

Meeting Location: Richins Building



## AGENDA

### SUMMIT COUNTY COUNCIL THURSDAY, DECEMBER 30, 2010

NOTICE is hereby given that the Summit County Council will meet in special session  
**Thursday, December 30, 2010, at the Sheldon D. Richins Building, 1885 W. Ute Blvd., Park City, UT 84098**

All time listed are general in nature and are subject to change by the Council Chair

6:00 P.M.

- Public hearing to discuss and possibly approve an increase in the property tax revenue for Wildland Fire District
- Public Hearing to consider adoption of the Mountain Regional Water Special Service District amended 2010 operating, debt service, and capital budgets, & adoption of its 2011 operating, debt service, and capital budgets

Individuals with questions, comments, or needing special accommodations pursuant to the Americans with Disabilities Act regarding this meeting may contact Karen Brostrom, at 336-3025, 615-3025, 783-4351 x3025.

**Distribution:** A  
**Posted:** December 23, 2010  
**Next Regular Meeting:** January 5, 2010, at the County Courthouse

**Summit County Council**  
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**Memo**

**Date:** December 30, 2010  
**To:** County Council  
**From:** Kevin Callahan, Public Works Administrator  
**Subject:** Public Hearing for Proposed Wildland Fire District Tax Increase

**Background:**

On November 17, 2010, staff presented a report to County Council on the current tax rate in the Wildland Fire District. In that report we reviewed the history and purpose of the establishment of the district and offered the Council options to consider in revising the tax rate. The Council directed staff to initiate the required hearings for "Truth in Taxation" to allow the Council to revise the tax rate. The 2011 budget for the Wildland Fire service assumes the change from the current rate of 0.00007% to the proposed rate 0.000147%. This would mean that the annual wildland fire tax on the average residence (value of \$237,767) would increase \$0.91 to \$19.83 per year.

State code requires Counties to provide three forms of public notice of a proposed tax increase. The first is a notice of public hearing in December prior to the new tax year to allow the public the opportunity to comment on the proposed tax increase. The prior to June 22, staff will contact the County Auditor's office to inform them of the pending tax rate increase. The County Auditor will then place on the Notice of Valuation and Tax Change information showing the date, time and place of any public hearings where the proposed tax increase will be held. That notice will be mailed to all property owners who will be affected by the change in tax rate. The County will then advertize for a second evening public hearing on the proposed tax increase to be held in August before the final rate is adopted. After the comment period from the second hearing, the tax rate change is adopted and will take effect in in November 2011 tax notices for that calendar year.

This hearing is the first of two required hearings. The only Council action required at this hearing is to take account of any public comment on the proposed tax increase.

**EXECUTIVE  
SUMMARY**



**MOUNTAIN REGIONAL WATER  
SPECIAL SERVICE DISTRICT**

**2011 Budget  
and  
2010 Amended Budget**

**December 15, 2010**

## Impact of Economy and Cool Wet Weather on Operating Budgets

In June 2010, it became apparent that Mountain Regional would have a significant 2010 revenue shortfall due to the cool wet weather and continued weak housing market. Despite this drop in revenue, Mountain Regional is not requesting any rate or fee increases for 2011.

As shown to the right, total revenue (excluding grants for construction projects and bond insurance) has been declining steadily since 2005, mostly due to slowing housing activity.

Mountain Regional projects a \$900,000 revenue shortfall for 2010; leading to a \$713,400 reduction in the 2011 revenue projections compared to the 2010 budget. Waters sales should increase in 2011 as Mountain Regional wheels more water to Park City and adds a new school and 29 residential customers.

	Total Revenue (excluding Grants)	
2003 Actual	\$	5,000,623
2004 Actual		7,189,937
2005 Actual		11,351,444
2006 Actual		9,221,933
2007 Actual		8,889,608
2008 Actual		6,779,923
2009 Actual		6,859,233
2010 Projected		6,262,600
2010 Budget		7,162,600
2010 Projected Shortfall		(900,000)
2011 Budget	\$	6,449,200
Change from 2010 Budget		(713,400)
Change from 2010 Projected	\$	186,600

To address this, Mountain Regional implemented \$375,500 in 2010 budget cuts, as shown to the right. Further, Mountain Regional initially projected a \$400,100 revenue surplus for 2010. As such, Mountain Regional now projects a debt coverage ratio of 1.20 for 2010.

When Mountain Regional adopts its budget each year, it must project the generation of enough cash, after O&M expenditures, to provide 1.25 times that year's parity debt service payments. The extra 25% ensures enough cash will be available to make debt payments if revenues do not meet budget.

	Total Expense (excluding non-cash)	
2003 Actual	\$	3,864,048
2004 Actual		4,497,305
2005 Actual		4,717,074
2006 Actual		5,363,422
2007 Actual		5,830,675
2008 Actual		5,965,452
2009 Actual		5,587,072
2010 Projected		5,591,400
2010 Budget		5,966,900
2010 Projected Shortfall		(375,500)
2011 Budget	\$	5,762,450
Change from 2010 Budget		\$ (204,450)

In order to meet this 1.25 coverage requirement in 2011, Mountain Regional's cash expense budget is \$204,450 less than the 2010 budget. This was accomplished by using cash reserves built up during the 2004 to 2007 building boom to prepay debt in 2010 that was due in 2011 and 2012. In addition, Mountain Regional reduced its staff level by 1.1 FTEs and did not budget for any pay increases for the second straight year.

Despite these measures, Mountain Regional was not able to reduce its 2011 cash expense as much as it did on 2010. This is due an \$114,000 increase in 2011 Weber Basin lease fees costs, and additional costs to operate the new power substation and pretreatment facilities. Part of these additional costs will be reimbursed to Mountain Regional through wheeling fees collected from Park City. Long-term, the power substation will save Mountain Regional millions of dollars in power usage costs.

## Impact of Economy and Cool Wet Weather on Capital Budgets and Cash Reserves

As discussed earlier, Mountain Regional built up significant cash reserves during the 2004 to 2007 building boom. These reserves have been used to pay for capital equipment and small capital projects; and to prepay debt, as shown below.

Mountain Regional Water Operating Cash and Reserves - Year End						
	2006	2007	2008	2009	2010 (Projected)	2011 (Projected)
Checking	\$ 101,341	\$ 382,931	\$ 253,591	\$ 330,057	\$ 250,000	\$ 250,000
Operating Reserves	1,291,345	1,145,893	1,530,052	773,256	1,049,795	1,068,058
<b>Total Operating &amp; Cash Reserves</b>	<b>1,392,686</b>	<b>1,528,824</b>	<b>1,783,643</b>	<b>1,103,313</b>	<b>1,299,795</b>	<b>1,318,058</b>
Other Debt Reserves (Restricted by District Contracts for Debt Payments)	-	28,363	90,359	581,546	325,956	401,290
Impact Fee Reserves (Restricted by State Law for Debt Payments)	2,193,671	1,949,472	1,448,988	1,134,446	551,629	551,629
<b>Total Debt Reserves Held by the District</b>	<b>2,193,671</b>	<b>1,977,835</b>	<b>1,539,347</b>	<b>1,715,992</b>	<b>877,585</b>	<b>952,919</b>
District Bonds Mandated Capital Facility Reserves	487,326	474,480	673,632	408,879	471,735	36,872
Lost Canyon Repair & Replacement Reserves	-	-	59,724	58,175	111,979	163,595
Pre-treatment Budget Authorization	300,000	300,000	300,000	300,000	-	-
Office Complex Reserves <sup>(1)</sup>	531,311	810,255	837,826	817,716	-	-
<b>Total Capital Facility Reserves</b>	<b>1,318,637</b>	<b>1,584,735</b>	<b>1,871,182</b>	<b>1,584,770</b>	<b>583,714</b>	<b>200,467</b>
<b>Total Operating, Repair and Debt Cash Held by the District</b>	<b>4,904,994</b>	<b>5,091,394</b>	<b>5,194,172</b>	<b>4,404,075</b>	<b>2,761,094</b>	<b>2,471,444</b>
<b>Debt Reserves Required by Bond Holders and Held by Trustee</b>	<b>10,724,152</b>	<b>10,557,293</b>	<b>6,529,641</b>	<b>3,239,889</b>	<b>3,110,750</b>	<b>3,115,870</b>
Restricted Cash (Deposits and Loan Proceeds for Projects)	444,700	455,950	688,287	414,953	200,000	200,000
<b>Total District Cash</b>	<b>\$ 16,073,846</b>	<b>\$ 16,104,637</b>	<b>\$ 12,412,100</b>	<b>\$ 8,058,917</b>	<b>\$ 6,071,843</b>	<b>\$ 5,787,314</b>

Because of the decline in revenue the past two to three years, Mountain Regional's 2011 Capital Budget is much lower than in previous years (see below), as its *Capital Facility Reserves* will be nearly depleted by the end of 2011. Fortunately, by the end of 2011 Mountain Regional will have completed its most critical capital projects.

On the other hand, Mountain Regional's *Operating Cash & Reserves* have remained fairly stable over the same period; and are in good condition. By the end of 2011, Mountain Regional should also have nearly \$1.0 million in surplus *Debt Reserves Held by the District* that can be used in the future to prepay debt or to make up a revenue shortfall in order to make scheduled debt payments.

Finally, the mandatory *Debt Reserves Required by Bond Holders and Held by Trustees* are at required levels. The decline in these reserves since 2006 is due to the prepayment of debt.

# Operating Budget

## Summary

Mountain Regional's Operating Budget projects *Net Income after Transfers* of \$726,450 on an accrual basis (required by governmental accounting standards), as shown below.

MOUNTAIN REGIONAL WATER						
2011 Operating Budget - Accrual and Cash Basis						
Enterprise Fund						
	2008	2009	2010	2010	2011	2011
	Actual	Actual	Budget	Amended	Budget	Budget
	Actual	Actual	Accrual Basis	Budget	Accrual Basis	Cash Basis
<b>OPERATING REVENUE</b>						
Water Sales	\$ 5,061,068	\$ 4,743,974	\$ 5,249,000	\$ 5,249,000	\$ 5,032,900	\$ 5,032,900
Park City Wheeling	137,403	166,482	210,000	210,000	200,000	200,000
Stagecoach Assessments	-	317,682	176,700	176,700	179,400	179,400
Operating Fees	154,960	113,653	204,000	204,000	128,800	128,800
Contract Maintenance	-	-	-	-	-	-
Other	67,831	54,783	60,000	60,000	30,000	30,000
<b>Total Operating Revenue</b>	<b>5,421,262</b>	<b>5,396,574</b>	<b>5,899,700</b>	<b>5,899,700</b>	<b>5,571,100</b>	<b>5,571,100</b>
<b>OPERATING EXPENSES</b>						
Operations						
Technology Management	259,842	289,975	326,600	1,584,500	324,900	324,900
Lost Canyon Transmission	729,591	899,646	1,003,100	-	1,135,000	1,135,000
Distribution	1,541,502	1,313,918	1,726,500	1,327,100	1,578,900	1,578,900
Safety	23,951	16,981	21,800	121,700	15,600	15,600
General Manager						
Engineering & Development	92,829	97,933	112,900	139,900	91,300	91,300
Human Resources	1,578	45,067	45,700	45,700	21,900	21,900
Legal Services	181,621	58,099	105,000	105,000	50,000	50,000
Public Services	382,735	398,910	439,200	459,300	399,800	399,800
Finance	201,040	207,520	225,000	222,600	212,000	212,000
Depreciation Expense	1,262,346	1,515,006	1,889,400	1,889,400	1,995,700	-
<b>Total Operating Expense</b>	<b>4,677,033</b>	<b>4,843,055</b>	<b>5,895,200</b>	<b>5,895,200</b>	<b>5,825,100</b>	<b>3,829,400</b>
<b>OPERATING INCOME (LOSS)</b>	<b>744,229</b>	<b>553,519</b>	<b>4,500</b>	<b>4,500</b>	<b>(254,000)</b>	<b>1,741,700</b>
<b>NON-OPERATING REVENUE</b>						
Other (Grants)	11,667	199,167	911,700	911,700	11,700	-
Interest Earnings - Available for Debt Service	586,324	228,633	281,900	281,900	152,900	152,900
Interest Earnings - Restricted	448	915	4,000	4,000	200	-
Impact Fees	204,044	231,828	400,000	400,000	200,000	200,000
SID Assessments	552,049	993,403	477,000	477,000	500,000	500,000
Other Non-operating Income	15,797	7,880	100,000	100,000	25,000	25,000
<b>Total Non-Operating Revenue</b>	<b>1,370,328</b>	<b>1,661,826</b>	<b>2,174,600</b>	<b>2,174,600</b>	<b>889,800</b>	<b>877,900</b>
<b>NON-OPERATING EXPENSE</b>						
Interest Expense/Bank Fees	2,550,765	2,259,023	1,961,100	1,961,100	1,933,050	1,933,050
Bond Principal Payments	-	-	-	-	-	322,900
Amortization Expense	108,593	657,813	79,400	79,400	76,300	-
<b>Total Non-Operating Expense</b>	<b>2,659,358</b>	<b>2,916,836</b>	<b>2,040,500</b>	<b>2,040,500</b>	<b>2,009,350</b>	<b>2,255,950</b>
<b>NON-OPERATING INCOME (LOSS)</b>	<b>(1,289,030)</b>	<b>(1,255,010)</b>	<b>134,100</b>	<b>134,100</b>	<b>(1,119,550)</b>	<b>(1,378,050)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(544,801)</b>	<b>(701,491)</b>	<b>138,600</b>	<b>138,600</b>	<b>(1,373,550)</b>	<b>363,650</b>
<b>TRANSFERS</b>						
Contingency	-	-	(100,000)	(100,000)	-	-
Governmental Transfers	-	-	-	-	-	-
Contributions in Aid of Construction	10,515,509	10,747,261	-	-	2,100,000	-
<b>NET TRANSFERS</b>	<b>10,515,509</b>	<b>10,747,261</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>2,100,000</b>	<b>-</b>
<b>NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 9,970,708</b>	<b>\$ 10,045,770</b>	<b>\$ 38,600</b>	<b>\$ 38,600</b>	<b>\$ 726,450</b>	<b>\$ 363,650</b>

On a cash basis, also shown above, the 2011 Operating Budget is projected to generate \$363,650 in positive cash flow. This relates to the 1.25 debt coverage ratio as shown below.

As shown to the right, the District has two kinds of debt: 1) parity, and 2) subordinate.

Only the parity debt needs to be included in the debt coverage calculation as all parity debt must be paid in full before any subordinate debt can be paid.

The projected 1.251 coverage ratio for 2011 will generate \$526,400 in surplus cash for debt payments.

After subordinated debt payments are made, the budget projects *Net Cash Flow* from operations for 2011 of \$363,650.

MOUNTAIN REGIONAL WATER 2011 Debt Service Budget - Cash Basis	
	2011 Control Board Recommendation
<b>COVERAGE CALCULATION FOR PARITY REVENUE BONDS</b>	
Operating Income (Loss)	\$ (254,000)
Add Back Depreciation	1,995,700
Add in Interest Available for Debt Service	152,900
Add in Impact Fees	200,000
Add in SID Assessments	500,000
Add in Other Non-operating Income	25,000
<b>Total Available For Debt Service</b>	<b>2,619,600</b>
Parity Principal	264,000
Parity Interest	1,829,200
<b>Total Parity Debt Service</b>	<b>2,093,200</b>
<b>Debt Service X 1.25</b>	<b>2,618,600</b>
<b>Debt Coverage Ratio</b>	<b>1.251</b>
<b>Amount Over (Under) Coverage Requirement</b>	<b>\$ 3,000</b>
<b>Total Cash Generated from Coverage Ratio</b>	<b>\$ 526,400</b>
Subordinated Debt	162,750
<b>Net Cash Flow</b>	<b>\$ 363,650</b>

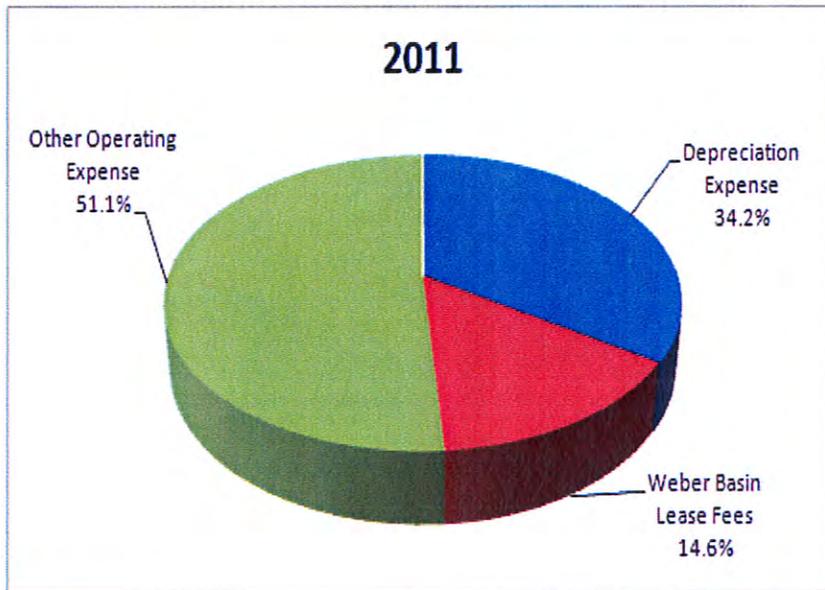
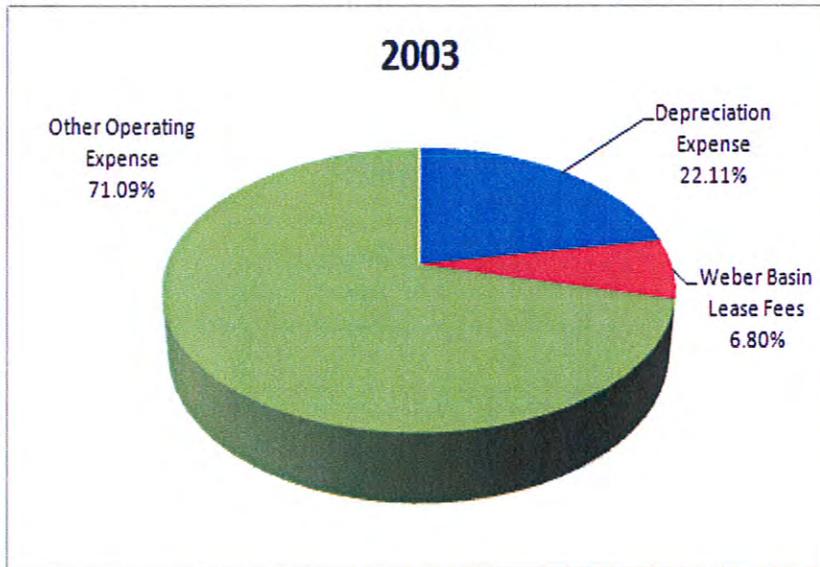
Operating Expense

Excluding non-cash *Depreciation Expense*, the District's 2011 operating expense budget is 6.8% less than the 2010 Adopted Budget, as shown below. It is also important to note that resources are being shifted from other departments to *Lost Canyon Transmission* to provide for the operation of a new power substation and expanded treatment plant facilities. A portion of the shifted resources is available due to the decline in new construction activity, and the wind down of capital projects. Long-term, the power substation will save Mountain Regional millions of dollars.

Mountain Regional Water Operating Expense Summary							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	\$ Change	% Change
Operations Management							
Technology Management	\$ 259,842	\$ 289,975	\$ 283,800	\$ 326,600	\$ 324,900	\$ (1,700)	(0.5) %
Lost Canyon Transmission	729,591	899,646	928,600	1,003,100	1,135,000	131,900	13.1
Distribution	1,541,502	1,313,918	1,581,400	1,726,500	1,578,900	(147,600)	(8.5)
Safety	23,951	16,981	14,800	21,800	15,600	(6,200)	(28.4)
General Manager							
Engineering & Development	92,829	97,933	99,300	112,900	91,300	(21,600)	(19.1)
Human Resources	1,578	45,067	24,200	45,700	21,900	(23,800)	(52.1)
Legal Services	181,621	58,099	51,900	105,000	50,000	(55,000)	(52.4)
Public Services	382,735	398,910	425,500	439,200	399,800	(39,400)	(9.0)
Financial Management	201,040	207,520	220,800	225,000	212,000	(13,000)	(5.8)
Depreciation Expense	1,262,346	1,515,006	1,778,900	1,889,400	1,995,700	106,300	5.6
<b>Total Operating Expense</b>	<b>\$ 4,677,033</b>	<b>\$ 4,843,055</b>	<b>\$ 5,409,200</b>	<b>\$ 5,895,200</b>	<b>\$ 5,825,100</b>	<b>\$ (70,100)</b>	<b>(1.2) %</b>
<b>Total (excluding non-cash Depreciation Expense)</b>	<b>\$ 3,414,687</b>	<b>\$ 3,328,049</b>	<b>\$ 3,630,300</b>	<b>\$ 4,005,800</b>	<b>\$ 3,829,400</b>	<b>\$ (176,400)</b>	<b>(6.8) %</b>

Two issues Mountain Regional is facing are the increases in Weber Basin lease fees, part of which is to reimburse Weber Basin for constructing Phase II of the Lost Canyon project; and increasing non-cash *Depreciation Expense*. Mountain Regional's *Depreciation Expense* is unusually high as a percent of total operating expenses due to the need to construct significant infrastructure to address the water shortage in the Basin, and the booking of significant subdivision infrastructure donated by developers. This high *Depreciation Expense* leads to operating losses on an accrual basis at the same time significant cash is being generated from operations.

Over time, as the District grows, non-cash *Depreciation Expense* should decline as a percentage of total operating expense.



## Capital Budget

Mountain Regional is requesting \$183,284 in new 2011 capital spending authorization, as shown below.

Mountain Regional Water Capital Budget						
	Budget 2010	Projected Actual 2010	Unused 2010	Carryover Requests 2010	Additional Requests 2011	Total Requests 2011
<b>Operating and System Equipment</b>						
<b>System Improvements</b>						
Capitalized Personnel Costs	\$ 287,900	\$ 287,900	\$ -	\$ 187,345	\$ 20,955	\$ 208,300
New Meters	54,436	20,000	34,436	20,000	-	20,000
PRV Pressure Loggers	5,000	-	5,000	-	-	-
Old Ranch Road Master Plan	30,000	-	30,000	-	-	-
Spring C12 System	25,000	-	25,000	-	-	-
Spring Creek Well Testing	20,000	20,000	-	-	-	-
Other	58,941	-	58,941	-	-	-
<b>Subtotal</b>	<b>481,277</b>	<b>327,900</b>	<b>153,377</b>	<b>207,345</b>	<b>20,955</b>	<b>228,300</b>
<b>Operations &amp; Maintenance Equipment</b>						
Trucks	3,124	-	3,124	3,124	46,876	50,000
<b>Subtotal</b>	<b>3,124</b>	<b>-</b>	<b>3,124</b>	<b>3,124</b>	<b>46,876</b>	<b>50,000</b>
<b>Information Technology Equipment</b>						
Security Equipment	16,040	4,451	11,589	-	-	-
Power Analyzer	11,662	11,662	-	-	-	-
Lost Canyon SCADA	-	-	-	20,000	-	20,000
Other	19,748	-	19,748	-	-	-
<b>Subtotal</b>	<b>47,450</b>	<b>16,113</b>	<b>31,337</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>Contingency</b>						
Contingency	72,631	30,000	42,631	-	-	-
<b>Subtotal</b>	<b>72,631</b>	<b>30,000</b>	<b>42,631</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total System Improvements &amp; Equipment</b>	<b>604,482</b>	<b>374,013</b>	<b>230,469</b>	<b>230,469</b>	<b>67,831</b>	<b>298,300</b>
<b>Capital Projects</b>						
Atkinson Well #2 ASR	60,000	26,266	33,734	-	-	-
Lost Canyon Well Treatment	100,000	100,000	-	-	-	-
Northridge Booster Improvements	157,220	27,220	130,000	130,000	-	130,000
Northridge Vault Improvements	25,000	-	25,000	25,000	-	25,000
Office Expansion	10,617	10,617	-	-	-	-
Park City (Promontory) Culinary Pipeline	400,000	375,000	25,000	-	-	-
Pretreatment	2,650,000	2,650,000	-	-	-	-
Stagecoach Estates	3,026,000	3,026,000	-	-	-	-
Summit Park	250,000	250,000	-	84,547	115,453	200,000
Other	-	-	-	-	-	-
Contingency	75,813	50,000	25,813	-	-	-
<b>Total Capital Projects</b>	<b>6,754,650</b>	<b>6,515,103</b>	<b>239,547</b>	<b>239,547</b>	<b>115,453</b>	<b>355,000</b>
<b>Total Capital Budget</b>	<b>\$ 7,359,132</b>	<b>\$ 6,889,116</b>	<b>\$ 470,016</b>	<b>\$ 470,016</b>	<b>\$ 183,284</b>	<b>\$ 653,300</b>

The District plans on using \$470,016 in unused 2010 *Capital Budget* authorization, for a total 2011 *Capital Budget* of \$653,300. This includes the second year of the joint Summit Park project, much needed boosting redundancy in the North Ridge area, and two new trucks. It also includes the District's annual capitalized personnel costs that are funded from previous year reserves. The 2011 *Capital Budget* will be funded with \$383,247 in *Capital Facility Reserves*; with the remainder coming from other reserves.



**MOUNTAIN REGIONAL WATER  
SPECIAL SERVICE DISTRICT**

**2011 BUDGET**

**And**

**2010 AMENDED BUDGET**

**December 15, 2010**

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## 1.0 2011 DISTRICT BUDGET OVERVIEW

### 1.1 The District

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

### 1.2 District Budgets

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

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

This budget includes interest expense on debt (see *Debt Service Budget* below), and the depreciation of capital assets (see *Capital Budget* below). However, it does not include 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, and not from reserves (although reserves can be used if insufficient cash is actually generated from operations during the year).

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

### 1.3 Impact of Economy and Cool Wet Weather on Revenue Projections

This 2011 budget is driven by the economic downturn and the recent cool, wet weather that have had a dramatic impact on the District's revenue.

In 2010, the District's revenue is projected to be its lowest since 2003 excluding one-time construction grants; as the District is now projecting a 2010 revenue shortfall of \$900,000 - excluding *Grants* (see 2010 Management Projection on the table on the following page). Virtually all revenue sources, excluding *Grants*, are short of budget for 2010, as shown on the following page.

**MOUNTAIN REGIONAL WATER**

Revenue History

	2003	2004	2005	2006	2007	2008	2009	2010	2010	2010	2011	2011	2011
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Management	Adopted	Projected to	Control Board	to 2010	Adopted
								Projection	Budget	2010 Budget	Recommendation	Projected	
<b>OPERATING REVENUE</b>													
Water Sales	\$ 2,305,494	\$ 3,285,136	\$ 4,108,515	\$ 4,382,992	\$ 5,025,200	\$ 5,061,068	\$ 4,743,974	\$ 4,930,300	\$ 5,249,000	\$ (318,700)	\$ 5,032,900	\$ 102,600	\$ (216,100)
Park City Wheeling	-	-	-	-	-	137,403	166,482	149,700	210,000	(60,300)	200,000	50,300	(10,000)
Stagecoach Assessment	-	-	-	-	-	-	317,682	179,400	176,700	2,700	179,400	-	2,700
Operating Fees	111,836	272,408	585,304	422,950	377,093	154,960	113,653	129,200	204,000	(74,800)	128,800	(400)	(75,200)
Other Operating	120,662	76,135	41,543	27,888	21,718	67,831	54,783	40,000	60,000	(20,000)	30,000	(10,000)	(30,000)
<b>Total Operating Revenue</b>	<b>2,537,992</b>	<b>3,633,678</b>	<b>4,735,361</b>	<b>4,833,830</b>	<b>5,424,011</b>	<b>5,421,262</b>	<b>5,396,574</b>	<b>5,428,600</b>	<b>5,899,700</b>	<b>(471,100)</b>	<b>5,571,100</b>	<b>142,500</b>	<b>(328,600)</b>
<b>NON-OPERATING REVENUE (Excluding Grants)</b>													
Interest Earnings	203,342	405,201	457,382	759,638	879,859	586,771	229,548	160,000	285,900	(125,900)	153,100	(6,900)	(132,800)
Impact Fees	1,604,418	604,179	690,058	740,406	600,622	204,044	231,828	200,000	400,000	(200,000)	200,000	-	(200,000)
Special Assessments	654,872	2,546,878	5,182,900	2,843,411	1,758,194	552,049	993,403	471,000	477,000	(6,000)	500,000	29,000	23,000
Other Non-operating	-	-	285,742	44,648	226,921	15,797	7,880	3,000	100,000	(97,000)	25,000	22,000	(75,000)
<b>Total Non-operating Revenue</b>	<b>2,462,632</b>	<b>3,556,259</b>	<b>6,616,082</b>	<b>4,388,103</b>	<b>3,465,596</b>	<b>1,358,661</b>	<b>1,462,659</b>	<b>834,000</b>	<b>1,262,900</b>	<b>(428,900)</b>	<b>878,100</b>	<b>44,100</b>	<b>(384,800)</b>
<b>TOTAL REVENUE (Excluding Grants)</b>	<b>\$ 5,000,623</b>	<b>\$ 7,189,937</b>	<b>\$ 11,351,444</b>	<b>\$ 9,221,933</b>	<b>\$ 8,889,608</b>	<b>\$ 6,779,923</b>	<b>\$ 6,859,233</b>	<b>\$ 6,262,600</b>	<b>\$ 7,162,600</b>	<b>\$ (900,000)</b>	<b>\$ 6,449,200</b>	<b>\$ 186,600</b>	<b>\$ (713,400)</b>

To address the revenue shortfall, the District identified \$375,500 in cash budget savings in 2010; and \$176,400 for 2011. A portion of the 2011 savings is the result of not giving any pay increases for the second straight year; and a 1.1 full time equivalent (FTE) staff reduction.

In addition to the cash operating cost savings implemented for 2010 and 2011, the 2010 budget originally projected the District would collect \$400,100 more revenue than it needed to meet its cash flow requirements. Further, the District’s debt service requirements declined by \$136,125 in 2011 due the prepayment of debt in 2010. The combination of these steps allowed the District to meet its cash flow requirements for 2011 using conservative revenue projections.

For 2011, the District projects only a slight increase in total revenue, excluding *Grants*, when compared to the lower 2010 Management Projection. The District will collect additional *Park City Wheeling Fees* in 2011 as Park City begins taking water from Lost Canyon. In addition, there is a small increase in the number of customers using water, and a new school was recently completed.

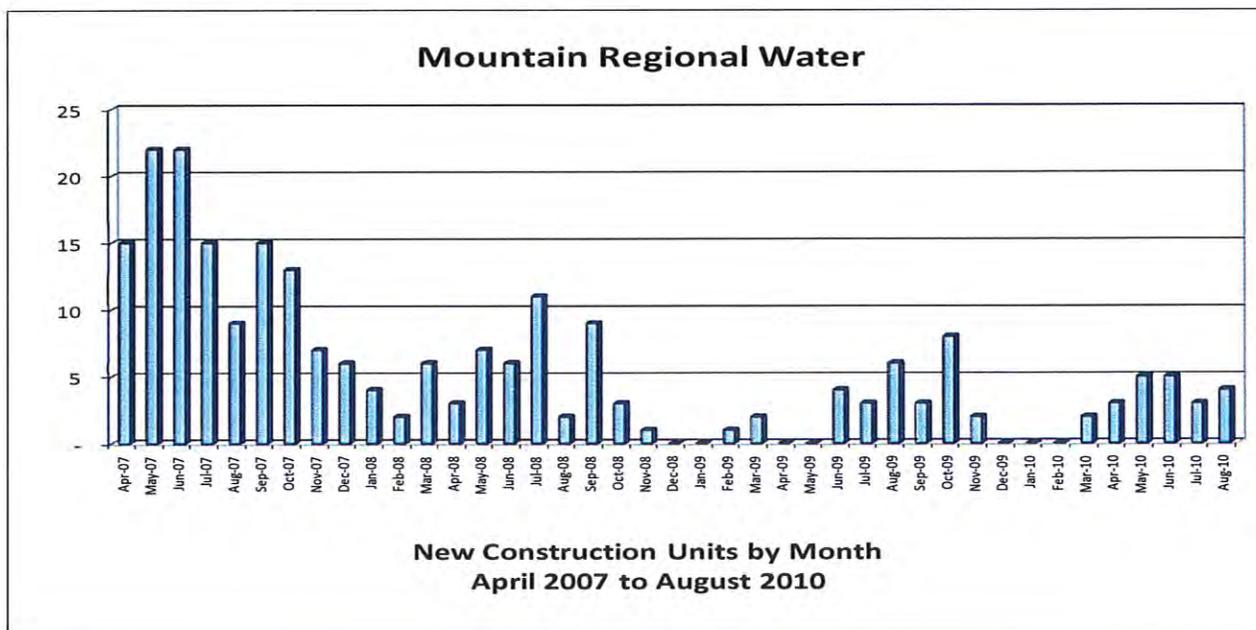
Compared to 2010, the 2011 total revenue projections, excluding *Grants*, are only \$186,600 or 2.9% more than the new 2010 Management Projection predicting a \$900,000 shortfall; and \$713,400 or nearly 10.0% below the original 2010 adopted budget, as shown on the previous page.

#### 1.4 2011 Rates to Remain Flat

Despite the economic downturn and conservative revenue projections, the District’s rates will remain flat in 2011 due to budget cuts and a reduction in capital projects and equipment purchases.

##### Impact of Economy on Customer Growth

As shown below, the number of new construction units within the District declined dramatically after the initial banking crisis in the fall of 2008. Starting in June 2009, the District experienced a modest rebound that has carried forward into 2010.



The District's 2011 projection for new construction units is 30 – similar to actual new units for 2009 and for 2010. Because of the economic slowdown, the District will see only modest increases in *Water Sales* the next two years as new construction units typically take 12 to 18 months to be completed.

There are 1,700 undeveloped lots currently on standby within the District that will likely be future water users once the housing slump ends. Although current development has slowed during the housing downturn, the long-term growth potential of the District remains strong.

## 1.5 Impact of Economy on Cash Reserves and Capital Spending

The District collected more revenue than was projected during the building boom from 2004 to 2007; and used the extra cash to build up reserves and fund capital budgets. It has since drawn upon significant reserves to prepay debt and pay for capital projects. Still, reserves are projected to remain within reasonable levels through 2011, as shown below.

<b>Mountain Regional Water</b>						
<b>Operating Cash and Reserves - Year End</b>						
	2006	2007	2008	2009	2010 (Projected)	2011 (Projected)
Checking	\$ 101,341	\$ 382,931	\$ 253,591	\$ 330,057	\$ 250,000	\$ 250,000
Operating Reserves	1,291,345	1,145,893	1,530,052	773,256	1,049,795	1,068,058
<b>Total Operating &amp; Cash Reserves</b>	<b>1,392,686</b>	<b>1,528,824</b>	<b>1,783,643</b>	<b>1,103,313</b>	<b>1,299,795</b>	<b>1,318,058</b>
Other Debt Reserves (Restricted by District Contracts for Debt Payments)	-	28,363	90,359	581,546	325,956	401,290
Impact Fee Reserves (Restricted by State Law for Debt Payments)	2,193,671	1,949,472	1,448,988	1,134,446	551,629	551,629
<b>Total Debt Reserves Held by the District</b>	<b>2,193,671</b>	<b>1,977,835</b>	<b>1,539,347</b>	<b>1,715,992</b>	<b>877,585</b>	<b>952,919</b>
District Bonds Mandated Capital Facility Reserves	487,326	474,480	673,632	408,879	471,735	36,872
Lost Canyon Repair & Replacement Reserves	-	-	59,724	58,175	111,979	163,595
Pre-treatment Budget Authorization	300,000	300,000	300,000	300,000	-	-
Office Complex Reserves <sup>(1)</sup>	531,311	810,255	837,826	817,716	-	-
<b>Total Capital Facility Reserves</b>	<b>1,318,637</b>	<b>1,584,735</b>	<b>1,871,182</b>	<b>1,584,770</b>	<b>583,714</b>	<b>200,467</b>
<b>Total Operating, Repair and Debt Cash Held by the District</b>	<b>4,904,994</b>	<b>5,091,394</b>	<b>5,194,172</b>	<b>4,404,075</b>	<b>2,761,094</b>	<b>2,471,444</b>
<b>Debt Reserves Required by Bond Holders and Held by Trustee</b>	<b>10,724,152</b>	<b>10,557,293</b>	<b>6,529,641</b>	<b>3,239,889</b>	<b>3,110,750</b>	<b>3,115,870</b>
<b>Restricted Cash (Deposits and Loan Proceeds for Projects)</b>	<b>444,700</b>	<b>455,950</b>	<b>688,287</b>	<b>414,953</b>	<b>200,000</b>	<b>200,000</b>
<b>Total District Cash</b>	<b>\$ 16,073,846</b>	<b>\$ 16,104,637</b>	<b>\$ 12,412,100</b>	<b>\$ 8,058,917</b>	<b>\$ 6,071,843</b>	<b>\$ 5,787,314</b>

(1) - The District set aside these funds to help pay for a new Operations Complex. Due to the economic downturn, these funds were redirected to fund a portion of the pretreatment and Summit Park waterline replacement projects.

The 2009 decline in *Operating & Cash Reserves* is due to the weak economy and the use of operating reserves to fund capital budgets; although modest increases are projected for 2010 and 2011 year-end. This is due to operating budget cuts and a reduced *Capital Budget*.

The decline in *Debt Reserves Held by the District* is due to the decline in impact fee and assessment collections; and the prepayment of debt in 2009 and 2010.

In order complete some critical projects, including pretreatment, the District utilized a significant portion of its *Capital Facility Reserves* in 2009 and 2010; and will draw the reserves down further in 2011 to help fund a critical pump upgrade, two new trucks, and capitalized personnel costs.

In order to ensure cash balances remain within reasonable levels through 2011, the 2011 *Operating Budget* includes conservative revenue estimates and budget cuts; resulting in a projected a \$363,650 increase in cash generated from 2011 operations, as shown below.

<b>MOUNTAIN REGIONAL WATER</b>			
<b>2011 Cash Flow</b>			
<b>(Excludes One-time Grants)</b>			
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>Actual</b>	<b>Projected</b>	<b>Budget</b>
<b><u>CASH OPERATING REVENUE</u></b>			
Water Sales	\$ 4,743,974	\$ 4,930,300	\$ 5,032,900
Park City Wheeling Fees	166,482	149,700	200,000
Stagecoach Assessment	317,682	179,400	179,400
Operating Fees	113,653	129,200	128,800
Contract Maintenance	-	-	-
Other	54,783	40,000	30,000
<b>Total Cash Operating Revenue</b>	<b>5,396,574</b>	<b>5,428,600</b>	<b>5,571,100</b>
<b><u>CASH OPERATING EXPENSES</u></b>			
Operations Management			
Technology Management	289,975	283,800	324,900
Lost Canyon Transmission	899,646	928,600	1,135,000
Distribution	1,313,918	1,581,400	1,578,900
Safety	16,981	14,800	15,600
General Manager			
Engineering & Development	97,933	99,300	91,300
Human Resources	45,067	24,200	21,900
Legal Services	58,099	51,900	50,000
Public Services	398,910	425,500	399,800
Financial Management	207,520	220,800	212,000
<b>Total Cash Operating Expense</b>	<b>3,328,049</b>	<b>3,630,300</b>	<b>3,829,400</b>
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2,068,525</b>	<b>1,798,300</b>	<b>1,741,700</b>
<b><u>CASH NON-OPERATING REVENUE</u></b>			
Interest Earnings - Available for Debt Service	228,633	159,600	152,900
Impact Fees	231,828	200,000	200,000
SID Assessments	993,403	471,000	500,000
Other Non-operating Revenue	7,880	3,000	25,000
<b>Total Cash Non-operating Revenue</b>	<b>1,461,744</b>	<b>833,600</b>	<b>877,900</b>
<b><u>CASH NON-OPERATING EXPENSE</u></b>			
Interest Expense	2,215,974	1,915,200	1,933,050
<b>Total Cash Non-operating Expense</b>	<b>2,215,974</b>	<b>1,915,200</b>	<b>1,933,050</b>
<b>NON-OPERATING CASH FLOW</b>	<b>(754,230)</b>	<b>(1,081,600)</b>	<b>(1,055,150)</b>
<b>PRINCIPAL PAYMENTS</b>			<b>(322,900)</b>
<b>TOTAL CASH FLOW FROM 2011 OPERATIONS (excludes capital budget)</b>	<b>1,314,295</b>	<b>716,700</b>	<b>\$ 363,650</b>
<b><u>CAPITAL EXPENDITURES</u></b>			
Capital Equipment			\$ (298,300)
Capital Projects			(355,000)
<b>NET CAPITAL AND DEBT CASH FLOW</b>			<b>(653,300)</b>
<b>NET CASH FLOW</b>			<b>\$ (289,650)</b>
<b>NET CASH FLOW - Operating Cash and Debt Reserves Held by District</b>			<b>\$ 93,597</b>
<b>NET CASH FLOW - Capital Facility Reserves</b>			<b>\$ (383,247)</b>

Once the capital items are added, the 2011 *Operating Budget* projects an \$93,597 increase in *Operating Cash Reserves and Debt Reserves Held by the District*. The budget also utilizes \$383,247 in *Capital Facility Reserves* to fund a portion of the 2011 *Capital Budget*.

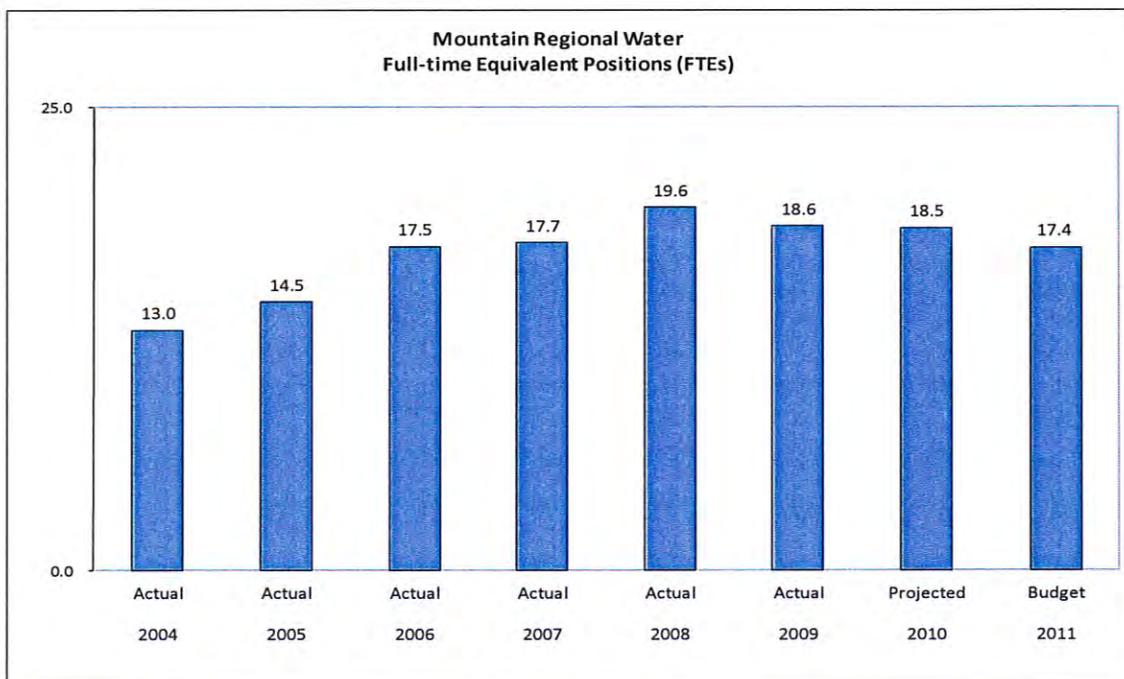
By the end of 2011, the District will have utilized nearly all its *Capital Facility Reserves* to help pay for pretreatment equipment and installation, the Park City (Promontory) culinary pipeline, Summit Park waterline replacement, and critical Northridge booster improvements.

As such the District's 2011 *Capital Budget*, discussed later, is much lower than in previous years. Long-term, there are four ways that capital reserves can be replenished: 1) a rebound in the housing market, 2) the sale of surplus assets, 3) a return to normal weather patterns, or 4) a modest rate increase.

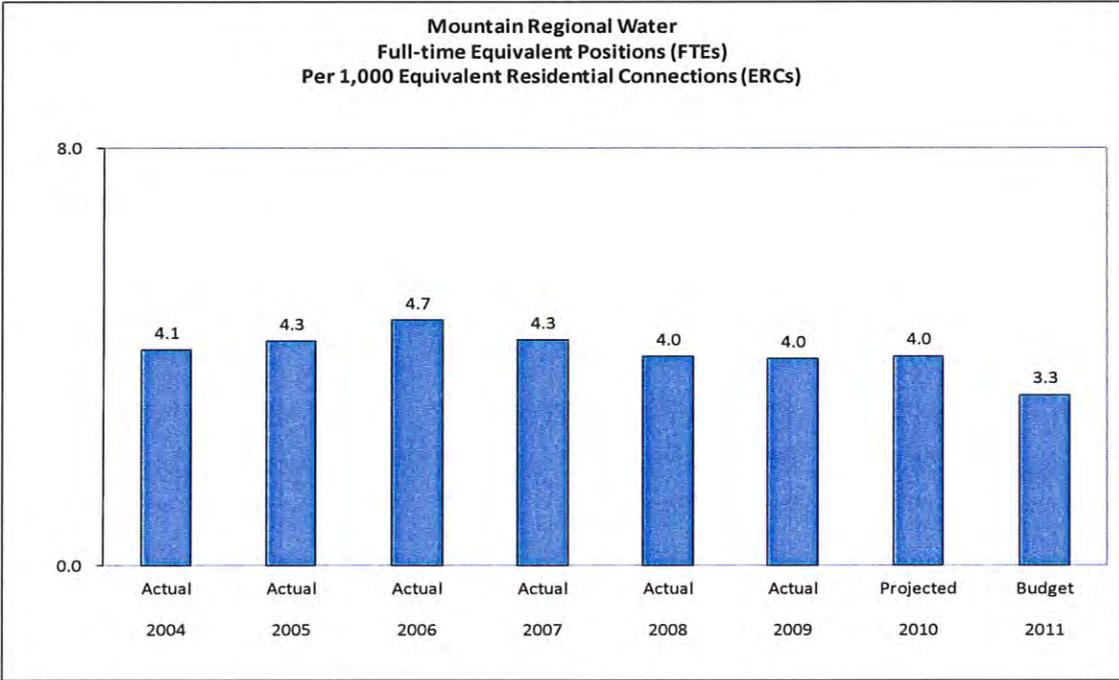
## 1.6 Staffing

The District's 2011 budget includes the reduction of 1.1 full-time equivalent employees (FTEs) to help address the decline in revenue. This reduction does not include any operations staff. As shown below, the District has budgeted for 17.4 FTEs for 2011 – which is the lowest since 2005, when the District was much smaller.

The staff reduction is necessary for the District to comply with its required 1.25 coverage ratio. After cutting its 2011 cash operating budget by \$176,400; the District's ratio is projected to be 1.251 - or \$3,000 more than necessary. Further, the District's overall cash position will decline \$289,650 in 2011 due to the addition of the Summit Park restoration project to the *Capital Budget* (this project is being done in conjunction with Summit County); and the need to make two critical improvements in the North Ridge area to provide much needed redundancy for the Blackhawk, Glenwild, Redhawk, and Stagecoach service areas.



This staff reduction will result in a decline in FTEs per 1,000 equivalent residential connections (ERCs) since 2006 – from 4.7 to 3.3, as shown below.



This decline is possible due to improved efficiency through the implementation of technology, the completion of major capital projects, and economies of scale.

It was originally anticipated that additional FTEs would be needed in 2011 to operate the expanded Lost Canyon project (i.e. new power substation, additional boosting capacity, and pretreatment) to provide additional water to Park City, as well as the District. Park City has notified the District that it anticipates taking 422 acre feet of raw water through Lost Canyon in 2011; and its full 2,500 acre feet allotment by 2013. This will lead to higher revenue for the District moving forward.

To address this, the District shifted staff from other departments to Lost Canyon Transmission. Due to budget constraints, the addition of operations staff is not feasible in 2011 without a rate increase.

By 2012 or 2013, the District will require additional staff to operate and maintain the Lost Canyon Transmission System as the District relies more on Lost Canyon water rather than small, inefficient wells; and wheels more water through Lost Canyon to Park City. Park City is contractually required to pay 38.0% of any additions to Lost Canyon Transmission staff (excluding treatment plant employees).

**1.7 Compensation**

The District did not give any pay increases in 2010; and the 2011 budget anticipates another year without increases. The District initially budgeted for a 5.0% increase in health and dental premiums for 2011, with the intent to require employees to pay the difference between the

actual increase and 5.0%. The actual increase was close to 5.0%; so the District does not anticipate changing the amount of premiums paid by employees. Currently, employees selecting the highest cost family plan, - the only plan that includes University of Utah on its provider list - pay \$100 per month.

With the District absorbing the 5.0% increase in health care premiums, plus a minor increase in state retirement rates; employee total compensation will increase 1.1% in 2011. As discussed, this total increase is due to benefit cost increases.

## 2.0 2011 OPERATING BUDGET

### 2.1 Summary

As shown below, the District projects a *Net Change in Equity (Net Income after Transfers)* of \$726,450 for 2011, including a \$2.1 million *Contribution in Aid of Construction* from Weber Basin Water District (Weber Basin) for a power substation it is constructing. Ownership of the substation will be transferred to the District in 2011. Weber Basin will be reimbursed for the cost of construction over 20 years through higher lease fees charged to both the District and Park City.

<b>MOUNTAIN REGIONAL WATER</b>						
<b>2011 Operating Budget - Accrual Basis</b>						
<b>Enterprise Fund</b>						
	2008 Actual	2009 Actual	2010 Management Projection	2010 Adopted Budget	2011 Control Board Recommended Budget	2011 Recommended Budget to 2010 Adopted Budget
<b>OPERATING REVENUE</b>						
Water Sales	\$ 5,061,068	\$ 4,743,974	\$ 4,930,300	\$ 5,249,000	\$ 5,032,900	\$ (216,100)
Park City Wheeling	137,403	166,482	149,700	210,000	200,000	(10,000)
Stagecoach Assessments	-	317,682	179,400	176,700	179,400	2,700
Operating Fees	154,960	113,653	129,200	204,000	128,800	(75,200)
Contract Maintenance	-	-	-	-	-	-
Other	67,831	54,783	40,000	60,000	30,000	(30,000)
<b>Total Operating Revenue</b>	<b>5,421,262</b>	<b>5,396,574</b>	<b>5,428,600</b>	<b>5,899,700</b>	<b>5,571,100</b>	<b>(328,600)</b>
<b>OPERATING EXPENSES</b>						
<b>Operations</b>						
Technology Management	259,842	289,975	283,800	326,600	324,900	(1,700)
Lost Canyon Transmission	729,591	899,646	928,600	1,003,100	1,135,000	131,900
Distribution	1,541,502	1,313,918	1,581,400	1,726,500	1,578,900	(147,600)
Safety	23,951	16,981	14,800	21,800	15,600	(6,200)
<b>General Manager</b>						
Engineering & Development	92,829	97,933	99,300	112,900	91,300	(21,600)
Human Resources	1,578	45,067	24,200	45,700	21,900	(23,800)
Legal Services	181,621	58,099	51,900	105,000	50,000	(55,000)
Public Services	382,735	398,910	425,500	439,200	399,800	(39,400)
Finance	201,040	207,520	220,800	225,000	212,000	(13,000)
Depreciation Expense	1,262,346	1,515,006	1,778,900	1,889,400	1,995,700	106,300
<b>Total Operating Expense</b>	<b>4,677,033</b>	<b>4,843,055</b>	<b>5,409,200</b>	<b>5,895,200</b>	<b>5,825,100</b>	<b>(70,100)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>744,229</b>	<b>553,519</b>	<b>19,400</b>	<b>4,500</b>	<b>(254,000)</b>	<b>(258,500)</b>
<b>NON-OPERATING REVENUE</b>						
Other (Grants)	11,667	199,167	1,324,100	911,700	11,700	(900,000)
Interest Earnings - Available for Debt Service	586,324	228,633	159,600	281,900	152,900	(129,000)
Interest Earnings - Restricted	448	915	400	4,000	200	(3,800)
Impact Fees	204,044	231,828	200,000	400,000	200,000	(200,000)
SID Assessments	552,049	993,403	471,000	477,000	500,000	23,000
Other Non-operating Income	15,797	7,880	3,000	100,000	25,000	(75,000)
<b>Total Non-Operating Revenue</b>	<b>1,370,328</b>	<b>1,661,826</b>	<b>2,158,100</b>	<b>2,174,600</b>	<b>889,800</b>	<b>(1,284,800)</b>
<b>NON-OPERATING EXPENSE</b>						
Interest Expense/Bank Fees	2,550,765	2,259,023	1,961,100	1,961,100	1,933,050	(28,050)
Amortization Expense	108,593	657,813	79,400	79,400	76,300	(3,100)
<b>Total Non-Operating Expense</b>	<b>2,659,358</b>	<b>2,916,836</b>	<b>2,040,500</b>	<b>2,040,500</b>	<b>2,009,350</b>	<b>(31,150)</b>
<b>NON-OPERATING INCOME (LOSS)</b>	<b>(1,289,030)</b>	<b>(1,255,010)</b>	<b>117,600</b>	<b>134,100</b>	<b>(1,119,550)</b>	<b>(1,253,650)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(544,801)</b>	<b>(701,491)</b>	<b>137,000</b>	<b>138,600</b>	<b>(1,373,550)</b>	<b>(1,512,150)</b>
<b>TRANSFERS</b>						
Contingency	-	-	-	(100,000)	-	100,000
Governmental Transfers	-	-	-	-	-	-
Contributions in Aid of Construction	10,515,509	10,747,261	178,900	-	2,100,000	2,100,000
<b>NET TRANSFERS</b>	<b>10,515,509</b>	<b>10,747,261</b>	<b>178,900</b>	<b>(100,000)</b>	<b>2,100,000</b>	<b>2,200,000</b>
<b>NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 9,970,708</b>	<b>\$ 10,045,770</b>	<b>\$ 315,900</b>	<b>\$ 38,600</b>	<b>\$ 726,450</b>	<b>\$ 687,850</b>

Although the District projects a *Net Loss before Transfers* of \$1.37 million, this is the result of the District's abnormally high non-cash *Depreciation Expense*. When non-cash depreciation and amortization expense are taken into account, the District's *2011 Operating Budget* actually generates \$686,550 in positive cash flow; and \$363,350 after bond principal payments are made as discussed earlier.

The District's non-cash *Depreciation Expense* is unusually high due to the need to construct major new infrastructure over a short period of time that can accommodate growth for the next 20 years. The cost of infrastructure is expensed over the expected life of each capital item as non-cash *Depreciation Expense*.

The District's *2011 Operating Budget* is discussed by each of the following five components below:

1. Operating Revenue
2. Operating Expense
3. Non-operating Revenue
4. Non-operating Expense
5. Transfers

## 2.2 Operating Revenue

The District is projecting *2011 Operating Revenue* of \$5.57 million, which is 5.6% or \$328,600 less than budgeted for 2010, as shown below. This reduction reflects the continued weak economy; and a trend towards cooler, wetter weather the past three years.

Operating Revenue							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Water Sales	\$ 5,061,068	\$ 4,743,974	\$ 4,930,300	\$ 5,249,000	\$ 5,032,900	\$ (216,100)	(4.1) %
Park City Wheeling Fees	137,403	166,482	149,700	210,000	200,000	(10,000)	(4.8)
Stagecoach Assessments	-	317,682	179,400	176,700	179,400	2,700	1.5
Operating Fees	154,960	113,653	129,200	204,000	128,800	(75,200)	(36.9)
Contract Maintenance	-	-	-	-	-	-	n/a
Other	67,831	54,783	40,000	60,000	30,000	(30,000)	(50.0)
<b>Total Operating Revenue</b>	<b>\$ 5,421,262</b>	<b>\$ 5,396,574</b>	<b>\$ 5,428,600</b>	<b>\$ 5,899,700</b>	<b>\$ 5,571,100</b>	<b>\$ (328,600)</b>	<b>(5.6) %</b>

The \$5.57 million projection is just \$142,500 higher than the District's most current 2010 Management Projection (which is much lower than budgeted for 2010). The 2011 projection assumes continued low *Water Sales* from cool, wet weather; and lower *Operating Fees* due to fewer meter connection fees for new homes. The District should see a small increase in *Water Sales* even if the cool, wet weather continues; as the District begins wheeling water to Park City from Lost Canyon and provides water to a new school; combined with a small increase in customers using water.

It is important to point out that the 2011 *Water Sales* projection is basically the same as the 2007 and 2008 actual collections; even though the District has added 553 new ERCs since 2008.

### 2.3 Operating Expense

The District implemented \$375,500 in cash budget cuts in 2010 due to declining revenue collections; and \$176,400 – or 6.8% for 2011, as shown below.

Mountain Regional Water Operating Expense Summary							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management Projection	Adopted Budget	Control Board Recommendation	to 2010 Adopted \$ Change	to 2010 Adopted % Change
Operations Management							
Technology Management	\$ 259,842	\$ 289,975	\$ 283,800	\$ 326,600	\$ 324,900	\$ (1,700)	(0.5) %
Lost Canyon Transmission	729,591	899,646	928,600	1,003,100	1,135,000	131,900	13.1
Distribution	1,541,502	1,313,918	1,581,400	1,726,500	1,578,900	(147,600)	(8.5)
Safety	23,951	16,981	14,800	21,800	15,600	(6,200)	(28.4)
General Manager							
Engineering & Development	92,829	97,933	99,300	112,900	91,300	(21,600)	(19.1)
Human Resources	1,578	45,067	24,200	45,700	21,900	(23,800)	(52.1)
Legal Services	181,621	58,099	51,900	105,000	50,000	(55,000)	(52.4)
Public Services	382,735	398,910	425,500	439,200	399,800	(39,400)	(9.0)
Financial Management	201,040	207,520	220,800	225,000	212,000	(13,000)	(5.8)
Depreciation Expense	1,262,346	1,515,006	1,778,900	1,889,400	1,995,700	106,300	5.6
<b>Total Operating Expense</b>	<b>\$ 4,677,033</b>	<b>\$ 4,843,055</b>	<b>\$ 5,409,200</b>	<b>\$ 5,895,200</b>	<b>\$ 5,825,100</b>	<b>\$ (70,100)</b>	<b>(1.2) %</b>
<b>Total (excluding non-cash Depreciation Expense)</b>	<b>\$ 3,414,687</b>	<b>\$ 3,328,049</b>	<b>\$ 3,630,300</b>	<b>\$ 4,005,800</b>	<b>\$ 3,829,400</b>	<b>\$ (176,400)</b>	<b>(6.8) %</b>

All departments have lower cash budgets in 2011 when compared to 2010, with the exception of Lost Canyon Transmission. The quantity of water transported through Lost Canyon to the District and Park City will increase in 2011. In addition, the District will start operating pretreatment equipment and a new power substation.

### 2.4 Non-operating Revenue

The District projects a significant decline in *Non-operating Revenue*, from nearly \$2.2 million in 2010 to \$889,800 for 2011, as shown below.

Non-operating Revenue							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management Projection	Adopted Budget	Control Board Recommendation	to 2010 Adopted \$ Change	to 2010 Adopted % Change
Grants	\$ 11,667	\$ 199,167	\$ 1,324,100	\$ 911,700	\$ 11,700	\$ (900,000)	(98.7) %
Interest Earnings - Available for Debt Service	586,324	228,633	159,600	281,900	152,900	(129,000)	(45.8)
Interest Earnings - Restricted	448	915	400	4,000	200	(3,800)	(95.0)
Impact Fees	204,044	231,828	200,000	400,000	200,000	(200,000)	(50.0)
Assessments	552,049	993,403	471,000	477,000	500,000	23,000	4.8
Other Non-operating Income	15,797	7,880	3,000	100,000	25,000	(75,000)	(75.0)
<b>Total Non-operating Revenue</b>	<b>\$ 1,370,328</b>	<b>\$ 1,661,826</b>	<b>\$ 2,158,100</b>	<b>\$ 2,174,600</b>	<b>\$ 889,800</b>	<b>\$ (1,284,800)</b>	<b>(59.1) %</b>

Most of the decline is due to a \$1.32 million in one-time construction grant received in 2010. However, the District projects lower collections for most *Non-operating Revenue* sources in 2011 due to the weak building economy; and lower interest rates earned on declining cash deposits.

## 2.5 Non-operating Expense

*Non-operating Expense* consists of *Interest Expense / Bank Fees* and the non-cash *Amortization Expense* of bond issuance costs over the duration of the related bonds.

Non-operating Expense							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Interest Expense / Bank Fees	\$ 2,550,765	\$ 2,259,023	\$ 1,961,100	\$ 1,961,100	\$ 1,933,050	\$ (28,050)	(1.4) %
Amortization Expense	108,593	657,813	79,400	79,400	76,300	(3,100)	(3.9) %
<b>Total Non-operating Expense</b>	<b>\$ 2,659,358</b>	<b>\$ 2,916,836</b>	<b>\$ 2,040,500</b>	<b>\$ 2,040,500</b>	<b>\$ 2,009,350</b>	<b>\$ (31,150)</b>	<b>(1.5) %</b>

*Interest Expense* will be lower in 2011 due the 2010 prepayment of debt due in 2011 and 2012.

## 2.6 Transfers

For 2011, the District has budgeted \$2.1 million in *Contributions in Aid of Construction* for the cost of the power substation constructed by Weber Basin. The ownership of the substation will be transferred to the District in 2011. Weber Basin will recover the upfront construction costs by higher water lease fees to both Park City and Mountain Regional for 20 years. Although the District may also receive additional infrastructure contributions from developers in 2011, the value is unknown – and therefore excluded from budget projections, as shown below.

Transfers							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Contingency	\$ -	\$ -	\$ -	\$ (100,000)	\$ -	\$ 100,000	(100.0) %
Governmental Transfers	-	-	-	-	-	-	n/a
Contributions in Aid of Construction	10,515,509	10,747,261	178,900	-	2,100,000	2,100,000	n/a
<b>Total Transfers</b>	<b>\$ 10,515,509</b>	<b>\$ 10,747,261</b>	<b>\$ 178,900</b>	<b>\$ (100,000)</b>	<b>\$ 2,100,000</b>	<b>\$ 2,200,000</b>	<b>(2,200.0) %</b>

### 3.0 2011 CAPITAL BUDGET

The District is requesting \$183,284 in new 2011 capital spending authorization, as shown below.

Mountain Regional Water Capital Budget						
	Budget 2010	Projected Actual 2010	Unused 2010	Carryover Requests 2010	Additional Requests 2011	Total Requests 2011
<b>Operating and System Equipment</b>						
<b>System Improvements</b>						
Capitalized Personnel Costs	\$ 287,900	\$ 287,900	\$ -	\$ 187,345	\$ 20,955	\$ 208,300
New Meters	54,436	20,000	34,436	20,000	-	20,000
PRV Pressure Loggers	5,000	-	5,000	-	-	-
Old Ranch Road Master Plan	30,000	-	30,000	-	-	-
Spring C12 System	25,000	-	25,000	-	-	-
Spring Creek Well Testing	20,000	20,000	-	-	-	-
Other	58,941	-	58,941	-	-	-
<b>Subtotal</b>	<b>481,277</b>	<b>327,900</b>	<b>153,377</b>	<b>207,345</b>	<b>20,955</b>	<b>228,300</b>
<b>Operations &amp; Maintenance Equipment</b>						
Trucks	3,124	-	3,124	3,124	46,876	50,000
<b>Subtotal</b>	<b>3,124</b>	<b>-</b>	<b>3,124</b>	<b>3,124</b>	<b>46,876</b>	<b>50,000</b>
<b>Safety</b>						
None	-	-	-	-	-	-
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Information Technology Equipment</b>						
Security Equipment	16,040	4,451	11,589	-	-	-
Power Analyzer	11,662	11,662	-	-	-	-
Lost Canyon SCADA	-	-	-	20,000	-	20,000
Other	19,748	-	19,748	-	-	-
<b>Subtotal</b>	<b>47,450</b>	<b>16,113</b>	<b>31,337</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>
<b>Contingency</b>						
Contingency	72,631	30,000	42,631	-	-	-
<b>Subtotal</b>	<b>72,631</b>	<b>30,000</b>	<b>42,631</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total System Improvements &amp; Equipment</b>	<b>604,482</b>	<b>374,013</b>	<b>230,469</b>	<b>230,469</b>	<b>67,831</b>	<b>298,300</b>
<b>Capital Projects</b>						
Atkinson Well #2 ASR	60,000	26,266	33,734	-	-	-
Lost Canyon Well Treatment	100,000	100,000	-	-	-	-
Northridge Booster Improvements	157,220	27,220	130,000	130,000	-	130,000
Northridge Vault Improvements	25,000	-	25,000	25,000	-	25,000
Office Expansion	10,617	10,617	-	-	-	-
Park City (Promontory) Culinary Pipeline	400,000	375,000	25,000	-	-	-
Pretreatment	2,650,000	2,650,000	-	-	-	-
Stagecoach Estates	3,026,000	3,026,000	-	-	-	-
Summit Park	250,000	250,000	-	84,547	115,453	200,000
Other	-	-	-	-	-	-
Contingency	75,813	50,000	25,813	-	-	-
<b>Total Capital Projects</b>	<b>6,754,650</b>	<b>6,515,103</b>	<b>239,547</b>	<b>239,547</b>	<b>115,453</b>	<b>355,000</b>
<b>Total Capital Budget</b>	<b>\$ 7,359,132</b>	<b>\$ 6,889,116</b>	<b>\$ 470,016</b>	<b>\$ 470,016</b>	<b>\$ 183,284</b>	<b>\$ 653,300</b>

The District plans on using \$470,016 in unused 2010 *Capital Budget* authorization, for a total 2011 *Capital Budget* of \$653,300. This includes the second year of the joint Summit Park project, much needed boosting redundancy in the North Ridge area, and two new trucks. It also includes the District's annual capitalized personnel costs that are funded from previous year reserves. The 2011 *Capital Budget* will be funded with \$383,247 in *Capital Facility Reserves*; with the remainder coming from other reserves.

**4.0 2011 DEBT SERVICE BUDGET**

For 2011, the District will experience significant debt service savings from the prepayment of 2011 principal during 2009 and 2010. The projected debt service coverage for 2011 is 1.251. This is \$3,000 more than needed for the 1.25 required coverage.

<b>MOUNTAIN REGIONAL WATER</b>	
<b>2011 Debt Service Budget - Cash Basis</b>	
	<b>2011 Control Board Recommendation</b>
<b>COVERAGE CALCULATION FOR PARITY REVENUE BONDS</b>	
Operating Income (Loss)	\$ (254,000)
Add Back Depreciation	1,995,700
Add in Interest Available for Debt Service	152,900
Add In Impact Fees	200,000
Add In SID Assessments	500,000
Add in Other Non-operating Income	25,000
<b>Total Available For Debt Service</b>	<b><u>2,619,600</u></b>
Parity Principal	264,000
Parity Interest	1,829,200
<b>Total Parity Debt Service</b>	<b><u>2,093,200</u></b>
<b>Debt Service X 1.25</b>	<b><u>2,616,600</u></b>
<b>Debt Coverage Ratio</b>	<b><u>1.251</u></b>
<b>Amount Over (Under) Coverage Requirement</b>	<b><u>\$ 3,000</u></b>

## 5.0 2010 BUDGET AMENDMENTS

### 5.1 2010 OPERATING BUDGET

#### Amendments

No budget amendments are needed for 2010 since there are no required budget increases.

#### Management Targets

In early August, the District realized the cool, wet weather and weak economy were going to result in a \$900,000 to \$1.2 million revenue shortfall – excluding one-time construction grants. Subsequent *Water Sales* indicate that shortfall will be at the low end to this range – or \$900,000.

MOUNTAIN REGIONAL WATER 2010 Amended Operating Budget - Accrual Basis <i>Enterprise Fund</i>				
	2009 Actual	2010 Management Projection	2010 Adopted Budget	2010 Projected to 2010 Budget
<b>OPERATING REVENUE</b>				
Water Sales	\$ 4,743,974	\$ 4,930,300	\$ 5,249,000	\$ (318,700)
Park City Wheeling	166,482	149,700	210,000	(60,300)
Stagecoach Assessment	317,682	179,400	176,700	2,700
Operating Fees	113,653	129,200	204,000	(74,800)
Contract Maintenance	-	-	-	-
Other	54,783	40,000	60,000	(20,000)
<b>Total Operating Revenue</b>	<b>5,396,574</b>	<b>5,428,600</b>	<b>5,899,700</b>	<b>(471,100)</b>
<b>OPERATING EXPENSES</b>				
Operations Management				
Technology Management	289,975	283,800	326,600	(42,800)
Lost Canyon Transmission	899,646	928,600	1,003,100	(74,500)
Distribution	1,313,918	1,581,400	1,726,500	(145,100)
Safety	16,981	14,800	21,800	(7,000)
General Manager				
Engineering & Development	97,933	99,300	112,900	(13,600)
Human Resources	45,067	24,200	45,700	(21,500)
Legal Services	58,099	51,900	105,000	(53,100)
Public Services	398,910	425,500	439,200	(13,700)
Financial Management	207,520	220,800	225,000	(4,200)
Depreciation Expense	1,515,006	1,778,900	1,889,400	(110,500)
<b>Total Operating Expense</b>	<b>4,843,055</b>	<b>5,409,200</b>	<b>5,895,200</b>	<b>(486,000)</b>
<b>OPERATING INCOME (LOSS)</b>	<b>553,519</b>	<b>19,400</b>	<b>4,500</b>	<b>14,900</b>
<b>NON-OPERATING REVENUE</b>				
Other (Grants)	199,167	1,324,100	911,700	412,400
Interest Earnings - Available for Debt Service	228,633	159,600	281,900	(122,300)
Interest Earnings - Restricted	915	400	4,000	(3,600)
Impact Fees	231,828	200,000	400,000	(200,000)
SID Assessments	993,403	471,000	477,000	(6,000)
Other Non-operating Revenue	7,880	3,000	100,000	(97,000)
<b>Total Non-operating Revenue</b>	<b>1,661,826</b>	<b>2,158,100</b>	<b>2,174,600</b>	<b>(16,500)</b>
<b>NON-OPERATING EXPENSE</b>				
Interest Expense/Bank Fees	2,259,023	1,961,100	1,961,100	-
Amortization Expense	657,813	79,400	79,400	-
<b>Total Non-operating Expense</b>	<b>2,916,836</b>	<b>2,040,500</b>	<b>2,040,500</b>	<b>-</b>
<b>NON-OPERATING INCOME (LOSS)</b>	<b>(1,255,010)</b>	<b>117,600</b>	<b>134,100</b>	<b>(16,500)</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(701,491)</b>	<b>137,000</b>	<b>138,600</b>	<b>(1,600)</b>
<b>TRANSFERS</b>				
Contingency	-	-	(100,000)	100,000
Governmental Transfers	-	-	-	-
Contributions in Aid of Construction	10,747,261	178,900	-	178,900
<b>NET TRANSFERS</b>	<b>10,747,261</b>	<b>178,900</b>	<b>(100,000)</b>	<b>278,900</b>
<b>NET CHANGE IN EQUITY (NET INCOME AFTER TRANSFERS)</b>	<b>\$ 10,045,770</b>	<b>\$ 315,900</b>	<b>\$ 38,600</b>	<b>\$ 277,300</b>

In response, the District implemented \$375,500 in cash operating budget cuts. In addition, the 2010 *Operating Budget* initially projected \$400,100 more in revenue collections than needed to meet its 1.25 coverage requirements. Management now projects a 1.20 coverage ratio for 2010 (see **Section 5.2 - 2010 Debt Service Budget**) below.

Because 2010 *Grants* will exceed budget, the District projects a positive *Net Change in Equity (Net Income after Transfers)* of \$315,900.

**5.2 2010 DEBT SERVICE BUDGET**

The 2010 *Debt Service Budget* initially projected a 1.43 debt coverage ratio, and \$400,100 surplus cash.

However, the District’s projected revenue shortfall and corresponding budget cuts result in a 1.20 projected ratio.

<b>MOUNTAIN REGIONAL WATER</b>		
<b>Debt Coverage Calculation</b>		
	<b>2010 Management Projection</b>	<b>2010 Adopted Budget</b>
<b>COVERAGE CALCULATION FOR PARITY REVENUE BONDS</b>		
Operating Income (Loss)	\$ 19,400	\$ 4,500
Add Back Depreciation	1,778,900	1,889,400
Add In Interest Available for Debt Service	159,600	281,900
Add In Impact Fees	200,000	400,000
Add In SID Assessments	471,000	477,000
Add in Other Non-operating Income (Project Management)	3,000	100,000
<b>Total Available For Debt Service</b>	<b>2,631,900</b>	<b>3,152,800</b>
Parity Principal	351,000	351,000
Parity Interest	1,851,100	1,851,100
<b>Total Parity Debt Service</b>	<b>2,202,100</b>	<b>2,202,100</b>
<b>Debt Service X 1.25</b>	<b>2,752,700</b>	<b>2,752,700</b>
<b>Debt Coverage Ratio</b>	<b>1.20</b>	<b>1.43</b>
<b>Amount Over (Under) Coverage Requirement</b>	<b>\$ (120,800)</b>	<b>\$ 400,100</b>

### 5.3 2010 CAPITAL BUDGET

There are several *Capital Budget* amendments for 2010. For the most part, funding for less critical capital items have been shifted into 2011 to fund more critical projects; plus the District must fund the Summit Park waterline restoration being done in conjunction with Summit County road restoration again in 2011. These changes are reflected in the *Capital Budget* outlined in **Section 3.0 – 2011 Capital Budget** above.

**6.0 APPENDIX - DEPARTMENT BUDGET OVERVIEWS**

**6.1 OPERATIONS**

**6.1.1 Technology Management**

Programs

*Information Technology* – Provides for installation and operation all office networks; supports office software for email, billing, accounting, telecommunications and other office systems.

*Web Page* – Develops and maintains user information and District forms on its web page for easy access by the public.

*Capital Planning* – Develops both short- and long-term capital plans to ensure sufficient, safe, quality water is available to meet customer needs. These plans provide a framework for financial planning and the calculation of development and impact fees.

*Concurrency* - The District submits an annual report to the Summit County Concurrency Officer that outlines District water source and demand. The concurrency officer analyzes this report and provides the District with a concurrency rating. The District continues to receive concurrency ratings for its water supply that exceed demand.

*Water Source Management* – District water sources are managed to maximize long-term utilization at the lowest cost.

*SCADA, Telemetry, and Security* – Provides installation and operation of all information technology systems that monitor water supply and demand, tank levels, pumping activity, and security to help identify issues quickly and to manage resources more efficiently.

*GIS / GPS* – Collects information on the location of all water system infrastructure including wells, tanks, pumps, main lines, fire hydrants, master meters, pressure reducing valves, and other critical meters. This information can then be recorded electronically on GIS mapping software using GPS coordinates, allowing for quicker location of water system assets.

2011 Department Budget

There is only a small decrease in the 2011 budget, as the District relies heavily on technology to promote efficiency.

Technology Management							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 109,233	\$ 122,669	\$ 134,200	\$ 134,200	\$ 103,900	\$ (30,300)	
Equipment, Furnishings, and Computers	50,377	83,441	72,600	83,400	126,500	43,100	
Professional Services	17,711	10,699	15,000	20,000	20,000	-	
Utilities	47,347	59,576	48,000	53,000	50,500	(2,500)	
Water Production	35,174	13,590	14,000	36,000	24,000	(12,000)	
<b>Total</b>	<b>\$ 259,842</b>	<b>\$ 289,975</b>	<b>\$ 283,800</b>	<b>\$ 326,600</b>	<b>\$ 324,900</b>	<b>\$ (1,700)</b>	<b>(0.5) %</b>

### 6.1.2 Lost Canyon Transmission

#### Programs

*Transmission* – Provides for the operation and maintenance of the District’s Rockport power substation and booster pumps; and the water transmission line from Rockport to the Signal Hill Treatment Plant at the top of Promontory. *Transmission* provides raw water for both the District and Park City.

*Water Treatment* – Operates and maintains the Signal Hill Treatment Plant to provide culinary water throughout the District.

*Power Management* – With completion of the Lost Canyon expansion project, the District has the ability to manage its water systems in a way that reduces power costs by pumping more water during off-peak rate periods.

#### 2011 Department Budget

Budget funds have been transferred from other departments to fund increased costs relating to pretreatment, and pumping more water though Lost Canyon for both the District and Park City.

Lost Canyon Transmission							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 149,220	\$ 161,600	\$ 169,000	\$ 169,000	\$ 215,500	\$ 46,500	
Materials, Supplies & Training	4,529	2,355	1,400	3,800	1,600	(2,200)	
Vehicle Supplies & Maintenance	21,024	17,426	16,600	19,500	22,600	3,100	
Lost Canyon Lease Fees	352,109	436,356	420,000	506,600	526,000	19,400	
Maintenance & Repairs	202,708	281,910	321,600	304,200	369,300	65,100	
<b>Total</b>	<b>\$ 729,591</b>	<b>\$ 899,646</b>	<b>\$ 928,600</b>	<b>\$ 1,003,100</b>	<b>\$ 1,135,000</b>	<b>\$ 131,900</b>	<b>13.1 %</b>

### 6.1.3 Distribution

#### Programs

*Distribution System Operations* - Operating and monitoring wells, storage facilities, and distribution lines to provide water delivery to customers.

*Maintenance and Repairs* – Preventative maintenance and high quality repairs is critical to the long-term operational and financial viability of the District.

*Fleet and Equipment Management* - Acquisition and proper maintenance of appropriate vehicles and equipment improves productivity, safety, and effectiveness.

## 2011 Department Budget

Resources for *Distribution* have been shifted to *Lost Canyon Transmission* for 2011 as more water is taken from the Lost Canyon project, and less from other water sources in the District.

Distribution							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 639,428	\$ 704,232	\$ 730,200	\$ 738,200	\$ 737,100	\$ (1,100)	
Materials, Supplies & Training	13,588	7,064	3,900	11,200	3,900	(7,300)	
Services	324,302	80,050	305,200	330,300	300,900	(29,400)	
Vehicle Supplies & Maintenance	63,072	52,279	49,600	58,500	45,600	(12,900)	
Utilities	167,824	256,342	274,600	287,000	261,000	(26,000)	
Maintenance Supplies & Repairs	273,409	152,691	158,000	237,000	160,000	(77,000)	
Insurance	59,878	61,260	59,900	64,300	70,400	6,100	
<b>Total</b>	<b>\$ 1,541,502</b>	<b>\$ 1,313,918</b>	<b>\$ 1,581,400</b>	<b>\$ 1,726,500</b>	<b>\$ 1,578,900</b>	<b>\$ (147,600)</b>	<b>(8.5) %</b>

### 6.1.4 Safety & Risk Management

#### Programs

*Safety & Risk Management* - Safety for customers, employees and the public is a priority for the District. Safety & Risk Management provides safety training and helps ensure compliance with safety standards.

#### 2011 Department Budget

The 2011 budget is lower than past years as the District has acquired significant safety supplies and equipment.

Safety & Risk Management							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 7,978	\$ 8,073	\$ 6,300	\$ 6,300	\$ 6,600	\$ 300	
Materials, Supplies & Training	15,973	7,629	6,000	13,000	7,000	(6,000)	
Professional Services	-	1,279	2,500	2,500	2,000	(500)	
<b>Total</b>	<b>\$ 23,951</b>	<b>\$ 16,981</b>	<b>\$ 14,800</b>	<b>\$ 21,800</b>	<b>\$ 15,600</b>	<b>\$ (6,200)</b>	<b>(28.4) %</b>

## 6.2 GENERAL MANAGER

### 6.2.1 Engineering & Development

#### Programs

*New Development* – Monitors proposed new development within the District. This includes reviewing annexation proposals; reviewing and approving water system plans and plat reviews; performing water system infrastructure inspections and approvals; determining the impact of proposed development on existing District water infrastructure for both the short- and long-term; and identifying ways to mitigate potential impacts.

*Standards and Regulations* – Establishes and maintains reasonable, sound, and fair construction standards, and rules and regulations.

*Project Management* – Manages all District financed capital projects and coordinates with other governmental agencies on projects for which the other agencies pay.

#### 2011 Department Budget

Budget resources have been transferred to *Lost Canyon Transmission* as new development has slowed.

Engineering & Development								
	2008	2009	2010	2010	2011	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted	Adopted
						\$ Change	\$ Change	% Change
Salary & Wages	\$ 87,851	\$ 92,214	\$ 95,400	\$ 100,000	\$ 85,500	\$ (14,500)		
Materials, Supplies & Training	3,942	5,109	3,800	8,900	3,800	(5,100)		
Professional Services	1,036	610	100	4,000	2,000	(2,000)		
<b>Total</b>	<b>\$ 92,829</b>	<b>\$ 97,933</b>	<b>\$ 99,300</b>	<b>\$ 112,900</b>	<b>\$ 91,300</b>	<b>\$ (21,600)</b>		<b>(19.1) %</b>

### 6.2.2 Human Resources

#### Programs

*Human Resource Administration* – The General Manager acts as the Human Resource Manager to administer the compensation plan, evaluations, employee incentives, promotions, hiring, firing and employee discipline.

*Legal Compliance* – District legal counsel provides advice on legal and compliance issues related to employees.

*Benefit Administration* – The Financial Manager oversees the administration of employee benefits including health and dental insurance, retirement, 401(k) programs, disability insurance, etc.

## 2011 Department Budget

For 2011, the District has not funded its merit bonus program, which accounts for most of the decrease in the budget.

Human Resources							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ -	\$ 39,734	\$ 22,000	\$ 38,000	\$ 19,100	\$ (18,900)	
Materials, Supplies & Training	555	4,190	2,100	3,400	2,300	(1,100)	
Professional Services	1,023	1,143	100	4,300	500	(3,800)	
<b>Total</b>	<b>\$ 1,578</b>	<b>\$ 45,067</b>	<b>\$ 24,200</b>	<b>\$ 45,700</b>	<b>\$ 21,900</b>	<b>\$ (23,800)</b>	<b>(52.1) %</b>

### 6.2.3 Legal Services

The General Manager coordinates all legal issues with the Administrative Control Board, and the Summit County Council, as appropriate.

#### Programs

*Litigation - Legal Services* counsels the District on legal issues and represents the District in all its lawsuits.

*Agreements - Legal Services* drafts and/or reviews all agreements prior to their final approval in order to protect the District's interests.

*Water Rights - Legal Services* coordinates water rights issues.

## 2011 Department Budget

Several pending legal issues were resolved in 2009 and 2010, including the Promontory developer bankruptcy. This allowed for a budget decrease in 2010. Keep in mind it is difficult to predict future legal issues.

Legal Services							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 69,206	\$ -	\$ -	\$ -	\$ -	\$ -	
Materials, Supplies & Training	1,586	449	-	5,000	-	(5,000)	
Professional Services	110,829	57,650	51,900	100,000	50,000	(50,000)	
<b>Total</b>	<b>\$ 181,621</b>	<b>\$ 58,099</b>	<b>\$ 51,900</b>	<b>\$ 105,000</b>	<b>\$ 50,000</b>	<b>\$ (55,000)</b>	<b>(52.4) %</b>

## 6.4 PUBLIC SERVICES

### Programs

*Customer Service* - Outstanding customer service by all employees is a top priority.

*Public Relations* - The District promotes effective communication of issues and accomplishments to customers, the media, and the general public.

*Conservation Education* – It is vital to educate customers on the importance of conservation and ways to reduce water usage.

*Liaison Services* – Serves as liaison to outside governmental agencies. Cooperation among these entities maximizes the quality of all public services.

*Office Management* - The front office is the first line of contact with customers either on the telephone, through faxes, or face to face. Public Services deals regularly with customers, developers, title companies, vendors, and potential new customers.

*Records Management* – The District maintains a large quantity of financial, engineering, customer, legal, and other records as required by state law.

### 2011 Department Budget

Some manpower is being shifted from this budget to *Lost Canyon Transmission* in 2011.

Public Services								
	2008	2009	2010	2010	2011	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted	Adopted
						\$ Change	\$ Change	% Change
Salary & Wages	\$ 307,313	\$ 334,573	\$ 347,300	\$ 347,500	\$ 321,700	\$ (25,800)		
Materials, Supplies & Training	52,194	44,532	58,600	69,100	58,500	(10,600)		
Services / Control Board / Employee Programs	23,228	19,489	19,600	22,600	19,600	(3,000)		
Equipment, Furnishings, and Computers	-	316	-	-	-	-		
<b>Total</b>	<b>\$ 382,735</b>	<b>\$ 398,910</b>	<b>\$ 425,500</b>	<b>\$ 439,200</b>	<b>\$ 399,800</b>	<b>\$ (39,400)</b>		<b>(9.0) %</b>

## 6.5 FINANCIAL MANAGEMENT

### Programs

*Accounting* - Tracks all financial transactions, implements sound internal controls, provides financial reports, tracks cash and other assets; and administers the accounts payables and cash receipt functions.

*Payroll* - Collects time records, prepares paychecks, and sends payment for federal and state payroll taxes, and employee benefits.

*Procurement* - Coordinates the purchase of goods and services including the preparation of purchase orders and the review of all contracts.

*Financial Planning & Budget* - Coordinates with the strategic planning process to facilitate financial planning and District budgets. This includes financial analysis, and rate and fee studies. Finance also evaluates and recommends short- and long-term financing.

2011 Department Budget

This budget has no significant issues.

Financial Management							
	2008	2009	2010	2010	2011	2011	2011
	Actual	Actual	Management	Adopted	Control Board	to 2010	to 2010
			Projection	Budget	Recommendation	Adopted	Adopted
						\$ Change	% Change
Salary & Wages	\$ 178,630	\$ 180,973	\$ 194,600	\$ 195,600	\$ 182,600	\$ (13,000)	
Materials, Supplies & Training	1,435	1,427	1,000	1,000	1,000	-	
Professional Services	20,975	25,120	25,200	28,400	28,400	-	
<b>Total</b>	<b>\$ 201,040</b>	<b>\$ 207,520</b>	<b>\$ 220,800</b>	<b>\$ 225,000</b>	<b>\$ 212,000</b>	<b>\$ (13,000)</b>	<b>(5.8) %</b>