**	**7,027,500**	**7,360,700**	**425,900**
OPERATING INCOME (LOSS)	**1,046,275**	**720,700**	**995,200**	**906,000**	**185,300**
NON-OPERATING REVENUE					
Interest Earnings - Available for Debt Service	29,670	25,000	25,000	51,400	26,400
Interest Earnings - Not Available for Debt Service	412	500	500	500	-
Impact Fees	625,850	388,900	388,900	600,000	211,100
Promontory Developer Assessments	1,575,816	1,536,000	1,536,000	1,953,600	417,600
Cash Grants	-	-	-	5,000	5,000
Other Cash Non-operating Revenue	95,295	125,000	125,000	15,000	(110,000)
Non-Cash Non-operating Revenue	11,667	11,700	11,700	11,700	-
Total Non-Operating Revenue	**2,338,710**	**2,087,100**	**2,087,100**	**2,637,200**	**550,100**
NON-OPERATING EXPENSE					
Interest Expense/Bank Fees	1,485,491	1,717,500	1,717,500	1,652,400	(65,100)
Bond Issuance Costs and Amortization Expense	195,032	17,500	17,500	15,800	(1,700)
Total Non-Operating Expense	**1,680,523**	**1,735,000**	**1,735,000**	**1,668,200**	**(66,800)**
NON-OPERATING INCOME (LOSS)	**658,187**	**352,100**	**352,100**	**969,000**	**616,900**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**1,704,462**	**1,072,800**	**1,347,300**	**1,875,000**	**802,200**
TRANSFERS					
Contributions in Aid of Construction	618,390	-	-	-	-
NET TRANSFERS	**618,390**	**-**	**-**	**-**	**-**
BUDGET CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 2,322,852**	**$ 1,072,800**	**$ 1,347,300**	**$ 1,875,000**	**$ 802,200**
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	*Not Required*	*TBD*	*TBD*	*TBD*	*N/A*
ACTUAL CHANGE IN NET POSITION (NET INCOME AFTER TRANSFERS)	**$ 2,322,852**	**TBD**	**TBD**	**TBD**	**N/A**

When non-cash *Depreciation, Amortization, and other non-cash items* are taken into account, along with principal payments, the District anticipates it will generate $1.15 million in cash from operations in 2016, as discussed in **Section 1.11** above.

2.02 2016 Revenue

Operating Revenue

The District is projecting 2016 *Operating Revenue* of $8.27 million, which is 8.0% or $611,200 higher than was budgeted for 2015, as shown below.

Operating Revenue

	2014 Actual	2015 Adopted Budget	2015 Projection	2016 Control Board Recommended	2016 Recommended to 2015 Budget $ Change	% Change
Water Sales	$ 6,126,252	$ 6,598,500	$ 6,397,000	$ 6,549,500	$ (49,000)	*(0.7)* %
Park City Wheeling Fees	492,605	522,000	500,000	521,300	(700)	*(0.1)*
Weber Basin Regionalization Collections	-	-	367,200	684,600	684,600	*n/a*
Stagecoach Assessments	193,972	167,000	180,000	163,000	(4,000)	*(2.4)*
Operating Fees	350,920	303,000	366,400	303,300	300	*0.1*
Contract Maintenance	-	-	12,000	5,000	5,000	*n/a*
Other	52,913	65,000	57,500	40,000	(25,000)	*(38.5)*
Total Operating Revenue	**$ 7,216,662**	**$ 7,655,500**	**$ 7,880,100**	**$ 8,266,700**	**$ 611,200**	**8.0 %**

The 2016 *Water Sales* budget of $6.55 million is actually $49,000 or 0.7% lower than the amount budgeted for 2015; but $152,500 more than the $6.40 million now projected for 2015 – as cool wet spring weather dampened water usage in 2015.

For 2016, less cool wet spring weather is assumed than has been experienced in 2015, with average culinary consumption per customer projected to be closer to the 145,000 gallons average experienced over the past five years, compared to the 130,709 gallons experienced the past twelve months.

The assumption of less cool wet spring weather - along with the $4.00 per ERC monthly increase in water bills effective August 2015 and very strong customer growth - suggests water sales should increase in 2016.

In fact, concurrency letters for about 200 new units were issued the past twelve months, one of which is a 122 room hotel. It typically takes twelve to eighteen months after a concurrency letter is issued before a unit is constructed and starts using water.

Weber Basin Regionalization Collections will provide a huge boost to operating revenue in 2016 as the District has a contract that will generate $684,600 in related revenue. This is an increase from the $367,200 in unbudgeted regionalization collections the District will receive in 2015, as Summit Water has contracted to purchase 700 acre feet of wholesale water in 2016 compared to only 400 acre feet in 2015.

Operating Fees (including connection fees) are projected to reach $303,300 in 2016 – which is nearly the same as budgeted for 2015; even though actual 2015 collections will exceed budget significantly due to very strong customer growth. It is anticipated new customer growth will moderate in 2016, but still remain healthy.

Non-operating Revenue

As shown below, the District's 2016 *Non-operating Revenue* budget is $2.64 million, which is $550,100 - or 26.4% more than budgeted for 2015. This increase is largely due to two factors.

Non-operating Revenue

	2014 Actual	2015 Adopted Budget	2015 Projection	2016 Control Board Recommended	2016 Recommended to 2015 Budget $ Change	% Change
Interest Earnings	$ 30,082	$ 25,500	$ 63,100	$ 51,900	$ 26,400	*103.5*
Impact Fees	625,850	388,900	1,100,000	600,000	211,100	*54.3*
Promontory Developer Assessments	1,575,816	1,536,000	1,486,000	1,953,600	417,600	*27.2*
Cash Grants	-	-	-	5,000	5,000	*n/a*
Other Cash Non-operating Revenue	95,295	125,000	225,000	15,000	(110,000)	*(88.0)*
Non-Cash Non-opeating Revenue	11,667	11,700	11,700	11,700	-	-
Total Non-operating Revenue	**$ 2,338,710**	**$ 2,087,100**	**$ 2,885,800**	**$ 2,637,200**	**$ 550,100**	**26.4** %

First, the 2016 *Impact Fees* budget of $600,000 is $211,100 or 54.3% more than budgeted for 2015; although this is $600,000 less than is now projected for 2015. The 2016 projection is based upon 80 new construction units, which is the ten year average for the District. This is similar to the 85 new units in 2013; but well below the 150 new units averaged the past two years. On the other hand, between 2009 and 2012 the District averaged only 31 new connections per year.

The 2015 budget assumed 64 new units.

It is difficult to forecast impact fees for three reasons:

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

Second, the *Promontory Developer Assessments* used to pay assessment related debt are scheduled to increase $417,600 or 27.2% in 2016. The Promontory developer is contractually required to pay the entire budgeted amount.

2.03 2016 Expenses

Operating Expenses

The 2016 *Operating Expense* budget is $7.36 million, which is $425,900 or 6.1% higher than the adopted 2015 budget, as shown below.

	Includes New Costs Associated with Selling Regionalization Water						Deducts New Costs Associated with Selling Regionalization Water				
	2014 Actual	**2015 Adopted Budget**	**2015 Amended**	**2016 Control Board Recommended**	**2016 Recommended to 2015 Adopted Budget Change**		**2016 Control Board Recommended**	**Less New Costs for Regionalization**	**2016 Budget Less Regionalization Costs**	**Comparison to 2015 Adopted Budget Change**	
Operations											
Energy & Resource Management	$ 345,813	$ 494,800	$ 494,800	$ 532,000	$ 37,200		$ 532,000	$ -	$ 532,000	$ 37,200	
Lost Canyon Transmission	1,165,515	1,251,100	1,271,100	1,415,100	164,000		1,415,100	(27,800)	1,387,300	136,200	
Treatment Plant	368,396	536,100	536,100	481,800	(54,300)		481,800	-	481,800	(54,300)	
Distribution	1,962,004	2,149,100	2,189,100	2,297,800	148,700		2,297,800	(153,100)	2,144,700	(4,400)	
Safety	31,856	46,400	46,400	53,800	7,400		53,800	-	53,800	7,400	
Subtotal Operations	**3,873,584**	**4,477,500**	**4,537,500**	**4,780,500**	**303,000**	***6.8*** %	**4,780,500**	**(180,900)**	**4,599,600**	**122,100**	***2.7%***
General Manager											
Engineering & Development	94,450	102,000	134,700	104,800	2,800		104,800	-	104,800	2,800	
Human Resources	80,966	105,300	105,300	106,200	900		106,200	-	106,200	900	
Legal Services	45,499	60,000	60,000	50,000	(10,000)		50,000	-	50,000	(10,000)	
Public Services	382,042	404,400	404,400	414,800	10,400		414,800	-	414,800	10,400	
Financial Management	264,291	285,600	285,600	282,100	(3,500)		282,100	-	282,100	(3,500)	
Subtotal Other Departments	**867,248**	**957,300**	**990,000**	**957,900**	**600**	***0.1*** %	**957,900**	**-**	**957,900**	**600**	***0.1%***
Depreciation Expense	1,429,555	1,500,000	1,500,000	1,622,300	122,300		1,622,300	-	1,622,300	122,300	
Non-Cash Expenses	**1,429,555**	**1,500,000**	**1,500,000**	**1,622,300**	**122,300**	***8.2*** %	**1,622,300**	**-**	**1,622,300**	**122,300**	***8.2%***
Total Operating Expense	**$ 6,170,387**	**$ 6,934,800**	**$ 7,027,500**	**$ 7,360,700**	**$ 425,900**	***6.1*** **%**	**$ 7,360,700**	**$ (180,900)**	**$ 7,179,800**	**$ 245,000**	***3.5%***
	2015 Adopted to Amended		***$ 92,700***	***1.3%***							

However, after the new costs associated with selling 700 acre feet of wholesale water under the Weber Basin regionalization agreement are deducted (see **Section 1.06** for more detail), the 2016 increase drops to $245,000 or 3.5%. Of this, $122,300 or nearly 50.0% is attributable to the projected increase in non-cash *Depreciation Expense* related to the completion of the capital projects funded with the Series 2014 bonds.

The 2016 *Operations* budget is $122,100 or 2.7% more than budgeted for 2015 after deducting the new costs associated with regionalization wholesale water sales. The reason the *Treatment Plant* and *Distribution* budgets show a decline in 2016 is due to a shift of manpower to *Lost Canyon Transmission*. The overall $122,100 increase in *Operations* for 2016 includes a well repair at Lost Canyon estimated at $20,000; while the non-capital portion of the Weber Basin lease fees increased by 3.75% or $43,700.

Meanwhile, the *Other Departments* account for a nominal $600 increase in the 2016 *Operating Expense* budget – which is only 0.1% more than budgeted for 2015. It is anticipated legal fees will be less in 2016 as the District incurred higher fees in 2015 to make a significant transfer of water rights from East Canyon to the new Bison Bluff (15C) well.

In addition, the District estimates its health insurance costs will decline about $20,000 as it incentivizes its employee to move to a lower cost plan. This contributed to the small 2016 increase in *Other Departments* and reduced the increase in the *Operations* budget.

Non-operating Expenses

Non-operating Expense consists of *Interest Expense / Bank Fees* and bond related costs, including issuance costs.

Non-operating Expense

	2014 Actual	2015 Adopted Budget	2015 Amended	2016 Control Board Recommended	2016 Recommended to 2015 Adopted Budget Change	
Interest Expense / Bank Fees	$ 1,485,491	$ 1,717,500	$ 1,717,500	$ 1,652,400	$ (65,100)	
Bond Issuance Costs & Amortization	195,032	17,500	17,500	15,800	(1,700)	*(9.7)*
Total Non-operating Expense	**$ 1,680,523**	**$ 1,735,000**	**$ 1,735,000**	**$ 1,668,200**	**$ (66,800)**	***(3.9)* %**
	2015 Adopted to Amended		***$ -***	***0.0%***		

As shown above, the 2016 *Non-operating Expense* budget is nearly $1.67 million, which is $66,800 or 3.9% less than budgeted for 2015. This decline in scheduled interest payments is the result of 2015 principal payments. (However, as mentioned in **Section 1.08** the total 2016 debt service requirements are increasing due higher principal payments. As discussed in **Section 1.02**, principal payments are only included in the debt service budget and not this budget shown above.)

The District is using $170,000 of its regionalization collections to fund debt service in 2016 to help pay off the Series 2014 bonds. Some of the projects funded with the Series 2014 bonds allowed the District to increase the amount of surplus water it can sell under the Weber Basin regionalization agreement starting in 2016.

The District already had sufficient water rights to sell this additional surplus water, but needed additional storage and well production to move the water east of US Highway 40. These projects will be needed to serve District customers in five to ten years, but are being constructed earlier to allow for higher regionalization collections that more than offset the debt service costs.

The 2016 budget of $15,800 for *Issuance Costs & Amortization* is nearly the same as budgeted for 2015. The $195,032 actual amount shown in 2014 is due to the issuance of the Series 2014 bonds.

2.04 2016 Transfers

Although the District may receive subdivision infrastructure donations from developers in 2016, no amount is budgeted since the value of *Contributions-in-Aid of Construction* is not known.

Transfers

	2014 Actual	2015 Adopted Budget	2015 Projection	2016 Control Board Recommended	2016 Recommended to 2015 Budget $ Change	% Change
Contingency	$ -	$ -	$ -	$ -	$ -	
Governmental Transfers	-	-	-	-	-	
Contributions in Aid of Construction	618,390	-	-	-	-	
Total Transfers	**$ 618,390**	**$ -**	**$ -**	**$ -**	**$ -**	**n/a %**

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

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

3.0 2016 DEBT SERVICE BUDGET

For 2016, the District projects a debt coverage ratio of 1.38 when only parity revenue bonds are included. As discussed in **Section 1.10** above, this ratio is required to meet or exceed 1.25 to comply with bond covenants.

MOUNTAIN REGIONAL WATER
2016 Debt Service Budget - Cash Basis
(Excludes Rate Stabilization Fund)

		2016 Control Board
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$	906,000
Add Back Depreciation		1,622,300
Add In Interest Available for Debt Service		51,400
Add In Impact Fees		600,000
Add In Promontory SID Assessments on Developer		1,953,600
Add in Other Non-operating Income		15,000
Add in Treatment Plant Stabilization Fund		25,000
Total Available For Debt Service	**$**	**5,173,300**
TOTAL DEBT COVERAGE		
Required Coverage Principal	$	2,214,500
Required Coverage Interest/Bank Fees		1,781,600
Total Required Debt Service		**3,996,100**
Debt Service X 1.25	**$**	**4,995,200**
Required Debt Coverage Ratio		**1.29**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	$	2,110,000
Parity Bond Interest		1,637,500
Total Parity Debt Service		**3,747,500**
Debt Service X 1.25	**$**	**4,684,400**
Parity Debt Coverage Ratio		**1.38**
Cash Excess/(Shortfall)		**1,177,200**
Less Treatment Plant Stabilization Fund		(25,000)
Projected Cash Generated		**1,152,200**
Capital Facility Reserves		(286,900)
Operating Reserves		(125,000)
Regionalization Reserves		(230,000)
Cash Available for Projects		**510,300**

It is District policy to budget to meet or exceed the 1.25 requirement when all bonds, including subordinated debt, are included. This is necessary in order to generate sufficient cash to make required deposits into cash reserve accounts, and to fund capital equipment and small capital projects in future years. For 2016, this ratio is projected to be 1.29 or higher, as the Districts expense budgets include $150,000 in contingencies.

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.

A 1.29 coverage ratio for all debt in 2016 results in a projected $1.15 million cash increase, excluding cash spent on capital equipment and projects as discussed in more detail in **Section 1.11** above. The District plans to allocate this cash increase as shown at the bottom of the above table.

The District's policy is to budget for a ratio of 1.25 from the current year cash flow, with two exceptions:

1) Every few years, treatment plant maintenance costs will be higher than most years as expensive membranes need to be replaced in 8 to 10 year cycles, and not evenly over the ten year period. Further, expensive carbon needs to be replaced every two to three years. As such, the District currently budgets $65,000 per year from ongoing revenue for these items.

   The 2016 ratios include $25,000 from the Treatment Plant Operations stabilization reserves to help pay an estimated $90,000 for pretreatment carbon.

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

4.0 CAPITAL BUDGET

The District is requesting $1.24 million in new capital spending authorization for 2016, as shown below.

Mountain Regional Water
Capital Budget

	2015 Adopted Budget	2015 Projected Actual	2015 Budget Savings	Control Board Recommended Increases	2016 Total Budget	2015 Projected & 2016 Total Total Budget
CASH SOURCES						
Previous Year Budget Carryover	$ 89,100	$ 110,500	$ 147,900	$ -	$ 147,900	$ 258,400
Cash Available from Previous Years	437,500	44,100	-	816,000	816,000	860,100
Capital Facility Reserves	62,500	286,600	-	-	-	286,600
Series 2014 Bond Proceeds & Investment Earnings	8,200,000	8,200,000	-	425,000	425,000	8,625,000
TOTAL SOURCES	**$ 8,789,100**	**$ 8,641,200**	**$ 147,900**	**$ 1,241,000**	**$ 1,388,900**	**$ 10,030,100**
CASH USES						
2015 Completed Projects & Equipment	$ 205,200	$ 205,200	$ -	$ -	$ -	$ 205,200
General System Improvements & Equipment	147,900	-	147,900	571,300	719,200	719,200
Capitalized Personnel Costs	236,000	236,000	-	244,700	244,700	480,700
Promontory SAA Bond Projects	4,400,000	4,400,000	-	(150,000)	(150,000)	4,250,000
Mountain Regional Revenue Bond Projects	3,800,000	3,800,000	-	575,000	575,000	4,375,000
TOTAL USES	**$ 8,789,100**	**$ 8,641,200**	**$ 147,900**	**$ 1,241,000**	**$ 1,388,900**	**$ 10,030,100**

This additional spending authorization will be funded with $816,000 in cash available from prior years, plus the Series 2014 Bond proceeds were $425,000 more than initially anticipated.

The additional $425,000 in bond proceeds is the result of the Series 2014 bonds selling at a premium. This occurs when the interest rates paid on the bonds are higher than the market rates on the day of the bond sale. Originally, the District anticipated applying these extra proceeds to bond payments. However, after the District completed the water model of its system, it was discovered that more surplus water could be sold under the regionalization agreement if a 500,000 gallon tank planned for Summit Park was switched to a 2.0 million gallon tank at Quarry Mountain.

Property assessments on the Promontory developer will fund debt service on $4.25 million of the bond proceeds. These proceeds are funding construction of a new tank, pump station and transmission lines needed within the Promontory development to allow for customer growth.

The remaining proceeds are being used to fund the construction of the Bison Bluff (15C) well, the 2.0 million gallon Quarry Mountain tank, and the Equestrian Center pipeline interconnect. These assets are needed to ensure the District has sufficient backup source for its wholesale water sales anticipated under the regionalization agreement until this water is needed for new District customers. As discussed in **Section 2.03** above, these projects are being constructed five to ten years sooner than is necessary to serve future new District customer growth in order to maximize the District's ability to sell its surplus water over the next few years. The remainder of the District's bond projects include two much needed pump station upgrades at Silver Springs and Bear Hollow.

The $816,000 in cash has been generated in past years due to the 1.25 debt coverage requirement, whereby the District must generate cash revenue that provides 1.25 times the cash needed to make all debt payments once cash operational expenses are deducted.

Since District employees spend a portion of their time working on or managing capital projects, the District capitalizes some personnel costs. For 2016, the budget includes $244,700 for this.

An additional $571,300 has been budgeted for capital equipment, vehicle replacement, and small capital projects. Up to $400,000 of this budget may be needed for the next phase of the Summit Park infrastructure replacement project that is being done jointly by the District, Summit County, and the Snyderville Basin Water Reclamation District. The remaining funds will likely be used to replace two District vehicles.

5.0 2015 BUDGET AMENDMENTS

5.01 2015 Operating Budget

For 2015, three budget amendments are needed, as shown below.

MOUNTAIN REGIONAL WATER
2015 Amended Operating Budget - Accrual Basis
Enterprise Fund

	2013 Actual	2014 Actual	2015 Adopted Budget	2015 Amended Budget	2015 Amended to Adopted
OPERATING REVENUE					
Water Sales	$ 6,266,463	$ 6,126,252	$ 6,598,500	$ 6,598,500	$ -
Park City Wheeling	444,373	492,605	522,000	522,000	-
Weber Basin Regionalization Fees	-	-	-	367,200	367,200
Stagecoach Assessment	174,109	193,972	167,000	167,000	-
Operating Fees	259,851	350,920	303,000	303,000	-
Contract Maintenance	-	-	-	-	-
Other	69,330	52,913	65,000	65,000	-
Total Operating Revenue	**7,214,126**	**7,216,662**	**7,655,500**	**8,022,700**	**367,200**
OPERATING EXPENSES					
Operations Management					
Energy & Resource Management	327,724	345,813	494,800	494,800	-
Distribution	1,837,028	1,962,004	2,149,100	2,189,100	40,000
Lost Canyon Transmission	1,157,602	1,165,515	1,251,100	1,271,100	20,000
Treatment Plant	369,898	368,396	536,100	536,100	-
Safety	33,772	31,856	46,400	46,400	-
General Manager					-
Engineering & Development	95,475	94,450	102,000	134,700	32,700
Human Resources	76,198	80,966	105,300	105,300	-
Legal Services	30,254	45,499	60,000	60,000	-
Public Services	348,267	382,042	404,400	404,400	-
Financial Management	217,997	264,291	285,600	285,600	-
Depreciation Expense	1,374,783	1,429,555	1,500,000	1,500,000	-
Total Operating Expense	**5,868,998**	**6,170,387**	**6,934,800**	**7,027,500**	**92,700**
OPERATING INCOME (LOSS)	**1,345,128**	**1,046,275**	**720,700**	**995,200**	**274,500**
NON-OPERATING REVENUE					
Interest Earnings - Available for Debt Service	26,491	29,670	25,000	25,000	-
Interest Earnings - Not Available for Debt Service	298	412	500	500	-
Impact Fees	563,385	625,850	388,900	388,900	-
Promontory Developer SID Assessments	794,375	1,575,816	1,536,000	1,536,000	-
Cash Grants	(13,780)	95,295	125,000	125,000	-
Other Cash Non-operating Revenue	11,667	11,667	11,700	11,700	-
Non-Cash Non-operating Revenue	35,981	-	-	-	-
Total Non-operating Revenue	**1,418,417**	**2,338,710**	**2,087,100**	**2,087,100**	**-**
NON-OPERATING EXPENSE					
Interest Expense/Bank Fees	1,573,721	1,485,491	1,717,500	1,717,500	-
Bond Issuance Costs and Amortization Expense	17,414	195,032	17,500	17,500	-
Total Non-operating Expense	**1,591,135**	**1,680,523**	**1,735,000**	**1,735,000**	**-**
NON-OPERATING INCOME (LOSS)	**(172,718)**	**658,187**	**352,100**	**352,100**	**-**
CHANGE IN NET POSITION (NET INCOME BEFORE TRANSFERS)	**1,172,410**	**1,704,462**	**1,072,800**	**1,347,300**	**274,500**
TRANFERS					
Contingency	-	-	-	-	-
Governmental Transfers	-	-	-	-	-
Contributions in Aid of Construction	288,413	618,390	-	-	-
NET TRANSFERS	**288,413**	**618,390**	**-**	**-**	**-**
BUDGET CHANGE IN NET POSITION AFTER TRANSFERS	**$ 1,460,823**	**$ 2,322,852**	**$ 1,072,800**	**$ 1,347,300**	**$ 274,500**
GASB 68 ACTUAL RETIREMENT ADJUSTMENTS	*Not Required*	*Not Required*	*TBD*	*TBD*	*TBD*
ACTUAL CHANGE IN NET POSITION AFTER TRANSFERS	**$ 1,460,823**	**$ 2,322,852**	**TBD**	**TBD**	**TBD**

All of the amendments will be funded from the $367,200 in unanticipated regionalization collections the District will receive in 2015 from selling Summit Water 400 acre feet of water.

The first two budget amendments are for the cost increases associated with the wholesale water sales to Summit Water in 2015. This includes electricity, manpower, and maintenance costs that total $60,000. This includes a $40,000 increase to *Distribution* and a $20,000 increase to *Lost Canyon Transmission*.

The third budget amendment is to cover the estimated $32,700 non-cash year-end leave accrual for the General Manager included in the *Engineering & Development* budget. The General Manager recently entered into a three year employment contract that provides him with paid leave; while prior to that time the General Manager did not accrue any paid leave. The $32,700 amendment is to make a portion of the paid leave retroactive.

5.02 2015 Debt Service Budget

The adopted 2015 *Debt Service Budget* projected a 1.38 parity debt coverage ratio and 1.26 when subordinated debt was included. These ratios are now projected at 1.69 and 1.56 respectively as development related collections will exceed budget due to the increase in new development.

MOUNTAIN REGIONAL WATER
2015 Debt Coverage Calculation - Cash Basis

	2015 Budget	2015 Projection
COVERAGE CALCULATION FOR PARITY REVENUE BONDS		
Operating Income (Loss)	$ 720,700	$ 852,600
Add Back Depreciation	1,500,000	1,500,000
Add in Interest Available for Debt Service	25,000	30,700
Add In Impact Fees	388,900	1,200,000
Add In Promontory SID Assessments on Developer	1,536,000	1,486,000
Add in Other Non-operating Income	125,000	225,000
Add in Treatment Plant Stabilization Fund	65,000	30,000
Bond Issuance Costs Funded with Bond Proceeds	n/a	n/a
Total Available For Debt Service	**4,360,600**	**5,324,300**
TOTAL DEBT COVERAGE		
Required Coverage Principal	1,925,200	1,876,200
Required Coverage Interest/Bank Fees	1,527,500	1,527,500
Capitalized Interest on Series 2014 Bonds	***Funded with Bond Proceeds***	***Funded with Bond Proceeds***
Total Required Debt Service	**3,452,700**	**3,403,700**
Debt Service X 1.25	**4,315,900**	**4,254,700**
Required Debt Coverage Ratio	**1.26**	**1.56**
REQUIRED PARITY BOND DEBT COVERAGE		
Parity Bond Principal	1,776,000	1,776,000
Parity Bond Interest	1,375,700	1,375,700
Total Parity Debt Service	**3,151,700**	**3,151,700**
Debt Service X 1.25	**3,939,700**	**3,939,700**
Parity Debt Coverage Ratio	**1.38**	**1.69**

The unexpected regionalization collections from Summit Water will offset the lower 2015 water sales.