

2017



WaterOne

Water District No. 1 of Johnson County

BUDGET

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2017 Budget

Adopted December 13, 2016

by the Board of Water District No. 1 of Johnson County, Kansas

BOARD:

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Robert P. Reese, Vice Chair
Brenda Cherpitel
Terrence D. Frederick
Mark Parkins
James E. Vader
Dennis Wilson

FINANCE COMMITTEE:

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Mark Parkins
Robert P. Reese

SENIOR STAFF:

Mike Armstrong, General Manager
Ron Appletoft, Director of Finance
Eric Arner, Director of Legal / Auditing
Janet Barrow, Director of Human Resources / Administration
Mandy Cawby, Director of Customer Relations
Jorge O'Neill, Director of Information Technology
Tom Schrempp, Director of Production
Dan Smith, Director of Distribution
Michelle Wirth, Assistant Director of Production

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EXECUTIVE SUMMARY

Looking back at 2016 ...

The weather in 2016 was relatively normal or average which led to water sales revenue close to budget throughout the year. There were some expense savings from more vacant positions than expected as well as savings on power and chemicals from operational efficiency.

New customer growth for 2016 was very close to the budget. Growth continues to be modest compared to pre-recession levels, but 2016 growth was higher than 2015 and is expected to continue to increase slowly over the next few years until it is back to a “new normal” level.

Investment income was slightly higher than budget but very low by historical standards as short-term interest rates continue to be low.

Looking ahead to 2017 ...

The rate increase is 1.9%, which is less than the 3.0% projected in last year's budget primarily because of smaller than expected price increases for certain operations and maintenance expenses and lower increases in necessary capital replacements. In general, declining energy and commodity costs are affecting the prices of goods and services either directly or indirectly and that is having a positive impact on the budget.

The 2017 rate increase will allow WaterOne to execute its strategic goals including the goal to ensure financially stable and predictable rates.

Why the increase?

The largest increase in the budget is a \$2.7M increase in the amount designated from current rates into the Master Plan Capital Fund. Increasing the amount designated to the Master Plan Capital Fund is part of a strategy to help reduce the size of a future bond issue which keeps borrowing at a reasonable and manageable level. This budget item can also be reduced to help offset revenue deficits in a wet year, if necessary.

The second largest impact to the budget is the reduction in gallons sold which is lowering revenue by 0.5%. Domestic (winter) water use continues to decline, which is reflected in the lower budgeted gallons sold for Single Family Residential (R1) and Multi-family Residential (M1) customers who are expected to use less water. This is a national trend due to the efficiency of water-saving devices like low-flow toilets, low-flow shower heads and front-loading clothes washing machines. This reduction in usage is expected to continue into the future and is an important factor in projected future water rate increases.

Total Annual Capital spending is increasing by 0.9% which reflects WaterOne's strategic investment in aging infrastructure. This spending can be variable on a year-to-year basis. The timing of capital requests is determined by the asset management plan which is based on meeting service level goals at the lowest life cycle cost.

Operations and maintenance expenses are increasing by 0.4%. The increase is primarily driven by the additional cost of serving new customers. The number of customers is projected to increase by about 1.0%. The increase in costs from serving new customers is offset by budget reductions in other items like power, chemicals, and fuel costs.

Where the money comes from ...

2017 REVENUE PROJECTIONS: \$113.84M

2017 revenues are projected to increase by \$3.25M, or 2.9%, over 2016 primarily due to the 1.9% overall increase in water rates. Additional revenue from new customers is partially offset by declining domestic water use and there are no significant changes expected in either investment income or other operating revenue.

Comparison of Revenues				
In Millions				
Revenues	2016 Budget	2017 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$108.42	\$111.30	\$2.89	2.7%
Other Operating Revenue	1.50	1.55	0.04	2.8%
Investment Income	0.67	0.99	0.32	47.8%
Total Revenue	\$110.59	\$113.84	\$3.25	2.9%

Numbers may not total due to rounding

Where the money goes ...

2017 REVENUE REQUIREMENTS: \$113.84M

The revenue requirements for 2017 increased by \$3.25M, or 2.9%, over 2016. As shown in the following table the largest increase is in the funding designated to the Master Plan Capital Fund. Operating and maintenance expenses, total annual capital, and debt service are all increasing by less than 1.0% while the funding to reserves is dropping slightly. All of these items are discussed in more detail in the following sections.

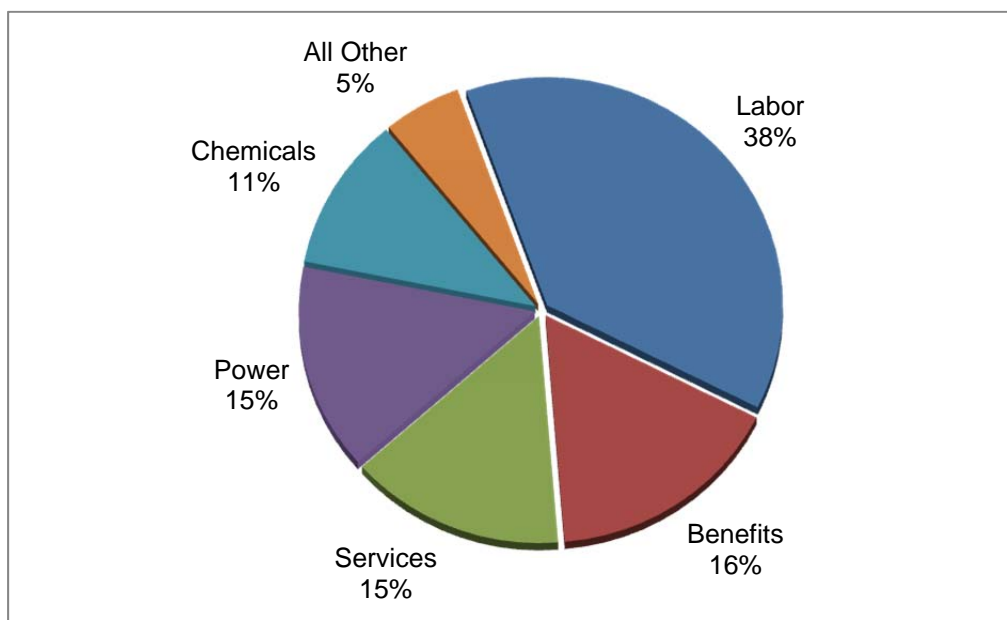
Comparison of Revenue Requirements				
In millions				
Revenue Requirements	2016 Budget	2017 Budget	\$ Inc <Dec>	% Inc <Dec>
Operations & Maintenance Expense	\$53.10	\$53.31	\$0.21	0.4%
Total Annual Capital	24.95	25.18	0.23	0.9%
Debt Service	24.66	24.83	0.17	0.7%
Designated to Master Plan	7.34	10.02	2.68	36.5%
Reserve Funding	0.54	0.51	<0.03>	<5.6%>
Total Revenue Requirements	\$110.59	\$113.84	\$3.25	2.9%

Numbers may not total due to rounding

OPERATIONS & MAINTENANCE EXPENSES: \$53.29M

Operations and Maintenance (O&M) expenses represent 47% of the 2017 budget, which is consistent with prior years. O&M increased 0.4% year-over-year. The table below shows the breakdown of the significant O&M expenses including the difference between 2016 and 2017 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense



In millions

O&M	2016 Budget	2017 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$19.47	\$20.24	\$0.77	3.9%
Benefits	8.63	8.69	0.06	0.7%
Services	8.06	7.87	<0.19>	<2.3%>
Power	8.30	7.82	<0.48>	<5.8%>
Chemicals	5.92	5.83	<0.09>	<1.6%>
All Other	2.71	2.86	0.14	5.3%
Total	\$53.10	\$53.31	\$0.21	0.4%

Numbers may not total due to rounding

Labor

Labor costs include:

- The annual true-up to the 2016 base to reflect the actual outcome of payroll and benefits after turn-over, retirements, and vacancies.
- A 3.5% performance compensation adjustment.
- Overtime.
- Transfers of labor costs to capital projects, capturing true project costs.
- A net increase of 3.625 Full Time Equivalent (FTE) positions.

All positions are assessed based on operational needs including those related to customer growth. Two vacant positions were eliminated and five new positions are requested.

Eliminated Positions

- New Service Coordinator - Full Time
- Legal Intern - Summer

Requested Positions

- Attorney - Full Time
- Facilities Project Engineer - Full Time
- HVAC Tech - Full Time
- Customer Representative - Full Time
- Utility II (Locator) - Full Time

Benefits

Benefits (net of transfers to capital) increased \$62,333 or 0.7% for 2017. Health insurance costs are budgeted to increase 5.7%. That increase is being partially offset by a reduction in other benefit costs including: pension costs, workers compensation, unemployment insurance, and a decrease in the funding needed for the OPEB reserve, which helps fund future retiree health insurance costs. The OPEB decrease is based on the funding projected in the biennial actuarial valuation.

Services

All support services (net of transfers) decreased \$187,749 or 2.3%, in 2017. The largest decreases were in maintenance services due to the completion of a large maintenance project, and non-employee overload due to the elimination of a position that is no longer needed.

Power

The power budget decreased \$482,007 or 5.8% for 2017. Transmission and Source power budgets are decreasing due to the planned use of natural gas engine generators at the Wolcott facility and a decreased Energy Rate Component from the Board of Public Utilities.

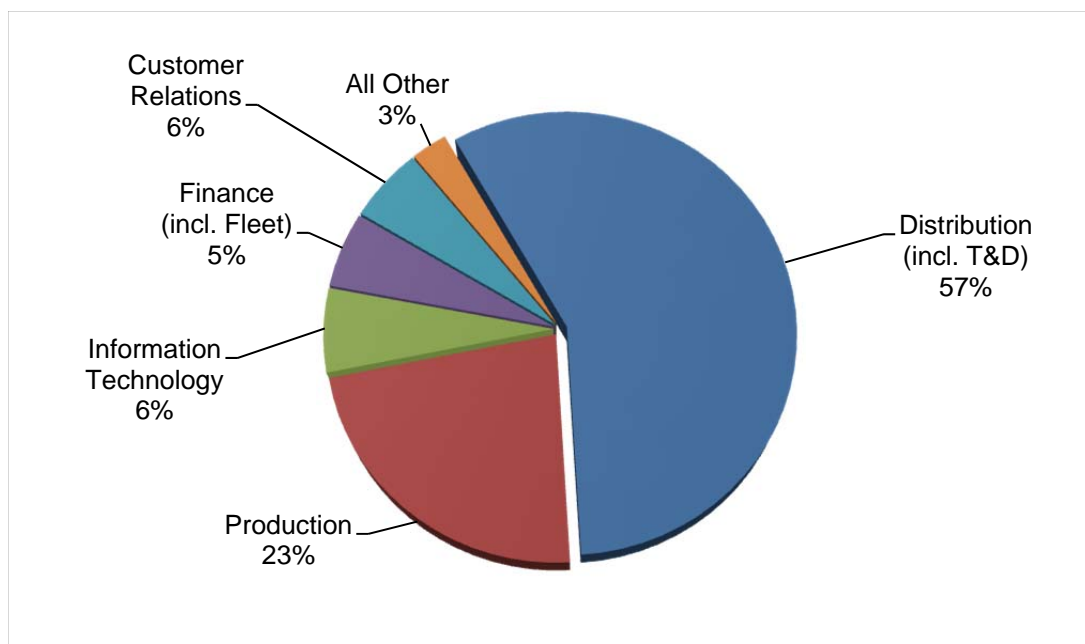
Chemicals

A decrease of \$94,520, or 1.6%, in the 2017 chemical budget is primarily due to a reduction in the price of activated carbon.

TOTAL ANNUAL CAPITAL: \$25.18M

The Total Annual Capital budget for 2017 increased \$225,000 from 2016. Approximately 93% of the budget is used to maintain current facilities and equipment. These needs are continually evaluated to determine the proper time to replace versus repair.

Total Annual Capital by Division



In millions

	2016 Budget	2017 Budget	\$ Inc <Dec>	% Inc <Dec>
Total Annual Capital				
Transmission & Distribution	\$14.44	\$14.41	<\$0.03>	<0.2%>
Production	4.21	5.74	1.53	36.5%
Finance (incl. Fleet)	1.53	1.39	<0.15>	<9.5%>
Customer Relations	0.97	1.39	0.43	44.0%
Information Technology	2.00	1.54	<0.46>	<23.2%>
Distribution	0.77	0.04	<0.74>	<95.3%>
All Other	1.03	0.67	<0.36>	<35.0%>
Total Annual Capital	\$24.95	\$25.18	\$0.23	0.9%

Numbers may not total due to rounding

Annual Capital increased for 2017 by \$0.26M. These capital requests are used to replace obsolete or worn-out equipment, purchase new equipment and technology, and make improvements to existing assets. Approximately \$8.46M is for replacement while \$1.68M is for new capital. The primary reason for the increase in 2017 is the increase in source and treatment facility projects, which vary annually based on the asset management plan.

EXECUTIVE SUMMARY

The Transmission & Distribution (T&D) budget has decreased by \$0.03M to \$14.41M. WaterOne continues to execute its asset management strategy to target replacement of aging infrastructure at the lowest life-cycle cost. The decrease in 2017 is due to lowering the budgets in the non-replacement categories, which continue to be less than budgeted and historical averages.

Transmission & Distribution (T&D) – included in Distribution above

In millions	2016 Budget	2017 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$6.28	\$7.07	\$0.79	12.6%
General Improvements	2.42	2.22	<0.20>	<8.3%>
Distribution Main Breaks	2.40	1.88	<0.52>	<21.7%>
Distribution Main Relocations	1.81	1.62	<0.19>	<10.5%>
Transmission Main Capital	0.98	1.02	0.04	4.1%
Condition Assessment	0.55	0.60	0.05	9.1%
Subtotal T&D Funding	\$14.44	\$14.41	<\$0.03>	<0.2%>

DEBT SERVICE: \$24.83M

Debt Service for 2017 increased \$0.17M, or 0.7%, from 2016 as determined by the previously scheduled bond principal and interest payments.

DESIGNATED TO MASTER PLAN: \$10.04M

“Designated to Master Plan” is funding from current revenues to help fund major capital improvements. This debt management strategy recognizes that current customers benefit from Master Plan projects and contributes a percentage of annual water sales accordingly. These funds also reduce reliance on future debt, benefitting all ratepayers.

The 2017 budget of \$10.02M is 8.8% of total revenue. The target minimum contribution is 5.0% of total revenue. This budget has varied from a low of 0.0% in 2007 to a high of 12.3% in the year 2000.

RESERVE FUNDING: \$0.51M

Reserve funding consists of funding mandated by the bond covenants, calculated increases in the negative cash flow reserve, and changes in investment income restricted to the Master Plan Capital Fund. Interest rates and projected revenue requirements cause the required threshold of funding to fluctuate from year to year.

IN SUMMARY

Despite the challenges of declining domestic water consumption, below average customer growth in recent years, historically low investment yields, and an aging infrastructure, WaterOne’s financial position continues to be strong thanks to its capital investment strategy, quality staff, and ability to adapt to the variability of weather. WaterOne remains committed to its track record of steady and predictable rate adjustments which provide stability for its residential customers and the rebounding business community.

The 2017 budget provides the resources needed to deliver on WaterOne’s vision of “*Setting the Standard for Utility Excellence.*”

OVERVIEW

Budget Review and Approval Process

The Finance Division kicks off the budget planning cycle in the first quarter with an initial planning meeting to go over budget targets and challenges with managers and directors. All budget forms, instructions, standards, and schedules are then posted on WaterOne's intranet budgeting site.

In the first step, Financial Planning & Analysis (FP&A) meets with department managers regarding any additional personnel requests to gather data and develop a Metrics Based Analysis (MBA) to justify the submission. The MBAs are data-driven analyses based on actual work produced, task-time estimates, constraining parameters, and assumptions. Alternatives and consequences of non-approval are also documented.

Next, the FP&A Department prepares an initial operations & maintenance budget for each department using zero-based budgeted, historical data, trend analysis and any other known relevant information. FP&A then meets with each manager/director to get input and make required adjustments based on changing operational needs, new programs and goals.

Capital projects are submitted by the managers to FP&A who then reviews amounts and justifications. For specialized requests such as computer equipment, modifications to facilities, and fleet, the department responsible for the asset's installation and/or maintenance works with the requestor to ensure that it meets the stated needs and that the amount is appropriate.

Five year plans are also updated for capital and personnel. At this point, directors review, provide input, and after any additional changes, approve the current year and five year requests.

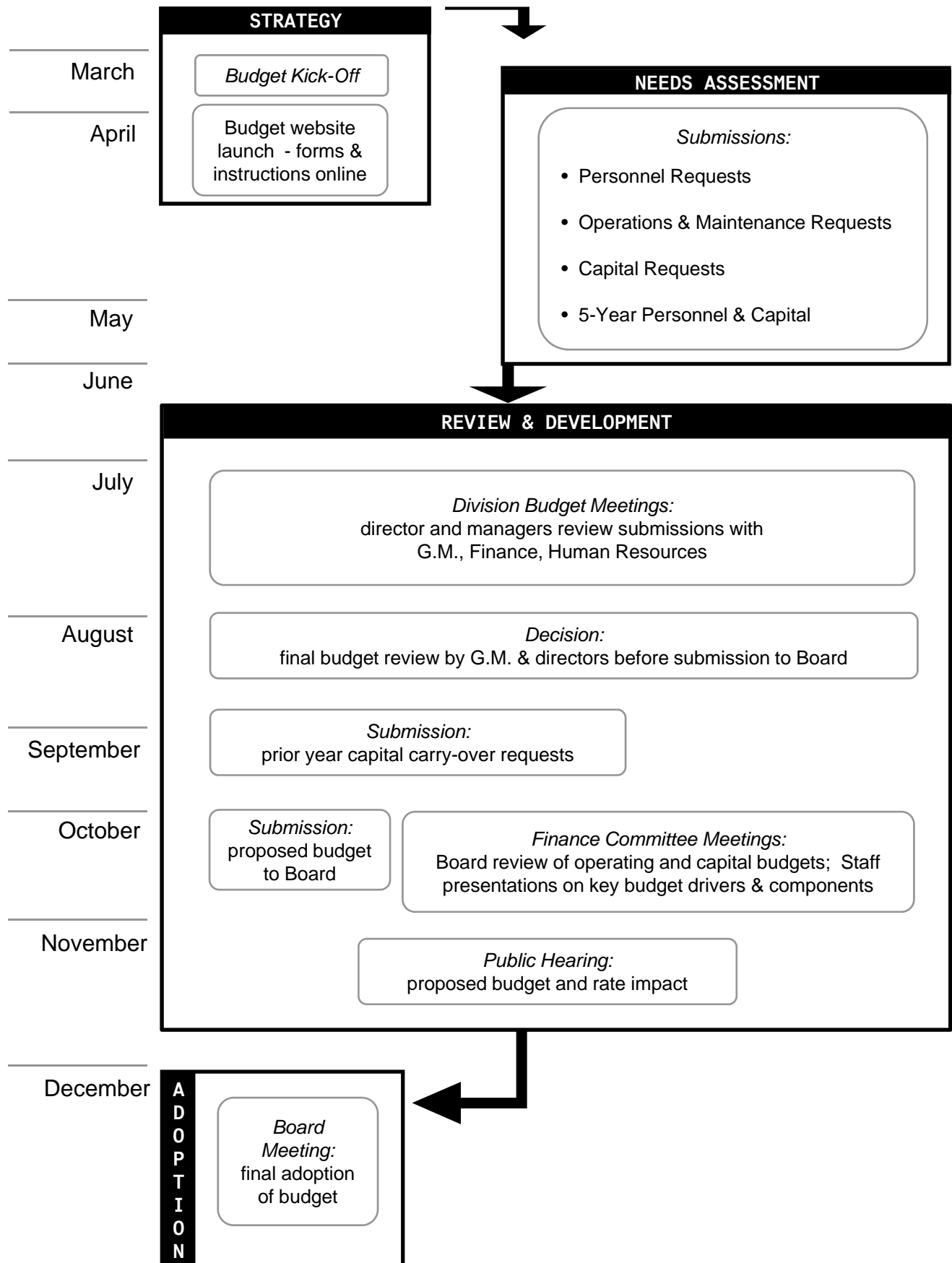
After the directors review and approve the requests, financial modeling is updated with the latest budget submissions and any other revised assumptions and the water rates required to support the budget are produced.

Each division reviews their budget requests with the General Manager and Director of Finance. Strategic objectives and specific line items are discussed. After final changes are made and final approval is received from the General Manager, the appropriate documents are prepared for Board review.

The Board reviews the recommended budget in two work sessions in the fall. Once the Board has fully reviewed the recommended budget and provided direction to management, a public hearing is held in November. Additional adjustments to the recommended budget may be made at that time.

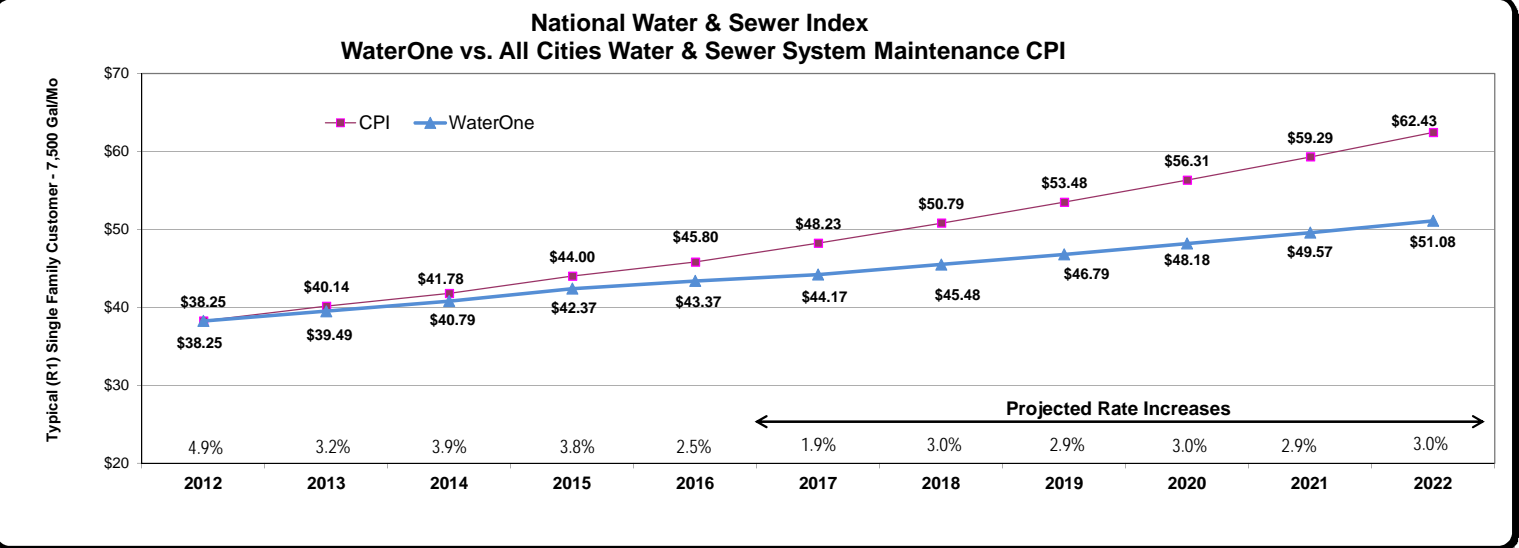
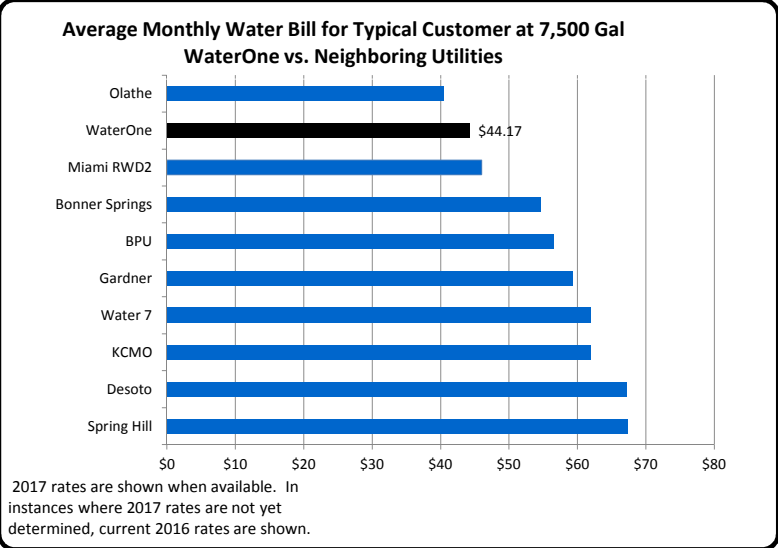
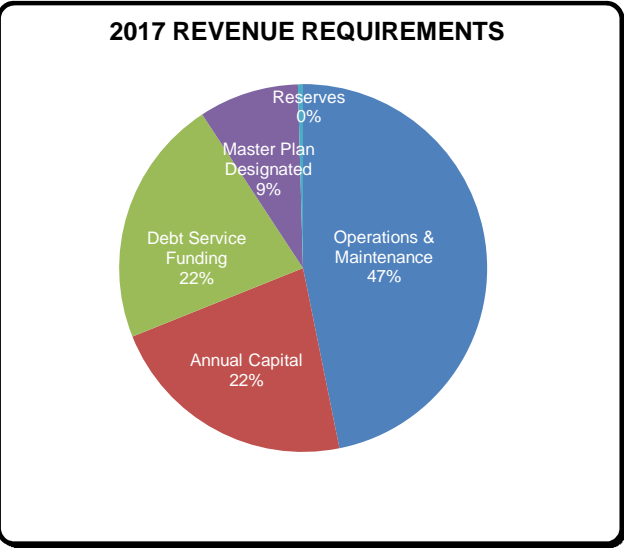
The final budget is approved at the regularly scheduled December Board meeting. Water rates to support the budget become effective with water used on or after the beginning of the new fiscal year on January 1.

2017 BUDGET PROCESS



WATERONE FINANCIAL OVERVIEW

TOTAL ANNUAL OPERATING BUDGET	4.9%	3.2%	3.9%	3.8%	2.5%	1.9%	3.0%★	2.9%★	3.0%★	2.9%★	3.0%★	WATER RATES																																																								
	2012 ACTUAL	2013 ACTUAL	2014 ACTUAL	2015 ACTUAL	2016 BUDGET	2017 BUDGET	2018 PROJECTION	2019 PROJECTION	2020 PROJECTION	2021 PROJECTION	2022 PROJECTION																																																									
REVENUES PROVIDED:												<div>LONG TERM MODEL PROJECTION ASSUMPTIONS</div> <div>Budgeted Customer Growth per Year</div> <table><tr><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr><tr><td>1,500</td><td>1,600</td><td>1,700</td><td>1,800</td><td>1,900</td><td>1,900</td></tr></table> <div>Actual Customer Growth per Year</div> <table><tr><th>2012</th><th>2013</th><th>2014</th><th>2015</th><th>2016</th></tr><tr><td>1,077</td><td>1,349</td><td>1,581</td><td>1,224</td><td>1,500 (Est)</td></tr></table> <div>Gallons Per Customer Per Year:</div> <table><tr><td>Residential Single Family (R1)</td><td>88,500</td><td>gallons</td></tr><tr><td>Multi-Family (M1)</td><td>451,630</td><td>gallons</td></tr><tr><td>Small Commercial (C1)</td><td>217,000</td><td>gallons</td></tr><tr><td>Large Commercial (C2)</td><td>1,504,952</td><td>gallons</td></tr></table> <div>Interest % Yield on Investment Income</div> <table><tr><th>2017</th><th>2018</th><th>2019</th><th>2020</th><th>2021</th><th>2022</th></tr><tr><td>0.75%</td><td>1.00%</td><td>1.50%</td><td>2.00%</td><td>2.50%</td><td>2.50%</td></tr></table> <div>O&M Assumptions (2018-2022)</div> <table><tr><td>Payroll</td><td>3.75%</td></tr><tr><td>Power</td><td>5.0%</td></tr><tr><td>Chemicals</td><td>4.0%</td></tr><tr><td>Health Ins.</td><td>10.0%</td></tr><tr><td>All Other O&M</td><td>3.0%</td></tr></table> <div>Annual Capital Assumptions</div> <p>Inflation rate at 4%</p> <div>★ Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.</div> <div>Assumes all 5/8" System Development Charges</div>	2017	2018	2019	2020	2021	2022	1,500	1,600	1,700	1,800	1,900	1,900	2012	2013	2014	2015	2016	1,077	1,349	1,581	1,224	1,500 (Est)	Residential Single Family (R1)	88,500	gallons	Multi-Family (M1)	451,630	gallons	Small Commercial (C1)	217,000	gallons	Large Commercial (C2)	1,504,952	gallons	2017	2018	2019	2020	2021	2022	0.75%	1.00%	1.50%	2.00%	2.50%	2.50%	Payroll	3.75%	Power	5.0%	Chemicals	4.0%	Health Ins.	10.0%	All Other O&M	3.0%
2017	2018	2019	2020	2021	2022																																																															
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Chemicals	4.0%																																																																			
Health Ins.	10.0%																																																																			
All Other O&M	3.0%																																																																			
Sales Of Water	\$ 114,672,701	\$ 97,594,794	\$ 96,571,419	\$ 94,775,765	\$ 108,416,875	\$ 111,304,896	\$ 115,325,994	\$ 119,532,195	\$ 124,077,578	\$ 128,826,584	\$ 133,930,300																																																									
Sales Of Water - Wholesale	-	-	-	-	-	-	-	-	-	-	-																																																									
Other Operating Revenues	1,369,535	1,273,121	1,302,105	1,289,499	1,503,500	1,545,000	1,559,000	1,573,000	1,587,000	1,601,000	1,615,000																																																									
Total Operating Revenues	116,042,236	98,867,915	97,873,524	96,229,765	109,920,375	112,849,896	116,884,994	121,105,195	125,664,578	130,427,584	135,545,300																																																									
Investment Income (General and P&I Funds)	228,044	197,373	287,353	358,053	660,000	940,000	1,260,000	1,810,000	2,430,000	3,110,000	3,130,000																																																									
Investment Income (Bond & SDC Fund)	7,266	-	64,193	189,725	10,000	50,000	200,000	50,000	-	-	-																																																									
Total Investment Income	235,310	197,373	351,546	547,778	670,000	990,000	1,460,000	1,860,000	2,430,000	3,110,000	3,130,000																																																									
TOTAL REVENUES PROVIDED	\$ 116,277,546	\$ 99,065,287	\$ 98,225,070	\$ 96,777,543	\$ 110,590,375	\$ 113,839,896	\$ 118,344,994	\$ 122,965,195	\$ 128,094,578	\$ 133,537,584	\$ 138,675,300																																																									
REVENUE REQUIREMENTS:																																																																				
Operations & Maintenance Expense	\$ 48,869,902	\$ 47,214,225	\$ 48,769,727	\$ 46,817,259	\$ 53,099,363	\$ 53,308,419	\$ 55,851,250	\$ 58,366,338	\$ 58,919,377	\$ 61,914,705	\$ 65,277,320																																																									
Annual Capital	5,275,895	3,166,509	2,721,823	5,736,185	10,510,000	10,765,000	11,760,000	12,230,000	12,720,000	13,220,000	13,740,000																																																									
Current Year Carryovers to be Spent in Following Year	6,109,537	4,207,532	5,593,129	5,213,191	-	-	-	-	-	-	-																																																									
Transmission and Distribution (T&D) Funding	11,170,000	11,950,000	13,174,000	13,743,000	14,440,000	14,410,000	15,574,000	16,825,000	18,209,000	19,699,000	21,315,000																																																									
Total Annual Capital	22,555,432	19,324,041	21,488,952	24,692,376	24,950,000	25,175,000	27,334,000	29,055,000	30,929,000	32,919,000	35,055,000																																																									
Debt Service Funding	18,923,282	21,273,985	23,728,410	22,624,501	24,663,482	24,831,043	25,082,706	27,572,506	28,733,060	28,670,064	28,668,681																																																									
Master Plan Designated	15,245,657	4,063,989	1,559,690	400,000	7,337,530	10,015,434	8,687,038	6,771,351	8,653,141	8,703,815	8,264,299																																																									
Investment Income (Bond & SDC Fund)	10,000	-	64,193	189,725	10,000	50,000	200,000	50,000	-	-	-																																																									
Repayment of Bond Payoff to Master Plan	3,754,167	3,587,500	2,259,167	2,170,000	-	-	-	-	-	-	-																																																									
Total Transfers to Master Plan	19,009,824	7,651,489	3,883,050	2,759,725	7,347,530	10,065,434	8,887,038	6,821,351	8,653,141	8,703,815	8,264,299																																																									
Bond Covenant & Capital Reserves	-	-	(145,068)	533,729	140,000	70,000	780,000	710,000	400,000	830,000	920,000																																																									
Negative Cash Flow Reserve	500,000	500,000	500,000	-	390,000	390,000	410,000	440,000	460,000	500,000	490,000																																																									
TOTAL REVENUE REQUIREMENTS	\$ 109,858,440	\$ 95,963,740	\$ 98,225,070	\$ 97,427,589	\$ 110,590,375	\$ 113,839,896	\$ 118,344,994	\$ 122,965,195	\$ 128,094,578	\$ 133,537,584	\$ 138,675,300																																																									
Funds Available for Reservation	\$ 6,419,106	\$ 3,101,547	\$ -	\$ (650,046)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -																																																									
Senior Parity and 2nd Lien Debt Service Coverage	3.56	2.44	2.08	2.21	2.33	2.44	2.49	2.34	2.41	2.50	2.56																																																									
MASTER PLAN CAPITAL FUND																																																																				
Carryover Reserves Available for Future Awards	\$ 17,610,555	\$ 26,250,055	\$ 32,263,852	\$ 52,376,319	\$ 41,165,815	\$ 28,975,033	\$ 27,973,541	\$ 16,030,682	\$ 18,437,269	\$ 16,936,760	\$ 19,165,454																																																									
Funding Sources:																																																																				
Net Bond Proceeds	-	-	78,328,280	-	-	42,000,000	-	15,000,000	-	-	-																																																									
Designated for Master Plan from Annual Budget	15,245,657	8,563,989	1,559,690	400,000	7,337,530	10,015,434	8,687,038	6,771,351	8,653,141	8,703,815	8,264,299																																																									
System Development Charge (SDC) Revenue	6,600,000	8,700,000	10,500,000	7,500,000	8,300,000	7,282,500	7,848,000	8,678,500	9,567,000	10,545,000	10,868,000																																																									
Reserve Transfers	4,181,807	-	3,450,000	1,800,000	-	-	-	2,280,115	-	-	-																																																									
Investment Income (Bond & SDC Fund)	40,364	-	-	116,644	10,000	50,000	200,000	50,000	-	-	-																																																									
Total Funding Sources	\$ 26,067,828	\$ 17,263,989	\$ 93,837,970	\$ 9,816,644	\$ 15,647,530	\$ 59,347,934	\$ 16,735,038	\$ 32,779,966	\$ 18,220,141	\$ 19,248,815	\$ 19,132,299																																																									
TOTAL FUNDS AVAILABLE	\$ 43,678,383	\$ 43,514,044	\$ 126,101,822	\$ 62,192,963	\$ 56,813,345	\$ 88,322,966	\$ 44,708,579	\$ 48,810,648	\$ 36,657,411	\$ 36,185,575	\$ 38,297,752																																																									
Master Plan Project Costs (Award Basis)	\$ 17,428,328	\$ 11,250,192	\$ 73,725,503	\$ 21,027,147	\$ 27,838,312	\$ 60,349,426	\$ 28,677,897	\$ 30,373,378	\$ 19,720,651	\$ 17,020,121	\$ 19,006,773																																																									



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2017 Adopted Budget to 2016 Adopted Budget
2017 Water Rate Increase = 1.9%

	2016 ADOPTED BUDGET @ 2.5%	2017 ADOPTED BUDGET @ 1.9%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 108,416,875	\$ 108,416,875	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	1,253,811	1,253,811	1.2%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(405,784)	(405,784)	-0.4%
5 Increase Required from Rate Adjustment	na	2,039,994	2,039,994	1.9%
6 TOTAL SALES OF WATER	\$ 108,416,875	\$ 111,304,896	\$ 2,888,021	2.7%
7 Delayed Payment Charges	\$ 570,000	\$ 600,000	\$ 30,000	5.3%
8 Field Service Charges	350,000	350,000	-	0.0%
9 Other Operating Revenues	583,500	595,000	11,500	2.0%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,503,500	\$ 1,545,000	\$ 41,500	2.8%
11 Investment Income (General and P&I Funds)	\$ 660,000	\$ 940,000	\$ 280,000	42.4%
12 Investment Income (Bond & SDC Fund)	10,000	50,000	40,000	NA
13 TOTAL INVESTMENT INCOME	\$ 670,000	\$ 990,000	\$ 320,000	47.8%
14 TOTAL REVENUES PROVIDED	\$ 110,590,375	\$ 113,839,896	\$ 3,249,521	2.9%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 53,099,363	\$ 53,308,419	\$ 209,056	0.4%
17 Annual Capital	\$ 10,510,000	\$ 10,765,000	\$ 255,000	2.4%
18 T&D Funding	14,440,000	14,410,000	(30,000)	-0.2%
19 TOTAL ANNUAL CAPITAL	\$ 24,950,000	\$ 25,175,000	\$ 225,000	0.9%
20 Senior Parity Bonds	\$ 15,931,589	\$ 16,368,275	\$ 436,686	2.7%
21 2nd Lien Bonds	8,731,894	8,462,769	(269,125)	-3.1%
22 TOTAL DEBT SERVICE FUNDING	\$ 24,663,482	\$ 24,831,043	\$ 167,561	0.7%
23 Master Plan Designated	\$ 7,337,530	\$ 10,015,434	\$ 2,677,904	36.5%
24 Investment Income (Bond & SDC Fund)	10,000	50,000	40,000	NA
25 Repayment of Bond Payoff to Master Plan	-	-	-	#N/A
26 TOTAL TRANSFERS TO MASTER PLAN	\$ 7,347,530	\$ 10,065,434	\$ 2,717,904	37.0%
27 Reserve for Sec. 703 Bond Resolution	\$ 140,000	\$ 70,000	\$ (70,000)	-50.0%
28 Negative Cash Flow Reserve	390,000	390,000	-	0.0%
29 TOTAL REQUIRED RESERVE FUNDING	\$ 530,000	\$ 460,000	\$ (70,000)	-13.2%
30 TOTAL REVENUE REQUIREMENTS	\$ 110,590,375	\$ 113,839,896	\$ 3,249,521	2.9%
31 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 57,491,012	\$ 60,531,477	\$ 3,040,465	5.3%
32 Senior Parity & 2nd Lien Debt Service (Line #22)	\$ 24,663,482	\$ 24,831,043	\$ 167,561	0.7%
33 DEBT SERVICE COVERAGE (Ln #31 / Ln #32)	2.33	2.44		
34 ADJUSTMENT TO WATER RATES	2.5%	1.9%		

Percentages may not add due to rounding

OVERVIEW

FUND STRUCTURE

For financial statement purposes, all transactions are reported in one enterprise fund. However, because of the designation of funds for different purposes by the WaterOne Board and Bond Covenants, the single enterprise fund is divided into several internal funds.

General Fund:

All operating income and expenditures are recorded in this fund. Revenue generated from operations is transferred to Master Plan, Transmission and Distribution, and Debt Service. This fund collects all of the water sales and other operating income and is responsible for the costs of operating, managing and maintaining the water system as well as ongoing capital requirements and debt service.

Master Plan:

The major sources of funding are:

System Development Charges (SDCs) – SDCs are the primary recurring source of revenue and are a fee paid by new customers when they apply for a new service connection. The revenue is designated by the Board from the General Fund to Master Plan.

Bond Proceeds – WaterOne issues tax exempt revenue bonds for funding of the Master Plan when necessary. Bonds are used to fund the construction of significant expansions and replacements. The use of bonds helps avoid abnormally large water rate increases and improves equity between generations of WaterOne customers.

Transfers from the General Fund (Water Rates) – As part of the regular annual budget funding is planned, designated, and transferred to Master Plan.

Spending includes projects to build new or replace facilities related to water treatment, pumping and storage, as well as new transmission and distribution water mains. These facilities are needed primarily to increase water supply to serve new customers.

Transmission and Distribution:

Funding is transferred from the General Fund at a designated amount that is part of the annual budget request, and is spent annually on water main, fire hydrant, and service connection relocation, replacement and repair.

Debt Service:

This fund is required to accumulate and transmit principal and interest as scheduled. The funding is transferred from the General Fund and is included in the annual budget request.

Bond Reserve:

Revenue Bond Covenants require either a cash reserve or a surety policy underwritten by a triple-A rated insurer. During 2008 the insurer of the surety policy was downgraded, and as a result, the Bond Reserve Funds were created.

Rate Stabilization:

Funding is provided by excess year-end funds when available and not from the approved annual budget. Funds can only be undesignated by the Board.

Fund Balance Summary by Fund

	General Fund	Master Plan	Transmission & Distribution	Debt Service	Bond Reserve	Rate Stabilization	Total
Fund Balance at 12/31/2016	\$ 50,646,880	\$ 63,186,494	\$ 4,940,757	\$ 1,604,902	\$ 22,286,644	\$ 9,200,000	\$ 151,865,677
Water Sales	111,304,896	-	-	-	-	-	111,304,896
Other Operating Revenues	1,545,000	-	-	-	-	-	1,545,000
Investment Income	940,000	50,000	-	-	-	-	990,000
System Development Charges	-	7,282,500	-	-	-	-	7,282,500
Bond Proceeds	-	42,000,000	-	-	-	-	42,000,000
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	10,015,434	14,410,000	24,831,043	-	-	49,256,477
Total Revenue & Transfers In	\$ 113,789,896	\$ 59,347,934	\$ 14,410,000	\$ 24,831,043	\$ -	\$ -	\$ 212,378,873
Operations & Maintenance Expense	53,308,419	-	-	-	-	-	53,308,419
Capital Spending	10,765,000	42,163,788	14,410,000	-	-	-	67,338,788
Debt Service Payments	-	-	-	24,527,535	-	-	24,527,535
Transfer to Debt Service	24,831,043	-	-	-	-	-	24,831,043
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	14,410,000	-	-	-	-	-	14,410,000
Transfers to Master Plan	10,015,434	-	-	-	-	-	10,015,434
Total Expenditures & Transfers Out	\$ 113,329,896	\$ 42,163,788	\$ 14,410,000	\$ 24,527,535	\$ -	\$ -	\$ 194,431,219
Projected Fund Balance at 12/31/2017	\$ 51,106,880	\$ 80,370,640	\$ 4,940,757	\$ 1,908,410	\$ 22,286,644	\$ 9,200,000	\$ 169,813,331
Increase (Decrease) in Fund Balance	\$ 460,000	\$ 17,184,146	\$ -	\$ 303,508	\$ -	\$ -	\$ 17,947,654
Percent Change in Fund Balance	0.9%	27.2%	0.0%	18.9%	0.0%	0.0%	11.8%

Changes in Fund Balance

General Fund: The increase is minimal and reflective of a balanced budget. The only planned increase is related to the projected increase in the minimum bond covenant reserves.

Master Plan: The large increase in the fund balance is the result of issuing bonds for financing the Ozone Generation Facility and Hydro Power Generation.

Transmission and Distribution: There is no change projected in the fund balance. The fund is expected to spend the money provided from the annual budget.

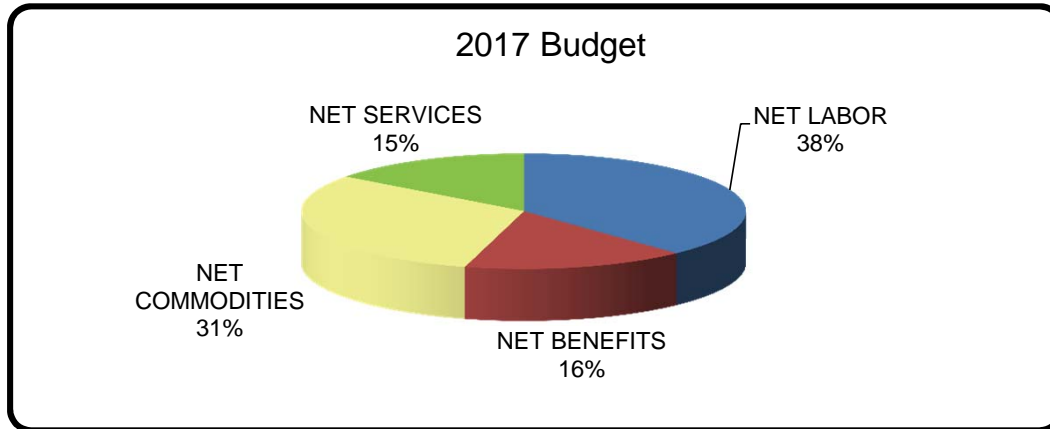
Debt Service: There is normally very little change in the fund balance.

Bond Reserve: The bond reserve is fully funded and should not change unless bonds are paid off.

Rate Stabilization: Balance should not change unless there is an authorized expenditure or replenishment from the Board.

2017 O&M Budget
Compared to 2016 Budget

SIGNIFICANT ACCOUNTS



Contained in this report is a listing of all significant accounts. Significant accounts comprise 5% or more of their category (Payroll, Benefits, Commodities, Services), or have a change of both \$25,000 and 5% from the prior year budget.

	2016 Budget	2017 Budget	\$ Inc/(Decr)	% Inc/ (Decr)
NET LABOR	\$19,472,105	\$20,238,525	\$766,421	3.9%
NET BENEFITS	8,626,482	8,688,815	62,333	0.7%
NET COMMODITIES	16,939,163	16,507,215	(431,948)	(2.5%)
NET SERVICES	8,061,613	7,873,863	(187,749)	(2.3%)
Total	\$53,099,363	\$53,308,419	\$209,056	0.4%

(numbers may not add due to rounding)

**2017 Budget Compared to 2016 Budget
By Category**

ACCOUNTS - BY CATEGORY

11/2/2016

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				

Labor - Non OT	24,403,962	25,154,763	750,801	3.1%
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Labor-Non OT Gross includes projected payroll costs for all authorized WaterOne employees. In projecting labor, it is assumed that all current authorized positions are filled as of January 1, 2017. Budgeted salaries have a reduction of 1.0% for slippage.

The 2017 Labor Budget is increasing a total of \$750,801 or 3.1% over the 2016 Budget. After the annual true-up to reflect the actual outcome of payroll after turn-over, retirements and vacancies, the beginning base is \$24,046,372.

		<u>% Chg from 2016 Budget</u>
2016 Budget Gross Payroll	\$ 24,403,962	
Annual True-Up of 2016 Base	(357,590)	-1.5%
2017 Beginning Base	\$ 24,046,372	
Eliminated Positions	(51,887)	-0.2%
New Authorizations	318,656	1.3%
	\$ 24,313,141	
Performance Compensation (a)	841,623	3.5%

Total Projected 2017 Labor Budget	\$ 25,154,763	3.1%
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Numbers may not add due to rounding.

(a) Performance Compensation is calculated as a percent of 2017 Beginning Base Pay. A 3.5% overall Performance Compensation adjustment is budgeted.

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
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The significant budget factors in 2017 are:

1) *Annual True-Up of Beginning Base* (\$357,590)

The decrease to the beginning base is made up of two factors.

- The annual true-up of the base represents the difference in pay for vacated positions, retirements, and reclassifications that are hired or reclassified at a lower rate of pay. The amount of savings attributable to these factors was \$335,440.
- One-time performance pay was \$22,150. It is not part of base pay and becomes part of the annual true-up.

2) *Eliminations/New Authorizations* \$266,769

- A total of 5 new full time positions are requested for a total of \$318,656.
- A total of 2 positions, 1 full time and 1 summer, were eliminated for a total of \$51,887.
- The 2017 Budget authorized headcount is 382 full time, 6 part time, and 20 temporary/summer. The 6 part time and 20 temporary/summer represent 9.15 full time equivalents for a total of 391.15 full time equivalents.

3) *Performance Compensation Adjustments* \$841,623

- A performance adjustment increase of 3.5% is budgeted at \$841,623.

All Other PAYROLL Accounts	1,108,388	1,136,749	28,361	2.6%
PAYROLL Transfers	(6,040,245)	(6,052,986)	(12,741)	0.2%
Net PAYROLL	19,472,105	20,238,525	766,421	3.9%

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
BENEFITS				
Employee Insurance - Health	4,261,871	4,503,254	241,383	5.7%
The budgeted components of the increase in health insurance are a budgeted 5.0% premium rate increase, 1.3% increase for additional personnel, and 0.6% decrease related to the employee coverage mix and slippage.				
Total Pension Accounts	3,786,958	3,661,822	(125,136)	(3.3%)
The Total Pension budget is comprised of both Defined Benefit Plans and Defined Contribution Plans, which include plans for employees hired prior to January 1, 2014 ("legacy" plans) and employees hired after that ("new" plans). Over time the budgets for the legacy plans will go down as the budgets for the new plans will increase because of employee turnover.				
	2017 Budget	% Change from 2016 Budget		
<i>Defined Benefit (DB) Plans</i>				
412010 - Pension DB – Final Pay Plan	2,490,918	(6.9%)		
412050 - Pension DB – Cash Balance Plan	38,504	(64.1%)		
Total DB Plans	2,529,422			
<i>Defined Contribution (DC) Plans</i>				
412020 - Pension DC – District	429,213	(7.2%)		
412052 - Pension DC – (New) District	148,011	63.5%		
Total DC - Base	577,224			
412030 - Pension DC – Match	302,166	(7.2%)		
412051 - Pension DC – (New) Match	253,010	104.3%		
Total DC - Match	555,176			
<i>Grand Total Pension</i>	<u>3,661,822</u>	(3.3%)		

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
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The Pension Components for 2017 are:

1) Defined Benefit

Pension DB – Final Pay Plan	2,676,786	2,490,918	(185,868)	(6.9%)
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Changes to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The 2017 budget is decreasing primarily due to lower projected plan participation (plan is closed to new participants) and lower losses.

Pension DB – Cash Balance Plan	107,285	38,504	(68,781)	(64.1%)
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The Cash Balance Plan was effective for new employees on January 1, 2014. The budget for the account reflects projections for 2017 payroll costs, participation rates and the plan design for normal cost of approximately 0.6%.

2) Defined Contribution - Base

Pension DC – District	462,750	429,213	(33,537)	(7.2%)
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This budget covers the District's contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on eligible full time employee base salary as a percent of gross salary. The decrease is due to reduced participation in this plan which is closed to new participants hired January 1, 2014 and after.

Pension DC – (New) District	90,542	148,011	57,469	63.5%
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This budget covers the District's contribution to the employees' voluntary Defined Contribution retirement account for all employees hired after January 1, 2014. The budget is based on the projected eligible full time employee base salary as a percent of gross salary. The budget increase is due to more participants entering the plan.

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
3) Defined Contribution - Match				
Pension DC – Match	325,776	302,166	(23,610)	(7.2%)
This budget covers the District's matching contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on projected payroll and participation rates of eligible employees. The decrease is due to reduced participation in this plan which is closed to new participants hired January 1, 2014 and after.				
Pension DC – (New) Match	123,819	253,010	129,191	104.3%
This budget covers the District's matching contribution to the employees' voluntary Defined Contribution retirement account for all employees hired after January 1, 2014. The budget is based on the projected payroll and participation rates of eligible full time employees. The budget increase is due to more participants entering the plan.				
FICA	1,879,620	1,917,686	38,066	2.0%
The budget increase is due to the higher projected payroll and includes FICA for additional employee requests.				
Worker's Compensation	538,576	479,681	(58,895)	(10.9%)
The budget reduction is based on the 2016 premium quote from the insurance provider. Premiums are adjusted annually based payroll data and claims history.				
Other Post Employment Benefits (OPEB)	200,000	150,000	(50,000)	(25.0%)
OPEB is for eligible employees' future covered health care after retirement. OPEB costs are recognized and booked on an accrual basis over the retiree's active working lifetime. AARP and health insurance costs for those who are under 65 years of age are based on actual premiums paid by WaterOne. The key assumptions are the cost of health care coverage which varies by age, the number of retirees, and the discount rate. The reduction is based on a schedule of funding provided by the actuary.				
Unemployment Insurance	71,263	25,232	(46,031)	(64.6%)
The budget is based on the 2017 rate at 0.10%. The 2016 rate was 0.29%.				
All Other BENEFITS Accounts	958,633	977,649	19,016	2.0%
TOTAL BEFORE TRANSFERS	11,696,921	11,715,324	18,403	0.2%
BENEFITS Transfers	(3,070,439)	(3,026,509)	43,930	(1.4%)
Net BENEFITS	8,626,482	8,688,815	62,333	0.7%

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
COMMODITIES				
Chemicals - Water Treatment	5,924,648	5,830,128	(94,520)	(1.6%)
Various chemicals are used to make clean, safe, potable water. The budget for this account is based on an operational plan by month for the Kansas and Missouri intakes and the Hansen and Wolcott treatment facilities. The plan is based on projected water produced, price of chemicals, and dose of chemical required. The budget for 2017 is decreasing primarily due to a reduction in the price of activated carbon. Other cost decreases are related to operational changes that have reduced the need for chemicals to treat hardness and alkalinity.				
Power - Transmission	4,484,307	4,154,660	(329,647)	(7.4%)
This budget is for power from the Board of Public Utilities (BPU) for transmission of water to the distribution system. The budget for this account is based on an operational plan by month for the two treatment facilities. The 2017 budget is decreasing due to the planned use of natural gas engine generators at the Wolcott facility as well as a decrease in the Energy Rate Component (ERC).				
Power - Source	2,300,742	2,079,675	(221,067)	(9.6%)
This budget is for power from the Board of Public Utilities (BPU) at source or intake facilities. The budget for this account is based on an operational plan by month for the four sources. The 2017 budget is decreasing due to the planned use of natural gas engine generators at the Wolcott facility, a decrease in the ERC, and a decrease related to the change in rate category at the KS Presedimintation facility.				
Power - Distribution	1,517,967	1,586,674	68,707	4.5%
This budget is for power primarily from Kansas City Power & Light (KCP&L) at the pump stations throughout the distribution system. The budget for this account is based on an analysis of the historical trends for power use at each of the large pump stations. The budget is increasing primarily due to a projected 3.0% KCP&L rate increase as well as the first full year operating the Ralph G. Wyss Pump Station.				
Material & Supplies	1,375,277	1,374,353	(924)	(0.1%)
Material and supplies are non-inventory items that are necessary to operate and maintain WaterOne facilities. This account is included because it makes up more than 5% of the Commodities category.				
Inventory Withdrawals	1,105,012	943,198	(161,814)	(14.6%)
This budget covers stock material, parts and commodities, including fuel for the fleet, used from inventory. Fuel makes up the majority of this budget. The cost per gallon is reduced from \$3.11 in the 2016 budget to \$2.04 in 2017.				

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Small Tools & Equipment	77,795	202,705	124,910	160.6%
The budget is increasing because a CMVS annual capital program for small tools will now be expensed to this account. This change was made due to a new accounting industry recommended best practice.				
Natural Gas	195,979	350,905	154,926	79.1%
The increase in Natural Gas is due to the addition of the Wolcott engine generators which will be used to reduce power costs by peak shaving during high demand periods.				
BPU Water Purchased In-House	121,500	90,000	(31,500)	(25.9%)
The budget is based on the actual three year average. This account is for water purchased from BPU at the Missouri Presedimentation and Intake facilities. The water is used to cool bearing pumps, potable water, intake screen wash and usage for dilution on the chlorine dioxide generator. The budget decrease is due to a true-up to actual historical usage.				
All Other COMMODITIES Accounts	605,242	639,144	33,902	5.6%
COMMODITIES Transfers	(769,306)	(744,227)	25,079	(3.3%)
Net COMMODITIES	16,939,163	16,507,215	(431,948)	(2.5%)

SERVICES

Pavement Repair	853,500	887,050	33,550	3.9%
This account includes the restoration of pavement, curbs, and sidewalks damaged because of transmission and distribution main breaks. The budget is based on a historical analysis, which includes an average number of main breaks and average cost per break. The budget for 2017 is higher than 2016 due to contractor price increases.				
Property & Liability Insurance	665,000	657,631	(7,369)	(1.1%)
The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary, Auto and Cyber Liability. The budget is based on the 7/1/2016 renewals.				

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
PC Software License & Maintenance	517,759	594,918	77,159	14.9%
<p>This account covers WaterOne's software licenses and maintenance on that software. It is divided into two areas. Both areas experienced a budget increase in 2017 which is described below.</p> <p>1. GIS software: GIS, computer aided design, hydraulic modeling software, and SCADA software. This account increased \$24,959 in 2017 primarily due to the need for additional ArcGIS licenses and an increase in the annual maintenance contract for the SCADA control system platform.</p> <p>2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget has increased \$45,400 in 2017 primarily due to additional licenses and an increase in the annual maintenance contract for Microsoft. There are increases in the annual maintenance contracts for SAP and Structured Query Language (SQL) server tools, as well as an Adobe upgrade.</p>				
Clean Drinking Water Fee	591,085	594,452	3,367	0.6%
<p>The clean drinking water fee is assessed by the State of Kansas at three cents per thousand gallons sold. The fee was put in place in lieu of sales tax in 2002. Approximately 50% of the fee is transferred to capital expenditures through an overhead. The budget is based on the projected number of retail gallons sold in a normal year.</p>				
Contracted Services	580,156	580,744	588	0.1%
<p>These are services that are not cost-effective to complete in-house. Increases to contracted services for repairs and other work at the the administrative headquarters and service center were offset by the elimination of two contracts in IT for monitoring of communications systems which were planned but not implemented. This account has not changed significantly from 2016, but is included because it makes up more than 5% of the "Services" category.</p>				
Water Billing Services	514,480	494,500	(19,980)	(3.9%)
<p>The printing and mailing of water bills is outsourced. There are two items in this budget. The first is water bills, which includes regular, corrected, and final bills. The second part of the budget is for dunning notices. The budget decrease is due to needing fewer bill inserts.</p>				
Security and/or Security Guards	453,603	455,888	2,285	0.5%
<p>This account covers the cost of outsourced guard services for a "normal" year and camera/monitoring services. For a normal year, patrols include weekdays, weekends, and holidays. The small budget increase is a true-up to current pricing and services. The account is included as significant because it makes up more than 5% of the Services category.</p>				

11/2/2016

	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Maintenance Services	408,490	274,950	(133,540)	(32.7%)
This account covers outsourced maintenance. The majority of the costs are for maintenance of water system facilities, some of which are amortized over several years. The budget is decreasing primarily due to a maintenance project related to wells that has finished being amortized.				
Cleaning & Inspecting Facilities	174,647	136,219	(38,428)	(22.0%)
Contracts for cleaning and inspection of facilities such as chemical tanks, reservoirs and water tanks are amortized over several years. The decrease for 2017 is due to several earlier projects finishing their amortization prior to the end of 2017. Only one new project was added.				
General Expenses & Miscellaneous	7,000	33,975	26,975	385.4%
This account is increasing primarily to cover WaterOne's 60th anniversary celebrations.				
Non-Employee Overload	85,250	18,500	(66,750)	(78.3%)
The New Services Coordinator position in Developer Services is being eliminate in 2017 in part due to technology improvements. This budget is to provide for temporary assistance during the beginning of 2017 as staff transitions to the improved system. Overload in drafting, customer service and line locating budgeted in 2016 are not required in 2017.				
Financial Advisory Services	41,870	5,000	(36,870)	(88.1%)
In 2016, a budget was included to potentially implement additional Treasury Management Services. After reviewing proposals Finance has opted to manage these processes in-house with the assistance of the principal bank. Remaining costs in this account are for required arbitrage rebate calculations for bond compliance.				
Maintenance - PC & Server Hardware	25,900	-	(25,900)	(100.0%)
This account was utilized for PC and server maintenance that is not part of a regular maintenance contract. Some budgets in this account have been moved to other accounts. Replacement keyboards, mice, and phone headsets moved to Material & Supplies; small software requests moved to Software-Misc. Small Purchases; and audio visual support moved to Contracted Services. Additionally, off-warranty GPS equipment is being replaced with units under a maintenance contract in 2017.				
All Other SERVICES Accounts	3,672,557	3,639,481	(33,076)	(0.9%)
SERVICES Transfers	(529,684)	(499,445)	30,239	(5.7%)
Net SERVICES	8,061,613	7,873,863	(187,749)	(2.3%)
GRAND TOTAL	53,099,363	53,308,419	209,056	0.4%

Numbers may not add due to rounding

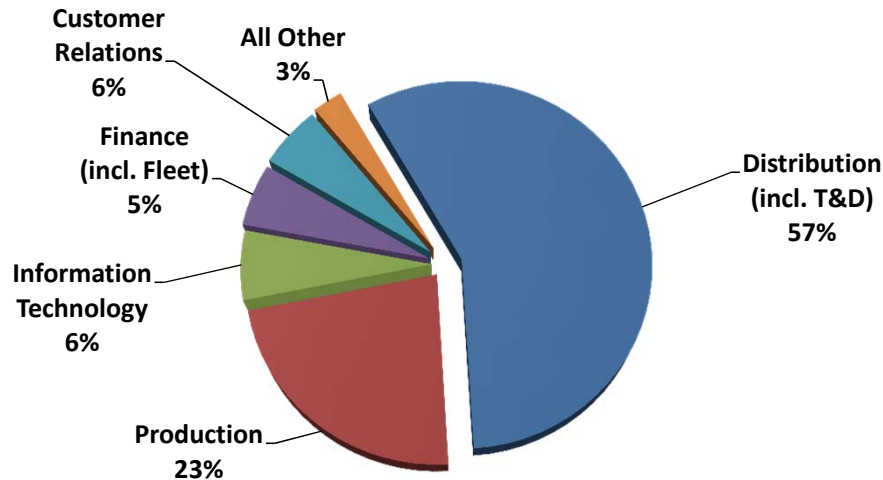
H:\Finance\FINSHARE\1BUDGET\2017 Budget\O&M\[District Level O_M Comparison-172.xlsx]By Category-SIGNIF

OVERVIEW

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION
Comparison of 2016 & 2017

Division	2016 Adopted Budget	2017 Proposed Budget	Dif \$	Dif %	% of Total Capital Requests	
					2016	2017
Distribution (incl. T&D)	15,212,004	14,446,155	(765,849)	(5.0%)	61.0%	57.4%
Production	4,208,539	5,742,910	1,534,371	36.5%	16.9%	22.8%
Information Technology	2,002,274	1,538,210	(464,064)	(23.2%)	8.0%	6.1%
Finance (incl. Fleet)	1,534,413	1,388,614	(145,799)	(9.5%)	6.1%	5.5%
Customer Relations	967,354	1,392,796	425,442	44.0%	3.9%	5.5%
Human Resources / Administration	424,204	43,077	(381,127)	(89.8%)	1.7%	0.2%
Omissions and Contingencies	601,212	623,238	22,026	3.7%	2.4%	2.5%
Total Annual Capital	\$ 24,950,000	\$ 25,175,000	\$ 225,000	0.9%	100%	100%

PERCENT OF TOTAL ANNUAL CAPITAL BUDGET



Transmission & Distribution (T&D) -included in *Distribution Division* above

	2016	2017	\$ Incr/(Decr)	% Incr/(Decr)
Distribution Main Replacements	6,280,000	7,070,000	790,000	12.6%
General Improvements	2,420,000	2,220,000	(200,000)	(8.3%)
Distribution Main Breaks	2,400,000	1,880,000	(520,000)	(21.7%)
Distribution Main Relocations	1,810,000	1,620,000	(190,000)	(10.5%)
Transmission Main Capital	980,000	1,020,000	40,000	4.1%
Condition Assessment	550,000	600,000	50,000	9.1%
Subtotal T&D Funding	14,440,000	14,410,000	\$ (30,000)	(0.2%)

2017 REVENUE SUMMARY

OPERATING REVENUE ASSUMPTIONS

Comparison of Revenues

Revenue Type	2016 Budget	2017 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$108,416,875	\$111,304,896	\$2,888,021	2.7%
Other Operating Revenues	1,503,500	1,545,000	41,500	2.8%
Investment Income	670,000	990,000	320,000	47.8%
Total	\$110,590,375	\$113,839,896	\$3,249,521	2.9%

Sales of Water

Sales of Water in 2017 is projected to increase 2.7% or \$2,888,021

- An overall 1.9% rate increase will produce \$2,039,994 additional water sales revenue.
- 1,500 new customers will provide additional revenue of \$1,253,811. WaterOne projects new customer growth by analyzing the long term historical average as well as the recent growth trends.
- The true-up of 2015 actual customer growth caused a revenue increase of \$213,528.
- A 1.0% budgeted reduction in single family residential (R1) gallons per customer caused revenues to decrease by \$490,960. A reduction in multi-family residential (M1) gallons per customer caused revenue to decrease \$84,855. Residential usage is declining due to more efficient appliances and plumbing fixtures.

Volume Charge vs. Service Charge

- Volume charges are increasing by 2.2% or \$1,848,799 and are 77.6% of revenue
- Service charges are increasing by 4.4% or \$1,039,222 and are 22.4% of revenue

The water sales budget is developed assuming “normal” weather which means that average temperature, rainfall, and rain frequency.

Other Operating Revenues

Delayed Payment Charges

Delayed Payment Charges are applied to water bills paid after the due date. Budgeted revenues from this source are \$600,000 which is a \$30,000 or 5.3% increase from the 2016 budget.

Field Service Charges

Field Service Charges are assessed when service is restored after being shut off for non-payment or other rule violations. This category also includes charges assessed for returned checks. Field Service Charges for 2017 are budgeted to be \$350,000, the same as the 2016 budget.

Miscellaneous Revenue

Miscellaneous Revenue includes revenue from interest income on WaterOne checking accounts, rental income from farm land and wireless phone antennas, sale of miscellaneous equipment, purchasing card revenue sharing, reimbursements from Johnson County Wastewater for WaterOne's IT time, and HomeServe commissions. Budgeted revenue from these sources is \$595,000, an increase of \$11,500 or 2.0% from the 2016 budget. The increase is primarily due to higher earnings on checking account interest.

INVESTMENT INCOME

Investment income is earned on investments made with cash that is not needed for daily operation. Investment income in 2017 is budgeted to be \$990,000. This is an increase of \$320,000 or 47.8% from the 2016 budget. The increase is due to the assumed interest rate increasing from 0.50% to 0.75%.

NON-OPERATING REVENUE (not a funding source for the Annual Budget)

System Development Charges (SDCs)

SDCs are paid by new customers when they apply for a service connection permit. They cannot be used for operating expenses and therefore the revenue is not included as a funding source for the annual budget. SDCs are used to fund Master Plan, though they could be utilized for retire debt. For 2017, SDC income is budgeted at \$7,282,500 which is the same as the 2016 budget. SDCs are conservatively budgeted by assuming that all of the budgeted customer growth will be 5/8" service connections. Customer growth and the 5/8" SDC charge both remain the same as 2016. For 2017, customer growth is budgeted at 1,500 customers and the 5/8" SDC is \$4,855.

WATER RATE STRUCTURE

WaterOne uses a Peak Management Rate (PMR) fee structure for water rates. This is an inclining rate structure designed to encourage customers to reduce peak usage. This delays the need for additional capacity and/or recovers costs more equitably from those customers who choose to have peak water usage. PMR rates are designed to charge a higher amount for water usage above the customer's base usage. Block 1 rates are for volumes up to 125% of the customer's Average Winter Consumption (AWC). Block 2 rates are for those gallons used in excess of 125% of the customer's AWC.

Each customer's AWC is calculated individually based on their actual consumption over the prior winter. There is also a Default AWC for each customer class and the customer is given the benefit of whichever is higher. The Default AWC is used when no individual customer AWC is set, such as for new customers.

The typical customer is defined by a usage pattern of 7,500 gallons per month. This number of gallons is the benchmark for the American Water Works Association (AWWA). The typical customer's bill is calculated as follows:

Block	Gallons	2017 Rates per 1,000 gallons	Total
1	5,930	\$4.08	\$24.21
2	1,570	\$5.43	\$8.51
Service Charge	NA	\$11.45	\$11.45
	7,500		\$44.17

The 2017 rate increase requires the typical customer to pay an additional \$0.80 per month. The schedule on the following page provides the monthly bill impact for a variety of customers.

**Comparison of Volume Rates and Service Charges
2016 to 2017
1.9% Rate Increase**

		Meter Size	2016 Rates	2017 Rates	\$ Increase	% Increase
Retail Service Charges:						
Single Family Residential			Bi-monthly			
Monthly	\$11.45	5/8"	\$22.30	\$22.90	\$0.60	2.7%
	\$15.00	3/4"	\$29.10	\$30.00	\$0.90	3.1%
	\$22.35	1"	\$43.30	\$44.70	\$1.40	3.2%
	\$41.45	1 1/2"	\$80.30	\$82.90	\$2.60	3.2%
	\$62.10	2"	\$120.50	\$124.20	\$3.70	3.1%
	\$150.00	3"	\$274.10	\$300.00	\$25.90	9.4%
	\$235.75	4"	\$456.50	\$471.50	\$15.00	3.3%
All Other			Monthly			
		5/8"	\$13.90	\$14.20	\$0.30	2.2%
		3/4"	\$17.30	\$17.80	\$0.50	2.9%
		1"	\$24.40	\$25.10	\$0.70	2.9%
		1 1/2"	\$42.90	\$44.20	\$1.30	3.0%
		2"	\$63.00	\$64.90	\$1.90	3.0%
		3"	\$139.80	\$152.80	\$13.00	9.3%
		4"	\$231.00	\$238.50	\$7.50	3.2%
		6"	\$480.60	\$505.10	\$24.50	5.1%
Temporary Commercial (All Meter Sizes)			\$89.30	\$90.40	\$1.10	1.2%

Retail Volume Charges per 1,000 Gallons:

Block 1 (0 to 125% of AWC):

All Classes	\$4.02	\$4.08	\$0.06	1.5%
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Block 2 (Over 125% of AWC):

All Classes	\$5.34	\$5.43	\$0.09	1.7%
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Wholesale Water Rates:

Monthly Wholesale Service Charge	\$152.20	\$172.80	\$20.60	13.5%
Volume Charge per 1,000 Gallons	\$3.29	\$3.32	\$0.03	0.9%

AWC = Average Winter Consumption, stated on a "gallons-per-day" basis. The AWC is updated each year effective with the May billings, based on the preceding January - April billing periods.

For calculation of water bills, each customer will be given the benefit of whichever of the following is HIGHER:

- 1) The individual customer's own ACTUAL AWC
- 2) The DEFAULT AWC as defined below.

For Single-Family Residential (R1) customers, the DEFAULT AWC is based on the 5-year average of Individual AWCs of all Single-Family Residential (R1) customers, regardless of meter size.

For all NON-Single-Family Residential (R1) customers, the DEFAULT AWC is based on the 5-year average AWCs of customers with the same meter size and customer class.

**Monthly Bill Impact
By Rate Class and Meter Size**

Rate Class	Meter Size	Monthly Consumption (In Gallons)	Block 1 Gallon %	2016 Avg Bill	2017 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
<i>AWWA Typical Customer</i>	5/8"	7,500	79%	\$ 43.37	\$ 44.17	1.8%	\$ 0.80

Single Family Residential

Low Usage	5/8"	3,662	98%	\$ 25.97	\$ 26.49	2.0%	\$ 0.52
Moderate Usage	5/8"	7,212	86%	\$ 41.48	\$ 42.24	1.8%	\$ 0.76
High Usage	5/8"	12,061	64%	\$ 65.37	\$ 66.52	1.8%	\$ 1.15
Low Usage	1"	4,014	93%	\$ 38.16	\$ 39.11	2.5%	\$ 0.95
Moderate Usage	1"	9,597	71%	\$ 63.90	\$ 65.26	2.1%	\$ 1.36
High Usage	1"	27,324	40%	\$ 153.13	\$ 155.96	1.8%	\$ 2.83

Multi-Family Residential

Low Usage	1"	10,087	99%	\$ 65.08	\$ 66.39	2.0%	\$ 1.31
Moderate Usage	1"	20,463	97%	\$ 107.47	\$ 109.42	1.8%	\$ 1.95
High Usage	1"	44,901	76%	\$ 219.13	\$ 222.84	1.7%	\$ 3.71
Low Usage	1 1/2"	22,503	99%	\$ 133.66	\$ 136.32	2.0%	\$ 2.66
Moderate Usage	1 1/2"	40,447	98%	\$ 206.56	\$ 210.32	1.8%	\$ 3.76
High Usage	1 1/2"	91,255	74%	\$ 441.06	\$ 448.55	1.7%	\$ 7.49
Low Usage	2"	26,213	99%	\$ 168.72	\$ 172.20	2.1%	\$ 3.48
Moderate Usage	2"	51,055	97%	\$ 270.26	\$ 275.27	1.9%	\$ 5.01
High Usage	2"	143,952	67%	\$ 704.39	\$ 716.35	1.7%	\$ 11.96

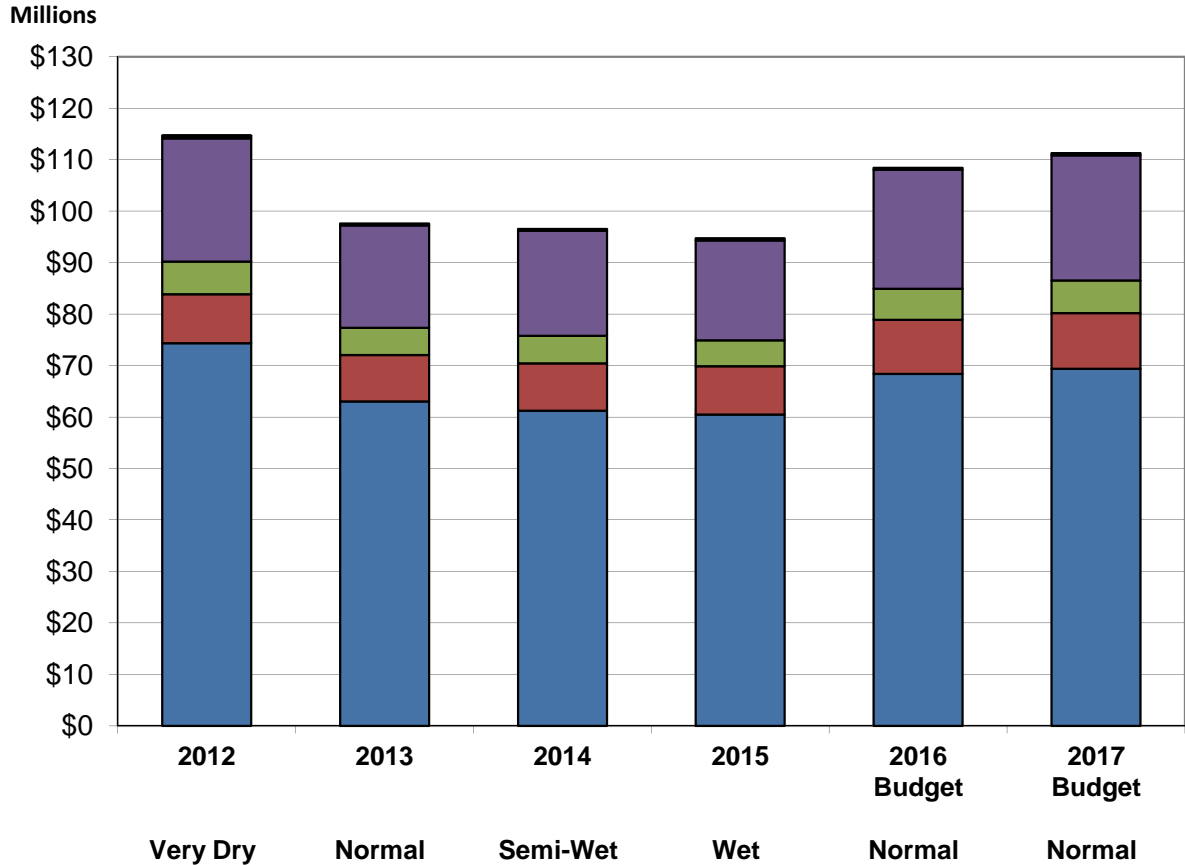
Small Commercial

Low Usage	5/8"	631	99%	\$ 16.44	\$ 16.78	2.1%	\$ 0.34
Moderate Usage	5/8"	2,666	93%	\$ 24.86	\$ 25.33	1.9%	\$ 0.47
High Usage	5/8"	17,979	63%	\$ 94.96	\$ 96.53	1.7%	\$ 1.57
Low Usage	3/4"	1,546	97%	\$ 23.58	\$ 24.17	2.5%	\$ 0.59
Moderate Usage	3/4"	7,929	73%	\$ 52.00	\$ 53.04	2.0%	\$ 1.04
High Usage	3/4"	37,045	42%	\$ 194.58	\$ 197.95	1.7%	\$ 3.37
Low Usage	1"	2,630	98%	\$ 35.04	\$ 35.90	2.5%	\$ 0.86
Moderate Usage	1"	12,543	80%	\$ 78.13	\$ 79.66	2.0%	\$ 1.53
High Usage	1"	51,618	51%	\$ 265.29	\$ 269.84	1.7%	\$ 4.55

Large Commercial

Low Usage	1 1/2"	13,793	89%	\$ 100.35	\$ 102.52	2.2%	\$ 2.17
High Usage	1 1/2"	104,689	59%	\$ 520.41	\$ 529.28	1.7%	\$ 8.87
Low Usage	2"	25,028	92%	\$ 166.26	\$ 169.72	2.1%	\$ 3.46
High Usage	2"	175,355	65%	\$ 848.94	\$ 863.20	1.7%	\$ 14.26
Low Usage	3"	100,277	90%	\$ 556.15	\$ 575.47	3.5%	\$ 19.32
High Usage	3"	522,029	69%	\$ 2,451.97	\$ 2,501.15	2.0%	\$ 49.18
Low Usage	4"	327,298	96%	\$ 1,564.02	\$ 1,591.55	1.8%	\$ 27.53
High Usage	4"	2,872,859	77%	\$ 12,652.09	\$ 12,851.79	1.6%	\$ 199.70

HISTORY OF WATER SALES BY RATE CLASS

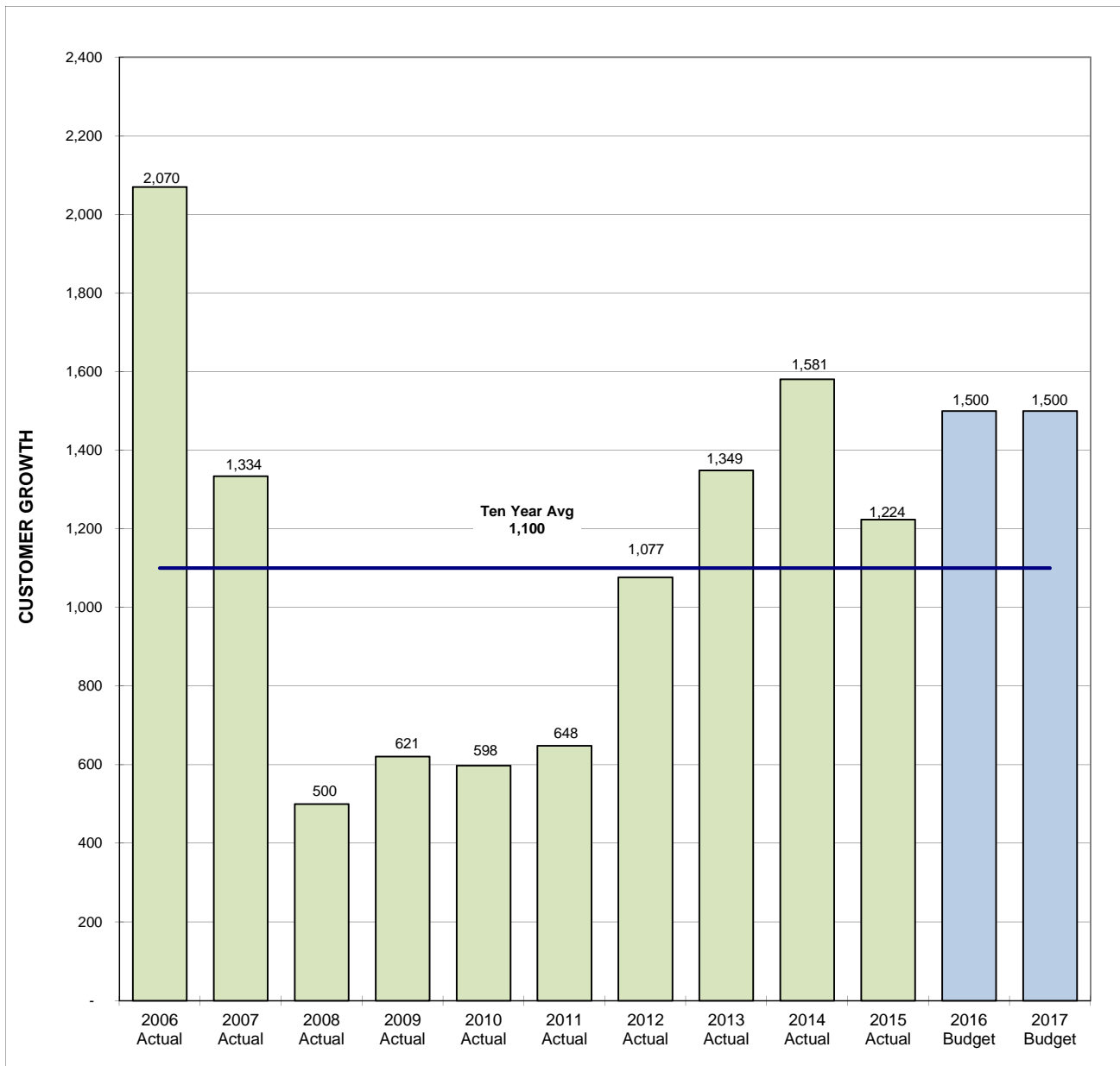


In Million \$'s		2012	2013	2014	2015	2016 Budget	2017 Budget
R1		\$ 74.3	\$ 63.0	\$ 61.2	\$ 60.5	\$ 68.4	\$ 69.3
M1		\$ 9.5	\$ 9.0	\$ 9.2	\$ 9.4	\$ 10.5	\$ 10.9
C1		\$ 6.4	\$ 5.3	\$ 5.3	\$ 5.0	\$ 6.0	\$ 6.3
C2		\$ 24.0	\$ 19.9	\$ 20.4	\$ 19.4	\$ 23.1	\$ 24.3
C3		\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5
W1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 114.7	\$ 97.6	\$ 96.6	\$ 94.7	\$ 108.4	\$ 111.3

R1 = Single Family Residential
M1 = Multi-Family Residential
C1 = Small Commercial

C2 = Large Commercial
C3 = Temporary Commercial
W1 = Wholesale

CUSTOMER GROWTH

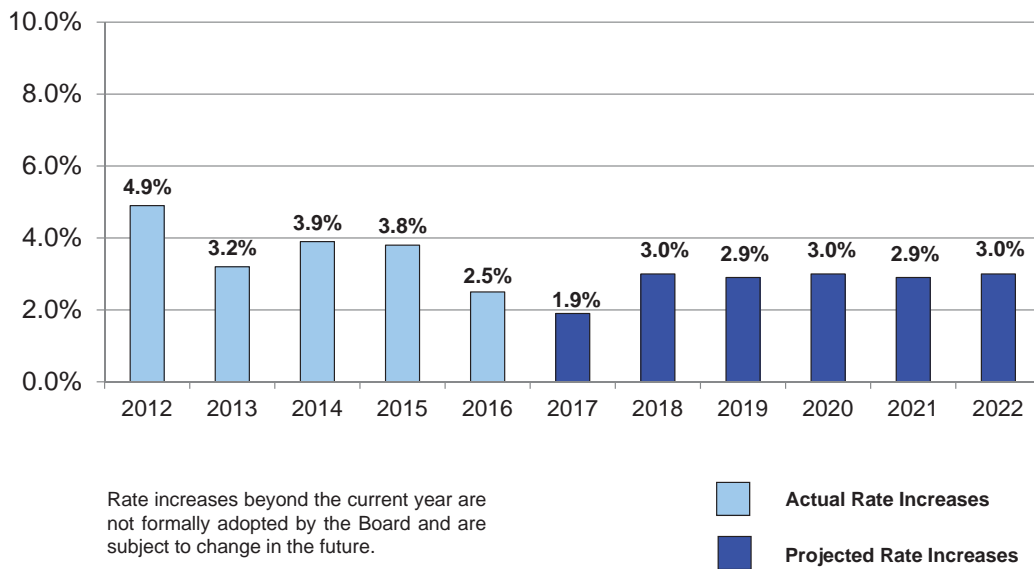


10 Year Average (2006 to 2015) of Customer Growth = 1,100

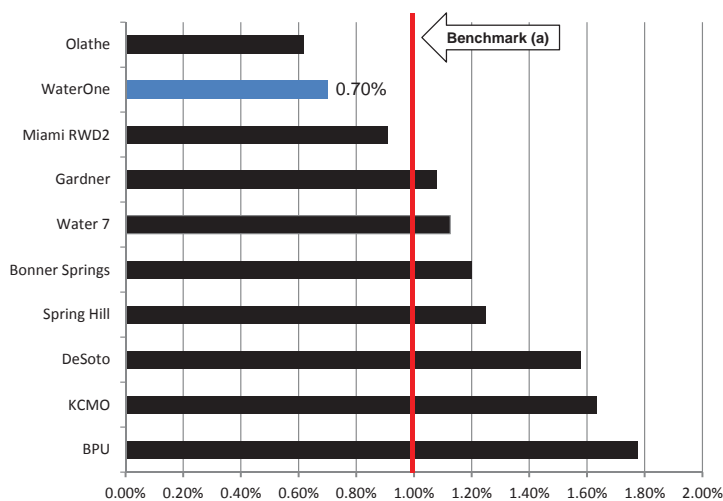
Only normal customer growth is reflected in the graph. Commercial Temporary (C3) customers are excluded from the annual customer growth amounts.

New customer growth is projected considering the long-term historical average, as well as recent trends. The budget is revised on an annual basis.

Water Rate Increases



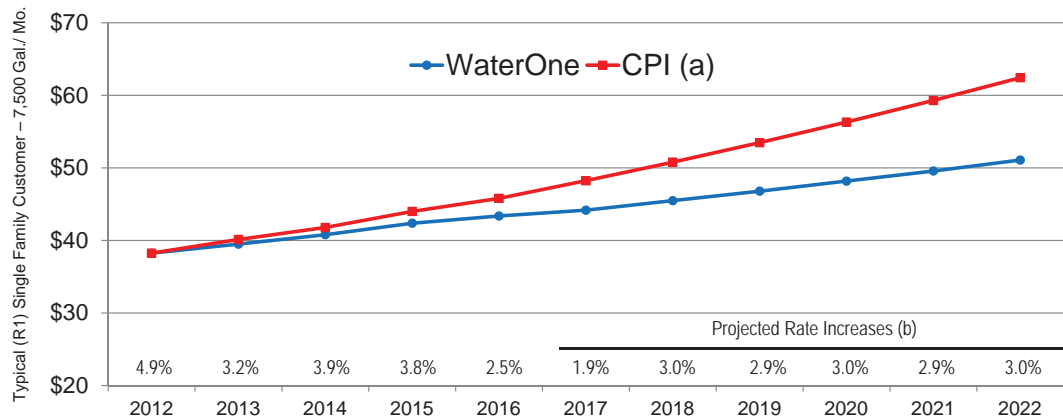
Typical Monthly Water Bill^(b) as a % of Median Household Income



- a) Local economic and demographic factors affect a community's financial capacity to support and pay for drinking water service. Fitch Ratings has indicated that it considers rates that are higher than 1% for an individual water utility to be financially burdensome (Fitch, 2012).
- b) A typical WaterOne customer uses 7,500 gallons per month which may not be true of the other communities shown. A community with a lower "typical" gallons per customer would have a better comparison to the benchmark than is shown in the chart.

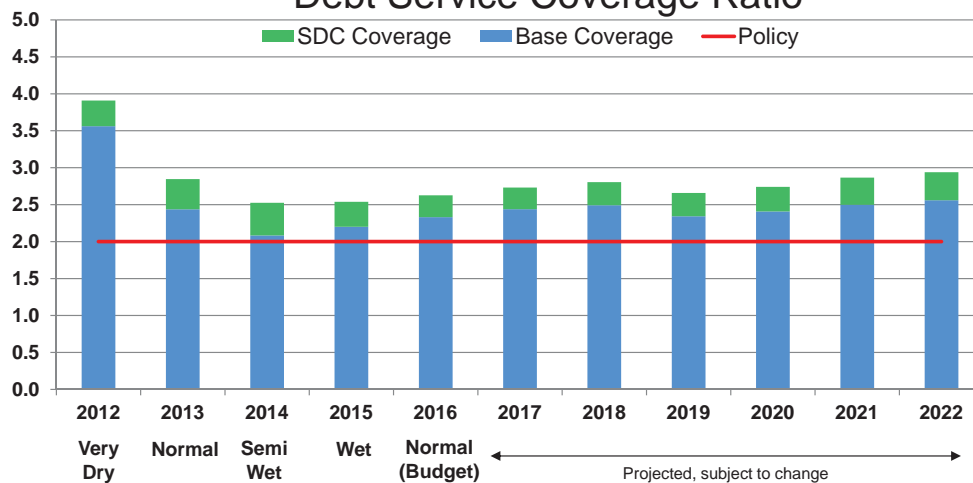
National Water & Sewer Index

WaterOne vs. All Cities Water & Sewer System Maintenance CPI



- a) Actual CPI comes from the Department of Labor. CPI estimated at 4.1% in 2016 which is the one year change from July 2015 to July 2016. CPI estimated at 5.3% for 2017 through 2022 which is the 5 year average. All projections on the assumed CPI rates are subject to change.
- b) Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.

Debt Service Coverage Ratio



The Debt Service Coverage Ratio is the sum of the net operating revenues plus investment income available for debt service, divided by the annual debt service requirement. Debt service includes both bond principal and interest expense for Senior Parity and Second Lien Parity debt.

WaterOne Board Policy Number 16 requires a budgeted debt service coverage ratio of at least 2.0 without SDCs. SDCs are used to enhance coverage above the policy level.

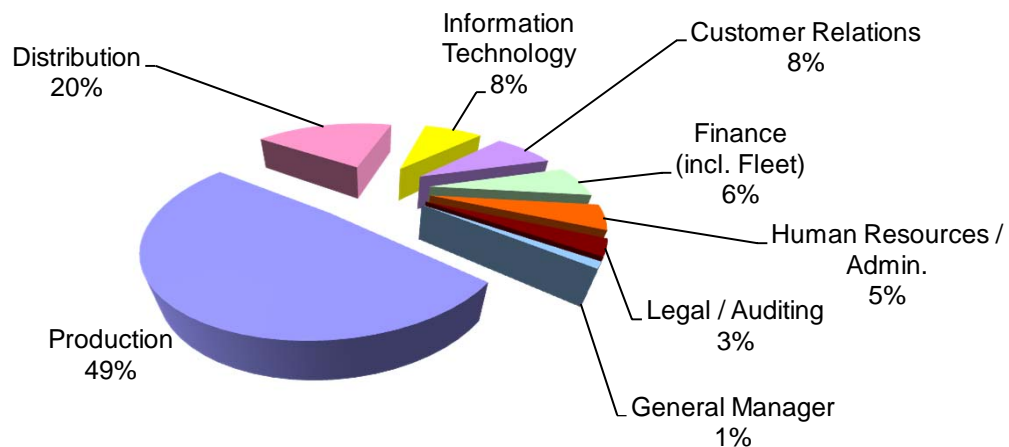
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OPERATIONS & MAINTENANCE BUDGET BY DIVISION
Comparison of 2016 & 2017

Division	2016 Budget	2017 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2016	2017
Production	\$ 26,359,652	\$ 26,031,938	\$ (327,715)	(1.2%)	49.6%	48.8%
Distribution	10,096,514	10,377,161	280,647	2.8%	19.0%	19.5%
Information Technology	4,221,847	4,339,702	117,854	2.8%	8.0%	8.1%
Customer Relations	4,115,795	4,231,349	115,554	2.8%	7.8%	7.9%
Finance	3,554,706	3,437,513	(117,193)	(3.3%)	6.7%	6.4%
Human Resources / Admin.	2,622,542	2,610,683	(11,858)	(0.5%)	4.9%	4.9%
Legal / Auditing	1,514,123	1,649,468	135,345	8.9%	2.9%	3.1%
General Manager	614,185	630,606	16,422	2.7%	1.2%	1.2%
TOTAL	\$ 53,099,363	\$ 53,308,419	\$ 209,056	0.4%	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



2017 Budget Compared to 2016 Budget O&M ACCOUNTS BY CATEGORY

H:\Finance\FINSHARE\1BUDGET\2017 Budget\O&M\[District Level O_M Comparison-17Z.xlsx]By Category-ALL ACCTS

8/30/2016

	Account Number	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL					
Labor - Non OT	410010	24,403,962	25,154,763	750,801	3.1%
Labor - OT	410015	1,023,388	1,056,749	33,361	3.3%
Water Board Salaries	410080	60,000	60,000	-	0.0%
Labor - Vacation Earned	410020	25,000	20,000	(5,000)	-20.0%
TOTAL PAYROLL BEFORE TRANSFERS		25,512,350	26,291,512	779,162	3.1%
PAYROLL Transfers		(6,040,245)	(6,052,986)	(12,741)	0.2%
Net PAYROLL		19,472,105	20,238,525	766,421	3.9%

BENEFITS					
Employee Insurance - Health	413010	4,261,871	4,503,254	241,383	5.7%
Pension DB – Final Pay Plan	412010	2,676,786	2,490,918	(185,868)	-6.9%
Pension DB – Cash Balance Plan	412050	107,285	38,504	(68,781)	-64.1%
Pension DC – District	412020	462,750	429,213	(33,537)	-7.2%
Pension DC – (New) District	412052	90,542	148,011	57,469	63.5%
Pension DC – Match	412030	325,776	302,166	(23,610)	-7.2%
Pension DC – (New) Match	412051	123,819	253,010	129,191	104.3%
FICA	411010	1,879,620	1,917,686	38,066	2.0%
Worker's Compensation	411020	538,576	479,681	(58,895)	-10.9%
Retirees Insurance - Health	413050	340,928	349,832	8,904	2.6%
Employee Insurance - Dental	413020	211,044	208,688	(2,356)	-1.1%
Other Post Employment Benefits (OPEB)	412040	200,000	150,000	(50,000)	-25.0%
Retirees Insurance - Health Subsidy	413052	110,000	120,000	10,000	9.1%
Employee Health - Retiree Subsidy	413015	(110,000)	(120,000)	(10,000)	9.1%
Employee Insurance - Life	413030	98,712	101,436	2,724	2.8%
Employee Insurance - Long Term Disability	413040	69,129	71,046	1,917	2.8%
Other Tangible Employee Benefits	414030	79,840	70,150	(9,690)	-12.1%
Car Allowance - Employees	426065	53,700	60,900	7,200	13.4%
Employee Insurance - Vision	413025	41,415	41,570	155	0.4%
Unemployment Insurance	411050	71,263	25,232	(46,031)	-64.6%
Compensation & Benefits Consulting Services	414020	25,000	25,000	-	0.0%
Employees Association Activity	414040	21,952	22,064	112	0.5%
Health Related Training & Counseling	414060	28,629	17,268	(11,361)	-39.7%

WaterOne 2017 Budget
Operations and Maintenance

8/30/2016

	Account Number	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Service Awards	414070	16,000	16,000	-	0.0%
WOW & Water Spout Awards	414090	10,000	10,000	-	0.0%
Tuition Reimbursement	414100	10,000	10,000	-	0.0%
Retirees Insurance - Life	413060	6,381	6,550	169	2.6%
125D Flexible Benefit Plan	414010	7,603	5,445	(2,158)	-28.4%
Flowers, Cards, Memorials	414050	1,900	1,700	(200)	-10.5%
Vending Costs & Revenues	414080	(3,600)	-	3,600	-100.0%
Worker's Comp - Returns Of Premium/Divid	411030	(60,000)	(40,000)	20,000	-33.3%
TOTAL BENEFITS BEFORE TRANSFERS		11,696,921	11,715,324	18,403	0.2%
BENEFITS Transfers		(3,070,439)	(3,026,509)	43,930	-1.4%
Net BENEFITS		8,626,482	8,688,815	62,333	0.7%

COMMODITIES

Chemicals - Water Treatment	424070	5,924,648	5,830,128	(94,520)	-1.6%
Power - Transmission	424030	4,484,307	4,154,660	(329,647)	-7.4%
Power - Source	424020	2,300,742	2,079,675	(221,067)	-9.6%
Power - Distribution	424010	1,517,967	1,586,674	68,707	4.5%
Material & Supplies	421070	1,375,277	1,374,353	(924)	-0.1%
Inventory Withdrawals	421070	1,105,012	943,198	(161,814)	-14.6%
Electricity	424040	210,250	212,970	2,720	1.3%
Small Tools & Equipment	421130	77,795	202,705	124,910	160.6%
Natural Gas	424050	195,979	350,905	154,926	79.1%
Uniforms	421160	88,350	92,425	4,075	4.6%
BPU Water Purchased In-House	424065	121,500	90,000	(31,500)	-25.9%
On-Line Analyzer Supplies	421090	65,000	80,000	15,000	23.1%
Safety Equipment & Supplies	421110	76,450	68,596	(7,854)	-10.3%
Office Supplies	421080	38,405	38,285	(120)	-0.3%
Kitchen Supplies	421040	33,000	33,000	-	0.0%
Crushed Rock	421020	27,200	29,600	2,400	8.8%
Other General Settlement	599000	27,982	26,183	(1,799)	-6.4%
Postage	426280	22,500	22,500	-	0.0%
Software - Misc Small Purchases	421140	9,000	14,000	5,000	55.6%
Paper & Print Supplies	421100	9,000	8,000	(1,000)	-11.1%
OT Meals	426230	5,250	5,310	60	1.1%
Envelopes	421030	4,900	3,000	(1,900)	-38.8%
Flowable Fill	421025	1,000	2,600	1,600	160.0%
Proactive Safety Recognition	421120	1,700	2,400	700	41.2%

Bold = See 'Overview' for more

WaterOne 2017 Budget
Operations and Maintenance

8/30/2016

	Account Number	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Topsoil	421150	2,050	2,170	120	5.9%
Medical & First Aid Supplies	421060	1,000	900	(100)	-10.0%
Elec. Communication Device	423150	-	15,000	15,000	NA
Cash Discount Taken	426560	(17,795)	(17,795)	-	0.0%
TOTAL COMMODITIES BEFORE TRANSFERS		17,708,469	17,251,442	(457,027)	-2.6%
COMMODITIES Transfers		(769,306)	(744,227)	25,079	-3.3%
Net COMMODITIES		16,939,163	16,507,215	(431,948)	-2.5%

SERVICES

Pavement Repair	422290	853,500	887,050	33,550	3.9%
Property & Liability Insurance	425010	665,000	657,631	(7,369)	-1.1%
PC Software License & Maintenance	426250	517,759	594,918	77,159	14.9%
Clean Drinking Water Fee	426070	591,085	594,452	3,367	0.6%
Contracted Services	422090	580,156	580,744	588	0.1%
Water Billing Services	422430	514,480	494,500	(19,980)	-3.9%
Security and/or Security Guards	422340	453,603	455,888	2,285	0.5%
Telecom - Data	423030	402,552	402,552	-	0.0%
Maintenance Services	422240	408,490	274,950	(133,540)	-32.7%
Clean Up	422070	288,900	273,800	(15,100)	-5.2%
IT Maint - Contracted	423022	273,840	252,946	(20,894)	-7.6%
Training	426340	255,550	250,900	(4,650)	-1.8%
Telecom - Cell Phones	423120	212,895	213,185	290	0.1%
Uncollectible Accounts	426350	213,305	209,000	(4,305)	-2.0%
Mowing & Landscaping	422270	148,200	148,200	-	0.0%
Engineering	422100	135,000	148,000	13,000	9.6%
Kansas River Water Assurance Dist. (KRWAD)	426190	145,812	150,849	5,037	3.5%
Cleaning & Inspecting Facilities	422080	174,647	136,219	(38,428)	-22.0%
Laboratory Services	422170	109,288	117,450	8,162	7.5%
IT Maint - SAAS	423021	105,874	98,900	(6,974)	-6.6%
Printing Services	422330	81,405	80,140	(1,265)	-1.6%
Dues & Local Meetings	426120	73,129	76,008	2,879	3.9%
Meter Reading - AMR Services	422260	65,712	69,000	3,288	5.0%
Vehicle & Equipment Rental	426360	45,100	68,458	23,358	51.8%
Checking Account Service Fees	426040	60,000	67,000	7,000	11.7%
Vehicle Repair Services	422420	73,419	65,665	(7,754)	-10.6%
Property Tax Assessment	426290	61,371	64,845	3,474	5.7%
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%

Bold = See 'Overview' for more

WaterOne 2017 Budget
Operations and Maintenance

8/30/2016

	<u>Account Number</u>	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Bank Lockbox Processing Fees	426060	55,500	53,000	(2,500)	-4.5%
Contractual Fee To Consol. Gov. Wy'dot.	426090	52,500	52,500	-	0.0%
KS State Water Analysis	422160	50,000	50,000	-	0.0%
Subscriptions & Reference Materials	426330	45,830	48,547	2,717	5.9%
Auditing Fees	422030	45,275	46,675	1,400	3.1%
Telecom - Voice	423095	45,060	45,060	-	0.0%
AWWA Research Foundation Fees	426030	45,000	43,924	(1,076)	-2.4%
Vehicle License & Registration	426370	44,090	41,744	(2,346)	-5.3%
Barricade Rental	422040	34,700	37,850	3,150	9.1%
AIMS License Agreement	426010	36,674	36,938	264	0.7%
WaterOne Memberships	426390	33,025	34,330	1,305	4.0%
General Expenses & Miscellaneous	426150	7,000	33,975	26,975	385.4%
Recruitment Costs	426130	30,000	30,000	-	0.0%
Environmental & Risk Mgmt	426140	25,490	25,490	-	0.0%
Permit & Easement Fees	426260	25,155	25,000	(155)	-0.6%
Payroll Processing	422300	26,770	24,889	(1,881)	-7.0%
IT Maint - Printers	423024	27,500	22,400	(5,100)	-18.5%
Cathodic Protection	422060	22,978	20,598	(2,380)	-10.4%
Legal Services	422180	20,000	20,000	-	0.0%
Help Wanted Ads	426160	24,000	20,000	(4,000)	-16.7%
Non-Employee Overload	426210	85,250	18,500	(66,750)	-78.3%
Answering Service	422020	17,500	17,000	(500)	-2.9%
Delivery Charges (UPS/Fed Ex/Local)	426110	14,040	15,875	1,835	13.1%
Radio Charges	423075	15,800	15,800	0	0.0%
Maintenance - Itron System	422190	13,642	15,000	1,358	10.0%
Equipment Repair Services	422110	13,200	13,200	-	0.0%
Post Offer Physicals	426270	12,333	12,333	-	0.0%
Advertising	422010	8,200	10,600	2,400	29.3%
Trash Removal Services	422400	8,832	9,232	400	4.5%
Pre-Employment Services	422320	7,750	7,750	-	0.0%
Other Services Settlement	539100	5,480	6,500	1,020	18.6%
Reimburse Damage To Other Utilities	426300	5,300	5,600	300	5.7%
Financial Advisory Services	422120	41,870	5,000	(36,870)	-88.1%
Storage Expenses	422380	5,000	3,500	(1,500)	-30.0%
Bank Account Reconciliation Fees	426020	3,300	3,400	100	3.0%
Arbitrage Services	422122	1,500	3,000	1,500	100.0%
IT Maint - Communications	423023	17,920	2,400	(15,520)	-86.6%

Bold = See 'Overview' for more

WaterOne 2017 Budget
Operations and Maintenance

8/30/2016

	Account Number	<u>2016</u>	<u>2017</u>	<u>\$ DIF</u>	<u>% DIF</u>
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Commitment To Excellence Award	426080	1,200	1,900	700	58.3%
Interest On Security Deposits	426170	461	1,848	1,387	300.9%
Spoil Removal	422075	2,000	1,800	(200)	-10.0%
Kansas One Call Fee	422165	500	500	-	0.0%
Water Rights	426380	400	400	-	0.0%
Beneficial Use Disposal Of Residuals	422050	20,000	-	(20,000)	-100.0%
Maintenance - PC & Server Hardware	422210	25,900	-	(25,900)	-100.0%
Medical Testing Services	422250	300	-	(300)	-100.0%
Sod & Seed Restoration	422370	200	-	(200)	-100.0%
Update Maps	422410	1,000	-	(1,000)	-100.0%
Job Work Revenue Credits	426180	(6,200)	(6,000)	200	-3.2%
TOTAL SERVICES BEFORE TRANSFERS		8,591,297	8,373,309	(217,988)	-2.5%
SERVICES Transfers		(529,684)	(499,445)	30,239	-5.7%
Net SERVICES		8,061,613	7,873,863	(187,749)	-2.3%
GRAND TOTAL		53,099,363	53,308,419	209,056	0.4%

Numbers may not add due to rounding

**2016 Approved and 2017 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2016**

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.

Cost Elements		2016 ESTIMATED ACTUAL	2016 APPROVED BUDGET			2017 PROPOSED BUDGET		
			2016 Budget	2016 Estimated Actual Over <Under> 2016 Budget	% Over <Under> Budget	2017 Budget	2017 Budget Increase <Decrease> from 2016 Estimated Actual	% Increase <Decrease>
PERSONNEL COSTS								
P1	410010 Labor - Gross	\$ 22,618,766	\$ 24,403,962	\$ (1,785,196)	-7.3%	\$ 25,154,763	\$ 2,535,997	11.2%
	410015 Labor - OT Gross	1,127,578	1,023,388	104,190	10.2%	1,056,749	(70,830)	-6.3%
	410020 Labor Vacation Accrual - Gross	25,000	25,000	-	0.0%	20,000	(5,000)	-20.0%
	410080 Water Board Salary	59,300	60,000	(700)	-1.2%	60,000	700	1.2%
P2	413010 Employee Insurance - Health	3,909,477	4,261,871	(352,394)	-8.3%	4,503,254	593,777	15.2%
	412010 Pension DB - Final Pay Plan	2,650,192	2,676,786	(26,594)	-1.0%	2,490,918	(159,274)	-6.0%
P3	412050 Pension DB - Cash Balance Plan	22,055	107,285	(85,230)	-79.4%	38,504	16,449	74.6%
	412020 Pension DC - District	476,632	462,750	13,882	3.0%	429,213	(47,419)	-9.9%
	412052 Pension DC - District (New)	153,921	90,542	63,379	70.0%	148,011	(5,910)	-3.8%
	412030 Pension DC - Match	309,487	325,776	(16,289)	-5.0%	302,166	(7,321)	-2.4%
P4	412051 Pension DC - Match (New)	117,628	123,819	(6,191)	-5.0%	253,010	135,382	115.1%
P1	411010 FICA - Gross	1,743,124	1,879,620	(136,496)	-7.3%	1,917,686	174,562	10.0%
	411020 Worker's Comp	462,046	478,576	(16,530)	-3.5%	439,681	(22,365)	-4.8%
P5	412040 OPEB - Gross	200,000	200,000	0	0.0%	150,000	(50,000)	-25.0%
P6	413050 Retiree Insurance - Health	263,712	340,928	(77,216)	-22.6%	349,832	86,119	32.7%
	413020 Employee Insurance - Dental	195,955	211,044	(15,089)	-7.1%	208,688	12,733	6.5%
	413052 Retiree Insurance - Health Subsidy	132,841	110,000	22,841	20.8%	120,000	(12,841)	-9.7%
	413015 Employee Insurance - Health Subsidy	(132,841)	(110,000)	(22,841)	20.8%	(120,000)	12,841	-9.7%
	413030 Employee Insurance - Life	99,398	98,712	686	0.7%	101,436	2,038	2.1%
	414030 Employee Benefits - Other	78,400	79,840	(1,440)	-1.8%	70,150	(8,250)	-10.5%
	413040 Employee Insurance - LTD	65,797	69,129	(3,332)	-4.8%	71,046	5,249	8.0%
	426065 Car Allowance	52,942	53,700	(758)	-1.4%	60,900	7,958	15.0%
	413025 Employee Insurance - Vision	39,330	41,415	(2,085)	-5.0%	41,570	2,240	5.7%
	414020 Compensation & Benefit Consulting Svcs	15,662	25,000	(9,338)	-37.4%	25,000	9,338	59.6%
P7	411050 Unemployment Insurance	71,517	71,263	254	0.4%	25,232	(46,285)	-64.7%
	414060 Health Training/Counseling	17,535	28,629	(11,094)	-38.8%	17,268	(267)	-1.5%
	414100 Tuition Reimbursement	7,089	10,000	(2,911)	-29.1%	10,000	2,911	41.1%
	414070 Service Awards	14,402	16,000	(1,598)	-10.0%	16,000	1,598	11.1%
	414040 Employee Association Activity	19,343	18,352	991	5.4%	22,064	2,722	14.1%
	414090 Wow & Spout Awards	8,351	10,000	(1,649)	-16.5%	10,000	1,649	19.7%
	414010 125D Plan - Gross	5,857	7,603	(1,746)	-23.0%	5,445	(412)	-7.0%
	413060 Retiree Insurance - Life	6,055	6,381	(326)	-5.1%	6,550	495	8.2%
	414050 Flowers, Cards, Memorials	1,243	1,900	(657)	-34.6%	1,700	457	36.7%
TOTAL PERSONNEL COSTS		\$ 34,837,794	\$ 37,209,271	\$ (2,371,477)	-6.4%	\$ 38,006,835	\$ 3,169,041	9.1%

P1 2016 is under budget due to vacant authorized positions as well as higher than planned turnover.

P2 2016 is under budget due to vacant authorized positions as well as higher than planned turnover. There is also a scheduled premium increase in 2017.

P3 Budget and the estimated actual are based on the required contribution calculated in the actuarial report.

P4 Budget increase in 2017 is due to higher participation rates.

P5 The 2017 reduction is based on a schedule of funding calculated in the actuarial report.

P6 Retiree health insurance is increasing due to an increased number of retirees and a premium increase.

P7 Unemployment rate set by the State of Kansas is going from 0.29% to 0.10% in 2017.

**2016 Approved and 2017 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2016**

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.			2016 APPROVED BUDGET				2017 PROPOSED BUDGET		
			2016 Budget	2016 Estimated Actual Over <Under> 2016 Budget	% Over <Under> Budget	2017 Budget Increase <Decrease> from 2016 Estimated Actual			
						2017 Budget	% Increase <Decrease>		
Cost Elements			2016 ESTIMATED ACTUAL						
COMMODITIES									
C1	424070	Chemicals - Water Treatment	\$ 5,060,247	\$ 5,924,648	\$ (864,401)	-14.6%	\$ 5,830,128	\$ 769,881	15.2%
C2	424030	Power - Treatment	3,805,713	4,484,307	(678,594)	-15.1%	4,154,660	348,947	9.2%
C2	424020	Power - Source	1,955,191	2,300,742	(345,551)	-15.0%	2,079,675	124,484	6.4%
	424010	Power - Distribution	1,719,935	1,517,967	201,968	13.3%	1,586,674	(133,261)	-7.7%
	421070	Material & Supplies	1,385,321	1,375,277	10,044	0.7%	1,374,353	(10,968)	-0.8%
	421010	Inventory Withdrawals	913,563	1,105,012	(191,449)	-17.3%	943,198	29,635	3.2%
	424040	Electricity	204,169	210,250	(6,081)	-2.9%	212,970	8,801	4.3%
C3	421130	Small Tools & Equipment	66,191	77,795	(11,604)	-14.9%	202,705	136,514	206.2%
C4	424050	Natural Gas	152,585	195,979	(43,394)	-22.1%	350,905	198,320	130.0%
	421160	Uniforms	95,429	88,350	7,079	8.0%	92,425	(3,004)	-3.1%
	424065	Water Purchased In House	88,866	121,500	(32,634)	-26.9%	90,000	1,134	1.3%
	421090	On-Line Analyzer Supplies	73,290	65,000	8,290	12.8%	80,000	6,710	9.2%
	421110	Safety Equip & Supplies	70,355	76,450	(6,095)	-8.0%	68,596	(1,759)	-2.5%
	421080	Office Supplies	34,136	38,405	(4,269)	-11.1%	38,285	4,149	12.2%
	421040	Kitchen Supplies	30,287	33,000	(2,713)	-8.2%	33,000	2,713	9.0%
	519210	Crushed Rock	36,716	28,200	8,516	30.2%	32,200	(4,516)	-12.3%
	599000	Other General Settlement	35,939	27,982	7,957	28.4%	26,183	(9,756)	-27.1%
	426280	Postage	22,924	22,500	424	1.9%	22,500	(424)	-1.8%
C5	423150	Electronic Communication Device	733	-	733	100.0%	15,000	14,267	1945.8%
	421140	Software - Small Purchases	8,079	9,000	(921)	-10.2%	14,000	5,921	73.3%
	421100	Paper	7,193	9,000	(1,807)	-20.1%	8,000	807	11.2%
	426230	OT Meals	4,791	5,250	(459)	-8.7%	5,310	519	10.8%
	421030	Envelopes	3,010	4,900	(1,890)	-38.6%	3,000	(10)	-0.3%
	421120	Proactive Safety Recognition	2,636	1,700	936	55.0%	2,400	(236)	-8.9%
	421150	Topsoil	2,519	2,050	469	22.9%	2,170	(349)	-13.9%
	421060	Med/1st Aid Supplies	423	1,000	(577)	-57.7%	900	477	112.9%
	426560	Cash Discounts Taken	(17,739)	(17,795)	56	-0.3%	(17,795)	(56)	0.3%
TOTAL COMMODITIES			\$ 15,762,502	\$ 17,708,469	\$ (1,945,967)	-11.0%	\$ 17,251,442	\$ 1,488,940	9.4%

- C1 Chemicals are under budget in 2016 primarily due to lower than projected price of powder activated carbon and favorable river conditions reducing the dosage of chemicals used to maintain alkalinity.
- C2 Power is under budget in 2016 primarily due to a lower than projected energy rate component as well as lower demand charges due to less peaking in the summer of 2015.
- C3 Annual capital program for small tools to be discontinued in 2017. Small tools will be expensed to Small Tools & Equipment in 2017.
- C4 Budget under in 2016 due to lower gas rates and mild winter. Budget increase planned in 2017 based on using the Engine Generators at Wolcott.
- C5 Annual capital program for electronic communication devices to be discontinued in 2017. Devices will be expensed to Electronic Communication Device in 2017.

**2016 Approved and 2017 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2016**

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.

Cost Elements		2016 ESTIMATED ACTUAL	2016 APPROVED BUDGET			2017 PROPOSED BUDGET		
			2016 Budget	2016 Estimated Actual Over <Under> 2016 Budget	% Over <Under> Budget	2017 Budget	2017 Budget Increase <Decrease> from 2016 Estimated Actual	% Increase <Decrease>
SERVICES								
	519270 Pavement Repair	\$ 888,991	\$ 853,500	35,491	4.2%	\$ 887,050	\$ (1,941)	-0.2%
	425010 P&L Insurance	613,347	665,000	(51,653)	-7.8%	657,631	44,284	7.2%
	426250 PC Software & Maint	548,810	517,759	31,051	6.0%	594,918	46,108	8.4%
	426070 Clean Water Fee	589,711	591,085	(1,374)	-0.2%	594,452	4,741	0.8%
S1	422090 Contracted Services	514,650	580,156	(65,506)	-11.3%	580,744	66,094	12.8%
	422430 Water Billing Services	482,196	514,480	(32,284)	-6.3%	494,500	12,304	2.6%
	422340 Security	442,363	453,603	(11,240)	-2.5%	455,888	13,525	3.1%
S2	423030 Telecom - Data	563,824	402,552	161,272	40.1%	402,552	(161,272)	-28.6%
	422240 Maint Svcs	251,357	408,490	(157,133)	-38.5%	274,950	23,593	9.4%
	422070 Clean Up	269,600	288,900	(19,300)	-6.7%	273,800	4,200	1.6%
	423022 IT Maint - Contracted	239,427	273,840	(34,413)	-12.6%	252,946	13,519	5.6%
	426340 Training	277,614	255,550	22,064	8.6%	250,900	(26,714)	-9.6%
	423120 Telecom - Cell Phones	213,478	212,895	583	0.3%	213,185	(294)	-0.1%
	426350 Uncollectible Accounts	190,095	213,305	(23,210)	-10.9%	209,000	18,905	9.9%
	422270 Mowing & Landscaping	135,668	148,200	(12,532)	-8.5%	148,200	12,532	9.2%
S3	422100 Engineering	128,719	135,000	(6,281)	-4.7%	148,000	19,281	15.0%
	426190 KS River Assurance District	148,746	145,812	2,934	2.0%	150,849	2,103	1.4%
S4	422080 Clean/Inspect Facilities	169,993	174,647	(4,653)	-2.7%	136,219	(33,774)	-19.9%
	422170 Laboratory Services	125,352	109,288	16,064	14.7%	117,450	(7,902)	-6.3%
	423021 IT Maint - SAAS	89,630	105,874	(16,244)	-15.3%	98,900	9,270	10.3%
S5	422330 Printing Services	57,217	81,405	(24,188)	-29.7%	80,140	22,923	40.1%
	422420 Vehicle Repair Services	70,612	73,419	(2,807)	-3.8%	65,665	(4,947)	-7.0%
S6	426210 Non-Employee Overload	148,743	85,250	63,493	74.5%	18,500	(130,243)	-87.6%

- S1 2016 is under budget primarily due to delays in engaging IT related services. Contractors are projected to be utilized for a full year in 2017.
- S2 Conversion to different internet carrier created overlap in billing during transition period in 2016.
- S3 2017 budget increase due to a new study sponsored by the Water Research Foundation (WRF) on taste and odor causing compounds in the Missouri River.
- S4 There are cleaning projects that will be fully amortized by the end of 2016.
- S5 Less printing related to smart watering than planned in 2016.
- S6 Personnel request for new locator reduced the budget in 2017.

2016 Approved and 2017 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2016

Explanations are provided when there is a \$10,000 and 10%
 2017 Budget Increase <Decrease> from the 2016 Estimated
 Actual.

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.		2016 APPROVED BUDGET			2017 PROPOSED BUDGET			
			2016 Estimated Actual Over <Under> 2016 Budget	% Over <Under> Budget		2017 Budget Increase <Decrease> from 2016 Estimated Actual	% Increase <Decrease>	
Cost Elements	2016 ESTIMATED ACTUAL	2016 Budget			2017 Budget			
SERVICES (Cont'd)								
	426120 Dues & Local Meetings	83,976	73,129	10,847	14.8%	76,008	(7,968)	-9.5%
	422260 Meter Reading - AMR Services	66,976	65,712	1,264	1.9%	69,000	2,024	3.0%
	426360 Vehicle & Equipment Rental	59,126	45,100	14,026	31.1%	68,458	9,332	15.8%
	426040 Checking Account Service Fees	63,602	60,000	3,602	6.0%	67,000	3,398	5.3%
	426290 Property Tax Assessment	66,392	61,371	5,021	8.2%	64,845	(1,547)	-2.3%
S7	425030 P&L Ins - Self	129,845	60,000	69,845	116.4%	60,000	(69,845)	-53.8%
	426060 Bank Lockbox Fees	49,004	55,500	(6,496)	-11.7%	53,000	3,996	8.2%
	426090 Cons Gov of Wyandotte County Fee	52,500	52,500	-	0.0%	52,500	-	0.0%
	422160 KS Water Analysis	58,400	50,000	8,400	16.8%	50,000	(8,400)	-14.4%
	426330 Subs & Reference Material	43,262	45,830	(2,568)	-5.6%	48,547	5,285	12.2%
	422030 Auditing Fees	44,887	45,275	(388)	-0.9%	46,675	1,788	4.0%
	423095 Telecom - Voice	49,568	45,060	4,508	10.0%	45,060	(4,508)	-9.1%
	426030 AWWA Research Foundation Fees	44,923	45,000	(77)	-0.2%	43,924	(999)	-2.2%
	426370 Vehicle License & Registration	44,907	44,090	817	1.9%	41,744	(3,162)	-7.0%
	519240 Barricade Rental	28,582	34,700	(6,118)	-17.6%	37,850	9,268	32.4%
	426010 AIMS License Agreement	36,850	36,674	176	0.5%	36,938	88	0.2%
	426390 WaterOne Membership	32,116	33,025	(909)	-2.8%	34,330	2,214	6.9%
S8	426150 General Expense & Miscellaneous	8,611	7,000	1,611	23.0%	33,975	25,364	294.6%
	426130 Recruitment Costs	27,508	30,000	(2,492)	-8.3%	30,000	2,492	9.1%
	426140 Environ & Risk Management	22,795	25,490	(2,695)	-10.6%	25,490	2,695	11.8%
	426260 Permit & Easement Fees	17,875	25,155	(7,280)	-28.9%	25,000	7,125	39.9%
	422300 Payroll Processing	26,406	26,770	(364)	-1.4%	24,889	(1,517)	-5.7%
	423024 IT Maint - Printers	22,321	27,500	(5,179)	-18.8%	22,400	79	0.4%
	422060 Cathodic Protection	26,440	22,978	3,462	15.1%	20,598	(5,842)	-22.1%
	426160 Help Wanted Ads	10,474	24,000	(13,526)	-56.4%	20,000	9,526	90.9%
	422180 Legal Services	10,722	20,000	(9,278)	-46.4%	20,000	9,278	86.5%
	422120 Financial Advisory Services	8,372	41,870	(33,498)	-80.0%	5,000	(3,372)	-40.3%
	423023 IT Maint - Communications	7,342	17,920	(10,578)	-59.0%	2,400	(4,942)	-67.3%
S9	422210 Maint -PC & Server Hardware	15,238	25,900	(10,662)	-41.2%	-	(15,238)	-100.0%
	422050 Beneficial Use Disposal of Residual	-	20,000	(20,000)	-100.0%	-	-	100.0%

S7 In 2016 there was a large sewer repair settlement. Budget is based on historical averages. Actuals can vary significantly from year to year.

S8 Increase in 2017 due to planned 60th year anniversary celebration activities.

S9 New GPS equipment scheduled to be purchased in 2017, first year maintenance included.

**2016 Approved and 2017 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2016**

Explanations are provided when there is a \$10,000 and 10% 2017 Budget Increase <Decrease> from the 2016 Estimated Actual.

Cost Elements		2016 ESTIMATED ACTUAL	2016 APPROVED BUDGET			2017 PROPOSED BUDGET		
			2016 Budget	2016 Estimated Actual Over <Under> 2016 Budget	% Over <Under> Budget	2017 Budget	2017 Budget Increase <Decrease> from 2016 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	422020 Answering Service	15,285	17,500	(2,215)	-12.7%	17,000	1,715	11.2%
	426110 Delivery Charges	16,881	14,040	2,841	20.2%	15,875	(1,006)	-6.0%
	423075 Radio Charges (Fleet)	15,800	15,800	0	0.0%	15,800	0	0.0%
	422190 Maint -Itron System	11,937	13,642	(1,705)	-12.5%	15,000	3,063	25.7%
	422110 Equip Repair Svcs	13,993	13,200	793	6.0%	13,200	(793)	-5.7%
	426270 Post Offer Physical	13,931	12,333	1,598	13.0%	12,333	(1,598)	-11.5%
	422010 Advertising	7,328	8,200	(872)	-10.6%	10,600	3,272	44.6%
	422400 Trash Removal Services	8,289	8,832	(543)	-6.1%	9,232	943	11.4%
S10	422320 Pre-Employment Services	20,454	7,750	12,704	163.9%	7,750	(12,704)	-62.1%
	539100 Other Serv Settlement	5,538	5,480	58	1.1%	6,500	962	17.4%
	426300 Reimburse Other Utility	4,039	5,300	(1,261)	-23.8%	5,600	1,561	38.6%
	422380 Storage Expenses	1,774	5,000	(3,226)	-64.5%	3,500	1,726	97.3%
	426020 Bank Account Reconciliation Fees	3,264	3,300	(36)	-1.1%	3,400	136	4.2%
	422122 Arbitrage Services	-	1,500	(1,500)	-100.0%	3,000	3,000	100.0%
	422150 Indoor Plants Svcs	2,237	2,000	237	11.8%	2,000	(237)	-10.6%
	426080 Commitment To Excellence Program	2,210	1,200	1,010	84.2%	1,900	(310)	-14.0%
	426170 Interest On Security Deposit	705	461	244	52.8%	1,848	1,143	162.3%
	519250 Spoil Removal	3,985	2,000	1,985	99.2%	1,800	(2,185)	-54.8%
	422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
	426380 Water Rights	133	400	(267)	-66.7%	400	267	200.0%
	422410 Update Maps	333	1,000	(667)	-66.7%	-	(333)	-100.0%
	422250 Medical Testing Services	100	300	(200)	-66.7%	-	(100)	-100.0%
	422370 Sod & Seed Restoration	67	200	(133)	-66.7%	-	(67)	-100.0%
	426180 Job Work Revenue Credit	(5,065)	(6,200)	1,135	-18.3%	(6,000)	(935)	18.5%
TOTAL SERVICES		\$ 8,463,048	\$ 8,591,297	\$ (128,249)	-1.5%	\$ 8,373,309	\$ (89,739)	-1.1%

S10 One-time relocation expense in 2016.

TOTAL TRANSFERS	(\$10,103,893)	(\$10,409,674)	\$305,781	-2.9%	(\$10,323,167)	(\$219,274)	2.2%
TOTAL O&M	48,959,451	53,099,363	(4,139,911)	-7.8%	53,308,419	4,348,968	8.9%

Numbers may not total due to rounding

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INTRODUCTION

This section contains:

- organization chart
- new positions
- explanation of benefit expenditures by major category
- history of full time equivalent employees
- average customers served per employee

In 2017, a total of 382 full time, 6 part time, and 20 temporary/summer positions are budgeted including new authorizations and eliminations. Reclassifications includes: two part time Customer Representatives into one full time Customer Representative; an Op Technician to a Foreman-HVAC; and a Project Engineer to an Engineering Technician. The total FTEs after all adjustments are 391.15 which is an increase of 3.625 versus the 2016 budgeted authorized personnel. The organization chart is color coded to show the reclassifications, eliminations and additional personnel requests.

Two positions, one full time and one summer, are eliminated for a reduction of \$51,877. Five new full time and three reclassifications are requested at a first year payroll cost of \$318,656.

Following the organization chart, are justifications and first year salary, benefits, and capital costs for the new personnel requests. The total first year cost for payroll, salary, benefits and capital is \$500,850.

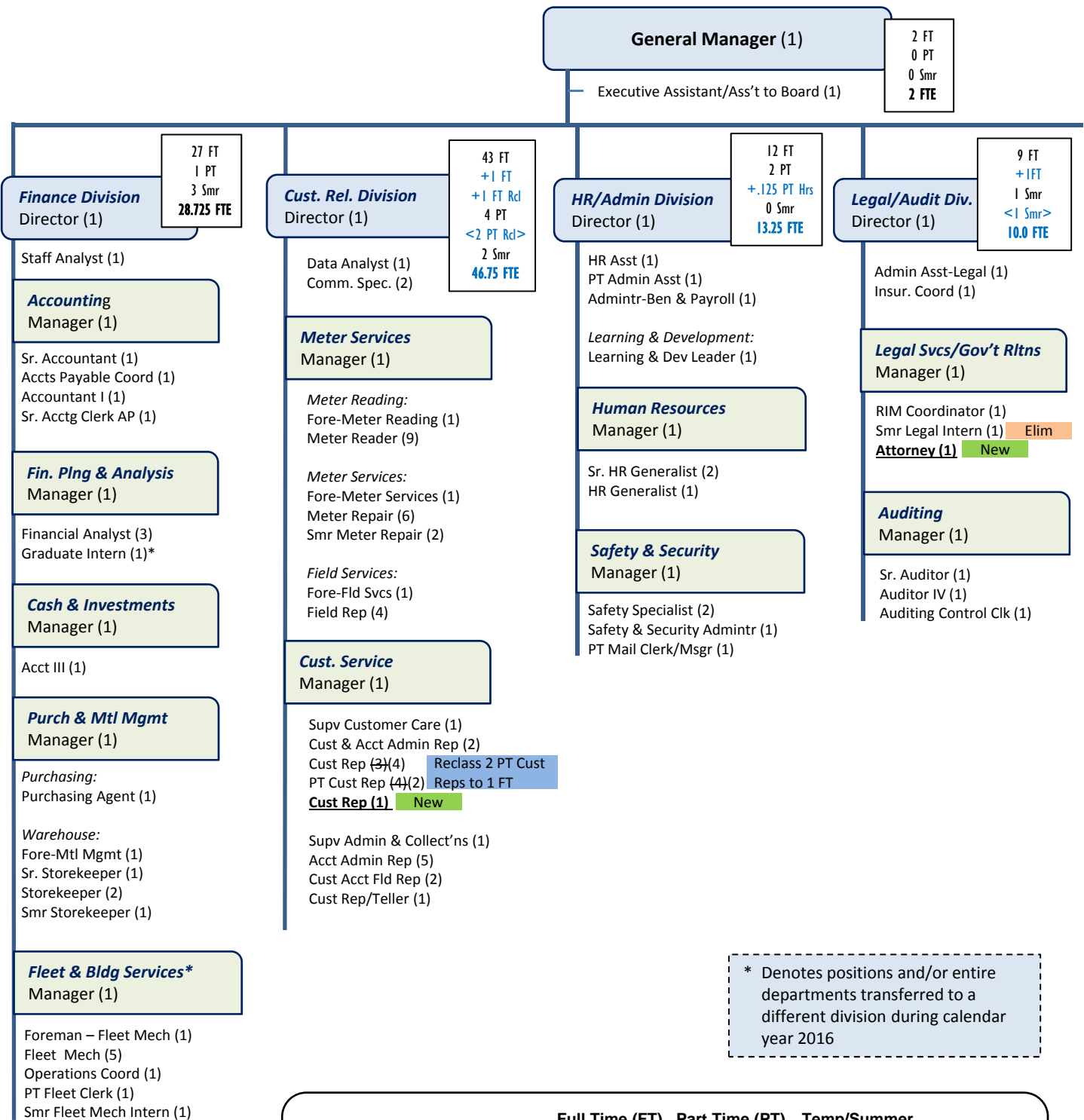
The budget includes a performance compensation adjustment of 3.5%.

Employee benefits are allocated to divisions based on headcount or percent of payroll.

FIVE YEAR PERSONNEL PLAN

For operational planning purposes, WaterOne maintains a Five-Year Personnel Plan beyond the next budget year. Financial modeling is based on a historical average number of additional personnel. For 2017, the five-year plan is from 2018 to 2022.

WATERONE ORGANIZATIONAL



Color Legend:

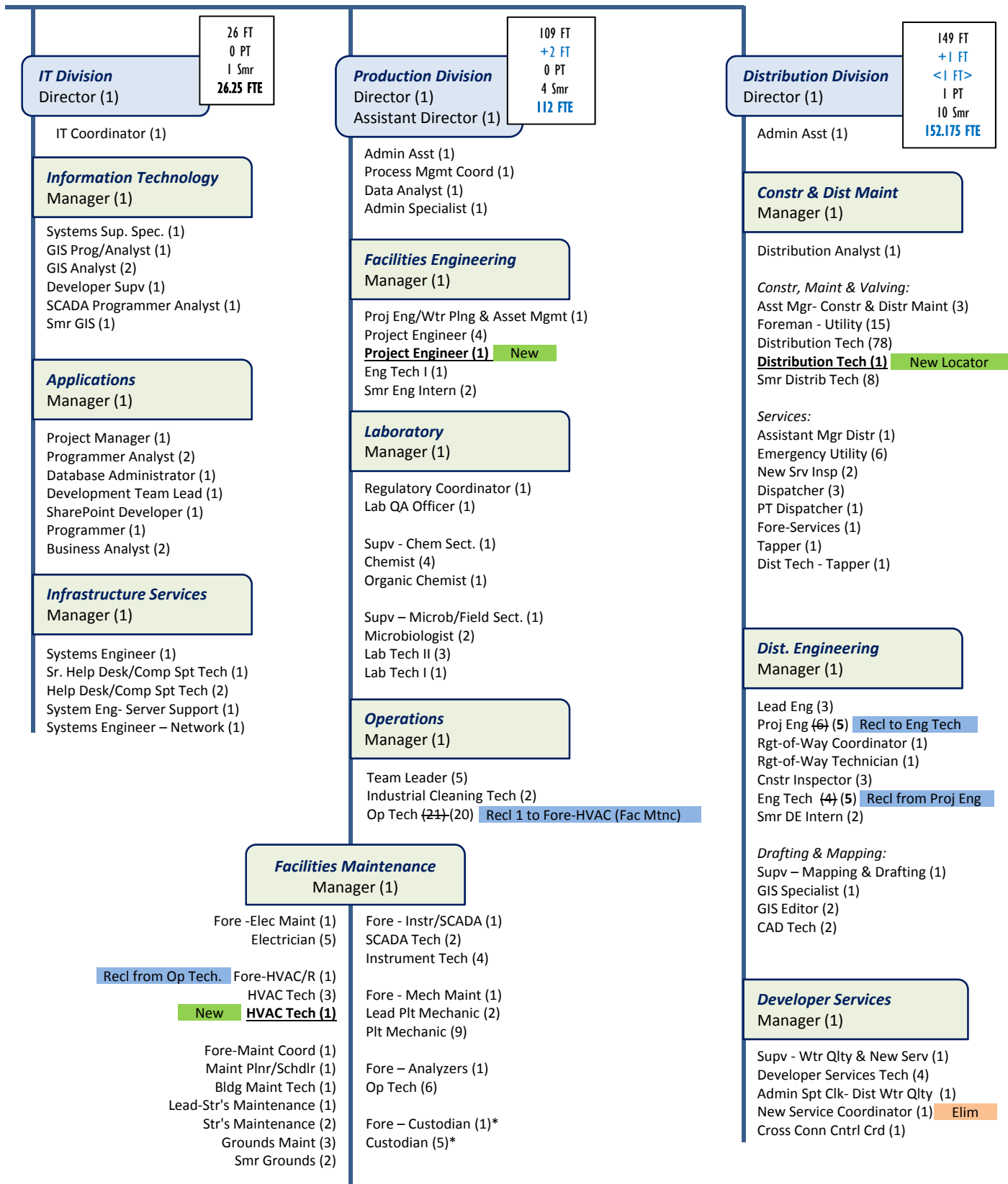
Elimination

2016 Mid Year Reclass

New Position

2017 Reclass

	Full Time (FT)	Part Time (PT)	Temp/Summer	
2016 Authorized	377	8	21	
Mid Year Reclass (2016)	1	<2>	0	
New Positions	5	0	0	
Reclass (2017)	0	0	0	
Eliminated Positions	<1>	0	<1>	
Total 2017	382	6	20	
Full Time Equivalents (FTEs)				
2016 Authorized	377	4.875	5.65	387.525
2017 Authorized	382	3.750	5.40	391.150
			Net FTE Increase	3.625



WaterOne 2017 Budget

O&M Costs Related to New Personnel

			Full Year Salary	Full Year Benefits	Other O&M*	Total O&M
Production						
Facilities Engineering						
<i>January</i>	Project Engineer	Full Time	\$76,128	\$22,838	\$1,416	\$100,382
Facilities Maintenance						
<i>January</i>	HVAC Technician	Full Time	53,477	16,043	672	70,192
PRODUCTION TOTAL			129,605	38,882	2,088	170,575
Distribution						
Construction Maintenance Valving Services (CMVS)						
<i>January</i>	Distribution Tech (Locator)	Full Time	44,200	13,260	600	58,060
DISTRIBUTION TOTAL			44,200	13,260	600	58,060
Customer Relations						
Customer Service						
<i>January</i>	Customer Representative	Full Time	44,200	13,260	-	57,460
CUSTOMER RELATIONS TOTAL			44,200	13,260	-	57,460
Legal/Auditing						
Legal Services/Government Relations						
<i>January</i>	Attorney	Full Time	100,651	30,195	-	130,846
LEGAL/AUDITING TOTAL			100,651	30,195	-	130,846
TOTAL 2017 BUDGET for NEW EMPLOYEES						\$416,941

* O&M includes uniform cost, cell phone charges, and data charges.

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**WaterOne 2017 Budget
Capital Related to New Personnel**

		Total
Production		
HVAC Technician		
AP-17200	3/4 Ton Cargo Van	\$27,766
	Total HVAC Technician	27,766
	Total Production Capital	\$27,766
Distribution		
Distribution Tech (Locator)		
AP-17006	Locator Tools	6,164
AP-17101	SUV	27,766
	Total Distribution Tech (Locator)	33,930
	Total Distribution Capital	\$33,930
Legal/Audit		
Attorney		
AP-17009	Legal Library Repair and Remodel	22,213
	Total Attorney	22,213
	Total Legal/Audit Capital	\$22,213
TOTAL Capital for New Positions		\$83,909

H:\Finance\FINSHARE\1BUDGET\2017 Budget\FINAL Budget Book\06-Personnel\[Additional Personnel Cost-2017.xlsx]Capital

WaterOne 2017 Budget

PERSONNEL

Production 2017

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2017 Costs
Project Engineer	\$76,128	\$76,128	\$22,838	\$1,416	\$0	\$100,382

Department Facilities Engineering
 Type Full Time
 Start Date January 2017

Justification The new Project Engineer will allow the Facilities Engineering department to improve in the following areas: reduction of carryovers, keeping cleaning/ inspection programs up to AWWA standards, improve project budget/scope development, and enhanced technical support for the Operations and Facilities Maintenance departments.

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2017 Costs
HVAC Technician	\$53,477	\$53,477	\$16,043	\$672	\$27,766	\$97,958

Department Facilities Maintenance
 Type Full Time
 Start Date January 2017

Justification HVAC equipment needing maintenance have steadily increased as facilities have been added. Most recently, the Wolcott Treatment Plant, Nall Pump Station, and Wyss Pump Station were built adding approximately 125 pieces of HVAC equipment. More HVAC equipment is expected to be added as more facilities are built. Currently, the work schedule of HVAC staff is mostly reactionary. With the additional HVAC Tech, the staff will eventually be able to move to a mostly preventative maintenance schedule which will reduce equipment outages and extend their life.

Total Production Division	\$129,605	\$129,605	\$38,881	\$2,088	\$27,766	\$198,340
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WaterOne 2017 Budget

PERSONNEL

Distribution 2017

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2017 Costs
Distribution Tech (Locator)	\$44,200	\$44,200	\$13,260	\$600	\$33,930	\$91,990

Department: Constructon Maintenance Valving Services (CMVS)
 Type: Full Time
 Start Date: January 2017

Justification: A Locator's job duty is to respond to requests to locate underground water facilities. Kansas law requires line locates to be complete by the end of the 2nd subsequent working day.

There has been a significant expansion of underground facilities by other utilities and communication companies. The number of line locates has increased 44% from 2014-2015 due to the Google Fiber and AT&T projects. 2016 and 2017 is projected to increase another 10% due to these projects. While the major phases of the fiber projects are expected to be completed in 2017, the number of "normal" locates per year is projected to increase at 3% annually resulting in approximately 14,800 locates by 2018. At this point there will be significantly more underground utilities in WaterOne's service area, making each locate more time consuming to complete. If there are periods when locate requests slow down, Locators can be utilized to complete additional tasks such as valve audits and leak detection work.

If a locator is not hired, there is an increased risk of not meeting the two-day deadline. Also, borrowed personnel cannot fulfill their core job duties and are not as cost effective as an experienced Distribution Tech Locator.

Total Distribution Division	\$44,200	\$44,200	\$13,260	\$600	\$33,930	\$91,990
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WaterOne 2017 Budget

PERSONNEL

Customer Relations 2017

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2017 Costs
Customer Representative	\$44,200	\$44,200	\$13,260	\$0	\$0	\$57,460

Department Customer Service
 Type Full Time
 Start Date January 2017

Justification Call volume in Customer Service has increased with the growth of the customer base at the same time performance expectations have increased. The goal is to answer 80% of calls in two minutes which was met only four months in 2015.

Work loads have also had a negative effect on job enrichment, being able to meet in teams, take part in individualized training, and participation in company functions such as Employee Day. The lack of job satisfaction can lead to significant turnover, which is costly for Customer Service given the amount of training needed for starting Customer Service Reps.

Improvements are expected in the following areas/tasks:

- Troubleshooting errors and documenting outcomes
- Fire Hydrant meter readings, including communication to customers
- Bounced emails - electronic billing
- Verification of EOP Must Call lists
- Account status changes
- Overflow of field service requests
- SAP Upgrade / Patch testing
- Assist back office with emails and exception reporting
- Regular one-on-ones with Supervisor and skip level with Manager
- Development and maintenance of Knowledge Base
- Employee engagement activities

Total Cust Relations Division	\$44,200	\$44,200	\$13,260	\$0	\$0	\$57,460
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WaterOne 2017 Budget

PERSONNEL

Legal / Auditing 2017

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2017 Costs
Attorney	\$100,651	\$100,651	\$30,195	\$0	\$22,213	\$153,059

Department Legal Services / Government Relations
 Type Full Time
 Start Date January 2017

Justification Areas of responsibility for Legal have grown significantly. Legal is now responsible for the Records Center which is expanding its role to manage records in a more strategic and comprehensive manner. Also, Legislative Affairs is a year around function that includes activities such a Regional Advisory Committee, Missouri Degredation Study, AWWA Fly In, and investing more time in our relationships with State and Federal Officials.

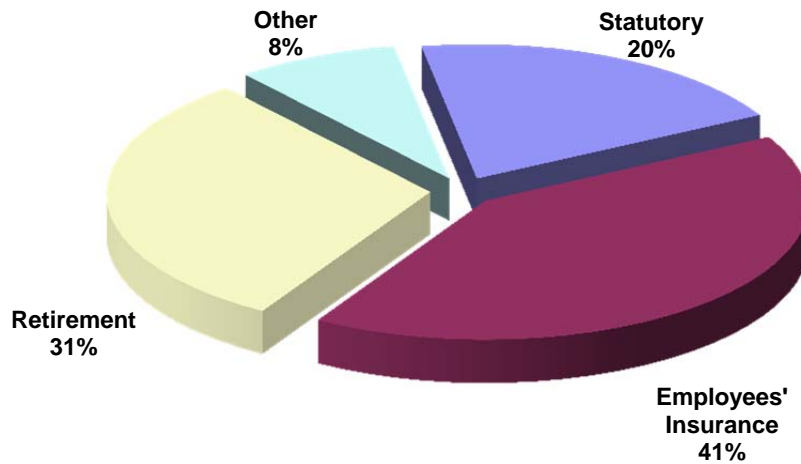
External legal counsel is used to handle both routine and specialized matters. Even with current outsourcing of routine matters, there are areas not being addressed. Management of outside legal counsel is time consuming, costly and there is a limit as to how many outsourced projects that can be managed.

New attorney primary responsibilities would include research and entry level contracts. The number of contracts reviewed by Legal has doubled since 2010. Many contracts are routine and a more efficient use of resources if handled by this position vs. a senior attorney.

Total Legal/Auditing Division	\$100,651	\$100,651	\$30,195	\$0	\$22,213	\$153,059
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2017 BENEFITS

2017 Benefits by Category



	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$4,117,741	\$4,572,171	\$4,805,994	\$233,823	5.1%
Retirement	4,476,718	3,986,958	3,811,822	<175,136>	<4.4%>
Statutory	2,191,682	2,429,459	2,382,599	<46,860>	<1.9%>
Other	503,177	708,333	714,909	6,576	0.9%
Benefits - Gross	\$11,289,318	\$11,696,921	\$11,715,324	\$18,403	0.2%
Less Transfers	<\$2,981,186>	<\$3,070,439>	<\$3,026,509>	\$43,930	<1.4%>
Benefits - Net	\$8,308,132	\$8,626,482	\$8,688,815	\$62,333	0.7%

PERSONNEL

A table and explanation of significant employee benefit expense budgets follows.

Benefit Expenses					
	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance - Health	\$3,852,950	\$4,261,871	\$4,503,254	\$241,383	5.7%
Pension DB - Final Pay Plan	2,735,278	2,676,786	2,490,918	<185,868>	<6.9%>
FICA	1,703,103	1,879,620	1,917,686	38,066	2.0%
Worker's Compensation	477,049	538,576	479,681	<58,895>	<10.9%>
Pension DC – District	463,183	462,750	429,213	<33,537>	<7.2%>
Retiree Insurance - Health	228,295	340,928	349,832	8,904	2.6%
Pension DC - Match	296,303	325,776	302,166	<23,610>	<7.2%>
Pension - DC (New) - Match	66,828	123,819	253,010	129,191	104.3%
Employee Insurance - Dental	190,229	211,044	208,688	<2,356>	<1.1%>
Other Post-Employment Ben.	774,813	200,000	150,000	<50,000>	<25.0%>
Pension - DC (New) District	83,646	90,542	148,011	57,469	63.5%
Employee Insurance - Life	93,832	98,712	101,436	2,724	2.8%
Employee Insurance - LT Disab	64,011	69,129	71,046	1,917	2.8%
Other Employee Benefits	114,172	79,840	70,150	<9,690>	<12.1%>
Employee Insurance - Vision	39,261	41,415	41,570	155	0.4%
Pension DB - Cash Balance Plan	0	107,285	38,504	<68,781>	<64.1%>
Unemployment Insurance	26,846	71,263	25,232	<46,031>	<64.6%>
Comp & Ben Consulting Serv	3,505	25,000	25,000	0	0.0%
All Other	76,014	92,565	109,927	17,362	18.8%
Total Benefit Expense	\$11,289,318	\$11,696,921	\$11,715,324	\$18,403	0.2%

Numbers may not add due to rounding.

Employee Insurance – Health

The budgeted components of the increase in health insurance are a budgeted 5.0% premium rate increase, 1.3% increase for additional personnel, and 0.6% decrease related to the employee coverage mix and slippage.

Pension DB – Final Pay Plan

Changes to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The 2017 budget is decreasing primarily due to lower projected plan participation (plan is closed to new participants) and lower losses.

FICA

The budget increase is due to the higher projected payroll and includes FICA for additional employee requests.

PERSONNEL

Worker's Compensation

The decrease in the budget is due to the renewal rate charged for Worker's Compensation being lower than prior year.

Pension DC - District

This budget covers the District's contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on eligible full time employee base salary as a percent of gross salary. The decrease is due to reduced participation in this plan which closed to new participants hired January 1, 2014 and after (see 'Pension DC - (New) District' for costs for employees hired after that date).

Retiree Insurance - Health

AARP and BCBS premiums are increasing 5%. The premium increase was partially offset by a true-up to the 2016 actual rates and the number of participants.

Pension DC - Match

This budget covers the District's matching contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on projected payroll and participation rates of eligible employees. The decrease is due to reduced participation in this plan which closed to new participants hired January 1, 2014 and after (see 'Pension DC - (New) Match' for costs for employees hired after that date).

Pension DC - (New) Match

This budget covers the District's matching contribution to the employees' voluntary Defined Contribution retirement account for all employees hired after January 1, 2014. The budget is based on the projected payroll and participation rates of eligible full time employees. The budget increase is due to more participants entering the plan.

Employee Insurance - Dental

The current budget is based on a 0% premium increase, the current coverage mix, and additional employees.

Other Post-Employment Benefits (OPEB)

OPEB is for eligible employees' future covered health care after retirement. OPEB costs are recognized and booked on an accrual basis over the retiree's active working lifetime. AARP and health insurance costs for those who are under 65 years of age are based on actual premiums paid by WaterOne. The key assumptions are the cost of health care coverage which varies by age, the number of retirees, and the discount rate. The reduction is based on a schedule of funding provided by the actuary.

Pension DC – (New) District

This budget covers the District's contribution to the employees' voluntary Defined Contribution retirement account for all employees hired after January 1, 2014. The budget is based on the projected eligible full time employee base salary as a percent of gross salary. The budget increase is due to more participants entering the plan.

PERSONNEL

Employee Insurance - Life

The budget increase includes the projected payroll increase and additional personnel requests. Basic and AD&D rates are guaranteed through 2016 at \$0.21 and \$0.028 per \$1,000, respectively. The same rates are being used for the 2017 budget.

Employee Insurance – LT Disab (LTD)

The 2017 budget uses the current rate of \$0.300 per \$100. The budget increase includes the projected payroll increase and additional personnel requests.

Other Employee Benefits

This budget funds various activities such as retirement events, United Way activities, Employee Day, and Pancakes with Santa. The decrease is based on the trend of recent actual expenses.

Employee Insurance - Vision

The budget assumes a 1% rate decrease. It is based on the current mix of family vs. individual coverage, the number of authorized personnel, and additional employees.

Pension DB - Cash Balance Plan

The Cash Balance Plan was effective for new employees on January 1, 2014. The budget for the account reflects projections for 2017 payroll costs, participation rates and the plan design for normal cost of approximately 0.6%.

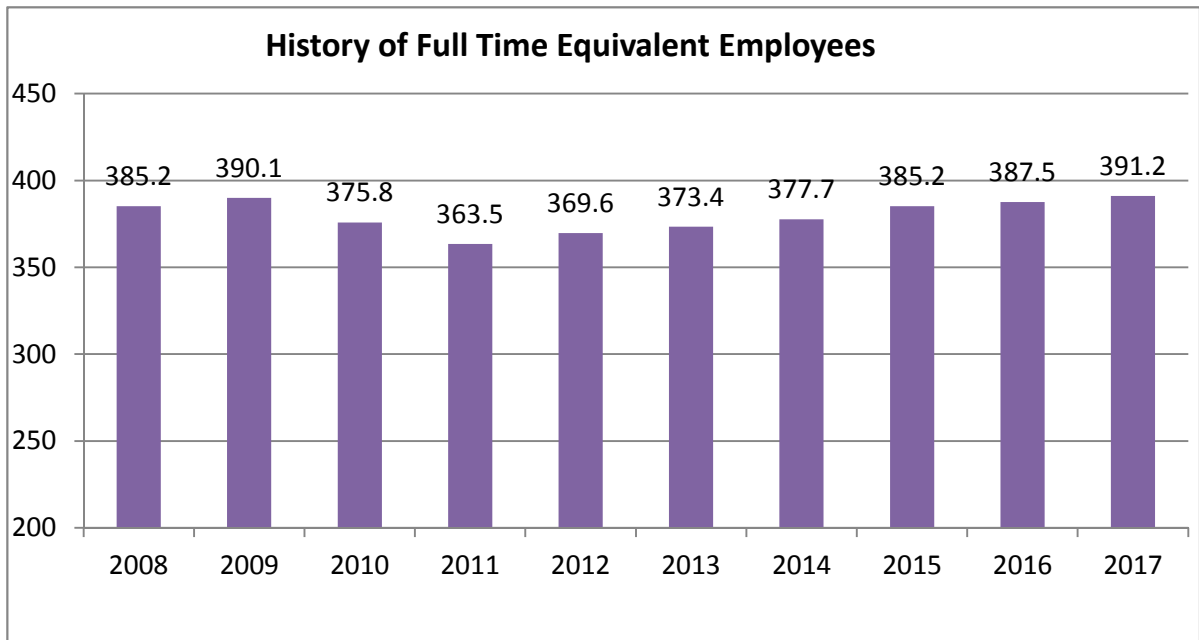
Unemployment Insurance

The budget is based on the 2017 rate at 0.10%. The 2016 rate was 0.29%.

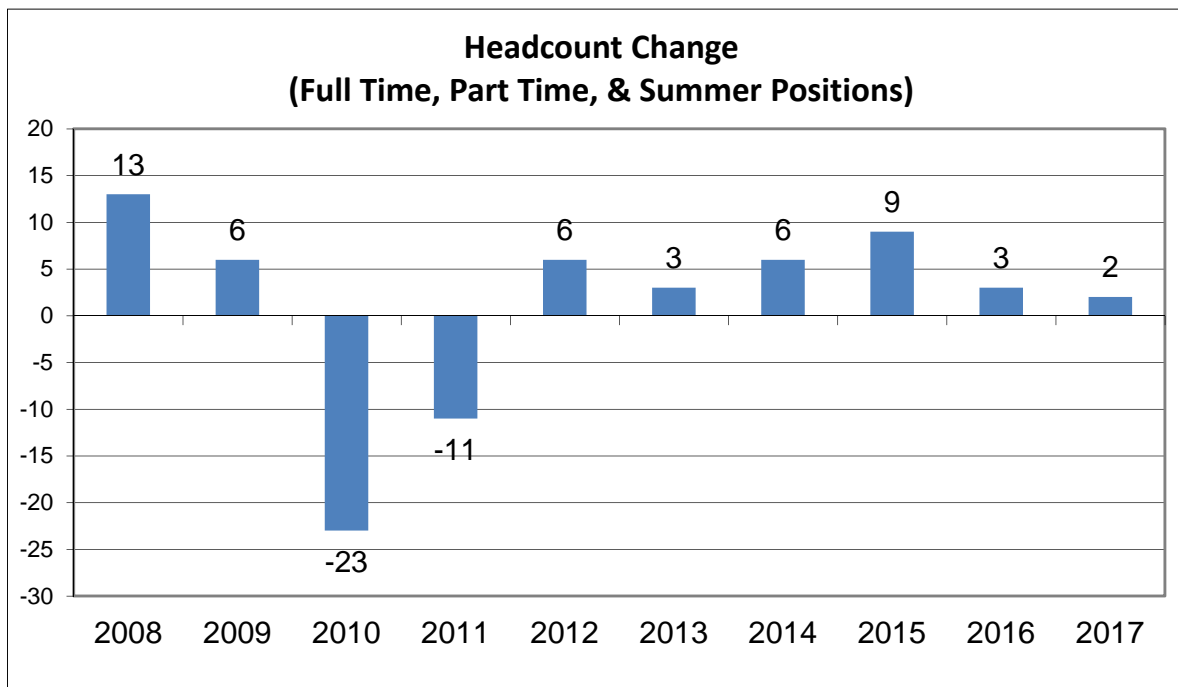
Comp & Ben Consulting Serv

This budget funds benefit consulting projects.

Personnel



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Full Time	366	371	362	350	357	360	368	374	377	382
Part Time	19	20	15	14	13	13	8	10	8	6
Summer	22	22	13	15	15	15	18	19	21	20
Total	407	413	390	379	385	388	394	403	406	408

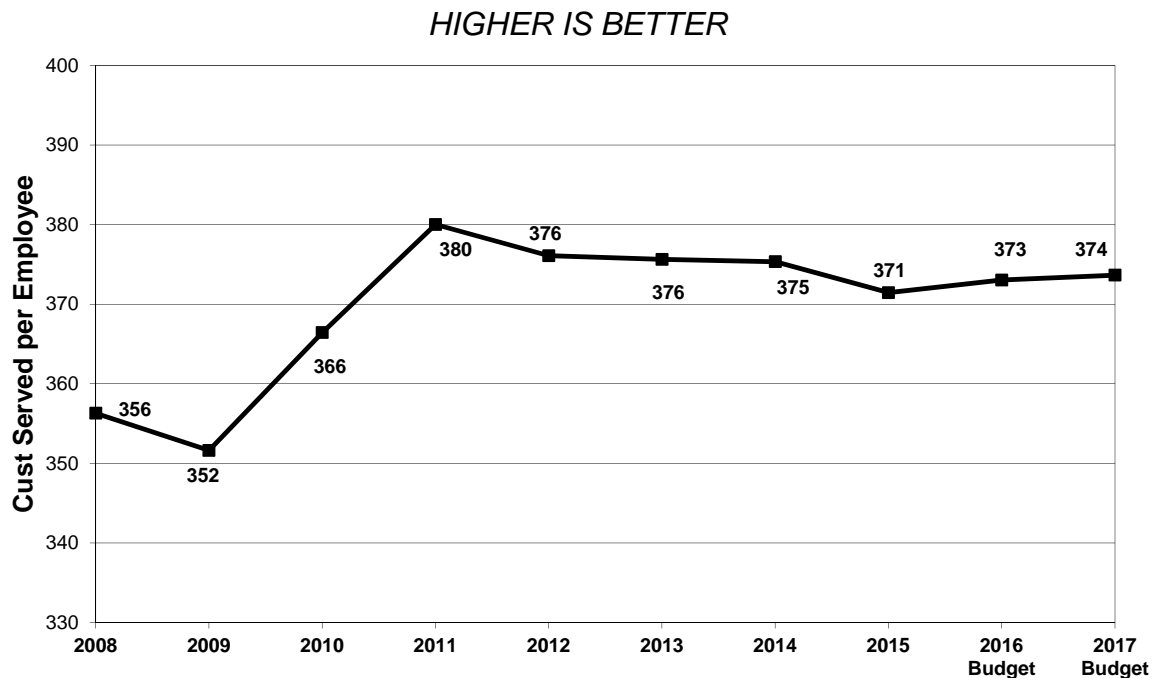


PERSONNEL

Average Customers Served Per Employee

Previous to the economic downturn in 2007, historical customer growth had averaged around 2,800 customers per year. Customer growth reached a low of 500 in 2008, but since has gradually increased, albeit not to levels seen before 2007. The 2017 projections are estimated at 1,500 customers. WaterOne adjusted its employee base in 2010-2011 but since has added back some of those employees due to demands created by the growing economy and additional customers.

The result is that average customers served per employee has been relatively stable since 2011. The ratio of customers served per employee is used as a broad measure to check the balance of the number of customers to the number of personnel.



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CAPITAL IMPROVEMENT PROGRAM

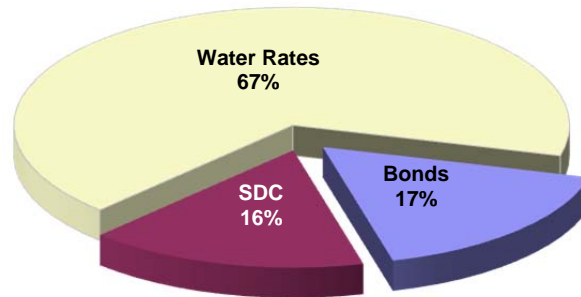
WaterOne provides water service to approximately 420,000 residents of Johnson County in 17 municipalities and encompasses 272 square miles. While WaterOne's service territory is only about 55% developed, portions of the distribution system are over 50 years old. This puts WaterOne in the position of planning and building for the growth of the system while at the same time dealing with the challenges of aging infrastructure. In order to meet its diverse capital needs, WaterOne has developed a Capital Improvement Program (CIP) that consists of three components.

- **Master Plan** – The Master Plan includes projects to build new or replace facilities related to water treatment, pumping, storage, transmission mains, and new distribution mains. Master Plan projects are designed to increase the water supply to serve new customers and to protect existing facilities from becoming obsolete. The projects in this category are more complex, more costly, and have a useful life of at least 20 years. Periodically, an engineering Master Plan study is done to provide a comprehensive long-range plan for the improvement and expansion of the water system. Replacement projects that meet the Master Plan criteria are identified by a detailed assessment of existing infrastructure needs through an asset management program.
- **Transmission & Distribution (T&D)** – The T&D capital program includes spending on water main, fire hydrant, and service connection assets. T&D expenditures are categorized, planned, and reported based on the following components: distribution main replacements, distribution main relocations, general improvements, distribution main breaks, transmission main repair and replacement, and condition assessments.
- **Annual Capital** – Annual Capital consists of the current year budget plus a rolling five-year plan for new and replacement projects or equipment purchases associated with ongoing operational needs. The most significant expenditures in the Annual Capital budget include water production, information technology, distribution and fleet equipment, as well as meter replacement. In contrast to Master Plan, the majority of Annual Capital is spent on replacement of existing assets. Annual Capital replacement projects are also identified by asset management programs, but they are usually less costly and tend to have shorter useful lives than Master Plan projects.

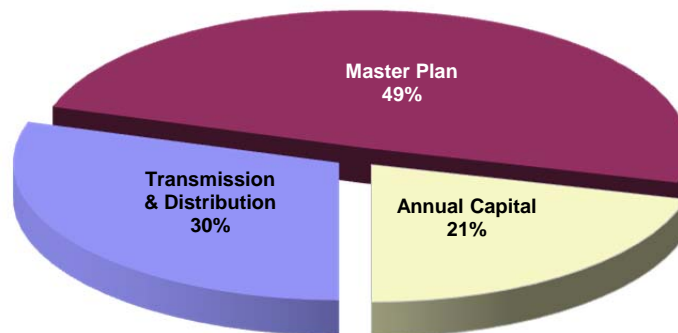
The major sources of funds for these capital expenditures are:

- **Water Rates** – Funds are designated on a “pay-as-you-go” basis from current water rates to fund Annual Capital, T&D, and Master Plan.
- **System Development Charges (SDCs)** – SDCs are paid by new customers when they apply for a service connection permit. The amount of the SDC, based on a growth pays for growth philosophy, is approved by the Board and is based on the results of an annual cost of service analysis. The SDC is designed so that new customers, through an “equity buy-in” methodology, pay for their share of the cost of capacity. SDCs are used to fund the Master Plan or pay off outstanding debt.
- **Bonds** – WaterOne issues tax exempt revenue bonds for funding of the Master Plan when necessary. Bonds are used to fund the construction of significant expansions and replacements. The use of bonds helps avoid abnormally large water rate increases and improves equity between generations of WaterOne customers.

TOTAL CIP

CIP Funding

FUNDING	2017	2018	2019	2020	2021	2022	Total
Water Rates	\$34.6	\$35.4	\$35.2	\$38.9	\$41.0	\$42.4	\$227.5
SDCs	\$7.3	\$8.0	\$8.7	\$9.6	\$10.5	\$10.9	\$55.0
Bonds	\$42.0	\$0.0	\$15.0	\$0.0	\$0.0	\$0.0	\$57.0
TOTAL FUNDING	\$83.9	\$43.4	\$58.9	\$48.5	\$51.5	\$53.3	\$339.5

CIP Expenditures

EXPENDITURES	2017	2018	2019	2020	2021	2022	Total
Master Plan	\$60.3	\$28.7	\$30.4	\$19.7	\$17.0	\$19.0	\$175.1
T&D	\$14.4	\$15.6	\$16.8	\$18.2	\$19.7	\$21.3	\$106.0
Annual Capital	\$10.8	\$11.8	\$12.2	\$12.7	\$13.2	\$13.7	\$74.4
TOTAL EXPENDITURES	\$85.5	\$56.1	\$59.4	\$50.6	\$49.9	\$54.0	\$355.5

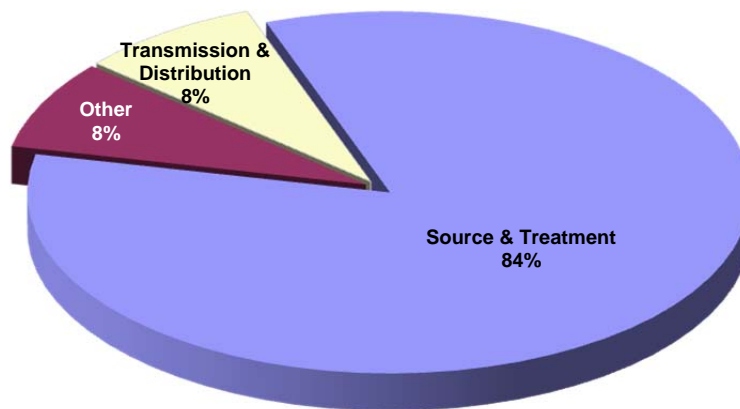
IMPACT OF CAPITAL PROJECTS ON THE OPERATING & MAINTENANCE (O&M) BUDGET

Capital budget requests will sometimes have an Operation & Maintenance (O&M) impact. For each requested Annual Capital budget item, the requesting department is required to submit estimated impacts to the operating budget such as maintenance contracts or cost savings. These costs are included in the current O&M budget and future year forecasts, if applicable.

Transmission and Distribution (T&D) capital is most likely to have an influence on future personnel budgets with the inclusion of new crews to repair, relocate, or replace T&D assets. New crew requirements and other related operational costs are included in the annual budget. Five additional years of headcount planning is required down to the position level for longer range planning purposes.

The impact of Master Plan Capital on O&M is largely dependent on the type of facility. New mains mean new customers helping to pay for the increased gallons used. Pump stations and reservoirs are also related to customer growth and have an associated increase in revenue from new customers to cover increased operational costs such as electrical usage. A new treatment plant primarily requires additional personnel, electricity, chemicals, and maintenance.

2017 Master Plan

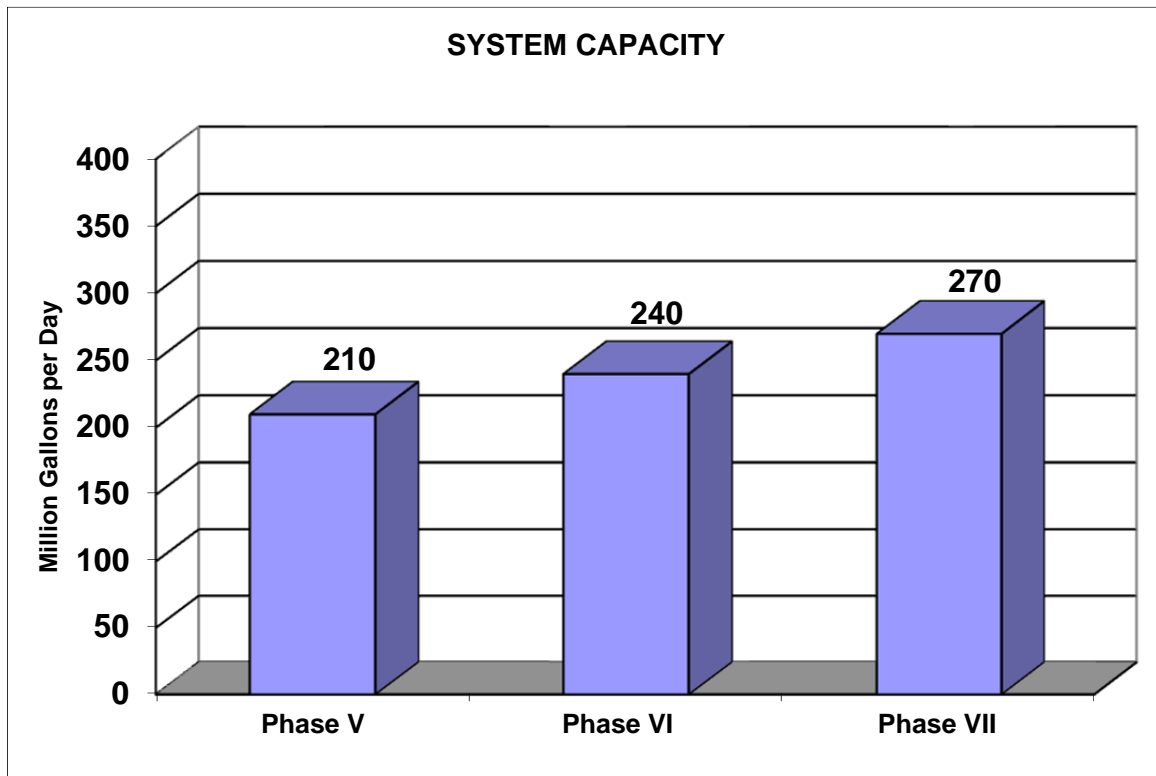


Master Plan Purpose and Funding

- **Source & Treatment** - These facilities consist of structures including river intakes, collector wells, a river weir, reservoirs, residual monofills, supply mains and treatment plants. WaterOne's raw water is derived from several sources: the Kansas well field, an intake on the Kansas River, an intake on the Missouri River, and a collector well on the Missouri River. These four sources provide 200 million gallons per day (mgd).
- **Pumping and Storage** – These facilities consist of equipment and structures including pumps, pump stations, underground and ground level reservoirs as well as elevated storage in water towers. Pumping provides hydraulic pressure to the distribution system in order to meet Board policy requirements. Storage is primarily needed to maintain adequate supply during peak demand periods, for fire protection, and to serve as emergency pressure to the system in the event of equipment failure or power interruption. There is currently 90 million gallons of storage capacity in the distribution system.
- **New & Replacement Transmission Mains and New Distribution Mains** – These facilities include water mains, pressure reducing valves, and appurtenances for the mains. Transmission mains are defined as greater than 16" in diameter. Distribution mains are 16" in diameter and smaller. New or replacement mains included in the Master Plan are primarily related to the latest Water Supply Master Plan developed by WaterOne's consulting engineers.

TOTAL CIP

The Master Plan was first adopted by the Board in 1977 as a long-term plan for expansion. Since then the plan has been updated periodically to accommodate changing conditions and to keep pace with growth. The plan is divided into Phases as shown in the chart below. These Phases are designed to ensure that capital investment is made at the correct time to provide adequate supply of water without building capacity in excess of what will be needed in the next few years.



The largest project planned in 2017 is the construction of the ozone generation facility for approximately \$37.7M. The ozone generation facility will replace the use of powdered activated carbon and chlorine dioxide generator chemicals with ozone as the primary disinfectant at the Hansen Treatment Facility, reducing complexity of operations. The other large project in 2017 is a hydro power generation facility on the Kansas River.

Due to the more extensive scope and scale of Master Plan projects, and the corresponding larger costs typically associated with them, funding for Master Plan is more complex than that of Annual Capital. Financial modeling is done to determine the sources of funds and ensure the availability of these funds when needed. Funding for Master Plan is a combination of SDCs, designated water sales revenue, and long-term financing through tax exempt revenue bonds.

2017 Master Plan Projects (Awards Basis)

Distribution & Transmission Mains

MP-10005	New	20" TM 79th and Frontage to Switzer and 83rd	\$1,412,808
MP-13008	New	16" DM Metcalf, 159th to 167th	1,170,619
MP-12004	New	12" DM 159th, Nall to Mission	831,792
MP-09004	New	12" DM 159th, Mission to Kenneth	773,439
MP-12003	New	12" DM Midland, Monticello to Woodland	383,649
MP-17100	New	12" DM Antioch, 83rd to 87th	50,000
Distribution & Transmission Mains			<u>\$4,622,307</u>

Source & Treatment

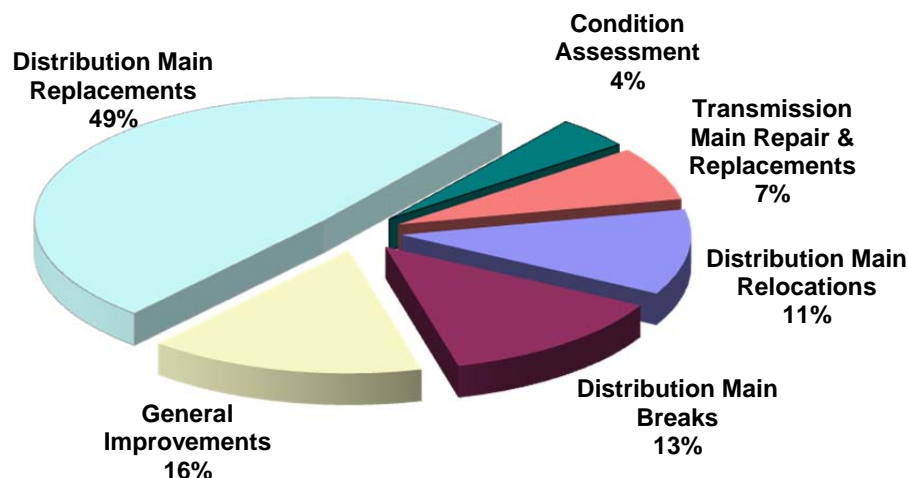
MP-16010	New	Ozone Generation Facility	\$37,717,366
MP-16015	New	Hydro Power Generation	6,390,426
MP-11002	New	Residual Monofill #9 - Hansen	2,050,480
MP-17047	Repl.	Facility 1 Filter Media Replacement	1,335,084
MP-23004	New	Residual Monofill #3A - Wolcott	139,185
Source & Treatment			<u>\$47,632,540</u>

Other Facilities

MP-20035	Repl.	AHQ and P1 Building Remodel	\$2,566,113
MP-17500	Repl.	AHQ Roof Replacement	1,924,746
Other Facilities			<u>\$4,490,859</u>

Total Master Plan (Awards Basis)	<u><u>\$56,745,706</u></u>
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2017 Transmission & Distribution Funding



Transmission & Distribution Purpose and Funding

- **Distribution Main Replacements** - Main replacements are budgeted based on the results of a water main asset management project that was developed in 2003 with the most recent update completed in 2013. The objective of the project was to produce a financial model that would identify the appropriate level of main replacement due to “wear-out”. The goal is to replace all assets, including water mains, at the time which produces the lowest life-cycle cost of that particular asset. The decision as to which main replacement projects are the highest priority is determined by a decision matrix that includes many factors, some of which are:
 - The number of breaks per mile per year
 - Condition assessment
 - A risk analysis of the consequence of failure
 - Coordinating replacements with municipal street improvement projects

Restoration of streets, curbs, and sidewalks are a significant component of replacement costs, so WaterOne communicates with the municipalities’ public works departments in order to coordinate the replacement of water mains with the municipalities’ street projects. The goal is to minimize costs as well as reduce traffic disruptions to the public. WaterOne continues to use and investigate various condition assessment methods to improve its knowledge of the condition of underground assets. Different replacement technologies and techniques are also being used depending on the size, location, difficulty of replacement, and the type of restoration required.

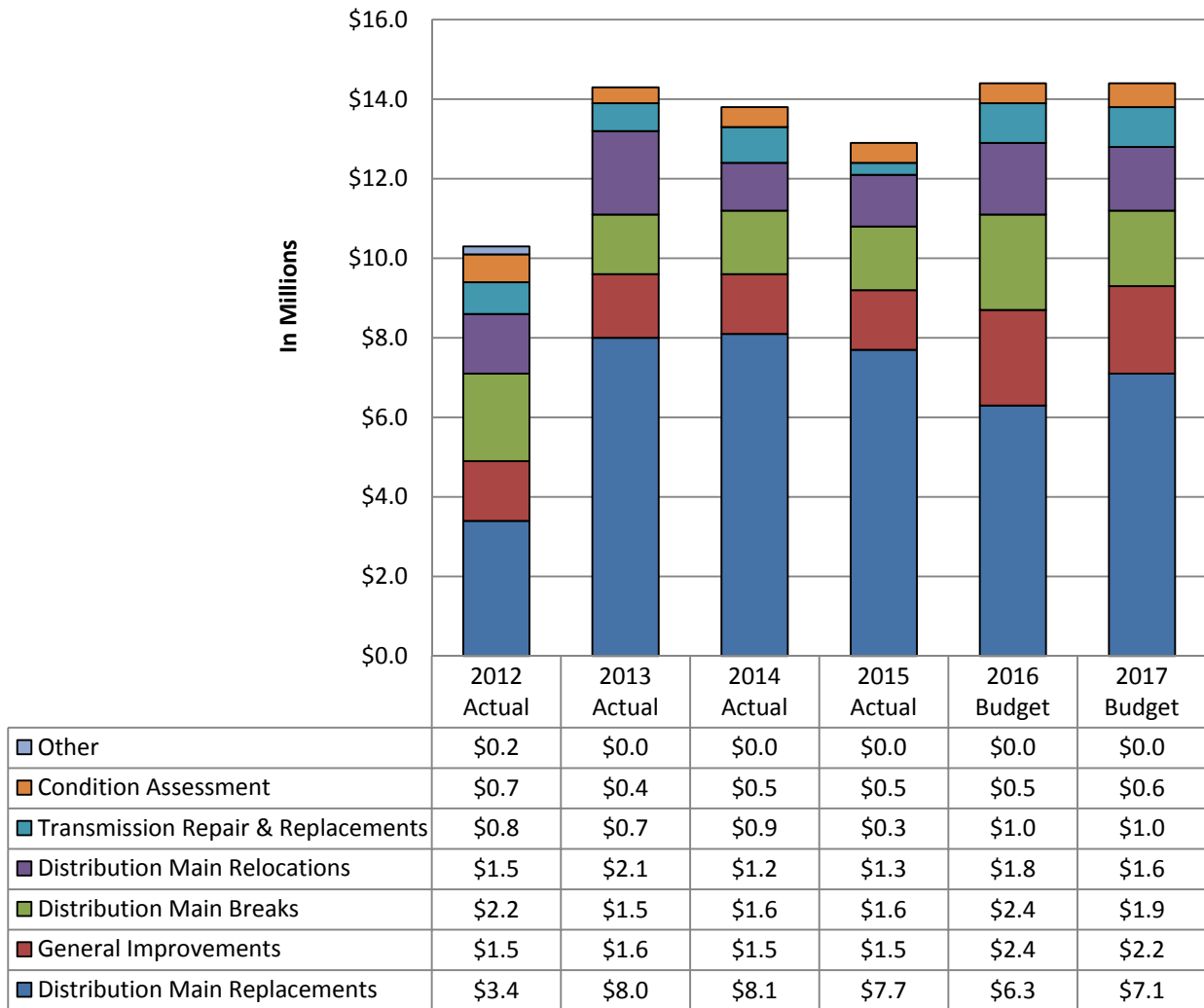
- **General Improvements** - General system improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants. WaterOne has approximately 140,000 service connections which are the pipe and related material that connect the water main to the meter. These service connections require ongoing replacement and rehabilitation in order to maintain a reliable water supply. Main upsizing occurs when a main is replaced with a larger diameter main to allow for increased capacity or water flow. Most upsizing is paid for by WaterOne and is done in conjunction with relocation projects to improve water flow throughout the system. Some upsizing is done when new housing and commercial development occurs and is paid for by

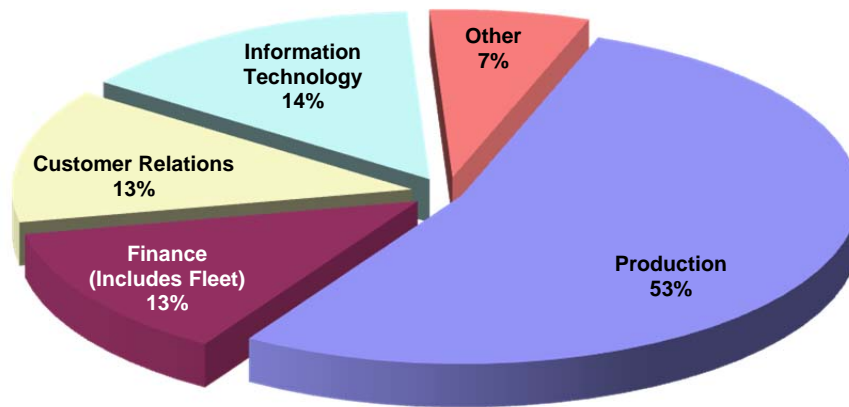
TOTAL CIP

the developer. New mains are occasionally installed to extend the system, but are primarily needed to provide redundant supply or improve fire protection water flow in a particular area.

- **Distribution Main Breaks** - Main breaks are unplanned construction to replace sections of a water main or an entire fire hydrant that is broken and leaking. If the nature of the leak is such that a clamp can be used to make the repair, it is considered to be an operational maintenance cost. If a section of main is taken out and replaced with new main, it is considered to be a capital improvement. Given our aging infrastructure, the number of capital main breaks has increased over time and is expected to continue to increase into the future. WaterOne takes steps to minimize the rate of increase in breaks through a replacement program, which is described above in the Main Replacements section.
- **Distribution Main Relocations** - These projects are constructed in coordination with street improvement projects planned by the municipalities that WaterOne serves. As the municipalities' populations grow, those municipalities' street improvement projects require main relocation so they are not in conflict with future streets. Mains that are in public right-of-way are paid for by WaterOne, while mains in private easement are paid for by the requesting city.
- **Transmission Main Repair & Replacements** - This category includes combination air valve replacements and relocations, blow off replacements and relocations, blind flanges and related bolt replacements, and transmission main capital breaks. New installations and extensive replacements of transmission mains are funded in Master Plan.
- **Condition Assessment** - This category includes hiring contractors to assess transmission main condition as well as WaterOne construction of manways for access to the entrance of the pipe.

Transmission & Distribution by Category

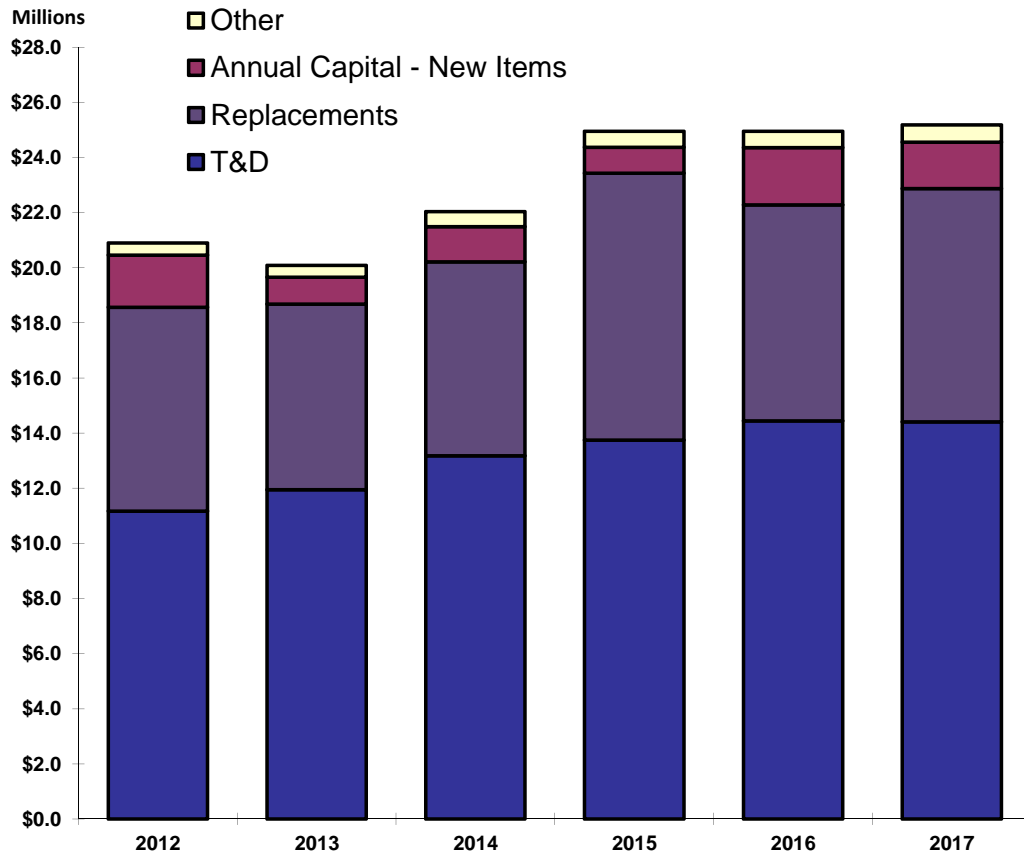


2017 Annual Capital by Division**Annual Capital Purpose and Funding**

Annual Capital is budgeted by organizational division. A listing of individual projects follows with detailed project descriptions and justifications included in the division sections later in the book.

Annual Capital projects are funded entirely from water rates, investment income, and other operating revenues in accordance with a pay-as-you-go philosophy. The first year of any six-year rolling Annual Capital budget is approved as part of the annual budget process. Projects planned in the remaining five years are not authorized until that year's budget is formally adopted by the Board. The future years serve as a guide for planning and are subject to further review and modification by staff and the Board.

HISTORY OF BUDGETED TOTAL ANNUAL CAPITAL



Type of Annual Project	2012 Budget	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget
T&D Funding (a)	\$ 11,170,000	\$ 11,950,000	\$ 13,174,000	\$ 13,743,000	\$ 14,440,000	\$ 14,410,000
Annual Capital - Replacements	7,389,752	6,730,454	7,032,807	9,677,261	7,838,119	8,460,779
Other (b)	442,569	426,408	541,927	589,021	601,212	623,238
Total T&D, Replacement, and Other Funding	\$ 19,002,321	\$ 19,106,862	\$ 20,748,734	\$ 24,009,281	\$ 22,879,331	\$ 23,494,017
Annual Capital - New Items	\$ 1,897,679	\$ 973,138	\$ 1,281,266	\$ 940,719	\$ 2,070,669	\$ 1,680,983
TOTAL ANNUAL CAPITAL	\$ 20,900,000	\$ 20,080,000	\$ 22,030,000	\$ 24,950,000	\$ 24,950,000	\$ 25,175,000
T&D, Replacement, and Other as % of Total Annual Capital	91%	95%	94%	96%	92%	93%

(a) The Funding for Transmission & Distribution Infrastructure will be used to fund Replacements, Relocations, and Improvements to Transmission & Distribution Mains, Services, and Fire Hydrants.

(b) Other' consists of Funding for Benefit Area Refunds and Omissions & Contingencies. Omissions and Contingencies are primarily related to replacements.

ANNUAL CAPITAL BY DIVISION/DEPARTMENT

DIVISION/DEPARTMENT	2016 CAPITAL REQUESTS	2017 CAPITAL REQUESTS	PRELIMINARY PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2017 CAPITAL REQUESTS
PRODUCTION				
Operations	\$ -	\$ -	\$ 1,296,769	\$ 1,296,769
Facilities Engineering	3,162,029	4,750,404	2,273,301	7,023,705
Facilities Maintenance	1,019,729	870,338	49,076	919,414
Water Quality Laboratory	-	122,168	-	122,168
TOTAL PRODUCTION	\$ 4,181,758	\$ 5,742,910	\$ 3,619,146	\$ 9,362,056
DISTRIBUTION				
Distribution Engineering	\$ 14,440,000	\$ 14,418,885	\$ -	\$ 14,418,885
Construction, Maintenance, Valving & Services	\$ 772,004	\$ 27,270	\$ 428,473	\$ 455,743
TOTAL DISTRIBUTION	\$ 15,212,004	\$ 14,446,155	\$ 428,473	\$ 14,874,628
CUSTOMER RELATIONS				
Meter Services	967,354	1,370,583	\$ 2,259,806	3,630,389
Office of the Director	\$ -	\$ 22,213	\$ 15,000	\$ 37,213
TOTAL CUST. RELATIONS	\$ 967,354	\$ 1,392,796	\$ 2,274,806	\$ 3,667,602
FINANCE				
Fleet Services	\$ 1,561,194	\$ 1,388,614	1,308,658	\$ 2,697,272
TOTAL FINANCE	\$ 1,561,194	\$ 1,388,614	\$ 1,308,658	\$ 2,697,272
HUMAN RESOURCES/ADMINISTRATION				
Safety & Security	\$ 424,204	\$ 43,077	\$ 693,899	\$ 736,976
TOTAL HUMAN RESOURCES/ADMIN	\$ 424,204	\$ 43,077	\$ 693,899	\$ 736,976
INFORMATION TECHNOLOGY				
Infrastructure Services	\$ 1,354,735	\$ 716,351	\$ 362,786	\$ 1,079,137
Applications	647,539	666,372	495,824	1,162,196
Information Technology	-	155,487	113,160	268,647
TOTAL INFORMATION TECHNOLOGY	\$ 2,002,274	\$ 1,538,210	\$ 971,770	\$ 2,509,980
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 24,348,788	\$ 24,551,762	\$ 9,296,751	\$ 33,848,513
Capital Contingencies (@ 2.5% of Sub-Total Above) (a)	601,212	623,238	-	623,238
TOTAL OFFICE OF GENERAL MANAGER	\$ 601,212	\$ 623,238	\$ -	\$ 623,238
GRAND TOTAL CAPITAL REQUESTS	\$ 24,950,000	\$ 25,175,000	\$ 9,296,751	\$ 34,471,751

Numbers may not total due to rounding

a) Listed under General Manager tab

b) Funding Source: prior years' revenue

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2017

		*2016 Budget	12-31-2016 Unspent	Budget Carry- Over to 2017
PRODUCTION				
AC-15702	Partial AHQ Carpet Replacement	\$ 26,679	\$ 26,679	\$ 26,679
AC-15701	MO Presed Door Replacements	18,897	18,897	18,897
AC-16038	Filter & Distr Instrumentation Replace	94,791	(14,550)	3,500
Facilities Maintenance Department Subtotal		\$ 140,367	\$ 31,026	\$ 49,076
AC-15037	SCADA Replacement & Upgrades	\$ 1,369,201	\$ 1,296,769	\$ 1,296,769
Operations Department Subtotal		\$ 1,369,201	\$ 1,296,769	\$ 1,296,769
AC-16047	Missouri Presed Pump #6 Refurbishment	\$ 554,985	\$ 524,465	\$ 444,000
AC-16302	Missouri River Intake Pump #1 Refurb	499,488	499,488	444,000
AC-15023	KS Presed Pump #5 Rebuild	400,000	372,347	388,500
AC-14100	Admin HQ Workspace Reconfiguration	252,366	243,122	243,122
AC-16051	Fac 2 North Chlorine Scrubber Replace	221,994	60,017	203,785
AC-16048	Hansen Chlorine System Improvements	416,239	31,360	118,226
AC-15028	Reservoir Transfer Pumps #1 & #2 Rebuild	277,903	195,867	79,920
AC-16040	Wolcott Aerator Refurbishment	147,071	74,727	74,727
AC-16041	Fleet Building Backup Generator (New)	69,373	66,697	66,698
OC-16009	Human Resources Office Renovations	46,570	44,906	44,906
AC-15032	AHQ HVAC Improvements	66,697	39,780	39,780
AC-16005	Wash Water Return Pump/AFD Replacement	160,946	28,311	34,282
AC-16037	Hansen Window Replacement	223,381	805	22,866
OC-15011	Mold Remediation & Moisture Damage at AO	86,987	51,785	18,000
AC-15213	Delmar and Wash Water Tank Painting	420,553	133,721	15,873
AC-16049	Filter Valve Control Replacement	194,244	(8,422)	11,933
OC-16010	Replace Flooring in Hansen Fitness Center	10,551	10,551	10,551
AC-15035	O&M Carpet & Ceiling Tile Replacement	120,000	(3,944)	7,026
AC-16042	Residual Buildings Instrumentation (New)	83,248	6,731	5,106
Facilities Engineering Department Subtotal		\$ 4,252,596	\$ 2,372,315	\$ 2,273,301
PRODUCTION TOTAL		\$ 5,762,164	\$ 3,700,110	\$ 3,619,146

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2017

		*2016 Budget	12-31-2016 Unspent	Budget Carry- Over to 2017
DISTRIBUTION				
AC-16105	Valve Inserting Machine	\$ 133,196	\$ 133,196	\$ 133,196
AC-15180	Auger Machine	83,371	83,371	83,371
AC-16016	HDPE Fusion Machine	72,148	72,148	72,148
AC-11050	Valve Maintenance Vacuum and Operator	20,000	13,119	64,180
AC-16017	Electrofusion Machine Replacements	47,174	47,174	47,174
AC-14016	Portable Valve Operators	28,404	28,404	28,404
DISTRIBUTION TOTAL		\$ 384,293	\$ 377,412	\$ 428,473
INFORMATION TECHNOLOGY				
AC-16905	Records Information Management Phase II	\$ 277,492	\$ 277,492	\$ 277,492
AC-16903	SAP Enhancements	221,994	107,834	143,728
AC-13023	Records Information Management Phase I	110,059	74,604	74,604
Applications Department Subtotal		\$ 609,545	\$ 459,930	\$ 495,824
AC-14007	GIS Upgrades and Enhancements	\$ 387,518	\$ 387,518	\$ 113,160
Information Technology Department Subtotal		\$ 387,518	\$ 387,518	\$ 113,160
AC-16050	Network Segmentation	\$ 358,476	\$ 358,476	\$ 362,786
Infrastructure Department Subtotal		\$ 358,476	\$ 358,476	\$ 362,786
INFORMATION TECHNOLOGY TOTAL		\$ 1,355,539	\$ 1,205,924	\$ 971,770
CUSTOMER RELATIONS				
AC-16000	Annual Meter Replacement Program	\$ 942,823	\$ 1,021,010	\$ 2,259,806
OC-16011	Customer Relations Cube Walls and Office Furniture	15,000	-	15,000
CUSTOMER RELATIONS TOTAL		\$ 957,823	\$ 1,021,010	\$ 2,274,806

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2017

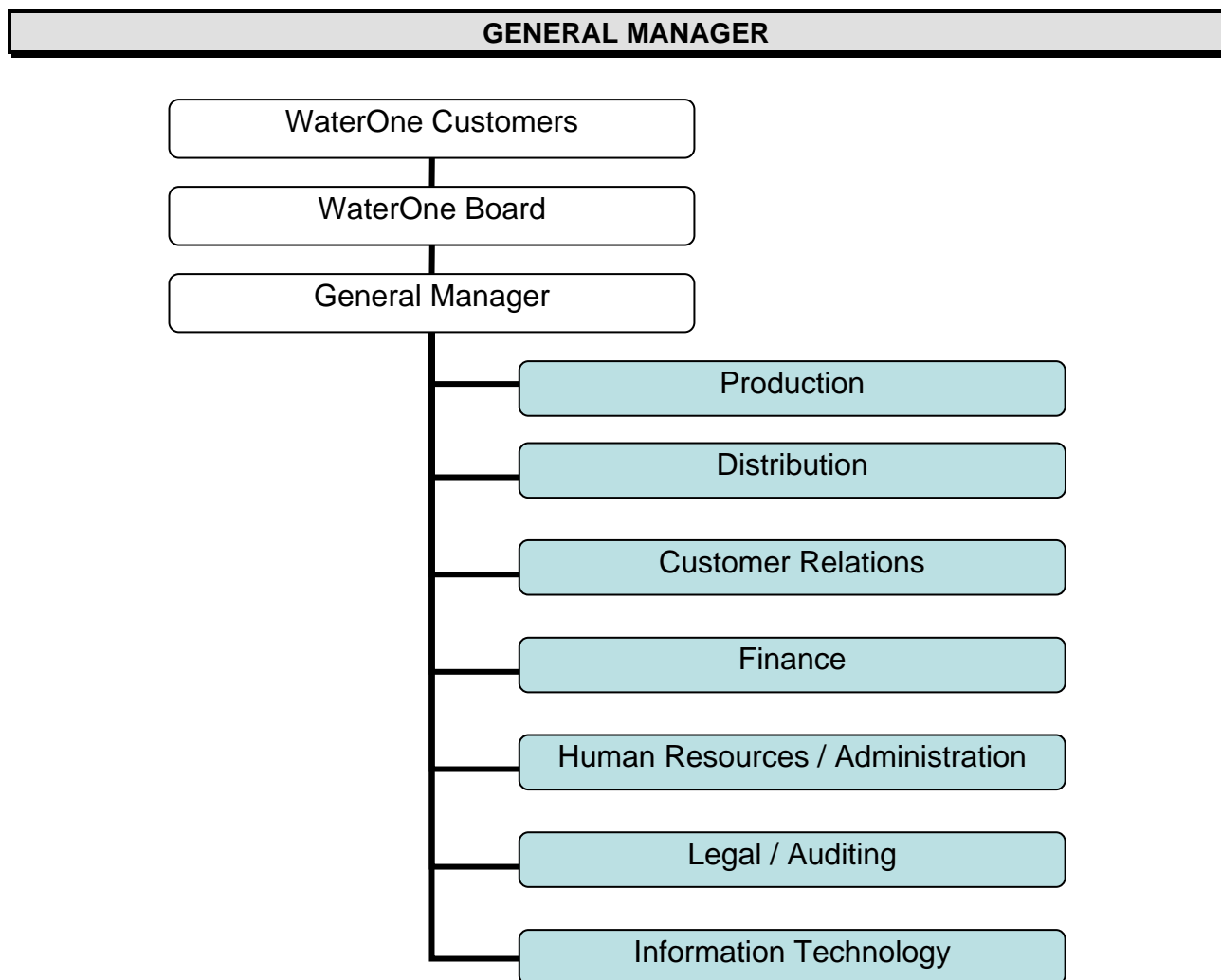
		*2016 Budget	12-31-2016 Unspent	Budget Carry- Over to 2017
HUMAN RESOURCES				
AC-16029	Security Equipment Refurb & Replace	\$ 22,200	\$ 22,200	\$ 538,700
AC-16101	Vehicle Access Tags Replacement	143,697	123,558	123,558
AC-16100	Security Console Reconfiguration	30,163	16,041	16,041
AC-16102	Mapping Software for Security (New)	25,955	12,746	15,600
HUMAN RESOURCES TOTAL		\$ 222,015	\$ 174,545	\$ 693,899
FINANCE - FLEET				
AF-14008	Crane Truck (Replace 6180) - CMVS	\$ 347,586	\$ 347,586	\$ 409,055
AF-16014	Large Dump Truck (Replace 6220) - CMVS	182,569	182,569	182,569
AF-16040	Backhoe (Replace 7471) - CMVS	122,823	122,823	122,823
AF-16150	Skid Steer with Deforester - CMVS (New)	120,487	120,429	120,429
AF-15001	1 Ton Utility Truck (Replace 4700) - FM	117,223	76,709	76,709
AF-15726	Service Truck (Replace 4100) - Flt Srv's	75,628	75,328	75,328
AF-14415	1 Ton Service Body (Replace 4670) CMVS	122,939	72,458	72,458
AF-16022	1 Ton Box Side Truck (Replace 3800) - MS	102,118	72,274	72,274
AF-12402	1 Ton Flat Bed Truck (Replace 4380) - Operations	104,140	42,174	42,174
AF-14414	1 Ton Dump Truck (Replace 4400) CMVS	58,092	40,780	40,459
AF-15008	Heavy Duty Tire Changer	27,790	27,790	27,790
AF-16101	Utility Vehicle - Ops (New)	16,650	16,650	20,800
AF-14720	Hydro-Ex Trailer (Replace 7214)	105,139	4,408	13,512
AC-16210	Diagnostic Scan Tool - Fleet (New)	12,210	12,210	12,210
AC-16201	Floor Machine Replacement	10,966	10,966	10,966
OC-16006	Air Conditioning in Fleet Parts Room	9,251	6,557	6,557
AF-16021	SUV (Replace 8244) - Dist Eng	32,744	2,545	2,545
FINANCE - FLEET TOTAL		\$ 1,568,356	\$ 1,234,256	\$ 1,308,658
GRAND TOTAL CARRY-OVERS		\$ 10,250,190	\$ 7,713,257	\$ 9,296,751

Numbers may not total due to rounding

*2016 Budget amount represents the approved 2016 budget amount or carryover amount for all projects that were requested for carryover into 2016.

Funding for carryover projects exceeding the unspent budget was transferred from projects no longer requested for carryover.

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OFFICE OF THE GENERAL MANAGER

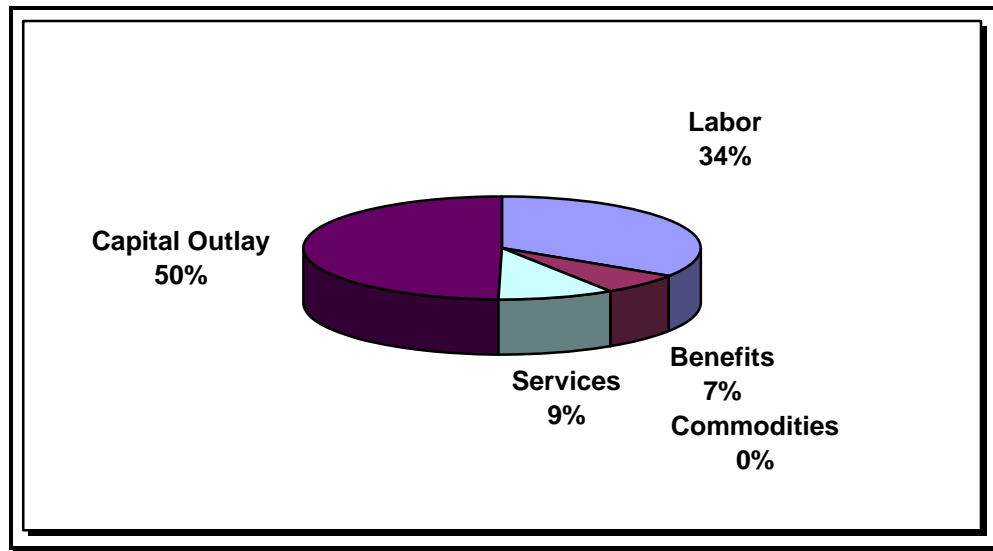
The General Manager provides comprehensive oversight for seven divisions throughout the utility. This administrative role ensures the utility's mission and strategic goals are successfully implemented with regard to customers, employees and operations. The General Manager's office fosters open communication with the utility's seven-member board and communicates overall utility goals to them.

In addition to providing day-to-day administration, the Office of the General Manager also maintains a highly visible presence throughout the community. In this role, the General Manager continues to promote the utility and encourages dialogue with business, civic and political leaders.

MISSION STATEMENT

The Office of the General Manager ensures that individual divisions' goals and activities support the utility's mission statement: *"To provide a safe, reliable, high-quality water supply with superior service and value."*

EXPENDITURES BY MAJOR CATEGORY



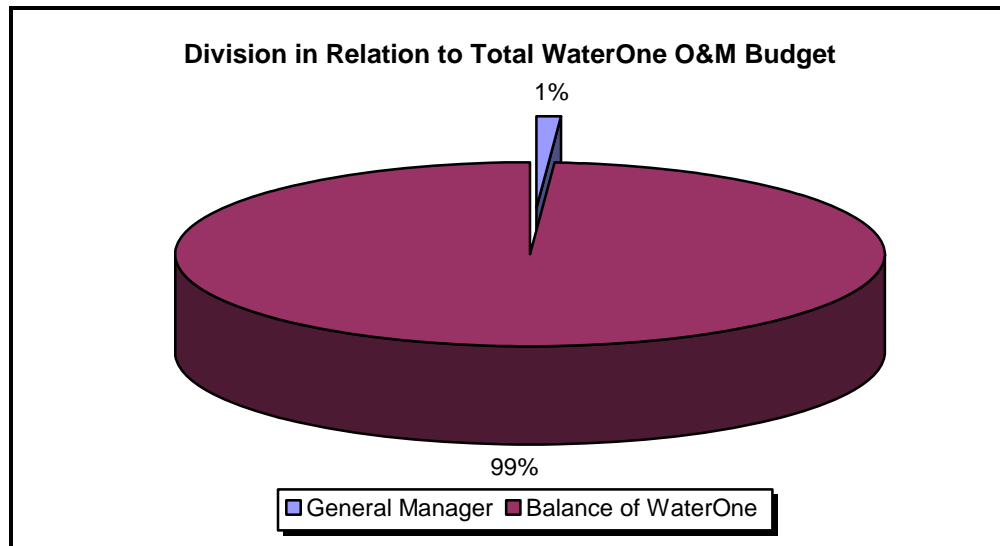
Net of Transfers

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$391,803	\$425,647	\$434,779	\$9,132	2.1%
Benefits	80,039	84,577	82,292	<2,285>	<2.7%>
<i>Personnel Costs</i>	<i>\$471,843</i>	<i>\$510,224</i>	<i>\$517,071</i>	<i>\$6,847</i>	<i>1.3%</i>
Commodities	1,283	700	700	0	0.0%
Services	119,576	119,026	118,575	<451>	<0.4%>
Transfers	<16,912>	<15,766>	<5,740>	10,026	<63.6%>
Total O&M	\$575,790	\$614,185	\$630,606	\$16,422	2.7%
Capital Outlay (b)	0	601,212	623,238	22,026	3.7%
Total	\$575,790	\$1,215,397	\$1,253,844	\$38,448	3.2%

Numbers may not add due to rounding

- a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.
- b) Omissions and Contingencies budgets are not assigned to particular divisions and are therefore reported in the General Manager's budget. However, as actual expenditures occur, those are reported in the responsible division. The target for the Omissions and Contingencies is approximately 2% of the total capital budget.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015	2016	2017	\$ Incr	% Incr
	Actual	Budget	Budget	<Decr>	<Decr>
Labor - Non OT	\$337,819	\$365,348	\$374,430	\$9,082	2.5%
Benefits	80,039	84,577	82,292	<2,285>	<2.7%>
Water Board Salaries	51,600	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	48,213	45,000	43,924	<1,076>	<2.4%>
WaterOne Memberships	34,178	33,025	34,330	1,305	4.0%
Subtotal	\$551,849	\$587,950	\$594,976	\$7,026	1.2%
All Other Accounts	40,853	42,001	41,370	<631>	<1.5%>
Less Transfers	<16,912>	<15,766>	<5,740>	10,026	<63.6%>
Total O&M	\$575,790	\$614,185	\$630,606	\$16,421	2.7%

Numbers may not add due to rounding

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	2			2
Part Time	0			0
Temporary/Summer	0			0
Total Headcount	2			2
Total Full Time Equivalents (FTEs)	2			2

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Water Board Salaries

Board salaries are \$700/month for Board Members and \$800/month for the Board Chairman.

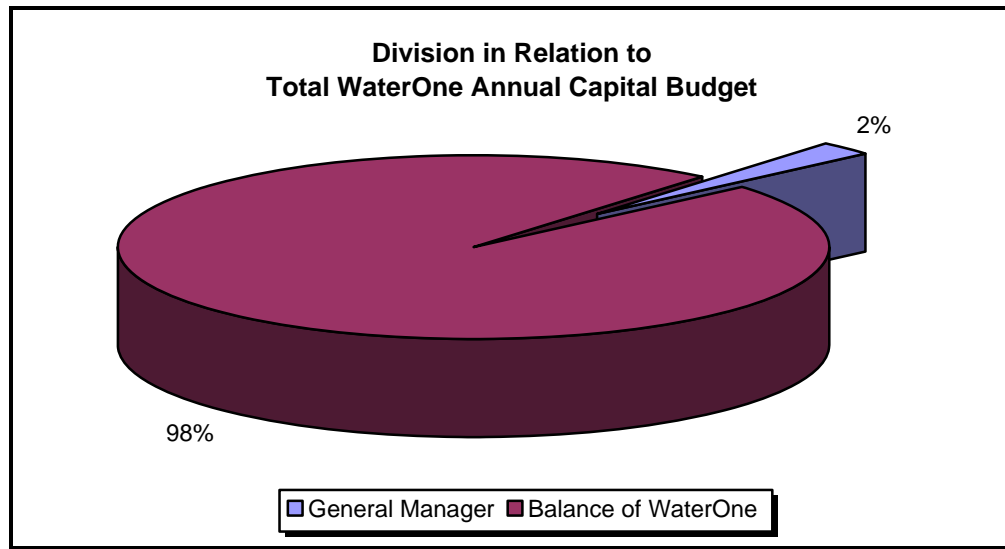
AWWA Research Foundation Fees

The AWWA Research Foundation administers research programs related to providing safe, sustainable, and affordable drinking water. The fee amount is based on historical gallons sold.

WaterOne Memberships

WaterOne's utility memberships include the American Water Works Association, Association of Metropolitan Water Agencies (AMWA), Mo-Ark, Friends of the KAW, the Coalition to Protect the Missouri River, Kansas Rural Water Association, and MO River Public Water Supply. This budget also includes six memberships in local chambers and one organizational membership. Budget increase is due to new memberships for NAACP and the Spring Hill Chamber of Commerce.

ANNUAL CAPITAL



OC-17001	(a) 2017 Omissions & Contingencies	\$623,238
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Total Annual Capital	\$623,238
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- a) Omissions and Contingencies budgets are not assigned to particular divisions and are therefore reported in the General Manager's budget. However, as actual expenditures occur, those are reported in the responsible division. The target for the Omissions and Contingencies is approximately 2% of the total capital budget.

WaterOne 2017 Budget

GENERAL MANAGER

New

Project Description

2017 Omissions & Contingencies

Year

2017

Project #

OC-17001

Plan

\$623,238



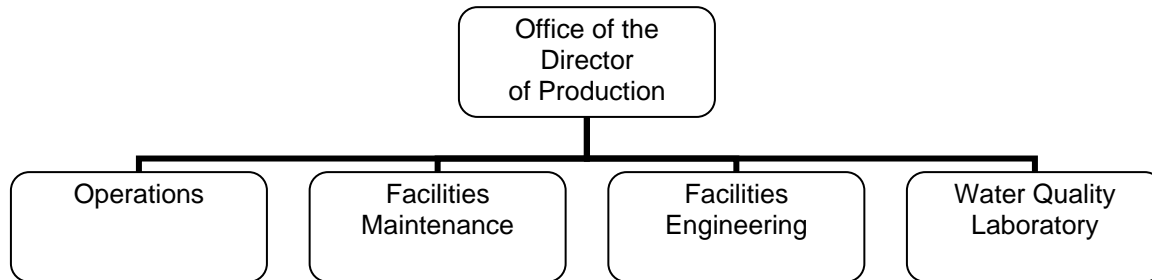
Justification

This is a contingency for unanticipated projects. Each O&C is reviewed and approved separately at the time of request and is assigned a unique project number. The project is budgeted to be about 2% of total annual capital.

PRODUCTION

PRODUCTION DIVISION

DIVISION ORGANIZATION



The Production Division is comprised of four departments: Operations, Facilities Maintenance, Facilities Engineering, and Water Quality Laboratory.

The Operations department is responsible for the treatment of raw water and for pumping finished potable water to customers.

The Facilities Maintenance department is responsible for all aspects of maintaining WaterOne facilities, production equipment, and grounds. Functional areas included in the department are Electrical, Mechanical, HVAC, Instrument/SCADA, Structures and Grounds, Custodial, and Analyzer.

The Facilities Engineering department is responsible for improvement projects related to production facilities/equipment, distribution facilities and administrative facilities.

The Water Quality Laboratory department collects daily water samples and oversees bacteriological and chemical analysis as required by state and federal regulations. Water quality analysis is performed at all stages of water production to ensure that the water meets or exceeds regulation and performance goals.

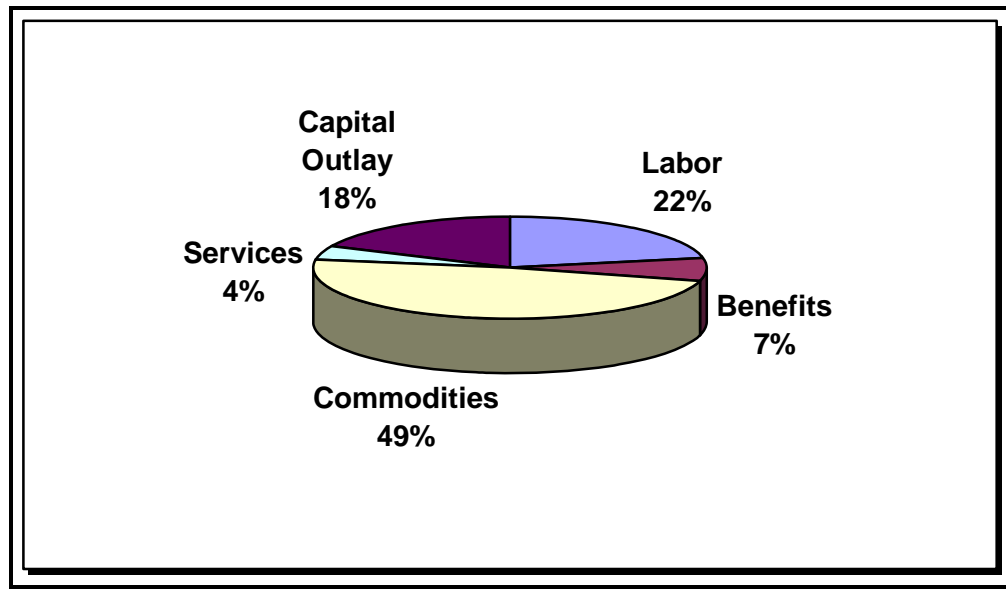
DIVISION OBJECTIVE

Produce and deliver high quality drinking water to our customers in a reliable and efficient manner and in quantities required to meet our customer's needs, including the engineering and maintenance services necessary to accomplish that goal.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2017 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY



Net of Transfers

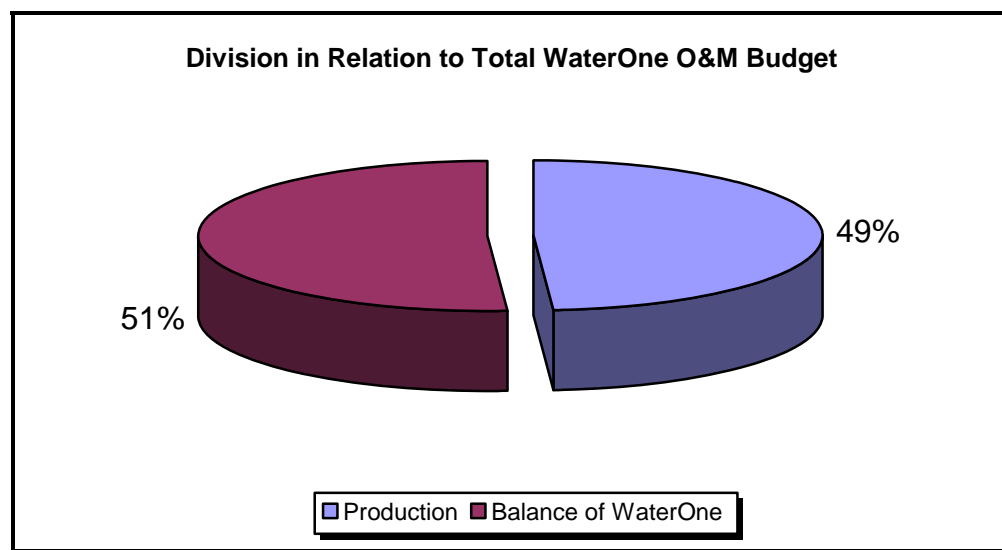
	2015 Actual (b)	2016 Budget (b)	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$6,823,488	\$7,396,184	\$7,665,770	\$269,586	3.6%
Benefits	2,197,218	2,335,131	2,350,554	15,422	0.7%
Personnel Costs	\$9,020,706	\$9,731,315	\$10,016,324	\$285,008	2.9%
Commodities	12,066,689	15,763,968	15,323,548	<440,420>	<2.8%>
Services	1,385,557	1,552,567	1,418,649	<133,918>	<8.6%>
Transfers	<646,425>	<688,197>	<726,583>	<38,386>	5.6%
Total O&M	\$21,826,527	\$26,359,652	\$26,031,938	<\$327,715>	<1.2%>
Capital Outlay	6,706,577	4,208,539	5,742,910	1,534,371	36.5%
Total	\$28,533,104	\$30,568,191	\$31,774,848	\$1,206,656	3.9%

Numbers may not add due to rounding

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

(b) Custodial Services transferred to Production from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Custodial in Production for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015 Actual (a)	2016 Budget (a)	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$6,438,537	\$7,067,045	\$7,321,385	\$254,340	3.6%
Labor - OT	337,181	321,088	337,870	16,782	5.2%
Benefits	2,197,218	2,335,131	2,350,554	15,422	0.7%
Chemicals - Water Treatment	4,244,454	5,924,648	5,830,128	<94,520>	<1.6%>
Power - Transmission	3,468,554	4,484,307	4,154,660	<329,647>	<7.4%>
Power - Source	1,730,334	2,300,742	2,079,675	<221,067>	<9.6%>
Power - Distribution	1,213,233	1,517,967	1,586,674	68,707	4.5%
Material & Supplies	809,490	868,200	864,200	<4,000>	<0.5%>
Natural Gas	144,578	179,859	340,411	160,552	89.3%
Maintenance Services	186,374	404,600	271,200	<133,400>	<33.0%>
Subtotal	\$20,769,953	\$25,403,587	\$25,136,757	<\$266,830>	<1.1%>
All Other Accounts	1,702,999	1,644,262	1,621,764	<22,498>	<1.4%>
Less Transfers	<646,425>	<688,197>	<726,583>	<38,386>	5.6%
Total O&M	\$21,826,527	\$26,359,652	\$26,031,938	<\$327,715>	<1.2%>

Numbers may not add due to rounding

(a) Custodial Services transferred to Production from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Custodial reflected in Production for more comparable history.

WATERONE 2017 BUDGET
PRODUCTION

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	103	8 (a,b)		111
Part Time	0			0
Temporary/Summer	4			4
Total Headcount	107	8		115

Total Full Time Equivalents (FTEs)	104	+8		112
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a) During 2016, the Custodial Services group and corresponding budget was transferred from the Human Resources/Admin to Production (1 Foreman, 5 Custodians)

b) Budgeted New Positions: Project Engineer, HVAC Technician

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. The budget includes two new positions shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

Overtime is required for plant operators that work holidays, replace employees who are sick, or on vacation. Facilities maintenance requires overtime for after-hour emergency repairs to WaterOne facilities. The increase in 2017 is based on historical hours and the 3.5% performance compensation increase.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Chemicals – Water Treatment

The budget for this account is based on an operational plan by month for the Kansas and Missouri intakes and the Hansen and Wolcott treatment facilities. The plan is based on projected water produced, price of chemicals, and dose of chemical required. The budget for 2017 is decreasing primarily due to a reduction in the price of activated carbon. Other cost decreases are also included related to operational changes that have reduced the need for chemical feeds to treat hardness and alkalinity.

Power - Transmission

This budget is for power from the Board of Public Utilities (BPU) for transmission of water to the distribution system. The budget for this account is based on an operational plan by month for the two treatment facilities. The 2017 budget is decreasing due to the planned use of natural gas engine generators at the Wolcott facility as well as a decreased Energy Rate Component (ERC).

PRODUCTION

Power - Source

This budget is for power from the Board of Public Utilities (BPU) at source or intake facilities. The budget for this account is based on an operational plan by month for the four sources. The 2017 budget is decreasing due to the planned use of natural gas engine generators at the Wolcott facility, a decreased ERC, and a decrease related to the change in rate category at the KS Presed.

Power - Distribution

This budget is for power primarily from Kansas City Power & Light (KCP&L) at the pump stations throughout the distribution system. The budget for this account is based on an analysis of the historical trends for power use at each of the large pump stations. The budget is increasing primarily due to a projected 3.0% KCP&L rate increase as well as the first full year operating the Ralph G. Wyss Pump Station.

Material & Supplies

Material and supplies are non-inventory items that are necessary to complete in-house lab services and to operate and maintain WaterOne facilities. The small budget decrease is based on the history of actual charges for materials used.

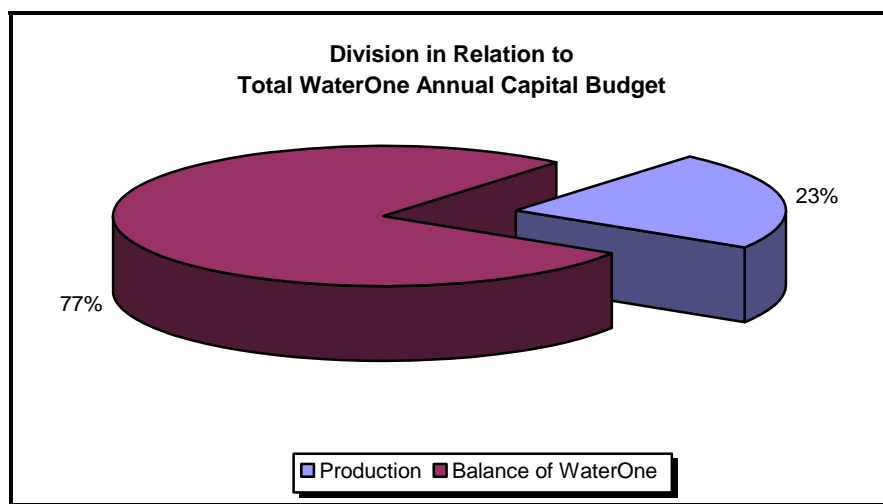
Natural Gas

The budget increase is due to the planned use of natural gas engine generators at the Wolcott facility. The budget increase was offset by decreases in the budget for Transmission and Source Power (see above).

Maintenance Services

This account is for routine contracted services for the maintenance and condition assessments of the Water Quality Laboratory equipment and production facilities. The budget decrease is based on a decrease in the cost of switchgear maintenance and a reduction in the number of projects being amortized.

ANNUAL CAPITAL



New

AC-17033	Facility 2 Analyzer Structures	\$444,248
AC-17049	Facility 2 Carbon Dioxide Upgrade	111,062
Annual Capital - New		\$555,310

Replacement / Refurbish

AC-17001	Hansen Mechanical, Electrical, Plumbing	\$1,418,540
AC-17023	MO River Intake Pump #3 Rebuild	555,310
AC-17035	MO River Presed Pump #6 Rebuild	555,310
AC-17024	Facility 2 High Service Pump #14 Rebuild	499,780
AC-17012	Emergency Equipment Replacements	477,567
AC-17031	Hansen Residual Pumping/Piping Equipment Recoating	255,443
AC-17045	Hansen Exterior Lighting Improvements	222,124
AC-17046	MO Intake Low River Pumps Rebuild	222,124
AC-17091	Hansen Auto Titrator Replacements (2)	188,805
AC-17036	Facility 1 Basin Equipment Replacement	166,594
AC-17048	O&M Building Elevator Replacement	166,594
AC-17087	Hansen TOC Analyzer Replacements (4)	161,040
AC-17085	Lab Ion Chromatograph Replacements (2)	122,168
AC-17043	O&M Building Operator Lab Remodel	111,062

WATERONE 2017 BUDGET

PRODUCTION

AP-17009	(a)	Legal Library Repair and Remodel	22,213
AC-17090		O&M Building Air Compressor Replacement	16,271
AC-17086		Hansen O&M and AHQ Landscaping	13,327
AC-17088		KS River Traveling Screen PLC Replacement	13,327
Annual Capital - Replace / Refurbish			\$5,187,600

(a) Requested by Legal/Audit Division

Total Annual Capital			\$5,742,910
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Numbers may not add due to rounding

Annual Capital Listed in Other Divisions:

Projects are listed in the division responsible for project management and maintenance. Listed below are projects for which this division is the primary user, but the project detail can be found in the managing division.

AF-17047	(f)	1 Ton Service Body (Replace 4690) – Fac Maint	83,297
AP-17200	(f)	SUV for HVAC Technician	33,724
AP-17205	(f)	Transit Connect Van for HVAC Foreman	28,876
AF-17130	(f)	SUV (Replace 8080) – Fac Eng	27,766
AC-17125	(h)	SCBA Equipment Replacements	22,379

f) Fleet listed in 'Finance Division'

h) Safety equipment listed in 'Human Resources/Administration Division'

WATERONE 2017 BUDGET
PRODUCTION

MASTER PLAN

MP-16010	Ozone Generation Facility	\$37,717,366
MP-16015	Hydro Power Generation	6,390,426
MP-11002	Residual Monofill #9 - Hansen	2,050,480
MP-17047	Facility 1 Filter Media Replacement	1,335,084
MP-23004	Residual Monofill #3A - Wolcott	139,185

Source & Treatment	\$47,632,540
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MP-20035	AHQ and P1 Building Remodel	\$2,566,113
MP-17500	AHQ Roof Replacement	1,924,746

Other Facilities	\$4,490,859
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Total 2017 Master Plan Capital	\$52,123,399
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Total Capital	\$57,866,309
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WaterOne 2017 Budget

PRODUCTION DIVISION

New

Project Description

Facility 2 Analyzer Structures

Year

2017

Project #

AC-17033

Plan

\$444,248



Justification

Currently, the analytical equipment that provides water quality values in each of the four phases of plant 2 are located in the basement of the residual control building associated with the phase. These environments are quite harsh for sensitive electronic equipment due to temperature extremes, high humidity, and potential for submersion. Sample delivery is achieved by a gravity feed system constructed of PVC pipe that is situated in three bore holes through the basin walls of each phase (2 through the final basin wall and 1 through the primary basin wall). These lines are replaced annually using aerial equipment placed on the sloped floor inside the basins creating a safety concern. Excess sample and waste is routed to the building sump and is pumped to drain. It is the opinion of the maintenance department that this delivery method is causing undue wear on the sump equipment, mid-process loss of product, excess energy consumption and increased potential for flooding. Operations has expressed that due to the inconvenience of the locations it is difficult for them to address small problems at night during high flows. Lastly, analyzer team members have expressed safety concerns associated with transporting buffers, reagents, and other materials in bulk up and down the stairs alone in areas with limited options for communications. Moving the analytical equipment to ground level would provide a solution to the vast majority of these problems. However, there is not physical room in the residual control buildings to achieve this. This project proposes that two free standing structures be built to house the equipment; one between phase 1 & 2 and one between phase 3 & 4. It also proposes that the sample system be evaluated and redesigned to pump from the sample points in each phase (primary basin effluent, final basin influent, final basin effluent and Missouri influent) to these structures and returned to either the nearest basin or splitter box to eliminate mid process loss and address the current safety concerns. As a further benefit, analyzers can be programmed to sample multiple streams. Consolidation of these measurements will allow WaterOne to do away with two of these units. This will save WaterOne roughly \$200,000 in the next two years as these units are due for replacement. The analyzer shop has determined that mid-process loss of product is roughly 3.05 million gallons a month if all four phases are running. This project will mitigate these losses to nearly zero. Provisions for SCADA and telephone network connectivity should be considered as well as environmental control. Accommodations should be made for house water and eyewash stations. Future expansion of analytical equipment should be heavily weighted in determination of structure size.

PRODUCTION DIVISION

New

Project Description

Facility 2 Carbon Dioxide Upgrade

Year

2017

Project #

AC-17049

Plan

\$111,062

Justification

The raw water influent quality can have characteristics which require the need to operate with higher than normal pH levels throughout the treatment process. If this condition occurs during a period of high demand, the ability to feed a high enough dose of carbon dioxide to adjust the pH to our water quality targets is limited. Modification of the current system will allow operations to feed a sufficient dose at all raw water quality conditions. A larger vaporizer would be required at the Facility 2 North CO2 tank as well as a control valve and programming changes within each existing (4) feed panels located at Facility 2 North and Facility 2 South.



WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen Mechanical, Electrical, Plumbing

Year

2017

Project #

AC-17001

Plan

\$1,418,540



Justification

This project consists of several smaller projects that when combined will increase the efficiency of managing them through one contractor. Facility 2 Residual Buildings Refurbishment (\$400,000): Each of the four residual buildings require upgrades to the HVAC system (includes O&M Building humidifier), the replacement of AFDs which power basin equipment, and general repair of piping and valves which have surpassed their useful lives due to wear and corrosion. Facility 2 Carbon Dioxide Solution Feed Lines (\$150,000): Multiple leaks have occurred in the solution lines that feed carbon dioxide to the rapid mixers for each phase of Facility 2. These lines represent a single point of failure for the treatment process for each phase, which equates to 31.25 MGD. Replacing these lines will increase the reliability of the treatment process. Facility 1 Wash Water Recovery Basin Refurbishment (\$115,000): The wash water recovery basin receives the wash water from the filters. There are submersible pumps located within the basin which then return this water to the head of the plant where it is recycled as a part of the treatment process. It was originally built in 1955 and certain portions of the concrete structure show signs of deterioration. The piping and valve system also requires modification to improve operation and access. Hansen Process Basin Safety Improvements (\$110,000): Multiple basins at both Facility 1 and Facility 2 require personnel to place themselves in potentially unsafe positions in order to perform routine maintenance. Current practice is to wear safety gear for sufficient support. Providing additional platform space will improve working conditions and reduce the risk of injury. Facility 1 Polymer and Alum Improvements (\$110,000): This equipment is part of the chemical feed system that stores and pumps chemicals from the tanks to the feed points. The existing polymer tank is in need of replacement due to deterioration. It is about 50 years old which is its useful life. The Alum pumps have reached the end of their useful life of 15 years and are planned to be replaced. Replacement of Facility 2 Lime and Soda Ash Bin Fill Lines (\$100,000): These steel lines convey the dry chemical from the tanker to the bulk storage units. The lines wear out over time through normal use and will develop holes which allow the dry chemical to escape. The equipment has reached its useful life. Facility 2 Fluoride Pumps (\$57,500): The existing fluoride pumps are in need of replacement due to a lack of reliability caused by the corrosive nature of the chemical. Multiple leaks have occurred and the manufacturer has not been able to supply the needed repair parts in a timely manner. An improved style of pump will be installed that is more suitable to the corrosive nature of the chemical. Facility 2 Lime and Soda Ash Tank Access Manways (\$30,000): This project will consist of constructing a "hatch" on the side of the tanks that can be removed which will provide access to the internals for cleaning and maintenance. The existing tanks do not have a way to access them.

PRODUCTION DIVISION

Replace

Project Description

MO River Intake Pump #3 Rebuild

Year

2017

Project

AC-17023

Plan

\$555,310

Justification

This pumping unit was last replaced in 1992 and is 25 years old and past its useful life of 10 years. This unit serves as a Missouri raw water supply pump. By rebuilding this pumping unit, the life of the pump can be extended for another 10 years at a lesser cost versus replacing the entire pump. As a part of this project, the pump motor will be disassembled, inspected and refurbished as well. The pump discharge valve will also be either refurbished or replaced pending an inspection after the pumping unit has been removed from service.



Project Description

MO River Presed Pump #6 Rebuild

Year

2017

Project

AC-17035

Plan

\$555,310

Justification

This pumping unit was installed in 1991 making it 27 years old with an estimated useful life of 20 years. This unit serves as settled water supply from the Missouri Facility to the Hansen Plant. The pump requires rebuilding due to corrosion and a loss of performance, flow and pressure. By rebuilding this pumping unit, the life of the pump can be extended for another 20 years at a lesser cost compared to replacing the entire pump. As a part of this project the pump motors will be disassembled, inspected and refurbished. The pump discharge valve will also be either refurbished or replaced pending inspection results.



WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Facility 2 High Service Pump #14 Rebuild

Year

2017

Project #

AC-17024

Plan

\$499,780



Justification

This pumping unit was installed in 1996 and is now 21 years old. It has an anticipated useful life of 20 years. This pumping unit serves as a potable water supply pump. By rebuilding this pumping unit, the life of the pump can be extended for another 20 years at a lesser cost versus replacing the entire pump. As a part of this project the pump motor will be disassembled, inspected and refurbished as well. The pump discharge valve will also be either refurbished or replaced pending an inspection after the pumping unit has been removed from service.

Project Description

Emergency Equipment Replacements

Year

2017

Project #

AC-17012

Plan

\$477,567



Justification

For certain assets, the most cost effective asset management strategy is to run the asset to failure because the consequence of failure is low or the asset was designed with redundancy. Since 2007 there has been an annual project to refurbish or replace water production equipment that has been run to failure. When these assets fail, they still need to be replaced in a timely manner which is normally difficult through the normal budget process. The budget amount is determined by reviewing a five year history of these kinds of equipment failures.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen Residual Pumping/Piping Recoating

Year

2017

Project #

AC-17031

Plan

\$255,443



Justification

The Hansen Treatment Plant has 5 separate buildings which house piping and pumping systems that control and convey the residuals that are produced from the treatment process. The piping systems have paint coatings that are starting to fail. Application of new coating systems on this equipment and piping will prevent further corrosion and extend the useful life of the equipment.

Project Description

Hansen Exterior Lighting Improvements

Year

2017

Project #

AC-17045

Plan

\$222,124



Justification

The existing lighting system varies in age dating back to the 1960's for Facility 1 and ranges from the early 1980's to mid 1990's for Facility 2. Fixture replacements over the years have resulted in uneven lighting coverage and an inconsistent inventory of fixtures to maintain. Existing lighting also lacks sufficient coverage as identified by staff to safely travel throughout the facility after dark. This project will upgrade all existing fixtures with high efficiency LED fixtures. A lighting study will be conducted with staff involvement to identify areas of needed improvement.

PRODUCTION DIVISION

Replace

Project Description

MO Intake Low River Pumps Rebuild

Year

2017

Project #

AC-17046

Plan

\$222,124



Justification

The Low River Pumps serve the Missouri Intake in times of extreme low water events. These pumps are of the submersible design which has them placed within pump cans near the bottom of the river. The pumps were installed new in 2004 and have not been removed and inspected since. The pumps have been exercised by regularly operating them, however, they have reached a point where they should be removed and inspected. The pumping units will be disassembled to have seals replaced and internal components checked for corrosion. By rebuilding these pumping units, their useful lives will be extended to the next rebuild cycle.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen Auto Titrator Replacements (2)

Year

2017

Project #

AC-17091

Plan

\$188,805



Justification

The analyzer shop currently operates 14 online auto titrators that measure calcium hardness, total hardness, p-alkalinity, and total alkalinity. The plan is to replace 2 of these units in the 2017 budget and 2 each in the following years until all the units are replaced. The current units are 7-9 years old and nearing the end of their useful lives of 10 years. Some of these units are operating in extremely harsh environments and are becoming less reliable. While still serviceable, factory support for these older units is ending in 2022. Systematically upgrading to the newest version of the instrument would better provide operations the process critical measurements mentioned above and consequently provide a cache of spare parts to ensure maximum in-service time of the remaining instruments. Further, the newest versions provide greater communications solutions allowing us to diagnose a problem and monitor the physical operation of the instrument remotely.

Project Description

O&M Building Elevator Replacement

Year

2017

Project #

AC-17048

Plan

\$166,594



Justification

The O&M building currently has two elevators which are original to the facility which was built in 1990 (26 years old). Both elevators have been utilized extensively and have experienced increasing down time due to break downs. Multiple repairs have been made over recent years, but parts availability and manufacturer's support has become limited. The replacement of the elevator equipment will return reliability to the system.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Facility 1 Basin Equipment Replacement

Year

2017

Project #

AC-17036

Plan

\$166,594



Justification

The mixing and residual removal gearboxes and equipment were installed in 1965 (51 years old) for Basin Nos. 1 and 2. This equipment has exceeded its intended design life of 35 years. The replacement of this equipment will reduce the risk of failure and maintain the design capacity of the facility.

Project Description

Hansen TOC Analyzer Replacements (4)

Year

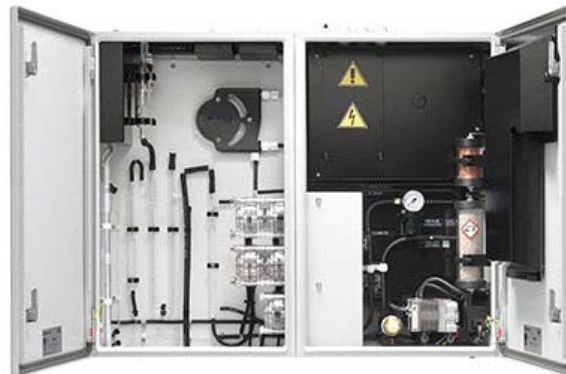
2017

Project #

AC-17087

Plan

\$161,040



Justification

The analyzer shop currently maintains four total organic carbon analyzers on each of the four tap locations. This measurement helps operations staff make informed decisions on chemical feed rates and the overall effectiveness of the treatment process. The units are 7-9 years old and have reached or are past their useful life of 7 years. This project would replace all four analyzers in 2017.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Lab Ion Chromatograph Replacements (2)

Year

2017

Project #

AC-17085

Plan

\$122,168



Justification

This equipment is currently used for compliance testing of sulfates, chloride, chlorate, chlorite, nitrite, and nitrate. One unit is ten years old and has been rendered obsolete by the manufacturer for both parts and service. The second unit is 6 years old and near the end of its useful life of 7 years and has incurred numerous service visits and downtime causing significant costs in both repair and contracted lab services to meet compliance requirements.

Project Description

O&M Building Operator Lab Remodel

Year

2017

Project #

AC-17043

Plan

\$111,062



Justification

The Operator Lab is located behind the control room on the second floor and has been in existence since the building was built. It is used by the Operators to perform tests that help make decisions about the treatment process. The Operator Lab is utilized by the staff 24 hours a day, 7 days a week and has deteriorated over the last 26 years due to normal wear. Countertops, case work and plumbing are in need of replacement. The remodeling of the O&M Building kitchen and break room will also be a part of this project. The cabinets and countertops are all original to the O&M Building. The extensive use of the kitchen and break room areas have caused normal wear and tear and are in need of refurbishment. Cabinet drawers, doors and countertops are warped, loose, and some are damaged beyond repair. Multiple appliances will also be replaced along with the cabinetry as they have also been extensively used and are in need of replacement.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Legal Library Repair and Remodel

Year

2017

Project #

AP-17009

Plan

\$22,213



Justification

Corner library will be converted to office space for Legal director. No other cubicles are available. New attorney will move into director's old office. Scope of project will include repair of drywall previously damaged due to water leak.

Project Description

O&M Building Air Compressor Replacement

Year

2017

Project #

AC-17090

Plan

\$16,271



Justification

This project is for the replacement of the air compressor, air dryer and control panel for the O&M building. The equipment supplies service air to the O&M building high bay, shops, labs, vehicle storage building, and gas pump island. The current equipment is 25 years old and is past its useful life of 20 years.

WaterOne 2017 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen O&M and AHQ Landscaping

Year

2017

Project #

AC-17086

Plan

\$13,327



Justification

Replacement of dead and/or damaged landscaping and trees as needed. This includes projects at the O&M building and Lab as well as the Administrative Headquarters. The landscaping for the O&M building is 27 years old and needs to be replaced. The Lab landscaping is approximately 7 years old, but the rose bushes that were selected contracted blight and need to be replaced with something more disease resistant. Most of the landscaping that needs replaced at the AHQ is due to storm damage.

Project Description

KS River Traveling Screen PLC Replacement

Year

2017

Project #

AC-17088

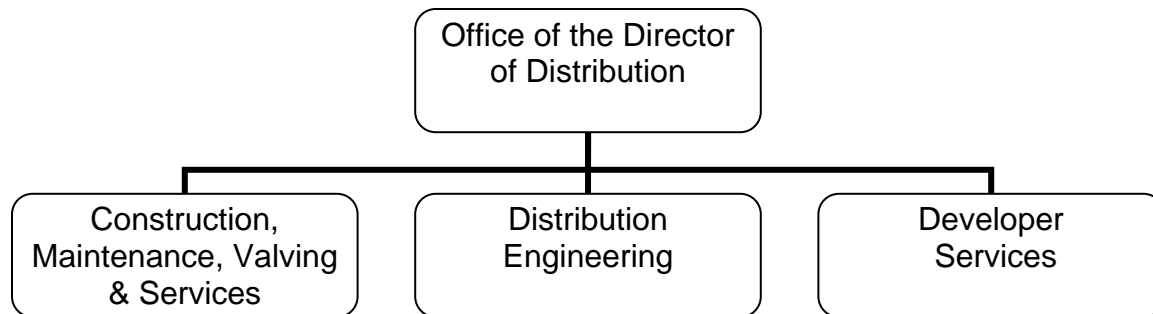
Plan

\$13,327



Justification

This Programmable Logic Controller (PLC) is an industrial-type computer. It receives inputs to display readings as well as controls equipment. The current unit is 18 years old and is past its useful life of 10 years. It is obsolete and no longer supported by the manufacturer.

DISTRIBUTION DIVISION**DIVISION ORGANIZATION**

Construction, Maintenance, Valving and Services (CMVS) operates, maintains and rehabilitates the distribution system. This includes the replacement of pipelines; the relocation of pipelines as a result of road improvement projects initiated by governmental entities; the installation of new pipelines for improvements to the distribution system; 24/7 emergency response for repairs to failed pipelines; maintenance of over 2,600 miles of pipeline, 17,000 fire hydrants and 31,000 valves, as well as over 140,000 service lines.

Distribution Engineering designs and coordinates projects to replace aging infrastructure and upgrade existing facilities. Engineering reviews and develops plans for capital improvement projects and coordinates the relocation of WaterOne pipelines with CMVS. In addition, the department is responsible for the installation of distribution piping to serve the residential and commercial development that occurs in our service territory.

In the Developer Services department, the New Service Connection Section works with builders, developers, plumbing contractors, and private property owners to review plans, investigate water availability and process applications for residential and commercial service connection permits. The Water Quality Section is responsible for handling water quality concerns from our customers. The department also administers WaterOne's Cross-Connection Control Program, Fire Service Line Flushing Program and provides for the sampling of water on all new pipelines installed in the distribution system.

DIVISION OBJECTIVE

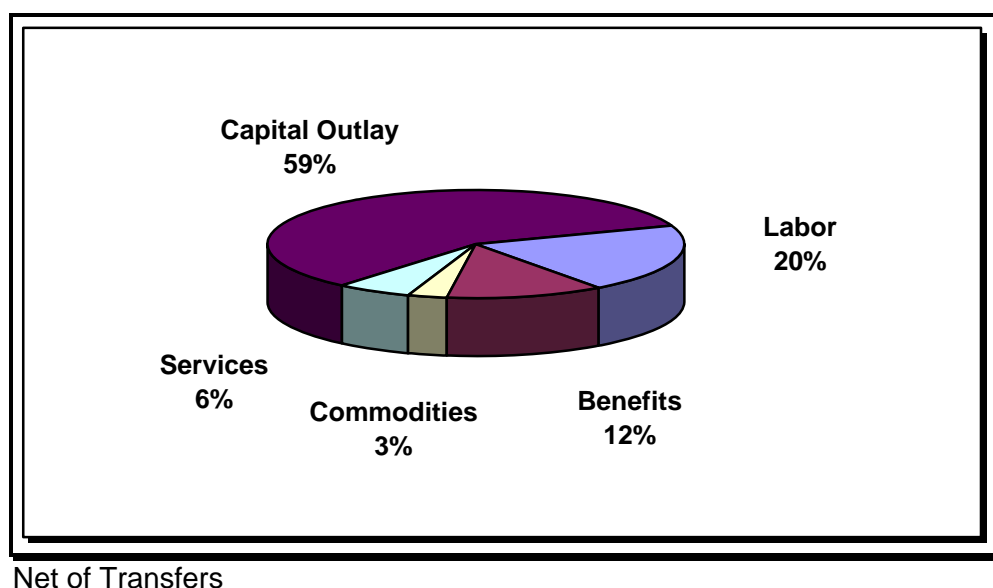
Deliver high quality drinking water to our customers in quantities required to meet their needs, reliably and efficiently, in a manner consistent with excellent customer service. Provide engineering services to the various cities served by WaterOne and the development community in a professional and timely manner. These activities are completed with an emphasis and focus on the safety of the public and the employees.

WATERONE 2017 BUDGET DISTRIBUTION

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2017 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY



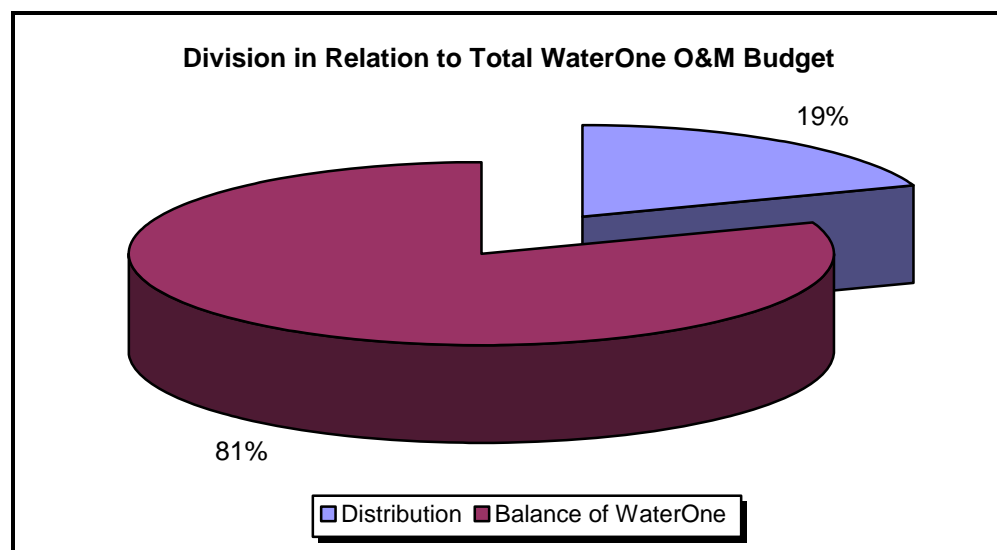
	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$8,945,891	\$9,471,345	\$9,536,050	\$64,705	0.7%
Benefits	3,070,450	3,086,269	3,067,520	<18,748>	<0.6%>
<i>Personnel Costs</i>	<i>\$12,016,341</i>	<i>\$12,557,614</i>	<i>\$12,603,570</i>	<i>\$45,957</i>	<i>0.4%</i>
Commodities	715,666	580,410	732,947	152,537	26.3%
Services	1,794,887	1,536,170	1,522,380	<13,790>	<0.9%>
Transfers	<4,446,883>	<4,577,680>	<4,481,737>	95,944	<2.1%>
Total O&M	\$10,080,011	\$10,096,514	\$10,377,161	\$280,647	2.8%
Capital Outlay	14,378,709	15,212,004	14,446,155	<765,849>	<5.0%>
Total	\$24,458,721	\$25,308,518	\$24,823,316	<\$485,202>	<1.9%>

Numbers may not add due to rounding

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

WATERONE 2017 BUDGET DISTRIBUTION

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$8,266,186	\$8,799,266	\$8,846,464	\$47,198	0.5%
Labor - OT	662,051	663,300	683,000	19,700	3.0%
Benefits	3,070,450	3,086,269	3,067,520	<18,749>	<0.6%>
Pavement Repair	952,798	853,500	887,050	33,550	3.9%
Inventory Withdrawals	380,006	346,205	370,897	24,692	7.1%
Clean Up (a)	255,562	276,150	262,970	<13,180>	<4.8%>
Small Tools & Equipment	17,875	17,550	145,700	128,150	730.2%
Contracted Services	177,549	133,100	133,800	700	0.5%
Subtotal	\$13,782,477	\$14,175,340	\$14,397,401	\$222,061	1.6%
All Other Accounts	744,417	498,854	461,496	<37,358>	<7.5%>
Less Transfers	<4,446,883>	<4,577,680>	<4,481,737>	95,943	<2.1%>
Total O&M	\$10,080,011	\$10,096,514	\$10,377,161	\$280,647	2.8%

Numbers may not add due to rounding

a) Clean Up is the combination of the Clean Up, Sod & Seed, and Topsoil accounts

WATERONE 2017 BUDGET
DISTRIBUTION

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	149	1	<1> (b)	149
Part Time	1			1
Temporary/Summer	10			10
Total Headcount	160	1	<1>	160

Total Full Time Equivalents (FTEs)	152.175	1	<1> (b)	152.175
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a) Budgeted New Positions: Full Time Distribution Technician (Line Locator)

b) Elimination of vacant New Services Coordinator position

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel. Vacancies in 2015 held 2015 actuals down and saving related to turnover are allowing lower budgeted salaries in 2017.

Labor - OT

The majority of overtime is planned in CMVS and is related to main breaks.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Pavement Repair

This account includes the restoration of pavement, curbs, and sidewalks damaged because of transmission and distribution main breaks. The budget is based on a historical analysis, which includes an average number of main breaks and average cost per break. The budget for 2017 is higher than 2016 due to contractor price increases.

Inventory Withdrawals

Inventory consists of pipe, clamps, gaskets, and other material used in the maintenance of the transmission and distribution system. The budget is increasing based on the actual average historical inventory withdrawals.

DISTRIBUTION

Clean Up

Clean Up includes the removal of construction debris, addition of topsoil, site grading as well as reseeding or sod replacement. The budget is based on average actual history.

Small Tools & Equipment

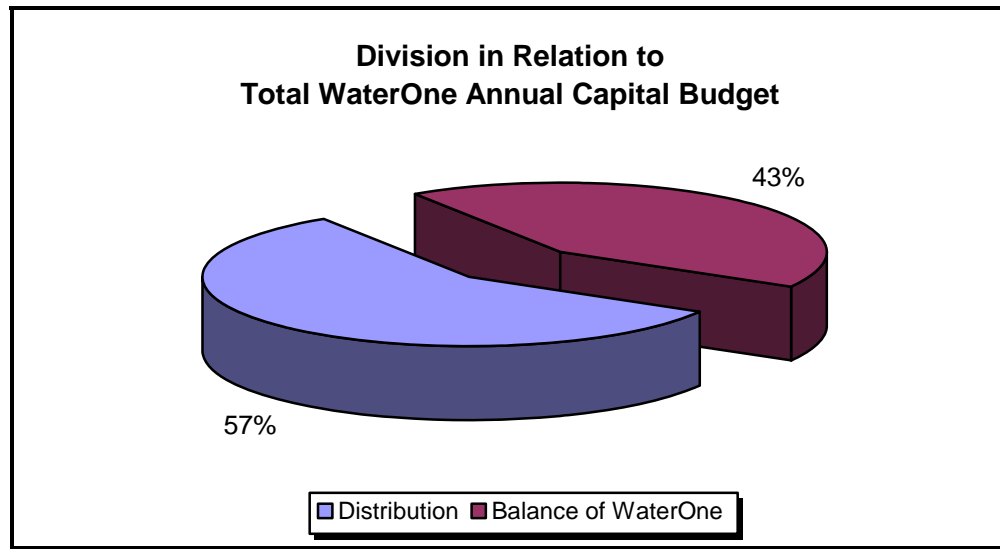
Small Tools & Equipment consists of hand tools, small power equipment and other repair items used in the maintenance of the transmission and distribution system. The budget is increasing because a CMVS annual capital program for small tools will now be expensed to this account. This change was made due to a new accounting industry recommended best practice.

Contracted Services

Contracted Services consists of services that WaterOne does not have the resources for or are not cost effective to perform in-house. Most of this budget is related to repainting of fire hydrants but also includes services such as street sawing, and vacuum services. The budget is based on average actual history.

WATERONE 2017 BUDGET
DISTRIBUTION

ANNUAL CAPITAL



New

AC-17200	Local Control Modules at Valves (New)	\$11,106
AC-17017	New Service Cost Standard Difference	10,000
AP-17006	Tools for Locator (New)	6,164
Annual Capital - New		\$27,270

Replacement / Refurbish

RV-17001	2017 Transmission & Distribution Funding	\$14,410,000
AC-17500	Pressure Datalogger Replacements (10)	8,885
Annual Capital - Replace / Refurbish		\$14,418,885
Total Annual Capital		\$14,446,155

Numbers may not add due to rounding

DISTRIBUTION

Annual Capital Listed in Other Divisions:

Projects are listed in the division responsible for project management and maintenance. Listed below are projects for which this division is the primary user, but the project detail can be found in the managing division.

AF-17131	(f)	2 Ton Service Body (Replace 5070) - CMVS	194,359
AF-17066	(f)	2 Ton Service Body (Replace 5110) - CMVS	194,359
AF-17086	(f)	Rubber Tire Loader (Replace 7410) - CMVS	160,487
AF-17058	(f)	Excavator 60 HP (Replace 7473) - CMVS	154,376
AF-17508	(f)	Excavator 60 HP (Replace 7554) - CMVS	131,053
AF-17059	(f)	Backhoe Loader (Replace 7474) - CMVS	94,403
AF-17725	(f)	Skid Steer (Replace 7501) - CMVS	83,297
AF-17510	(f)	3/4 Ton Truck (Replace 3510) - CMVS	42,315
AP-17101	(f)	SUV - New Locator CMVS	27,766
AF-17230	(f)	Backhoe Trailer (Replace 7230) - CMVS	26,655
AF-17234	(f)	Backhoe Trailer (Replace 7234) - CMVS	26,655
AF-17109	(f)	Trailer (Replace 7221) - CMVS	20,547
AF-17090	(f)	Trailer (Replace 7223) - CMVS	16,103
AF-17220	(f)	Trailer (Replace 7220) - CMVS	13,327

(f) Fleet vehicles and equipment are listed in the 'Finance Division'

MASTER PLAN CAPITAL

MP-10005	20" TM 79th and Frontage to Switzer and 83rd	\$1,412,808
MP-13008	16" DM Metcalf, 159th to 167th	1,170,619
MP-12004	12" DM 159th, Nall to Mission	831,792
MP-09004	12" DM 159th, Mission to Kenneth	773,439
MP-12003	12" DM Midland, Monticello to Woodland	383,649
MP-17100	12" DM Antioch, 83rd to 87th	50,000
Total 2017 Master Plan Capital		\$4,622,307
Total Capital		\$19,068,462

WaterOne 2017 Budget

DISTRIBUTION DIVISION New

Project Description

Local Control Modules at Valves (New)

Year

2017

Project #

AC-17200

Plan

\$11,106

Justification

The control modules will allow settings to be overridden at the PRV in the event SCADA is not accessible or when a quick change is needed to be made by the field crews. Three control modules will be purchased with an expected useful life of 10 years.



Project Description

New Service Cost Standard Difference

Year

2017

Project #

AC-17017

Plan

\$10,000

Justification

This project collects any costs associated with new service connections which are not captured by the New Service Connection Standard charged to the customer.



WaterOne 2017 Budget

DISTRIBUTION DIVISION

New

Project Description

Tools for Locator (New)

Year

2017

Project #

AP-17006

Plan

\$6,164

Justification

Tools for the new locator include a line locator, metal detector, measuring wheel and various hand tools. The budget includes tools for one locator requested in 2017.



WaterOne 2017 Budget

DISTRIBUTION DIVISION Replace

Project Description

2017 Transmission & Distribution Funding

Year

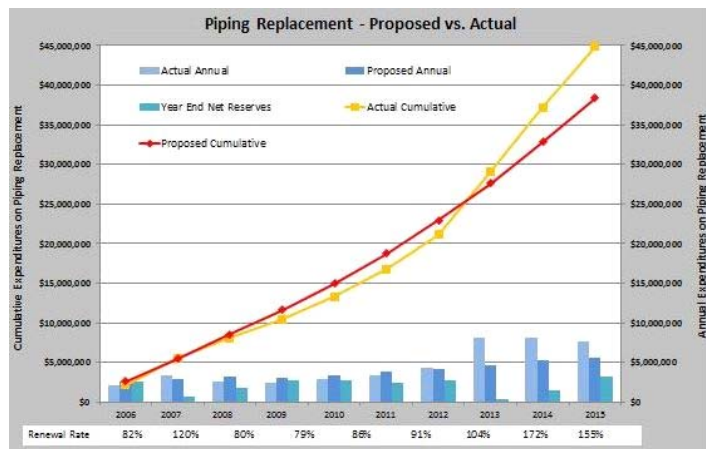
2017

Project #

RV-17001

Plan

\$14,410,000



Justification

Replacements - \$7,070,000; GI - \$2,220,000; Main Breaks - \$1,880,000; Relocations - \$1,620,000; TM Capital - \$1,020,000; Condition Assessment - \$600,000

Project Description

Pressure Datalogger Replacements (10)

Year

2017

Project #

AC-17500

Plan

\$8,885

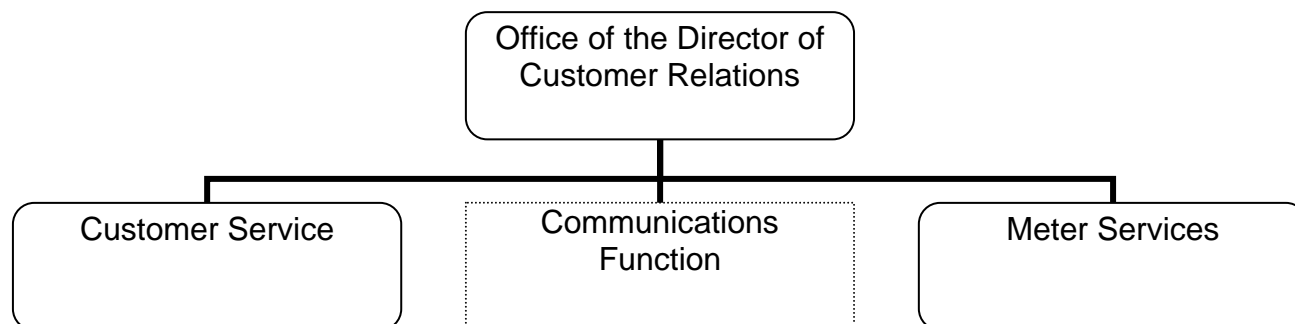


Justification

Temporary dataloggers purchased in 1998 and 1999 have been utilized during summer months to monitor flow and pressure data in the distribution system. They have exceeded their useful life of 10 years. A replacement program was established in 2010 to upgrade the temporary dataloggers with permanent units. The permanent datalogger units enhance the current system, providing year round flow and pressure data.

CUSTOMER RELATIONS DIVISION

DIVISION ORGANIZATION



The Customer Relations Division is responsible for planning, organizing, and directing the full range of customer-related functions. This includes all aspects of customer service, meter services, billing, collections, and communications. The division relies on its data analysis to ensure the accuracy of its systems as well as the development of business solutions to improve efficiency and levels of service.

The Customer Service department delivers responsive, knowledgeable, and professional services direct-to-customer. Customer Service is comprised of the customer care call center and all aspects of account management, including billing and collections activities. At WaterOne customer service is everyone's job, so the department's role must also be that of champion for the customer experience across the organization.

The Meter Services department captures accurate, timely consumption data for billing to begin the meter to cash process and delivers high quality customer service in the field while conducting turn-on/turn-offs, high bill courtesy checks, and stuck meter investigations. It also ensures the operability and accuracy of meters through an annual meter testing program, responding to pressure checks, leak investigations, control reads for automated meters, and systematic meter infrastructure maintenance and replacement.

The Communications department leverages traditional and new media platforms and tools to strategically engage WaterOne's stakeholders, building trust, confidence, and goodwill by demonstrating the value of service. WaterOne's audience includes customers, employees, government and community partners, media, future customers, and other water utilities. Communications also engages in informational marketing campaigns for behavior change such as peak demand watering, emergency alert sign-ups, etc.

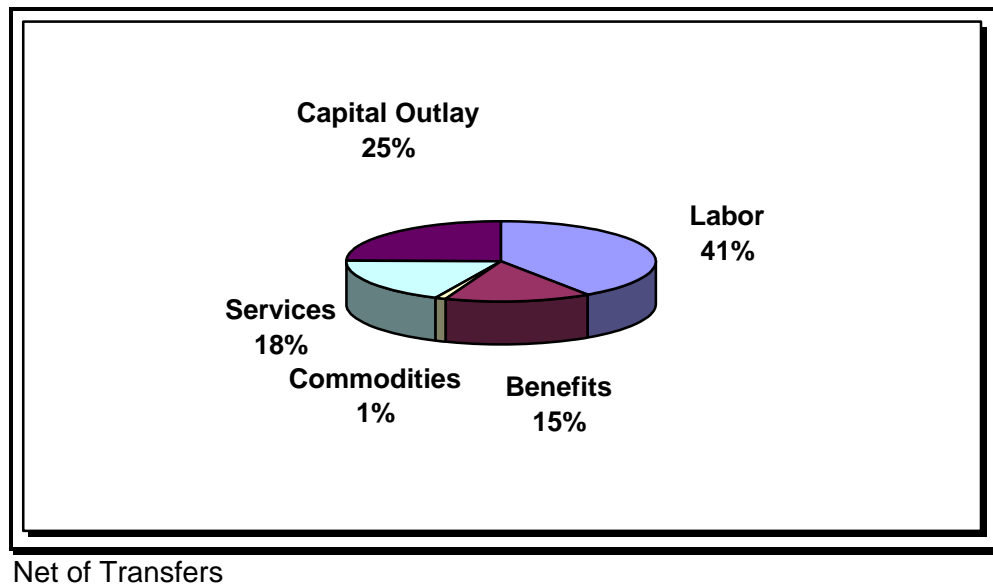
DIVISION OBJECTIVE

Deliver outstanding service to the utility's customers by being responsive to their needs, delivering timely and informative communications, and providing accurate account management.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under “2017 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

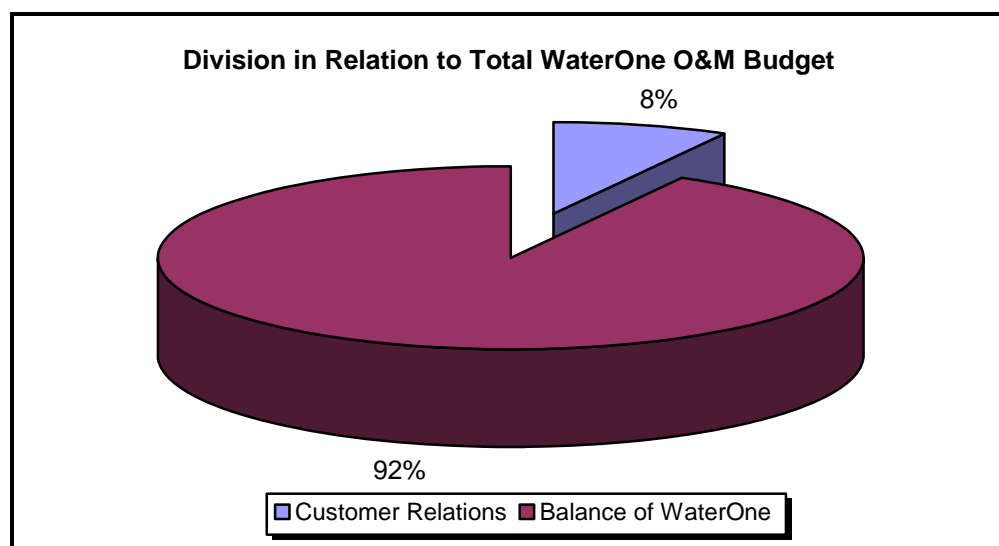


	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,014,846	\$2,306,319	\$2,425,095	\$118,776	5.2%
Benefits	832,783	834,148	851,405	17,257	2.1%
<i>Personnel Costs</i>	<i>\$2,847,629</i>	<i>\$3,140,467</i>	<i>\$3,276,500</i>	<i>\$136,033</i>	<i>4.3%</i>
Commodities	49,801	67,456	66,800	<656>	<1.0%>
Services	974,660	1,023,062	1,026,472	3,410	0.3%
Transfers	<60,416>	<115,190>	<138,423>	<23,233>	20.2%
Total O&M	\$3,811,674	\$4,115,795	\$4,231,349	\$115,554	2.8%
Capital Outlay	1,521,893	967,354	1,392,796	425,442	44.0%
Total	\$5,333,567	\$5,083,149	\$5,624,145	\$540,996	10.6%

Numbers may not add due to rounding.

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,955,544	\$2,266,087	\$2,403,118	\$137,031	6.0%
Benefits	832,783	834,148	851,405	17,257	2.1%
Water Billing Services	496,360	514,480	494,500	<19,980>	<3.9%>
Uncollectible Accounts	236,210	213,305	209,000	<4,305>	<2.0%>
Printing Services	18,063	77,850	75,350	<2,500>	<3.2%>
Meter Reading - AMR Svcs	64,833	65,712	69,000	3,288	5.0%
Subtotal	\$3,603,793	\$3,971,582	\$4,102,373	\$130,791	3.3%
All Other Accounts	268,297	259,403	267,399	7,996	3.1%
Less Transfers	<60,416>	<115,190>	<138,423>	<23,233>	20.2%
Total O&M	\$3,811,674	\$4,115,795	\$4,231,349	\$115,554	2.8%

Numbers may not add due to rounding.

WATERONE 2017 BUDGET
CUSTOMER RELATIONS

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	43	2 (a,b)		45
Part Time	4		-2 (a)	2
Temporary/Summer	2			2
Total Headcount	49	0		49

Total Full Time Equivalents (FTEs)	46.0	2	-1.25	46.75
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a) Mid-Year: 2 part time Customer Representative positions were converted to 1 full time Customer Representative

b) Budgeted New Position: Customer Representative

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Water Billing Services

The printing and mailing of water bills is outsourced. There are two items in this budget. The first is water bills, which includes regular, corrected, and final bills. The second part of the budget is for dunning notices. The budget decrease is due to needing fewer bill inserts.

Uncollectible Accounts

This is the estimated cost for uncollected water bills. The Customer Accounts department attempts to collect final bills for 60 days. After that time, accounts that remain unpaid are referred to an outside agency for collection and are considered uncollectible and are written off. The budget is based on historical actuals over the last three years which had similar economic conditions.

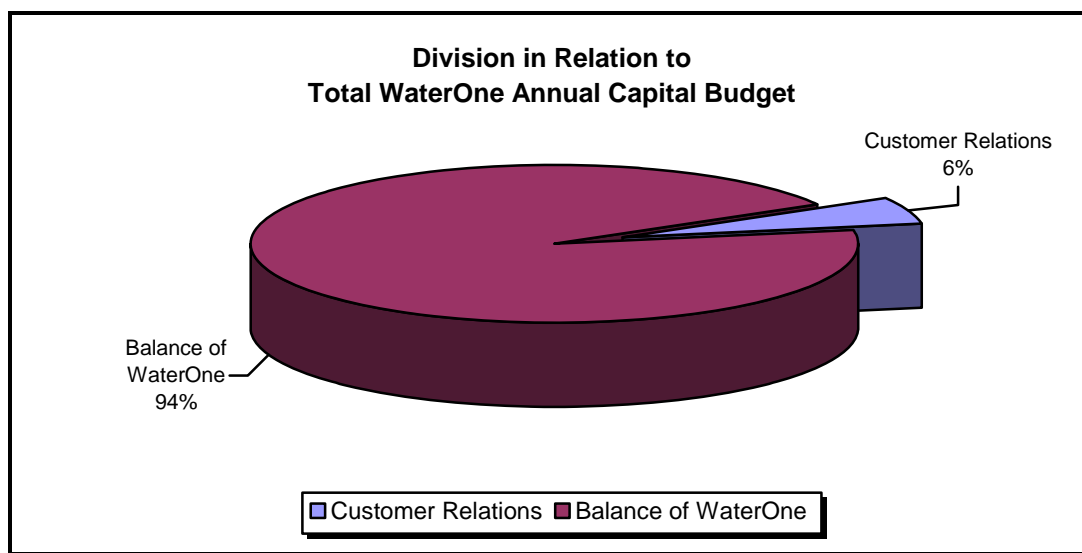
Printing Services

This account is for the printing services related to direct mail inserts, brochures, newsletters, postcards, stickers, and annual reports used for communication with customers. The 2017 budget is decreased due to reduced printing related to water audit kit door tags.

Meter Reading - AMR Services

This account is for outsourced automated meter reading services. The 2017 budget includes the current number of units plus average growth of about 400 units per year and a cost per unit increase.

ANNUAL CAPITAL



New

AC-17129	Mobile Water Station (New)	\$22,213
AC-17027	Residential Meter Interface Units (New)	14,660
Annual Capital - New		\$36,873

Replacement / Refurbish

AC-17014	Annual Meter Replacement	1,265,741
AC-17021	Meter Interface Units Replacement	90,182
Annual Capital - Replace / Refurbish		\$1,355,923

Total Annual Capital \$1,392,796

Numbers may not add due to rounding

Annual Capital Listed in Other Divisions:

Projects are listed in the division responsible for project management and maintenance. Listed below are projects for which this division is the primary user, but the project detail can be found in the managing division.

AC-17029	(i)	Customer Request Mgmt System (CRM)	222,124
AF-17153	(f)	3/4 Ton Van (Replace 9410) – Meter Services	35,207

(f) Fleet vehicles and equipment are listed in the 'Finance Division'

(i) Computer equipment and software is listed in the 'Information Technology Division'

WaterOne 2017 Budget

CUSTOMER RELATIONS DIVISION

New

Project Description

Mobile Water Station (New)

Year

2017

Project #

AC-17129

Plan

\$22,213



Justification

A mobile water station is a trailer-mounted tap water dispensary that would allow WaterOne to provide portable chilled water on demand to a crowd. The station will be a "camel back" to port water to site or may have the option to lightly filter and serve water from a fire hydrant connection. Trailers typically offer 6-10 spouts, allowing multiple users at once to quickly fill up water bottles and other containers. WaterOne would use the mobile water station during emergency crisis response, such as the circumstance of natural disaster, a contamination event, or in-kind relief. The mobile water station would also allow WaterOne to port water onto site to support crews and staff during an emergency event when drinking water is not otherwise readily available. WaterOne outreach would also use the hydration station for public engagement (local 5K runs, farmers market/arboretum, community events) upon request at non-profits events when outreach staff is available, for rental outside of its jurisdiction, or for charitable donation at for-profit events within its jurisdiction.

Project Description

Residential Meter Interface Units (New)

Year

2017

Project #

AC-17027

Plan

\$14,660



Justification

In 2007 WaterOne converted 1,500 residential meters in 6 routes to Automated Meter Reading because of economic and safety benefits. The purpose of the requested MIUs will be to convert up to 150 residential meters that provide suitable economic or safety benefits.

WaterOne 2017 Budget

CUSTOMER RELATIONS DIVISION

Replace

Project Description

Annual Meter Replacement

Year

2017

Project #

AC-17014

Plan

\$1,265,741



Justification

This project is the annual program for the replacement of defective and old meters. This program has resumed after replacements were temporarily placed on hold to evaluate various meter products. The current plan is to replace all straight read meters by 2020. The plan is to replace 8,550 meters annually over the next three years.

Project Description

Meter Interface Units Replacement

Year

2017

Project #

AC-17021

Plan

\$90,182



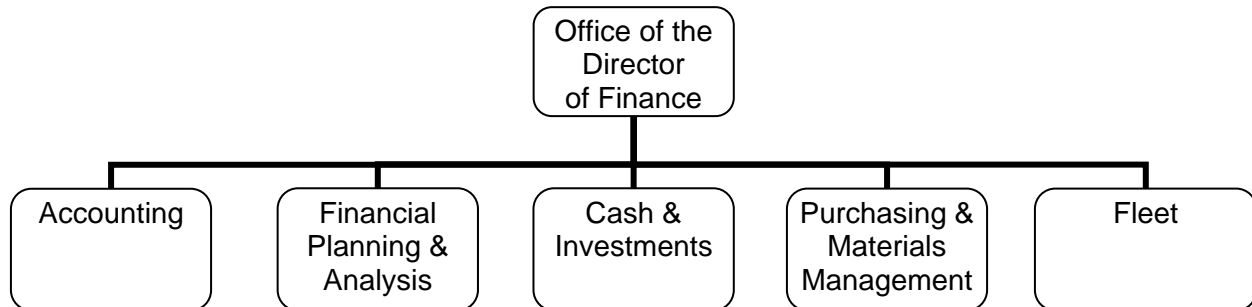
Justification

Replaces Meter Interface Unit devices that stopped working and are no longer under warranty. This plan is to replace up to 700 units that are expected to fail.

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FINANCE DIVISION

DIVISION ORGANIZATION



The Accounting Department ensures that financial activities are accurately identified, recorded and reported on a timely basis in compliance with Generally Accepted Accounting Principles.

The Financial Planning & Analysis Department develops annual and long-term financial plans utilizing various modeling tools. The department analyzes the revenue structure to maintain equitable rates and to insure adequate funds are available to achieve WaterOne's strategic goals.

The Cash & Investments Department is responsible for cash flow planning and for investing available funds with the goal of ensuring the safety of principal, maintaining adequate liquidity, and maximizing yield.

Purchasing is responsible for the procurement of materials, supplies, and services for WaterOne. Materials Management is responsible for warehousing, inventory management, the receipt and issuance of materials, and quality control. The department also administers the purchasing card program.

The Fleet Department provides support to the operational areas of the utility, including fleet procurement, maintenance, and disposition. The department also manages the fuel system and the vehicle GPS reporting system.

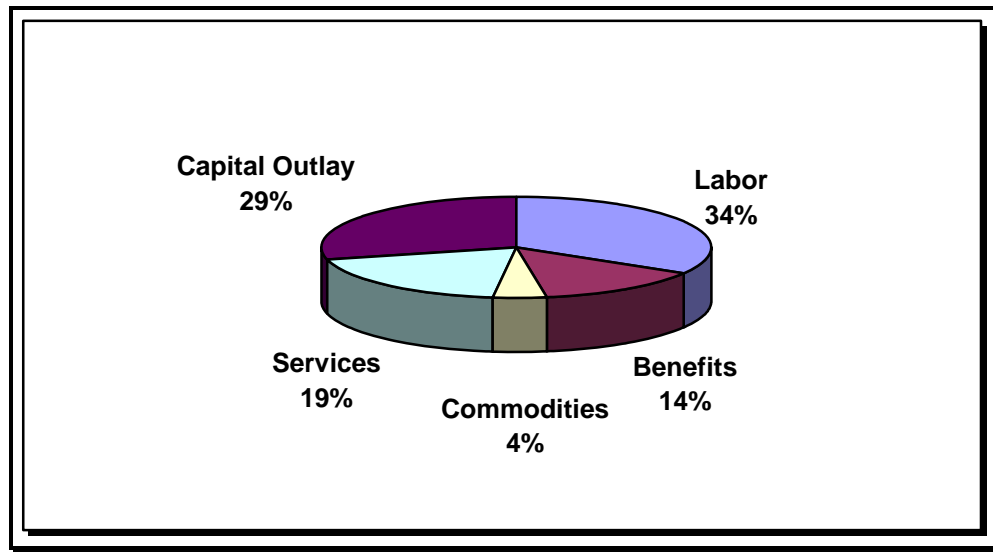
DIVISION OBJECTIVE

Assure the overall financial strength of WaterOne through effective planning and the establishment of sound financial controls and reporting mechanisms. Provide the materials and equipment needed to proactively manage WaterOne's infrastructure with excellent customer service and support.

FINANCE

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under “2017 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

Net of Transfers

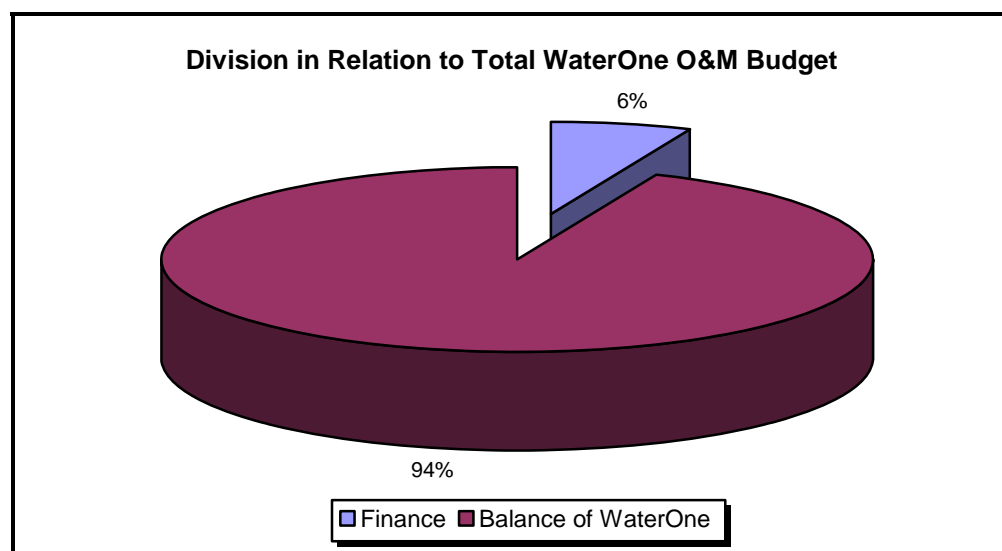
	2015 Actual (b)	2016 Budget (b)	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,804,598	\$1,942,740	\$1,999,682	\$56,942	2.9%
Benefits	617,145	662,337	668,454	6,117	0.9%
<i>Personnel Costs</i>	<i>\$2,421,743</i>	<i>\$2,605,077</i>	<i>\$2,668,136</i>	<i>\$63,059</i>	<i>2.4%</i>
Commodities	1,033,230	1,168,480	956,536	<211,944>	<18.1%>
Services	1,156,723	1,211,141	1,191,882	<19,259>	<1.6%>
Transfers	<1,407,056>	<1,429,993>	<1,379,040>	50,952	<3.6%>
Total O&M	\$3,204,640	\$3,554,706	\$3,437,513	<\$117,193>	<3.3%>
Capital Outlay	361,878	1,534,413	1,388,614	<145,799>	<9.5%>
Total	\$3,566,517	\$5,089,119	\$4,826,127	<\$262,992>	<5.2%>

Numbers may not add due to rounding

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

(b) Fleet Department transferred to Finance from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Fleet in Finance for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,753,068	\$1,938,919	\$1,985,224	\$46,305	2.4%
Benefits	617,145	662,337	668,454	6,117	0.9%
Clean Drinking Water Fee	501,267	591,085	594,452	3,367	0.6%
Inventory Withdrawal	534,061	720,407	520,251	<200,156>	<27.8%>
Material & Supplies	398,410	346,727	343,303	<3,424>	<1.0%>
P&L Insurance	94,434	105,000	109,031	4,031	3.8%
Contracted Services	81,359	72,617	71,584	<1,033>	<1.4%>
Checking Acct Service Fees	71,972	60,000	67,000	7,000	11.7%
Vehicle Repair Service	54,157	73,419	65,665	<7,754>	<10.6%>
Property Tax Assessment	62,373	61,371	64,845	3,474	5.7%
Subtotal	\$4,168,246	\$4,631,882	\$4,489,809	<\$142,073>	<3.1%>
All Other Accounts	443,450	352,817	326,744	<26,073>	<7.4%>
Less Transfers	<1,407,056>	<1,429,993>	<1,379,040>	50,953	<3.6%>
Total O&M	\$3,204,640	\$3,554,706	\$3,437,513	<\$117,193>	<3.3%>

Numbers may not add due to rounding

FINANCE

DIVISION PERSONNEL	2016 Budget	+	-	2017 Budget
<u>Headcount</u>				
Full Time	19	8 (a)		27
Part Time	0	1 (a)		1
Temporary/Summer	1	2 (a,b)		3
Total Headcount	20	9		29

Total Full Time Equivalents (FTEs)	19.25	9.475		28.725
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- a) Mid-Year 2016: The Fleet Services group and associated budget were transferred from the Human Resources/Administration Division (Manager, Foreman, Operations Coordinator, 5 Fleet Mechanics, PT Fleet Clerk, Summer Fleet Mechanic Intern)
- b) Mid-Year 2016: The graduate intern from Human Resources/Administration Division was transferred to the Financial Planning and Analysis Department

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Clean Drinking Water Fee

The clean drinking water fee is assessed by the State of Kansas at three cents per thousand gallons sold. The fee was put in place in lieu of sales tax in 2002. Approximately 50% of the fee is transferred to capital expenditures through an overhead. The budget is based on the projected number of retail gallons sold in a normal year.

Inventory Withdrawals

There are two components in this budget. 90% of the budget is for fuel. The budgeted price per gallon for fuel is \$2.04 in 2017 vs \$3.11 for 2016. Fuel is budgeted based on a historical average of price increases/decreases applied to the current price and average gallons used. The remaining 10% of the budget is for non-fuel inventory withdrawals. It is developed based on history and is mainly used for scheduled preventative maintenance.

Material & Supplies

This category is for non-inventory vehicle repair parts. Accounts are budgeted based on multi-year averages.

Property & Liability Insurance

This budget is for auto insurance premiums only. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2016 will be in effect for the first half of the 2017 budget. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

FINANCE

Contracted Services

Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. In the Fleet department, WaterOne contracts for fuel system maintenance and vehicle GPS services.

Checking Account Service Fees

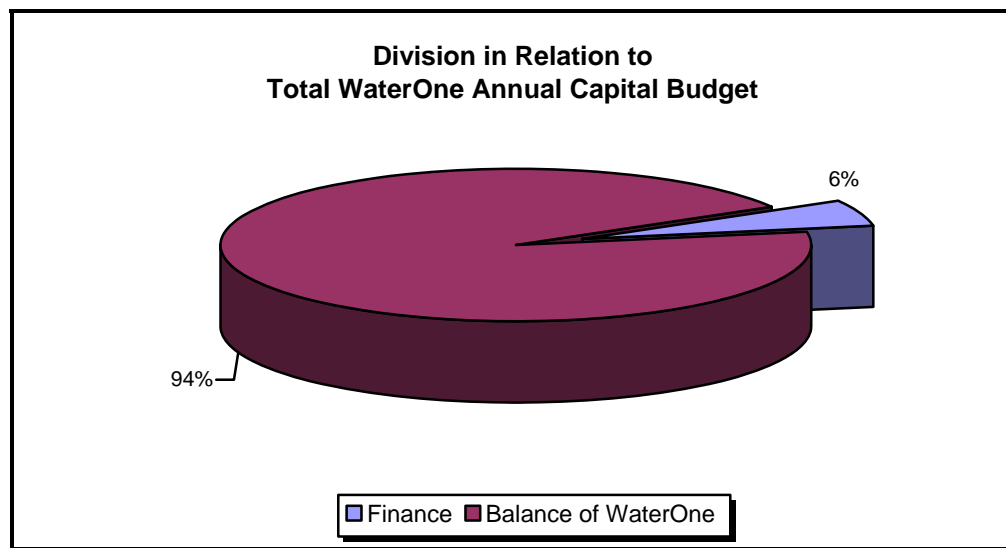
These are fees that are charged by the bank for monthly account maintenance, online balance reporting, and other services for all operating bank accounts. The budget is based on the current banking agreement which extends through 2017. The budget is increasing due to customer growth which increases the volume related fees.

Vehicle Repair Services

This category is for outside services for vehicle repair. The more difficult and time consuming repairs are outsourced when cost-effective. The reduction is based on recent history.

Property Tax Assessment

This budget includes wastewater fees and property tax assessments on WaterOne properties. Most fees and tax assessments are projected to increase slightly or remain the same.

ANNUAL CAPITAL

The Finance Division includes the Fleet Services department which is responsible for the maintenance of the fleet. Vehicles and fleet equipment are shown below; the description includes the user department.

New

AP-17200	SUV for HVAC Tech	\$27,766
AP-17205	Transit Connect Van for HVAC Foreman	28,876
AP-17101	SUV - New Locator CMVS	27,766
Annual Capital - New		\$84,408

Replacement / Refurbish

AF-17131	2 Ton Service Body (Replace 5070) - CMVS	\$194,359
AF-17066	2 Ton Service Body (Replace 5110) - CMVS	194,359
AF-17086	Rubber Tire Loader (Replace 7410) - CMVS	160,487
AF-17058	Excavator 60 HP (Replace 7473) - CMVS	154,376
AF-17508	Excavator 60 HP (Replace 7554) - CMVS	131,053
AF-17059	Backhoe Loader (Replace 7474) - CMVS	94,403
AF-17047	1 Ton Service Body (Replace 4690) - Fac Maint	83,297
AF-17725	Skid Steer (Replace 7501) - CMVS	83,297

WATERONE 2017 BUDGET

FINANCE

AF-17510	3/4 Ton Truck (Replace 3510) - CMVS	42,315
AF-17153	3/4 Ton Van (Replace 9410) - Meter Services	35,207
AF-17130	SUV (Replace 8080) - Fac Eng	27,766
AF-17230	Backhoe Trailer (Replace 7230) - CMVS	26,655
AF-17234	Backhoe Trailer (Replace 7234) - CMVS	26,655
AF-17109	Trailer (Replace 7221) - CMVS	20,547
AF-17090	Trailer (Replace 7223) - CMVS	16,103
AF-17220	Trailer (Replace 7220) - CMVS	13,327
Annual Capital - Replace / Refurbish		\$1,304,206
Total Annual Capital		\$1,388,614

Numbers may not add due to rounding

WaterOne 2017 Budget

FINANCE DIVISION

New

Project Description

Transit Connect Van for HVAC Foreman

Year

2017

Project #

AP-17205

Plan

\$28,876



Justification

This vehicle request supports the HVAC Foreman position which was reclassified during 2016.

Project Description

SUV for HVAC Tech

Year

2017

Project #

AP-17200

Plan

\$27,766



Justification

This vehicle request supports the HVAC Technician position requested in the 2017 Budget (see justification in the personnel section).

WaterOne 2017 Budget

FINANCE DIVISION

New

Project Description

SUV - New Locator CMVS

Year

2017

Project #

AP-17101

Plan

\$27,766



Justification

This vehicle request supports the Locator position requested in the 2017 Budget (see justification in the personnel section).

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

2 Ton Service Body (Replace 5110) - CMVS

Year

2017

Project #

AF-17066

Plan

\$194,359



Justification

WaterOne Fleet Replacement Standard: 15 Years and 9,000 Hours; Unit #5110: 14.2 years, 8,460 hours at 3/23/16. This unit will meet the age and hours criteria by March 2017. The replacement unit will be configured the same.

Project Description

2 Ton Service Body (Replace 5070) - CMVS

Year

2017

Project #

AF-17131

Plan

\$194,359



Justification

WaterOne Fleet Replacement Standard: 15 Years and 9,000 Hours; Unit #5070: 12.5 years, 9,822 hours at 3/28/16. The unit will meet the hours criteria by 2017 and will be one year less than the age criteria. This unit is recommended for replacement in 2017 due to average maintenance costs in 2014-2015 which were approximately equal to the annual depreciation expense for the replacement unit. If maintenance expenses reduce during 2016-2017 this replacement will be delayed until the unit meets the age replacement criteria in October 2018. The replacement unit will be configured the same.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

Rubber Tire Loader (Replace 7410) - CMVS

Year

2017

Project #

AF-17086

Plan

\$160,487



Justification

WaterOne Fleet Replacement Standard: 9 Years and 4,500 Hours; Unit #7410: 9.5 Years, 4,046 Hours as of 3/24/16. This unit will meet the age and hours criteria in May 2017. The replacement will be configured the same.

Project Description

Excavator 60 HP (Replace 7473) - CMVS

Year

2017

Project #

AF-17058

Plan

\$154,376



Justification

WaterOne Fleet Replacement Standard: 9 Years and 4,500 Hours; Unit #7473: 7.6 Years, 3,855 Hours as of 2/29/16. This unit will meet the age and hours criteria in July 2017. Unit #7473 is a Backhoe which will be replaced with an excavator. The excavator will allow the construction crews to lay HDPE pipe without the use of a crane truck which is required when using a backhoe. This project also includes the purchase of a hydraulic breaker.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

Excavator 60 HP (Replace 7554) - CMVS

Year

2017

Project #

AF-17508

Plan

\$131,053



Justification

WaterOne Fleet Replacement Standard: 9 Years and 4,500 Hours; Unit #7554: 5.8 years, 3,485 hours at 3/10/16. This unit will meet the hours criteria by 2017 and will not meet the age criteria. This unit is recommended for replacement in 2017 due to average maintenance costs in 2014-2015 which have exceeded the annual depreciation expense for a replacement unit. If maintenance expenses reduce during 2016-2017 this replacement will be delayed until the unit meets the age replacement criteria in May 2019. The replacement unit will be configured the same.

Project Description

Backhoe Loader (Replace 7474) - CMVS

Year

2017

Project #

AF-17059

Plan

\$94,403



Justification

WaterOne Fleet Replacement Standard: 9 Years and 4,500 Hours; Unit #7474: 7.7 Years, 3,999 Hours at 3/23/16. This unit will meet both the age and hours criteria in July 2017. The replacement unit will be configured the same.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

1 Ton Service Body (Replace 4690) - FM

Year

2017

Project #

AF-17047

Plan

\$83,297



Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles Unit #4690: 10.4 Years, 104,048 Miles as of 3/23/16. This unit will meet the age and mileage criteria in November 2017. The replacement will be configured the same.

Project Description

Skid Steer (Replace 7501) - CMVS

Year

2017

Project #

AF-17725

Plan

\$83,297



Justification

WaterOne Fleet Replacement Standard: 5 Years and 2,500 Hours; Unit #7501: 7.9 Years, 2,684 Hours at 2/26/16. This unit meets the meets the age and hours criteria. The replacement unit will be configured with a larger displacement engine and track drive. The larger engine increases the weight of the unit which allows for quicker back filling. The track drive reduces ground pressure leading to less clean-up costs as well as reduced driver fatigue due to the increased ground contact.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

3/4 Ton Truck (Replace 3510) - CMVS

Year

2017

Project #

AF-17510

Plan

\$42,315



Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #3510: 8.8 years, 106,632 miles at 3/24/2016. This unit will meet the mileage criteria by 2017 and will not meet the age criteria until June 2019. This unit is recommended for replacement due to excessive engine equivalency miles for its age. Engine equivalent miles were 191,795 at 3/24/2016. The WaterOne replacement criteria for equivalent engine hours are 200,000. The replacement unit will be configured the same.

Project Description

3/4 Ton Van (Replace 9410) - Mtr Svcs

Year

2017

Project #

AF-17153

Plan

\$35,207



Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #9410: 7.9 years, 108,440 miles at 3/28/16. The unit will meet the mileage criteria by 2017. This unit is recommended for replacement prior to meeting the age criteria due to transmission issues with this particular model, a lack of redundancy, and excessive engine equivalency miles. Engine equivalent miles were 202,187 on 4/21/2016. The WaterOne replacement criteria for equivalent engine hours are 200,000. The replacement unit will be configured the same.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

SUV (Replace 8080) - Fac Eng

Year

2017

Project #

AF-17130

Plan

\$27,766



Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #8080: 13.4 years, 105,242 miles at 3/28/16. The unit will meet both the age and mileage criteria by December 2017. The replacement unit will be configured the same.

Project Description

Backhoe Trailer (Replace 7230) - CMVS

Year

2017

Project #

AF-17230

Plan

\$26,655



Justification

WaterOne Fleet Replacement Standard: 9 Years; Unit #7230: 9.5 Years as of 3/29/16. This unit meets the replacement criteria.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

Backhoe Trailer (Replace 7234) - CMVS

Year

2017

Project #

AF-17234

Plan

\$26,655



Justification

WaterOne Fleet Replacement Standard: 9 years; Unit #7234: 9.5 Years at 3/29/16. This unit meets the replacement criteria.

Project Description

Trailer (Replace 7221) - CMVS

Year

2017

Project #

AF-17109

Plan

\$20,547



Justification

WaterOne Fleet Replacement Standard: 9 Years; Unit #7221: 12.5 Years as of 3/29/16. This unit meets the replacement criteria.

WaterOne 2017 Budget

FINANCE DIVISION

Replace

Project Description

Trailer (Replace 7223) - CMVS

Year

2017

Project #

AF-17090

Plan

\$16,103

Justification

WaterOne Fleet Replacement Standard: 9 Years; Unit #7223: 27.9 Years as of 3/29/16. This unit meets the replacement criteria.



Project Description

Trailer (Replace 7220) - CMVS

Year

2017

Project #

AF-17220

Plan

\$13,327

Justification

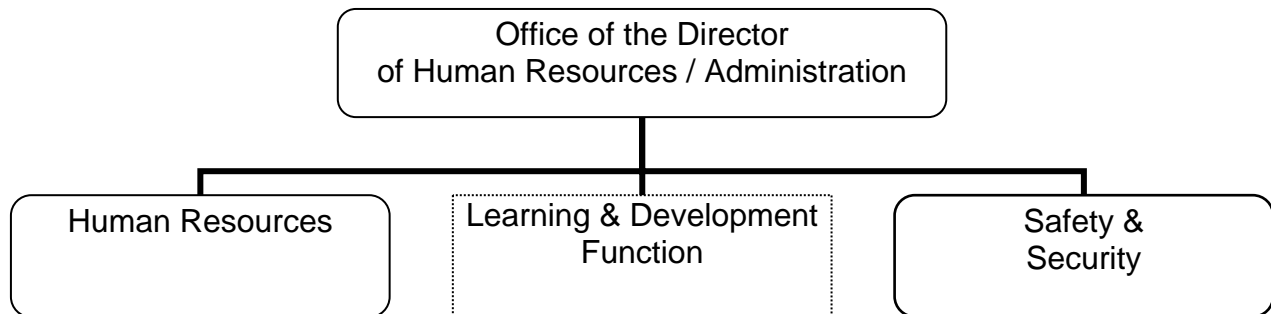
WaterOne Fleet Replacement Standard: 9 Years; Unit #7220: 14.7 Years as of 3/29/16. This unit meets the replacement standard.



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HUMAN RESOURCES / ADMINISTRATION DIVISION

DIVISION ORGANIZATION



The Human Resources Department is responsible for the full employee lifecycle, including recruiting, compensation and benefits, risk management, payroll, employee relations, and the Human Resources Information System (HRIS).

The Learning and Development function is responsible for facilitating training, educational opportunities, and knowledge management for WaterOne employees.

The Safety & Security Department is responsible for development and implementation of safety and security programs to enhance and assure employee and public safety, protection of WaterOne and its related facilities.

DIVISION OBJECTIVE

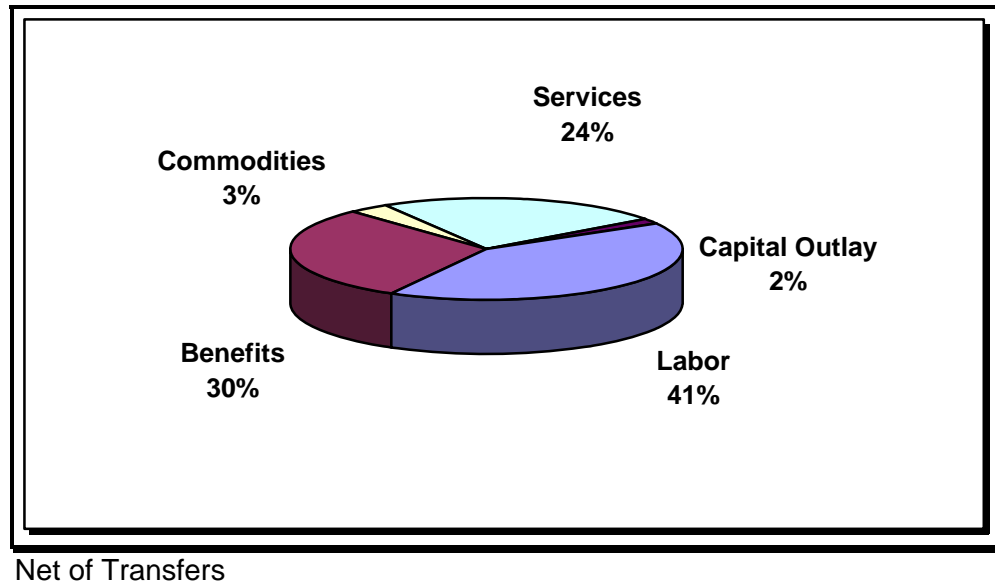
The Human Resources/Administration Division is committed to providing excellent service, delivery and support to employees, retirees, operational divisions, public, and other stakeholders while helping ensure a safe and secure work environment.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under “2017 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

WATERONE 2017 BUDGET
HUMAN RESOURCES / ADMINISTRATION

EXPENDITURES BY MAJOR CATEGORY



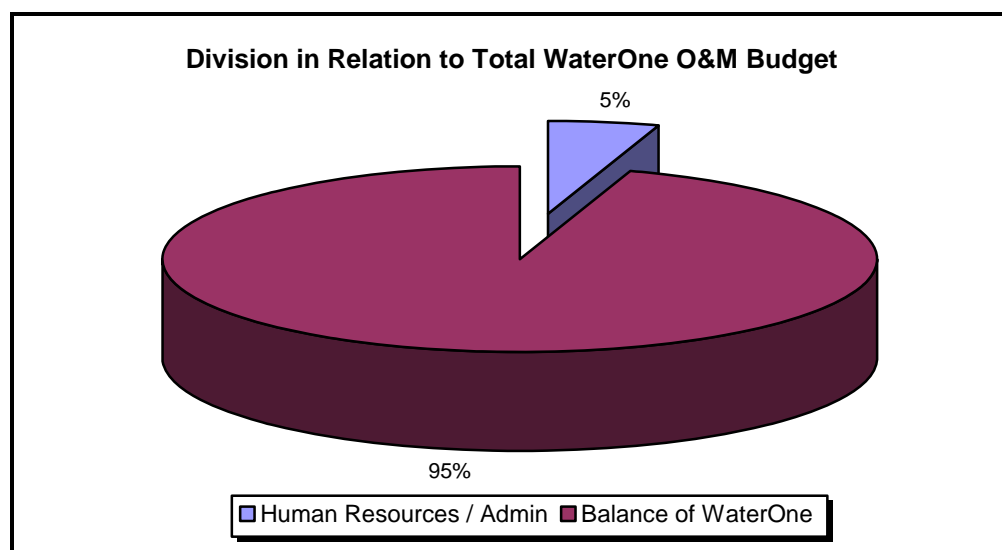
	2015 Actual (b,c)	2016 Budget (b,c)	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$935,176	\$1,135,678	\$1,131,629	<\$4,049>	<0.4%>
Benefits	706,824	797,943	801,079	3,135	0.4%
Personnel Costs	\$1,641,999	\$1,933,621	\$1,932,708	<\$914>	<0.0%>
Commodities	77,989	82,235	82,211	<24>	<0.0%>
Services	613,229	640,520	630,383	<10,137>	<1.6%>
Transfers	<34,799>	<33,835>	<34,618>	<783>	2.3%
Total O&M	\$2,298,419	\$2,622,542	\$2,610,683	<\$11,858>	<0.5%>
Capital Outlay	1,069,576	424,204	43,077	<381,127>	<89.8%>
Total	\$3,367,996	\$3,046,746	\$2,653,760	<\$392,985>	<12.9%>

Numbers may not add due to rounding.

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

(b) Fleet Department transferred to Finance from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Fleet in Finance for more comparable history.

(c) Custodial Services transferred to Production from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Custodial in Production for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2017 Significant Cost Elements are described below.

	2015 Actual (a,b)	2016 Budget (a,b)	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$948,676	\$1,134,643	\$1,130,943	<\$3,700>	<0.3%>
Benefits	706,824	797,943	801,079	3,136	0.4%
Security / Security Guards	422,883	453,603	455,888	2,285	0.5%
Safety Equip & Supplies	37,032	34,865	36,011	1,146	3.3%
Recruitment Costs	17,588	30,000	30,000	0	0.0%
Subtotal	\$2,133,003	\$2,451,054	\$2,453,921	2,867	0.1%
All Other Accounts	200,215	205,323	191,380	<13,943>	<6.8%>
Less Transfers	<34,799>	<33,835>	<34,618>	<783>	2.3%
Total O&M	\$2,298,419	\$2,622,542	\$2,610,683	<\$11,859>	<0.5%>

Numbers may not add due to rounding.

(a) Fleet Department transferred to Finance from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Fleet in Finance for more comparable history.

(b) Custodial Services transferred to Production from HR during 2016, after the approved budget. 2016 Budget and prior actuals are restated with Custodial in Production for more comparable history.

HUMAN RESOURCES / ADMINISTRATION

DIVISION PERSONNEL	2016 Budget	+	-	2017 Budget
Headcount				
Full Time	26		-14 (a)	12
Part Time	3		-1 (a)	2
Temporary/Summer	2		-2 (a,b)	0
Total Headcount	31		-17	14

Total Full Time Equivalents (FTEs)	28.6		-15.35 (a,b,c)	13.25
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a) Mid-Year 2016: The Fleet Services group and the Custodial Services group, along with their associated budgets, were transferred from the Human Resources/ Admin Division to Finance and Production respectively.

b) Mid-Year 2016: The graduate intern was transferred to the Finance Division.

c) Adjustment to budgeted part time hours.

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. The decrease in budget from 2016 to 2017 is due to a lower base created by turnover and the 2016 budget included the MPA intern which is budgeted in the Finance Division for 2017.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources / Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab. Benefits in the Human Resources / Administration Division represent the division's share of total benefits plus Retiree Health and Life Insurance, which are not allocated.

Security / Security Guards

This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. The budget increased due to a true-up to current pricing and services.

Security Equipment & Supplies

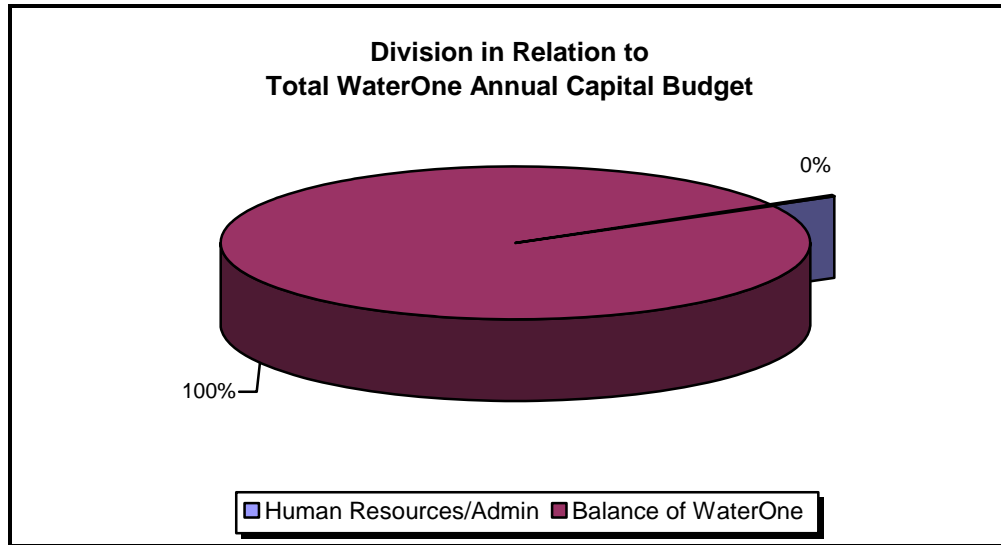
This category is primarily for items such as safety shoes, safety glasses, CDL reimbursements, defibrillator maintenance, testing, safety signs, and monitors. The budget increase is based on recent history and current pricing.

Recruitment Costs

This budget covers the cost for agency fees for direct hires or conversions to WaterOne employment. The budget covers approximately two placements and remains the same as the prior year.

WATERONE 2017 BUDGET
HUMAN RESOURCES / ADMINISTRATION

ANNUAL CAPITAL



New

AC-17020	Padlocks (New)	\$20,698
Annual Capital - New		\$20,698

Replacement / Refurbish

AC-17125	(a)	SCBA Equipment Replacements	\$22,379
Annual Capital - Replace / Refurbish			\$22,379
Total Annual Capital			\$43,077

Numbers may not add due to rounding

(a) Requested by Production Division

WaterOne 2017 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

Padlocks (New)

Year

2017

Project #

AC-17020

Plan

\$20,698



Justification

New padlocks are needed for securing electrical transformers, wells along the Kansas River well field, instrumentation hatches, and gates not covered in the original lock and key project. These padlocks will secure WaterOne facilities with a patented key lock system. This project includes the purchase of 25 master padlocks for electrical equipment, 75 general maintenance padlocks, and 20 gate padlocks.

Project Description

SCBA Equipment Replacements

Year

2017

Project #

AC-17125

Plan

\$22,379

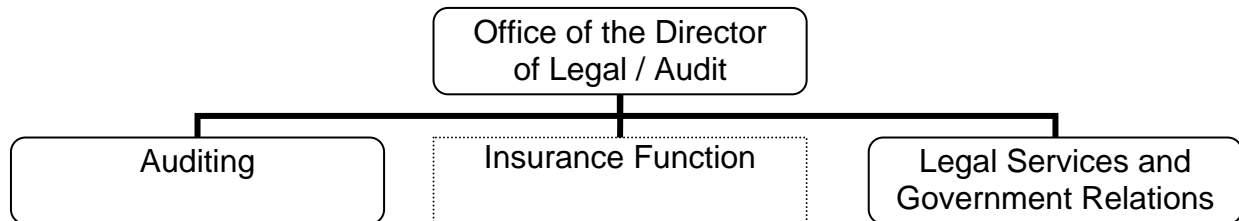


Justification

This project will replace 7 harnesses and 17 Self-Contained Breathing Apparatus (SCBA) tanks at the Wolcott Treatment Plant, the Kansas Presed and the Missouri Presed. Existing equipment is between 15-35 years old and has exceeded its 15 year expected useful life. The replacement equipment will be lighter weight and have increased volume of air, allowing an employee to wear the equipment for a longer duration in an emergency situation.

LEGAL / AUDITING DIVISION

DIVISION ORGANIZATION



The Legal Division provides in-house expertise and counsel to the Board and its committees, the General Manager, and staff. The Legal Division is responsible for reviewing and recommending additions, amendments or revocations of WaterOne's Rules, Regulations and Board Policies.

The Legal Services and Government Relations Department supports all legal aspects of WaterOne's operations including contracts and agreements and litigation; provides the Records Information Management function for WaterOne; and manages WaterOne's government relations including providing representation in the State Capitol on legislative issues and supporting the organization's role as a recognized resource for information on water and utility issues among local, state, and federal public officials and organizations.

Auditing, as a business advisor, conducts independent, objective audits and consulting engagements to maximize the public trust through the elected board, by providing expertise to minimize risks and improve process quality and effectiveness to further WaterOne's goals.

The Insurance Function is responsible for insurance coverage related to property and casualty risk management.

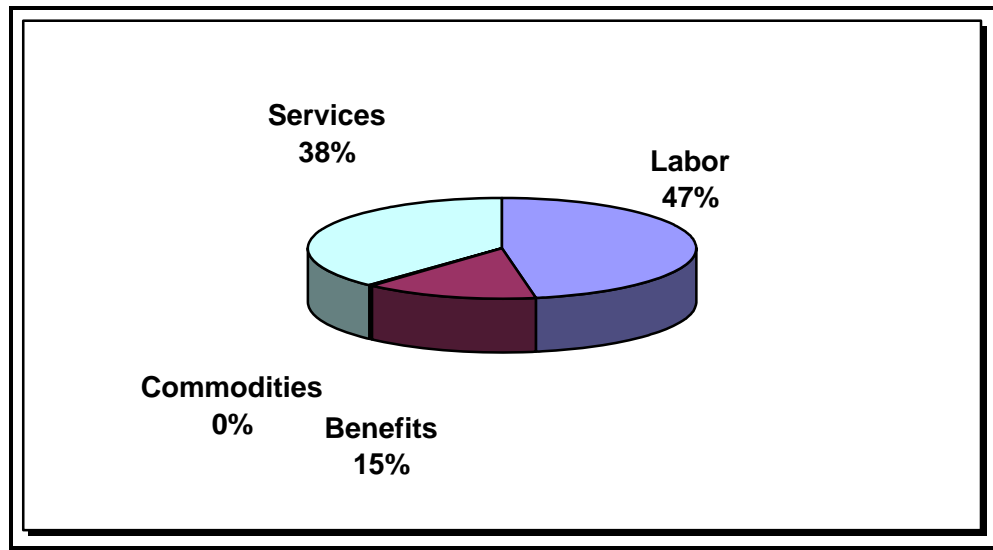
DIVISION OBJECTIVE

Provide competent, ethical, consistent and timely legal, records management, insurance and auditing services to the WaterOne Board and management, as well as providing government relations representation at the local, state and federal level.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2017 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

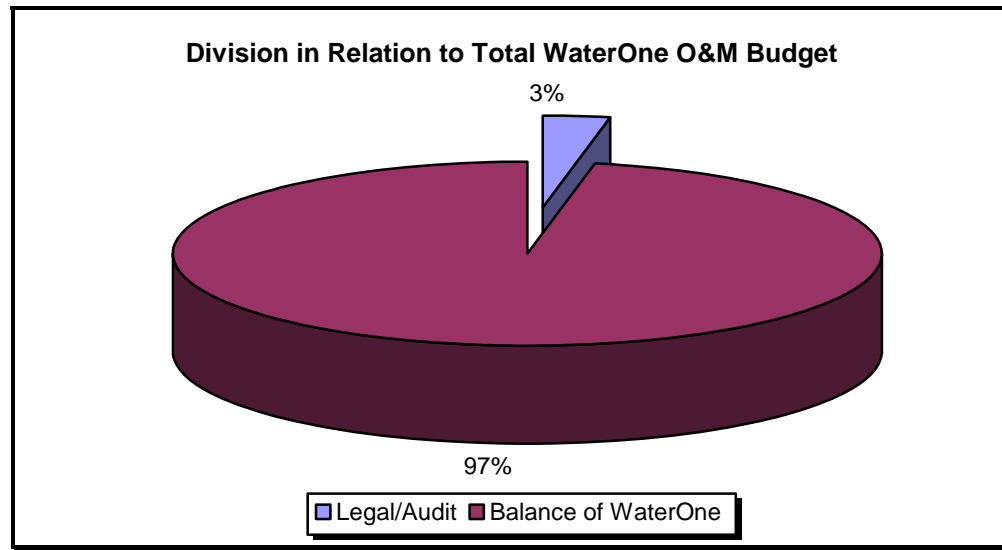


Net of Transfers

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$647,741	\$718,807	\$851,747	\$132,940	18.5%
Benefits	205,785	214,474	239,527	25,052	11.7%
<i>Personnel Costs</i>	<i>\$853,526</i>	<i>\$933,281</i>	<i>\$1,091,274</i>	<i>\$157,992</i>	<i>16.9%</i>
Commodities	1,464	3,140	2,280	<860>	<27.4%>
Services	698,303	740,124	726,010	<14,114>	<1.9%>
Transfers	<163,433>	<162,423>	<170,096>	<7,674>	4.7%
Total O&M	\$1,389,860	\$1,514,123	\$1,649,468	\$135,345	8.9%
Capital Outlay	0	0	0	0	NA
Total	\$1,389,860	\$1,514,123	\$1,649,468	\$135,345	8.9%

Numbers may not add due to rounding

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2017 Significant Cost Elements are described below.

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$642,758	\$718,258	\$851,260	\$133,002	18.5%
Benefits	205,785	214,474	239,527	25,053	11.7%
Property & Liability Insurance	512,728	560,000	548,600	<11,400>	<2.0%>
Property & Liability - Self Ins.	60,226	60,000	60,000	0	0.0%
Auditing Fees	43,180	45,275	46,675	1,400	3.1%
Subtotal	\$1,464,677	\$1,598,007	\$1,746,062	\$148,055	9.3%
All Other Accounts	88,616	78,539	73,502	<5,037>	<6.4%>
Less Transfers	<163,433>	<162,423>	<170,096>	<7,673>	4.7%
Total O&M	\$1,389,860	\$1,514,123	\$1,649,468	\$135,345	8.9%

Numbers may not add due to rounding

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	9	1 (a)		10
Part Time	0			0
Temporary/Summer	1		<1> (b)	0
Total Headcount	10	1		10
Total Full Time Equivalents (FTEs)	9.25	1	<.25> (b)	10

a) Budgeted New Position: Attorney

b) Elimination of Legal Intern position

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

Property & Liability Insurance

The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, and Cyber Liability. The budget is based on the 7/1/2016 renewals. The budget does not include auto coverage which is budgeted in Fleet.

Property & Liability - Self Insurance

This budget provides for deductibles and claims that are not covered by insurance.

Auditing Fees

The budget for auditing fees includes the fee for the annual external audit, the Kansas filing fee for the Division of Accounts and Reports, and the publication of the annual financial statement. Fees are established through the RFP process and approved by the Board. The budget is based on a quote from WaterOne's current audit firm, as well as the Kansas filing fee and publication of the financial statements.

LEGAL / AUDITING

ANNUAL CAPITAL

This division has no capital requirements.

Annual Capital Listed in Other Divisions:

Projects are listed in the division responsible for project management and maintenance. Listed below are projects for which this division is the primary user, but the project detail can be found in the managing division.

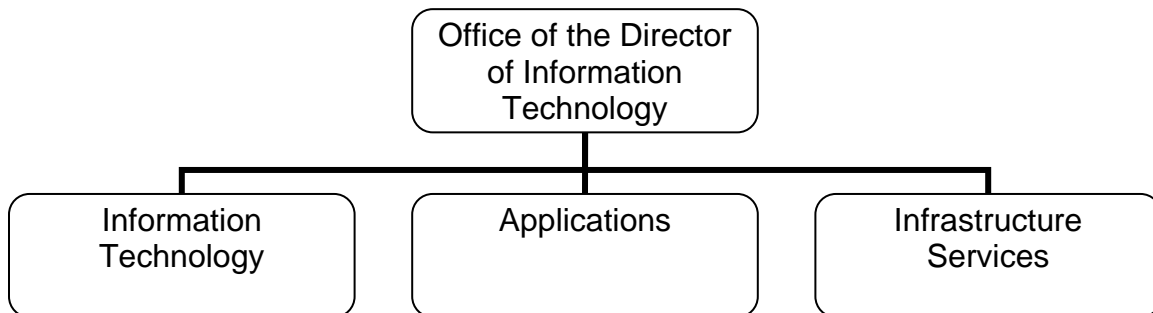
AP-17009	(p)	Legal Library Repair and Remodel	\$22,213
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p) Listed in 'Production Division'

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INFORMATION TECHNOLOGY DIVISION

DIVISION ORGANIZATION



The Information Technology Department is primarily responsible for Geographic Information Systems (GIS) support. The GIS support role is facilitating WaterOne's mapping and spatial data needs by leveraging GIS software development and assisting with the many GPS related business processes. The department also provides database administration, application administration and reporting services for the treatment plant SCADA system and Laboratory Information System (LIMS).

The Applications Department selects, develops, and provides support services for all PC-based software for the organization. The priority focus is the support services required for SAP Enterprise Resource Planning (ERP) products, directly related to WaterOne's core business functions. The Applications Department provides additional assistance such as project management expertise for Intranet/Extranet design and support services.

The Infrastructure Services Department provides WaterOne with full life cycle management of WaterOne owned technical infrastructure assets, communications devices and provides end user help desk support services. Key technical areas of focus include wide area networking, individual/group/mass communications, telephony and WaterOne's data center environment.

DIVISION OBJECTIVE

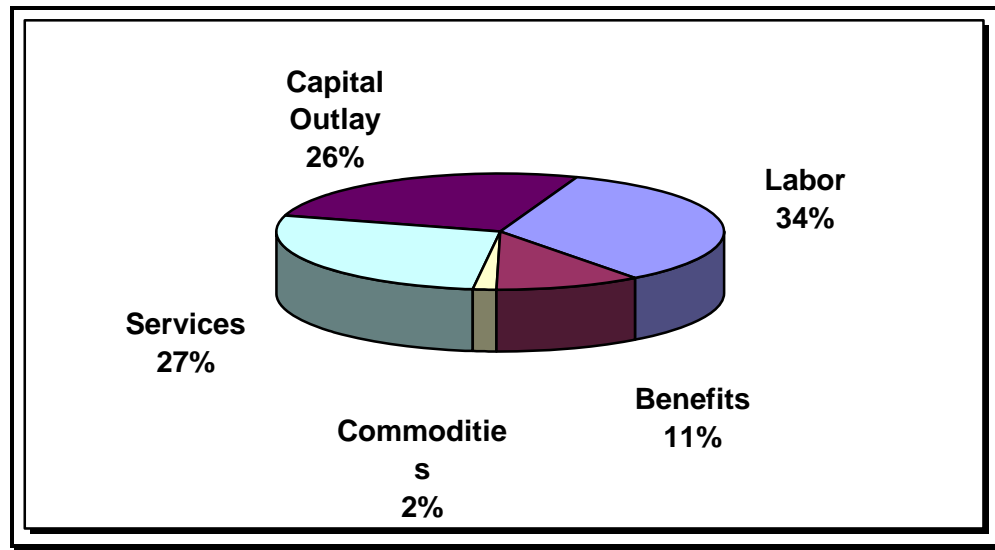
Provide secure business technology solutions in support of WaterOne's Strategic Goals and business objectives. Identify future business needs while maintaining the technology tools and architecture, support, and other solutions necessary to improve company performance and productivity, measure key performance areas, and empower decision-making.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2017 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

WATERONE 2017 BUDGET
INFORMATION TECHNOLOGY

EXPENDITURES BY MAJOR CATEGORY



Net of Transfers

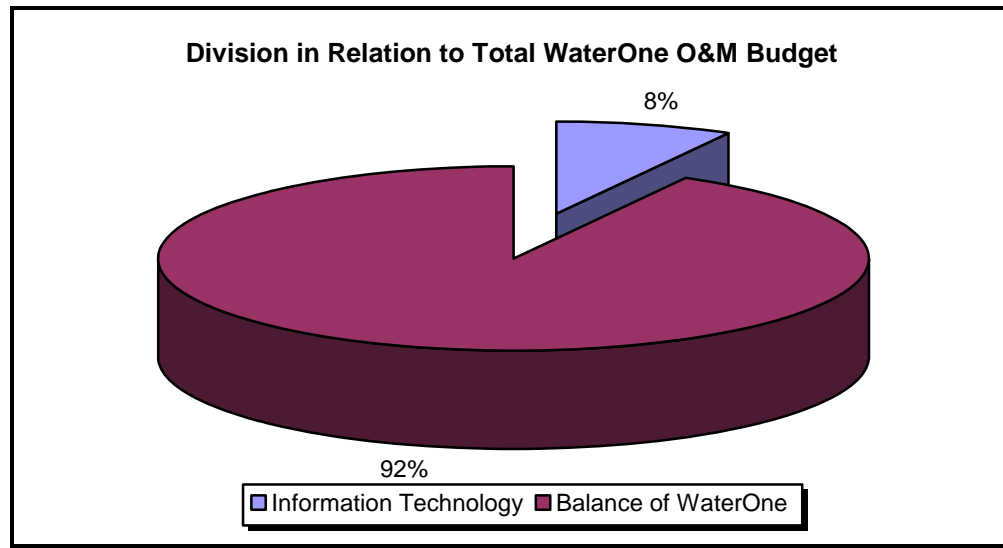
	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,678,726	\$2,115,630	\$2,246,760	\$131,130	6.2%
Benefits	597,888	611,602	627,984	16,382	2.7%
<i>Personnel Costs</i>	<i>\$2,276,615</i>	<i>\$2,727,232</i>	<i>\$2,874,744</i>	<i>\$147,512</i>	<i>5.4%</i>
Commodities	64,648	42,080	86,420	44,340	105.4%
Services	1,641,220	1,768,687	1,738,959	<29,728>	<1.7%>
Transfers	<352,145>	<316,152>	<360,421>	<44,270>	14.0%
Total O&M	\$3,630,337	\$4,221,847	\$4,339,702	\$117,854	2.8%
Capital Outlay	653,743	2,002,274	1,538,210	<464,064>	<23.2%>
Total	\$4,284,080	\$6,224,121	\$5,877,912	<\$346,210>	<5.6%>

Numbers may not add due to rounding

(a) Labor consists of Labor-Non OT Gross, Labor-OT Gross and Labor Vac Gross.

WATERONE 2017 BUDGET
INFORMATION TECHNOLOGY

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2017 Significant Cost Elements are described below.

	2015 Actual	2016 Budget	2017 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,661,160	\$2,114,396	\$2,241,939	\$127,543	6.0%
Benefits	597,888	611,602	627,984	22,126	3.6%
PC Software License & Maintenance	526,763	517,759	588,118	70,359	13.6%
Telecom - Data	335,662	402,552	402,552	0	0.0%
IT Maint - Contracted	73,898	273,840	252,946	<20,894>	<7.6%>
Contracted Services	130,392	202,260	188,240	<14,020>	<6.9%>
IT Maint - SAAS	59,266	105,874	98,900	<6,974>	<6.6%>
Subtotal	\$3,385,029	\$4,228,283	\$4,400,679	\$178,140	4.2%
All Other Accounts	597,453	309,716	299,444	<10,271>	<3.3%>
Less Transfers	<352,145>	<316,152>	<360,421>	<44,351>	14.0%
Total O&M	\$3,630,337	\$4,221,847	\$4,339,702	\$123,518	2.9%

Numbers may not add due to rounding

WATERONE 2017 BUDGET
INFORMATION TECHNOLOGY

<i>DIVISION PERSONNEL</i>	<i>2016 Budget</i>	<i>+</i>	<i>-</i>	<i>2017 Budget</i>
<u>Headcount</u>				
Full Time	26			26
Part Time	0			0
Temporary/Summer	1			1
Total Headcount	27			27
Total Full Time Equivalents (FTEs)	26.25			26.25

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted.

Employee Benefits (Transferred)

Benefits are planned in the Human Resources/Administration Division and allocated to the divisions. More information on Benefits is located behind the PERSONNEL tab.

PC Software License & Maintenance

This account covers WaterOne's software licenses and maintenance on that software. It is divided into two areas. Both areas experienced a budget increase in 2017 which is described below.

1. GIS software: GIS, computer aided design, hydraulic modeling software, and SCADA software. This account increased \$24,959 in 2017 primarily due to the need for additional ArcGIS licenses and an increase in the annual maintenance contract for the SCADA control system platform.
2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget has increased \$45,400 in 2017 primarily due to additional licenses and an increase in the annual maintenance contract for Microsoft. There are increases in the annual maintenance contracts for SAP and Structured Query Language (SQL) server tools, as well as an Adobe upgrade.

Telecom – Data

This account is for the data communication lines needed for the phone system and networks utilized at the treatment plants, administrative offices, and other locations including pump stations, pressure reducing valve (PRV) vaults, and telemetry locations throughout the service area. There is no change in this account for 2017.

IT Maint – Contracted

This account is for the recurring maintenance contracts for network hardware and software. The decrease in 2017 is primarily related to the reduced maintenance contract for managed security services. Two smaller contracts for network device and mobile device management were also eliminated.

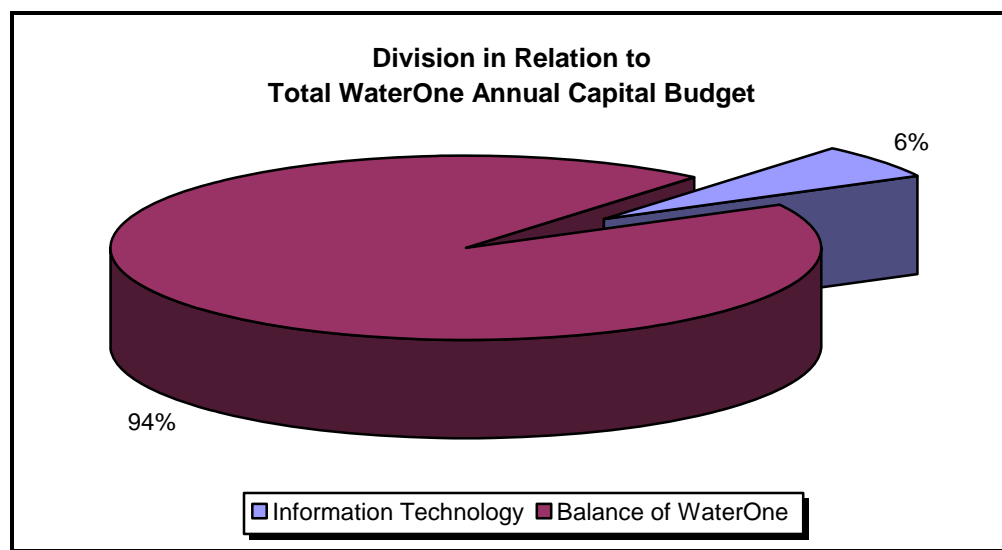
Contracted Services

Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. WaterOne contracts for various services including backup SAP basis administration support, functional consulting services for SAP, GIS and Microsoft projects, network monitoring, and implementation of new software. Instant messaging and added network monitoring services will not be implemented via contracted services resulting in a decrease in 2017.

IT Maint – SAAS

This account is to record the utilization of “Software as a Service” (SAAS). SAAS is used when it is more cost effective for applications to be hosted by the service provider rather than purchased, implemented, and maintained by WaterOne staff. This account includes applications such as Director’s Desk, EverBridge, and CyberTech’s GIS support applications. Contracts for CyberTech and Applicant Tracking decreased, causing a reduction in the 2017 budget.

ANNUAL CAPITAL



Specialized IT-related capital used primarily by one division and IT equipment for new personnel are included below.

New

AC-17029	(a)	Customer Request Mgmt System (CRM)	\$222,124
AC-17905		Records Info Management Implementation	111,062
Annual Capital - New			\$333,186

(a) Requested by Customer Relations Division

Replacement / Refurbish

AC-17005	Network Upgrades	\$288,761
AC-17006	PC Replacement Program	266,549
AC-17008	SAP Upgrades and Enhancements	222,124
AC-17007	GIS Upgrades and Enhancements	155,487
AC-17039	Server Replacement Program	116,616
AC-17092	Disaster Recovery Enhancements	111,062
AC-17009	Printer Replacement Program	44,425
Annual Capital - Replace / Refurbish		\$1,205,024
Total Annual Capital		\$1,538,210

Numbers may not add due to rounding

WaterOne 2017 Budget

INFORMATION TECHNOLOGY DIVISION

New

Project Description

Customer Request Mgmt System (CRM)

Year

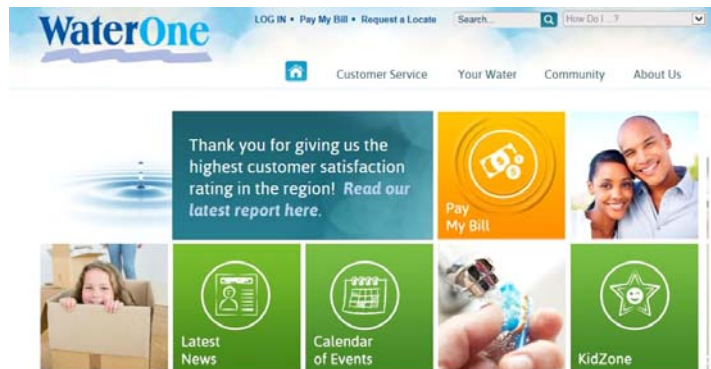
2017

Project #

AC-17029

Plan

\$222,124



Justification

This add-on functionality to the external .org website will greatly enhance consumer usability by allowing customers and developers to schedule services and track the status of service requests. This will also include customer tracking for follow-up services such as lawn repair following a main break.

Project Description

Records Info Management Implementation

Year

2017

Project #

AC-17905

Plan

\$111,062



Justification

This will be the third phase of the records management project. This phase of the project includes gathering the requirements for the application, releasing an RFP, selecting a vendor, purchasing the software and implementing the new document management software. The records management software will be used to increase efficiency and consistency as well as meet policy requirements for WaterOne's document management process.

WaterOne 2017 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Network Upgrades

Year

2017

Project #

AC-17005

Plan

\$288,761



Justification

This program's focus is to provide local area network (LAN), wide area network (WAN), storage area network (SAN), telephony and server hardware, and software necessary to support continuing business operations. This recurring program ensures reliable computing and telephone services by replacing the supporting infrastructure components and normal expansion requirements.

Project Description

PC Replacement Program

Year

2017

Project #

AC-17006

Plan

\$266,549



Justification

This program was established to annually provide the necessary funding to replace computers 4 years or older as they become non-functional or obsolete. This timeframe is aligned with the manufacturer warranty for hardware. The program also includes requests for new laptops or monitors. Laptops have a shorter life than the PCs and are planned to be replaced on a three year cycle. New laptop requests have increased to allow mobilization of staff. The 2017 budget includes: 100 desktop and/or mobile PC @ \$2,000 = \$200,000; 100 monitors @ \$250 = \$25,000; Peripherals = \$15,000.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

SAP Upgrades and Enhancements

Year

2017

Project #

AC-17008

Plan

\$222,124



Justification

Annual program to upgrade and enhance SAP for end users. In 2017, anticipated projects include upgrades for human resources, material management enhancements and process improvements for customer service.

Project Description

GIS Upgrades and Enhancements

Year

2017

Project #

AC-17007

Plan

\$155,487



Justification

This program is to support new development requirements for GIS and related applications. The budgeted items consist of hardware, software and/or development, upgrade and enhancement needs for GIS and associated applications. Water main leak repairs application planned in 2017.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Server Replacement Program

Year

2017

Project #

AC-17039

Plan

\$116,616



Justification

This program's focus is to provide server hardware and software necessary to support continuing business operations. This program provides for servers and server components necessary to replace equipment that is no longer meeting WaterOne's needs, is out of warranty, or for normal expansion requirements that support the critical infrastructure needs of WaterOne. Additionally, this program provides for miscellaneous software used to monitor and manage the hardware components that make up the server environment. This critical program is a necessary and recurring component of providing reliable computing services. The 2017 budget includes: 2 Servers X \$20,000 = \$40,000; Server Components = \$15,000; Storage Upgrades at Wolcott = \$50,000.

Project Description

Disaster Recovery Enhancements

Year

2017

Project #

AC-17092

Plan

\$111,062



Justification

This request is for necessary upgrades and enhancements to the disaster recovery infrastructure required due to normal growth of infrastructure components (servers, switches, storage, routers) and data processing requirements. Additionally, facility infrastructure enhancements may be required including, but not limited to, cooling, power, rack space, and uninterrupted power supply (UPS).

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Printer Replacement Program

Year

2017

Project #

AC-17009

Plan

\$44,425



Justification

Annual program to replace printers that are technically deficient (one or more functions does not work or has a very high cost of operation due to its age), functionally obsolete (does not meet the needs of the users or applications), or failure critical (may fail at any point and would be prohibitively expensive to repair). Whenever possible, printers are consolidated which reduces the total number of printers supported, however, the new printer may be a more expensive printer to handle the increased demands and to provide greater functionality. The average cost for a printer (plotters, multi-function, and standard printers) is \$10,000. The 2017 budget includes 4 printer replacements.

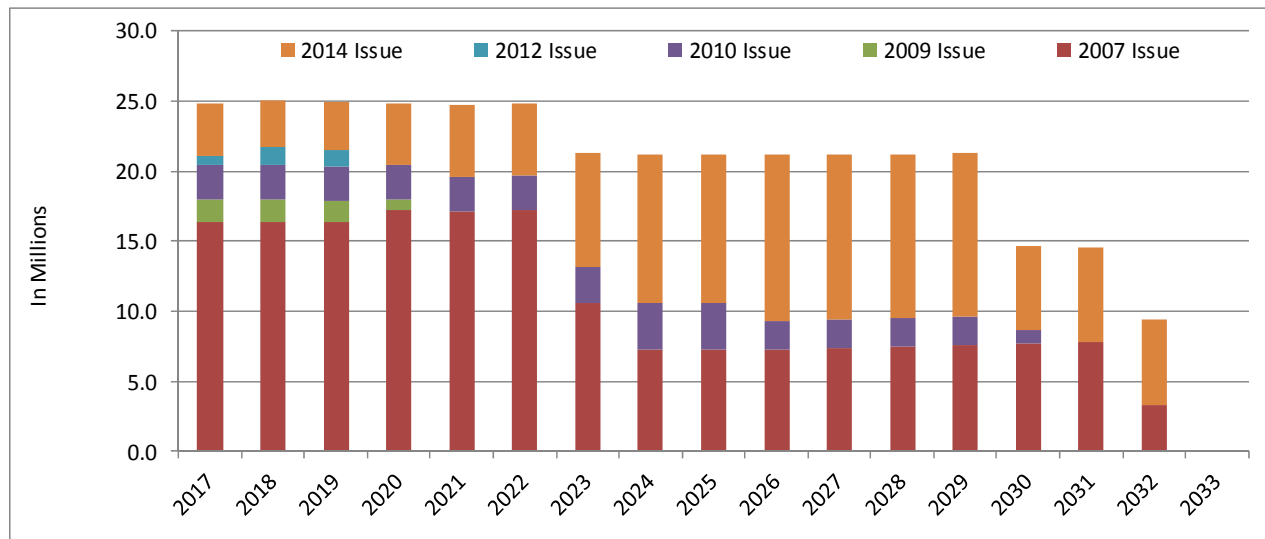
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DEBT SERVICE

In 2017, WaterOne will be responsible for paying the debt service on the outstanding Senior Parity Bonds (Series 2007), and the Second Lien Parity Bonds (Series 2009, 2010, 2012 and 2014.)

WaterOne's objective is to structure the composite debt service to be approximately level on a year-to-year basis. This practice supports the policy of smoothed water rate increases. Structured into the level debt service are allowances to blend in new debt in later years.

Total Debt Service



DEBT FUNDING

Below is a brief description and history of each outstanding bond issue. The pages subsequent to these descriptions contain tables which show debt service by year for each issue, and outstanding bonds as of the beginning of each year.

Water Revenue Bonds, Series 2007

The 2007 Series Bonds were issued on April 1, 2007 for the purpose of funding Master Plan projects which included a new water treatment plant on the Missouri River and the associated distribution system improvements necessary to deliver an additional capacity.

Original Amount of Bonds issued	<u>\$180,245,000</u>
Outstanding Bonds on Jan. 1, 2017	<u>137,115,000</u>
Debt Service Requirement for 2017	<u>16,368,275</u>
Funding for Principal to be Retired in 2017	<u>10,537,500</u>
True Interest Cost (TIC) at time of original bond issue	<u>4.1532%</u>

Water Revenue Refunding Bonds, Series 2009

The 2009 Series Bonds were issued on September 30, 2009 for the purpose of refunding \$26,930,000 of the 1996A, 1999, and 2000 Series Bonds. The 2009 refunding resulted in a savings of approximately \$2.6 million over 12 years.

Original Amount of Bonds issued	<u>\$26,190,000</u>
Outstanding Bonds on Jan. 1, 2017	<u>5,165,000</u>
Debt Service Requirement for 2017	<u>1,608,175</u>
Funding for Principal to be Retired in 2017	<u>1,440,000</u>
True Interest Cost (TIC) at time of original bond issue	<u>2.2643%</u>

Water Revenue Bonds, Series 2010

The 2010 Series Bonds were issued on July 1, 2010 for the purpose of funding Master Plan projects which included completing the Missouri River treatment facilities partially funded by the 2007 Bonds, and the Nall Avenue Pump Station and associated distribution system improvements.

Original Amount of Bonds issued	<u>\$28,890,000</u>
Outstanding Bonds on Jan. 1, 2017	<u>25,510,000</u>
Debt Service Requirement for 2017	<u>2,456,138</u>
Funding for Principal to be Retired in 2017	<u>1,445,000</u>
True Interest Cost (TIC) at time of original bond issue	<u>3.6745%</u>

Water Revenue Refunding Bonds, Series 2012

The 2012 Series Bonds were issued on November 1, 2012 for the purpose of refunding \$7,195,000 of the 2002 Series Bonds. The 2012 refunding resulted in a savings of approximately \$967,000 over 7 years.

Original Amount of Bonds issued	<u>\$6,605,000</u>
Outstanding Bonds on Jan. 1, 2017	<u>2,910,000</u>
Debt Service Requirement for 2017	<u>623,213</u>
Funding for Principal to be Retired in 2017	<u>570,000</u>
True Interest Cost (TIC) at time of original bond issue	<u>0.9189%</u>

Water Revenue Bonds, Series 2014

The 2014 Series Bonds were issued on February 11, 2014 for the purpose of funding Master Plan projects which included the Ralph G. Wyss Pump Station and associated distribution system improvements.

Original Amount of Bonds issued	<u>\$86,350,000</u>
Outstanding Bonds on Jan. 1, 2017	<u>85,750,000</u>
Debt Service Requirement for 2017	<u>3,775,244</u>
Funding for Principal to be Retired in 2017	<u>580,000</u>
True Interest Cost (TIC) at time of original bond issue	<u>3.4495%</u>

**Summary of Outstanding Principal Amounts
As of January 1 Each Year**

As of January 1	2002 Series	2003 Series	2007 Series	2009 Series	2010 Series	2012 Series	2014 Series	Total Outstanding Bonds
	\$	\$	\$	\$	\$	\$	\$	\$
2012	7,600,000	8,830,000	174,205,000	19,870,000	28,890,000	0	0	239,395,000
2013	0	6,770,000	170,025,000	17,830,000	28,605,000	6,605,000	0	229,835,000
2014	0	0	164,750,000	14,880,000	28,035,000	5,735,000	0	213,400,000
2015	0	0	155,780,000	10,550,000	27,465,000	4,765,000	86,150,000	284,710,000
2016	0	0	146,690,000	7,465,000	26,895,000	3,220,000	85,950,000	270,220,000
2017	0	0	137,115,000	5,165,000	25,510,000	2,910,000	85,750,000	256,450,000
2018	0	0	126,660,000	3,725,000	24,065,000	2,340,000	85,170,000	241,960,000
2019	0	0	115,610,000	2,170,000	22,545,000	1,170,000	84,970,000	226,465,000
2020	0	0	104,065,000	725,000	20,975,000	0	84,770,000	210,535,000
2021	0	0	91,040,000	0	19,340,000	0	83,615,000	193,995,000
2022	0	0	77,530,000	0	17,640,000	0	81,600,000	176,770,000
2023	0	0	62,640,000	0	15,870,000	0	79,585,000	158,095,000
2024	0	0	53,945,000	0	14,020,000	0	74,405,000	142,370,000
2025	0	0	48,705,000	0	11,150,000	0	66,540,000	126,395,000
2026	0	0	43,200,000	0	8,185,000	0	58,385,000	109,770,000
2027	0	0	37,415,000	0	6,490,000	0	48,605,000	92,510,000
2028	0	0	31,350,000	0	4,725,000	0	38,540,000	74,615,000
2029	0	0	24,970,000	0	2,890,000	0	28,185,000	56,045,000
2030	0	0	18,265,000	0	985,000	0	17,545,000	36,795,000
2031	0	0	11,230,000	0	0	0	12,270,000	23,500,000
2032	0	0	3,835,000	0	0	0	5,945,000	9,780,000
2033	0	0	0	0	0	0	0	0

Bond Ratings and Debt Service Coverage Ratio

The strong financial position of WaterOne is shown by the fact WaterOne has maintained, on its Senior Debt, a rating of AAA from Standard & Poor's and Aaa from Moody's, each representing the highest rating awarded in the nation for a water utility. WaterOne's Second Lien Debt was given a rating from Standard & Poor's of AAA, representing high grade, high quality debt. Moody's rating on the Second Lien Debt is Aa1.

A history of the WaterOne's strong coverage ratio is shown graphically in the Revenue and Rates section. WaterOne's outstanding bond covenants require a minimum ratio of 1.25. WaterOne Board Policy Number 16 requires that budgeted water rates be maintained at a level which will provide net revenues from operations sufficient to produce an annual coverage ratio of least 2.00 in a normal year.

Debt Funding

FOR YEARS 2012 THROUGH 2016 - ACTUAL
FOR YEARS 2017 THROUGH 2033 - PROJECTED

DEBT SERVICE - TOTAL

Years	2002 Series	2003 Series	2007 Series	2009 Series	2010 Series	2012 Series	2014 Series	Total All Series Bonds
	\$	\$	\$	\$	\$	\$	\$	\$
2012 ...	1,067,295	2,386,460	11,909,448	2,621,225	842,719	72,182	0	18,899,329
2013 ...	0	2,203,560	12,997,135	3,464,825	1,672,613	935,853	0	21,273,986
2014 ...	0	0	16,064,573	4,732,425	1,659,788	1,071,625	200,000	23,728,411
2015 ...	0	0	15,753,426	3,398,563	1,648,388	1,624,125	200,000	22,624,502
2016 ...	0	0	15,931,589	2,522,250	2,441,638	368,763	3,399,244	24,663,484
2017 ...	0	0	16,368,275	1,608,175	2,456,138	623,213	3,775,244	24,831,045
2018 ...	0	0	16,353,650	1,662,325	2,472,638	1,210,950	3,383,144	25,082,707
2019 ...	0	0	16,376,587	1,503,663	2,465,213	1,186,500	3,378,644	24,910,607
2020 ...	0	0	17,259,129	736,781	2,481,656	0	4,329,644	24,807,210
2021 ...	0	0	17,146,233	0	2,477,438	0	5,142,594	24,766,265
2022 ...	0	0	17,236,437	0	2,470,150	0	5,082,144	24,788,731
2023 ...	0	0	10,640,282	0	2,480,625	0	8,186,694	21,307,601
2024 ...	0	0	7,216,159	0	3,405,788	0	10,617,494	21,239,441
2025 ...	0	0	7,253,761	0	3,378,813	0	10,552,644	21,185,218
2026 ...	0	0	7,295,545	0	2,015,450	0	11,918,669	21,229,664
2027 ...	0	0	7,354,026	0	2,022,231	0	11,839,422	21,215,679
2028 ...	0	0	7,469,375	0	2,016,475	0	11,750,181	21,236,031
2029 ...	0	0	7,584,378	0	2,007,850	0	11,679,944	21,272,172
2030 ...	0	0	7,695,391	0	1,005,931	0	5,940,825	14,642,147
2031 ...	0	0	7,798,416	0	0	0	6,751,113	14,549,529
2032 ...	0	0	3,263,745	0	0	0	6,125,300	9,389,045
2033 ...	0	0	0	0	0	0	0	0

Debt Funding

FOR YEARS 2012 THROUGH 2016 - ACTUAL
FOR YEARS 2017 THROUGH 2033 - PROJECTED

DEBT SERVICE - PRINCIPAL

Years	2002 Series	2003 Series	2007 Series	2009 Series	2010 Series	2012 Series	2014 Series	Total All Series Bonds	Principal As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	
2012 ...	747,500	2,066,667	4,271,667	2,040,000	285,000	60,714	0	9,471,548	50.12%
2013 ...	0	1,978,333	5,586,667	2,950,000	570,000	809,286	0	11,894,286	55.91%
2014 ...	0	0	8,980,000	4,330,000	570,000	970,000	200,000	15,050,000	63.43%
2015 ...	0	0	9,090,000	3,085,000	570,000	1,545,000	200,000	14,490,000	64.05%
2016 ...	0	0	9,655,833	2,300,000	1,385,000	310,000	200,000	13,850,833	56.16%
2017 ...	0	0	10,537,500	1,440,000	1,445,000	570,000	580,000	14,572,500	58.69%
2018 ...	0	0	11,050,000	1,555,000	1,520,000	1,170,000	200,000	15,495,000	61.78%
2019 ...	0	0	11,627,500	1,445,000	1,570,000	1,170,000	200,000	16,012,500	64.28%
2020 ...	0	0	13,105,833	725,000	1,635,000	0	1,155,000	16,620,833	67.00%
2021 ...	0	0	13,658,333	0	1,700,000	0	2,015,000	17,373,333	70.15%
2022 ...	0	0	14,415,000	0	1,770,000	0	2,015,000	18,200,000	73.42%
2023 ...	0	0	8,369,167	0	1,850,000	0	5,180,000	15,399,167	72.27%
2024 ...	0	0	5,261,667	0	2,870,000	0	7,865,000	15,996,667	75.32%
2025 ...	0	0	5,528,333	0	2,965,000	0	8,155,000	16,648,333	78.58%
2026 ...	0	0	5,807,500	0	1,695,000	0	9,780,000	17,282,500	81.41%
2027 ...	0	0	6,090,833	0	1,765,000	0	10,065,000	17,920,833	84.47%
2028 ...	0	0	6,406,667	0	1,835,000	0	10,355,000	18,596,667	87.57%
2029 ...	0	0	6,732,500	0	1,905,000	0	10,640,000	19,277,500	90.62%
2030 ...	0	0	7,065,000	0	985,000	0	5,275,000	13,325,000	91.00%
2031 ...	0	0	7,425,000	0	0	0	6,325,000	13,750,000	94.50%
2032 ...	0	0	3,195,833	0	0	0	5,945,000	9,140,833	97.36%
2033 ...	0	0	0	0	0	0	0	0	

Debt Funding

FOR YEARS 2012 THROUGH 2016 - ACTUAL
FOR YEARS 2017 THROUGH 2033 - PROJECTED

DEBT SERVICE - INTEREST

Years	2002 Series	2003 Series	2007 Series	2009 Series	2010 Series*	2012 Series	2014 Series**	Total All Series Bonds	Interest As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	
2012 ...	319,795	319,794	7,637,781	581,225	557,719	11,467	0	9,427,781	49.88%
2013 ...	0	225,227	7,410,468	514,825	1,102,613	126,567	0	9,379,699	44.09%
2014 ...	0	0	7,084,573	402,425	1,089,788	101,625	0	8,678,410	36.57%
2015 ...	0	0	6,663,426	313,563	1,078,388	79,125	0	8,134,501	35.95%
2016 ...	0	0	6,275,755	222,250	1,056,638	58,763	3,199,244	10,812,649	43.84%
2017 ...	0	0	5,830,775	168,175	1,011,138	53,213	3,195,244	10,258,543	41.31%
2018 ...	0	0	5,303,650	107,325	952,638	40,950	3,183,144	9,587,706	38.22%
2019 ...	0	0	4,749,087	58,663	895,213	16,500	3,178,644	8,898,106	35.72%
2020 ...	0	0	4,153,295	11,781	846,656	0	3,174,644	8,186,377	33.00%
2021 ...	0	0	3,487,900	0	777,438	0	3,127,594	7,392,931	29.85%
2022 ...	0	0	2,821,437	0	700,150	0	3,067,144	6,588,731	26.58%
2023 ...	0	0	2,271,115	0	630,625	0	3,006,694	5,908,434	27.73%
2024 ...	0	0	1,954,492	0	535,788	0	2,752,494	5,242,773	24.68%
2025 ...	0	0	1,725,428	0	413,813	0	2,397,644	4,536,884	21.42%
2026 ...	0	0	1,488,045	0	320,450	0	2,138,669	3,947,164	18.59%
2027 ...	0	0	1,263,193	0	257,231	0	1,774,422	3,294,846	15.53%
2028 ...	0	0	1,062,708	0	181,475	0	1,395,181	2,639,365	12.43%
2029 ...	0	0	851,878	0	102,850	0	1,039,944	1,994,672	9.38%
2030 ...	0	0	630,391	0	20,931	0	665,825	1,317,147	9.00%
2031 ...	0	0	373,416	0	0	0	426,113	799,528	5.50%
2032 ...	0	0	67,911	0	0	0	180,300	248,211	2.64%
2033 ...	0	0	0	0	0	0	0	0	

* The 2010 Bonds had capitalized interest for years 2011 and 2012. This interest is not included.

** The 2014 Bonds had capitalized interest for years 2014 and 2015. This interest is not included.

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2017 Initial Forecast in 2016 Budget vs 2017 Adopted Budget
2017 Water Rate Increase = 1.9%

	2017 Initial Forecast @ 3.0%	2017 Adopted Budget @ 1.9%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 OPERATING REVENUES:				
3 Sales of Water - Retail	\$ 112,444,778	\$ 111,304,896	\$ (1,139,882)	-1.0%
4 Sales of Water - Wholesale	-	-	-	NA
5 TOTAL SALES OF WATER	\$ 112,444,778	\$ 111,304,896	\$ (1,139,882)	
6 Delayed Payment Charges	\$ 560,000	\$ 600,000	\$ 40,000	7.1%
7 Service Charges	350,000	350,000	-	0.0%
8 Other Operating Revenues	603,500	595,000	(8,500)	-1.4%
9 TOTAL OTHER OPERATING REVENUES	\$ 1,513,500	\$ 1,545,000	\$ 31,500	2.1%
10 Investment Income (General and P&I Funds)	\$ 1,260,000	\$ 940,000	\$ (320,000)	-25.4%
11 Investment Income (Bond Fund)	40,000	50,000	10,000	25.0%
12 Investment Income (SDC Fund)	-	-	-	NA
13 TOTAL INVESTMENT INCOME	\$ 1,300,000	\$ 990,000	\$ (310,000)	-23.9%
14 TOTAL REVENUES PROVIDED	\$ 115,258,278	\$ 113,839,896	\$ (1,418,382)	-1.2%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 54,742,138	\$ 53,308,419	\$ (1,433,719)	-2.6%
17 Annual Capital	\$ 11,025,000	\$ 10,765,000	\$ (260,000)	-2.4%
18 T&D Funding	15,034,000	14,410,000	(624,000)	-4.2%
19 TOTAL ANNUAL CAPITAL	\$ 26,059,000	\$ 25,175,000	\$ (884,000)	-3.4%
20 Senior Parity Bonds	\$ 16,368,275	\$ 16,368,275	\$ -	0.0%
21 2nd Lien Bonds	8,462,769	8,462,769	-	0.0%
22 TOTAL DEBT SERVICE FUNDING	\$ 24,831,043	\$ 24,831,043	\$ -	0.0%
23 Master Plan Designated	\$ 8,716,097	\$ 10,015,434	\$ 1,299,337	14.9%
24 Investment Income (Bond & SDC Fund)	40,000	50,000	10,000	25.0%
25 Repayment of Bond Payoff to Master Plan	-	-	-	NA
26 TOTAL TRANSFERS TO MASTER PLAN	\$ 8,756,097	\$ 10,065,434	\$ 1,309,337	15.0%
27 Bond Covenant & Capital Reserve	\$ 460,000	\$ 70,000	\$ (390,000)	-84.8%
28 Negative Cash Flow Reserve	410,000	390,000	(20,000)	-4.9%
29 TOTAL REQUIRED RESERVE FUNDING	\$ 870,000	\$ 460,000	\$ (410,000)	-47.1%
30 TOTAL REVENUE REQUIREMENTS	\$ 115,258,278	\$ 113,839,896	\$ (1,418,382)	-1.2%
31 NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 60,516,140	\$ 60,531,477	\$ 15,337	0.0%
32 REQUIRED DEBT SERVICE (Ln 22)	\$ 24,831,043	\$ 24,831,043	\$ -	0.0%
33 DEBT SERVICE COVERAGE (Ln 31 / Ln 32)	2.44	2.44	0.00	
34 APPROXIMATE ADJUSTMENT TO WATER RATES	3.0%	1.9%	-1.1%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2017
Based on a 1.9% Rate Increase

				2016 ADOPTED BUDGET	2017 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:						
1	INCREASED OPERATIONS & MAINTENANCE EXPENSES:			\$ 53,099,363	\$ 53,308,419	\$ 209,056
	Gross Payroll (Includes Overtime)	\$ 784,162	3.1%			
	Health	\$ 241,383	5.7%			
	Chemicals	\$ (94,520)	-1.6%			
	Pension DB & DC	\$ (125,136)	-3.3%			
	Power	\$ (482,007)	-5.8%			
	Other	\$ (114,826)	-0.9%			
2	INCREASED CAPITAL:			\$ 24,950,000	\$ 25,175,000	\$ 225,000
	Annual Capital	\$ 255,000				
	T&D Funding	\$ (30,000)				
3	INCREASED DEBT SERVICE FUNDING:			\$ 24,663,482	\$ 24,831,043	\$ 167,561
4	INCREASED TRANSFERS TO MASTER PLAN:			\$ 7,347,530	\$ 10,065,434	\$ 2,717,904
	Master Plan Designated	\$ 2,677,904				
	Investment Income (Bond & SDC Fund)	\$ 40,000				
	Repayment of Bond Payoff to Master Plan	\$ -				
5	DECREASED FUNDING TO REQUIRED RESERVES:			\$ 530,000	\$ 460,000	\$ (70,000)
	Bond Covenant and Contingency Reserves	\$ (70,000)				
	Negative Cash Flow	\$ -				
6	TOTAL INCREASE IN REVENUE REQUIREMENTS			\$ 110,590,375	\$ 113,839,896	\$ 3,249,521
CHANGES IN REVENUES AVAILABLE:						
7	INCREASED INVESTMENT INCOME:			\$ 670,000	\$ 990,000	\$ 320,000
	Investment Income (General and P&I Funds)	\$ 280,000				
	Investment Income (Bond & SDC Fund)	\$ 40,000				
8	INCREASED REVENUE FROM OTHER OPER REVENUE:			\$ 1,503,500	\$ 1,545,000	\$ 41,500
9	DECREASED REVENUE FROM REVENUE ADJUSTMENTS:			\$ -	\$ (405,784)	\$ (405,784)
	Lower R1 Gallons per Customer	\$ (490,960)	1% reduction			
	Lower M1 Gallons per Customer	\$ (84,855)	1% reduction			
	True-up of 2015 Actual Customers	\$ 213,528	Annual adjustment			
	True-up of Meter Size Mix and Allocations	\$ (43,497)	Annual adjustment			
10	INCREASED REVENUE FROM 2017 NEW CUSTOMERS @ 2016 RATES:			\$ -	\$ 1,253,811	\$ 1,253,811
11	TOTAL INCREASE IN REVENUES AVAILABLE			\$ 2,173,500	\$ 3,383,027	\$ 1,209,527
12	ADJUSTMENT TO WATER RATES IN 2017 (Line #6 - #11)				Rate Adjustment 1.9%	\$ 2,039,994

Budgeted Gallons and Revenue by Customer Type

(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
Customer Type		Budgeted Average Customers	Avg Annual Gallons Per Cust	Budgeted Total 1,000 Gals	Budgeted Block 1 Gallons	Budgeted Block 2 Gallons	Budgeted Volume Charge Revenue	Budgeted Service Charge Revenue	Volume Charge Revenue	Service Charge Revenue
		(B x C)					(G/ (G+H) (H/ (G+H)			
1	Residential (R1)	133,008	88,500	11,771,208	10,005,527	1,765,681	\$ 50,410,197	\$ 18,938,040	73%	27%
2	Multi Family (M1)	4,669	451,630	2,108,661	1,855,622	253,039	8,944,939	1,915,063	82%	18%
3	Small Commercial (C1)	5,054	217,000	1,096,718	581,261	515,458	5,170,478	1,173,865	81%	19%
4	Large Commercial (C2)	3,208	1,504,952	4,827,886	3,379,520	1,448,366	21,653,067	2,643,042	89%	11%
5	Subtotal	145,939	135,704	19,804,473	15,821,929	3,982,544	\$ 86,178,681	\$ 24,670,010	78%	22%
6	Temp. Commercial (C3)	237	133,500	31,640	13,308	18,332	\$ 171,802	\$ 284,400	38%	62%
7	Total Retail	146,176	135,700	19,836,112	15,835,237	4,000,876	\$ 86,350,484	\$ 24,954,410	78%	22%

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue \$111,304,894

Customer Growth by Customer Type with SDC Revenue

		CUSTOMER GROWTH			SDC's	
Customer Type		2016 Budget	2016 Est. Actual	2017 Budget	2017 Rate	2017 Budget
8	Residential (R1)	1,340	1,340	1,330	\$4,855	\$6,457,150
9	Multi Family (M1)	55	55	60	\$4,855	\$291,300
10	Small Commercial (C1)	60	60	60	\$4,855	\$291,300
11	Large Commercial (C2)	45	45	50	\$4,855	\$242,750
12	TOTAL	1,500	1,500	1,500		\$7,282,500

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2016 BUDGET COMPARED TO ADOPTED 2017 BUDGET

	ADOPTED 2016 BUDGET			ADOPTED 2017 BUDGET			
	Amount	Per 1,000 Gal	Average Per Customer	Amount	% Inc	Per 1,000 Gal	Average Per Customer

1 SINGLE FAMILY - (R1):

2	Average Customers Served	131,639		133,008	1.0%		
3	% of Total Customers Served	91.06		90.99			
4	Thousand Gallons Sold	11,768,527	89,400	11,771,208	0.0%		88,500
5	% of Total Gallons Sold	59.7%		59.3%			
6	Service Charge Revenue	\$ 18,249,391	\$ 1.55	\$ 18,938,040	3.8%	\$ 1.61	\$ 142.38
7	Volume Charge Revenue	50,144,515	4.26	50,410,198	0.5%	4.28	379.00
8	Total Water Sales Revenue	\$ 68,393,906	\$ 5.81	\$ 69,348,238	1.4%	\$ 5.89	\$ 521.38
9	% of Volume Water Sales	59.34%		58.38%			
10	% of Total Water Sales	63.08%		62.30%			

11 MULTI-FAMILY - RESIDENTIAL (M1):

12	Average Customers Served	4,562		4,669	2.4%		
13	% of Total Customers Served	3.16		3.19			
14	Thousand Gallons Sold	2,081,148	456,192	2,108,661	1.3%		451,630
15	% of Total Gallons Sold	10.6%		10.6%			
16	Service Charge Revenue	\$ 1,815,229	\$ 0.87	\$ 1,915,063	5.5%	\$ 0.91	\$ 410.17
17	Volume Charge Revenue	8,695,869	4.18	8,944,940	2.9%	4.24	1,915.81
18	Total Water Sales Revenue	\$ 10,511,098	\$ 5.05	\$ 10,860,003	3.3%	\$ 5.15	\$ 2,325.98
19	% of Volume Water Sales	10.3%		10.4%			
20	% of Total Water Sales	9.7%		9.8%			

21 SMALL COMMERCIAL (C1):

22	Average Customers Served	5,004		5,054	1.0%		
23	% of Total Customers Served	3.46		3.46			
24	Thousand Gallons Sold	1,085,868	217,000	1,096,718	1.0%		217,000
25	% of Total Gallons Sold	5.5%		5.5%			
26	Service Charge Revenue	\$ 1,132,175	\$ 1.04	\$ 1,173,865	3.7%	\$ 1.07	\$ 232.26
27	Volume Charge Revenue	4,852,526	4.47	5,170,477	6.6%	4.71	1,023.05
28	Total Water Sales Revenue	\$ 5,984,701	\$ 5.51	\$ 6,344,342	6.0%	\$ 5.78	\$ 1,255.31
29	% of Volume Water Sales	5.7%		6.0%			
30	% of Total Water Sales	5.5%		5.7%			

31 LARGE COMMERCIAL (C2):

32	Average Customers Served	3,150		3,208	1.8%		
33	% of Total Customers Served	2.18		2.19			
34	Thousand Gallons Sold	4,738,993	1,504,442	4,827,886	1.9%		1,504,952
35	% of Total Gallons Sold	24.1%		24.3%			
36	Service Charge Revenue	\$ 2,491,214	\$ 0.53	\$ 2,643,042	6.1%	\$ 0.55	\$ 823.89
37	Volume Charge Revenue	20,657,644	4.36	21,653,068	4.8%	4.48	6,749.71
38	Total Water Sales Revenue	\$ 23,148,858	\$ 4.88	\$ 24,296,110	5.0%	\$ 5.03	\$ 7,573.60
39	% of Volume Water Sales	24.5%		25.1%			
40	% of Total Water Sales	21.4%		21.8%			

41 SUB-TOTAL RETAIL:

42	Average Customers Served	144,355		145,939	1.1%		
43	% of Total Customers Served	99.85		99.84			
44	Thousand Gallons Sold	19,674,535	136,293	19,804,473	0.7%		135,704
45	% of Total Gallons Sold	99.9%		99.8%			
46	Service Charge Revenue	\$ 23,688,009	\$ 1.20	\$ 24,670,010	4.2%	\$ 1.25	\$ 169.04
47	Volume Charge Revenue	84,350,554	4.29	86,178,683	2.2%	4.35	590.51
48	Total Water Sales Revenue	\$ 108,038,563	\$ 5.49	\$ 110,848,693	2.6%	\$ 5.60	\$ 759.55
49	% of Volume Water Sales	99.8%		99.8%			
50	% of Total Water Sales	99.7%		99.6%			

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2016 BUDGET COMPARED TO ADOPTED 2017 BUDGET

	ADOPTED 2016 BUDGET			ADOPTED 2017 BUDGET			
	Amount	Per 1,000 Gal	Average Per Customer	Amount	% Inc	Per 1,000 Gal	Average Per Customer

51 TEMPORARY COMMERCIAL (C3):

52	Average Customers Served	212		237	11.8%		
53	% of Total Customers Served	0.15		0.16			
54	Thousand Gallons Sold	28,302	133,500	31,640	11.8%		133,500
55	% of Total Gallons Sold	0.1%		0.2%			
56	Service Charge Revenue	\$ 227,179	\$ 8.03	\$ 284,400	25.2%	\$ 8.99	\$ 1,200.00
57	Volume Charge Revenue	151,133	5.34	171,803	13.7%	5.43	724.91
58	Total Water Sales Revenue	\$ 378,312	\$ 13.37	\$ 456,203	20.6%	\$ 14.42	\$ 1,924.91
59	% of Volume Water Sales	0.2%		0.2%			
60	% of Total Water Sales	0.4%		0.4%			

61 TOTAL ALL RETAIL CUSTOMERS:

62	Average Customers Served	144,567		146,176	1.1%		
63	% of Total Customers Served	100.00		100.00			
64	Thousand Gallons Sold	19,702,837	136,289	19,836,112	0.7%		135,700
65	% of Total Gallons Sold	100.0%		100.0%			
66	Service Charge Revenue	\$ 23,915,188	\$ 1.21	\$ 24,954,410	4.4%	\$ 1.26	\$ 170.71
67	Volume Charge Revenue	84,501,687	4.29	86,350,486	2.2%	4.35	590.73
68	Total Water Sales Revenue	\$ 108,416,875	\$ 5.50	\$ 111,304,896	2.7%	\$ 5.61	\$ 761.44
69	% of Volume Water Sales	100.0%		100.0%			
70	% of Total Water Sales	100.0%		100.0%			

71 WHOLESALE (W1):

72	Average Customers Served	0		0			
73	% of Total Customers Served	0.0%		0.0%			
74	Thousand Gallons Sold	0.0		0.0			
75	% of Total Gallons Sold	0.0%		0.0%			
76	Water Sales Revenue	\$ -		\$ -			
77	% of Total Water Sales	0.0%		0.0%			

78 TOTAL ALL CUSTOMER CLASSES:

79	Average Customers Served	144,567		146,176	1.1%		
80	Thousand Gallons Sold	19,702,837	136,289	19,836,112	0.7%		135,700
81	Service Charge Revenue	\$ 23,915,188	\$ 1.21	\$ 24,954,410	4.4%	\$ 1.26	\$ 170.71
82	Volume Charge Revenue	84,501,687	4.29	86,350,486	2.2%	4.35	590.73
83	Total Water Sales Revenue	\$ 108,416,875	\$ 5.50	\$ 111,304,896	2.7%	\$ 5.61	\$ 761.44

Notes:

- 1 Reflects approximately a 1.9% revenue increase due to a change in water rates to be effective 1-1-2017.
- 2 Consistent with past practice, projections are prepared on a "normal" year basis.
- 3 May not add due to rounding.

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**WATER ONE FISCAL
POLICIES AND PROCEDURES**

Introduction

These formal Fiscal Policies of Water District No. 1 of Johnson County (WaterOne) are a combination of Kansas Statutes, Board Policy, Rules and Regulations and Bond Covenants (the “Source Documents”), Board action or resolution, and internal procedures and practices.

In the event the content of these Fiscal Policies conflict with a Source Document, the Source Document shall take precedence. Where applicable, the Source Documents are referenced in italics.

Informal practices and procedures supporting the formal Fiscal Policies have evolved through day-to-day operations associated with annual budgeting, capital improvement programs, debt issuance, and debt management.

This document lists WaterOne’s Fiscal Policies and explains the practices and procedures that support these formal policies. In developing formal versus informal policies, accountability to WaterOne’s stakeholders has been carefully balanced with management flexibility.

These written formal and informal Fiscal Policies and procedures are reviewed as part of WaterOne’s annual budget process.

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I. OVERVIEW

WaterOne is a quasi-municipal entity. It was created under **Kansas Statutes Annotated (K.S.A.) 19-3501 to 19-3521a.** with all of its powers and subject to all of its provisions.

101. Formation of WaterOne

- The governing body of WaterOne (the Board) is comprised of seven members, each serving a four-year term. Elections are held in odd-numbered years with four members elected at one time, and then the other three members are elected the next odd-numbered year.

- The Board approves water rates, system development charges, revenue bonds and all other incidental charges and fees as deemed necessary in the operation of WaterOne.

*Bond Covenants – Section 902. Rate Covenant
K.S.A. 19-3502*

- The Board selects a General Manager who is responsible for bringing issues to the Board in a prudent manner.

*K.S.A. 19-3510
Board Policy No. 11*

102. Reasonable and Prudent Person Standard

- The standard of care to be used by elected officials and management staff shall be the “reasonable and prudent person” standard and shall be applied in the context of managing the overall operations of WaterOne and its policies and procedures.

103. Ethical Standards

- WaterOne is committed to the highest legal, ethical, and moral standards in the conduct of WaterOne business. Every employee of WaterOne is expected to maintain and foster such standards.
- It is the firm policy of WaterOne that all employees shall avoid any situation or activity that involves or may involve an abuse of funds, abuse of equipment or property, or a conflict between WaterOne and the individual’s personal interest – financial or otherwise.

WaterOne Personnel Policy Manual

104. Fiscal Year

- WaterOne's fiscal year is from January 1 to December 31.
K.S.A. 19-3521

105. Generally Accepted Accounting Principles

- WaterOne follows Generally Accepted Accounting Principles (GAAP) on the modified accrual basis of accounting when preparing financial reports. Revenues are recognized when they become measurable and available. Expenditures are recognized when the liability is incurred.

106. Financial Reporting

- WaterOne has installed and maintained proper books, records and accounts for the correct entry and presentation of all financial transactions.
- WaterOne follows the Government Finance Officers Association (GFOA) recommended Financial Reporting Practices in publishing timely (monthly) interim Financial Statements.
- WaterOne's Board shall select an outside auditor for WaterOne's yearly audit and shall approve the award of contract to the auditor. All external audits, normal or special, require approval of WaterOne's Board.
Board Policy #13 – Audit Policy
K.S.A. 19-3516 (c)
- Annual Audits are performed.
K.S.A. 19-3516 (c)
Bond Covenants – Section 907. Annual Audit
- Audit Reports must be published within 90 days of year-end.
K.S.A. 19-3521

107. Financial Advisors

- Certain consultants, including Financial Advisors, are retained by the Board because their services are enhanced by continuity and an in-depth knowledge of WaterOne. In order to assure the quality of service, these consultants are subject to evaluations by appropriate staff and the Board on an annual basis. The firm's fee schedule and rates will be evaluated at least every three years.
Board Policy #27 – Consultant Review

II. FINANCIAL PLANNING POLICIES

201. Responsibilities

- Unless otherwise specifically delegated or assigned by resolution or other Board Policy, WaterOne's Board reserves final approval of all decisions relating to the Budget including limits on the number of employees.
Board Policy #11 – Subjects Requiring Board Authorization
- The Board of WaterOne is responsible for adopting a prudent, balanced annual budget.
- The General Manager of WaterOne is responsible for recommending the annual budget to the Board for approval.
- Directors and Managers are responsible for developing and justifying a budget that allows for operation of WaterOne in a responsible, cost-effective manner.

202. Annual Budgeting

- WaterOne's budget for operating revenue and expenses is prepared on an accrual basis which is consistent with accounting principles established by the Governmental Accounting Standards Board (GASB). Revenues are budgeted based on projections of income to be earned in the year being budgeted and most expenses are recorded when the liabilities are expected to occur. When budgeting WaterOne deviates from accounting rules with two accounts. Defined Benefit Pension expenses and Other Post Employment Benefits (OPEB) expenses are budgeted to match WaterOne's expected funding requirement for the budget year rather than the expected accounting based "expense" amount.
- Funding, designated for capital spending that is not complete at the end of the budget year, may be set aside for use in future years to complete authorized capital projects.
- Funding associated with operating and maintenance expense may not be used in future years.
- Year-end general fund balance, in excess of reserve requirements, is designated by the Board for future use.

FISCAL POLICIES & PROCEDURES

- WaterOne annually adopts a balanced budget where Total Revenues Provided equals Total Revenue Requirements including designations to reserve funds.
- The current year budget is projected based on a “normal” year. Historical revenue and expenditure trends are analyzed to define “normal”.
- WaterOne’s annual operating budget is developed using a line item format and includes:
 - a. Revenues
 - b. Operating Expenditures
 - c. Debt Service
 - d. Capital
 - e. Designated Reserves
 - f. Staffing Levels
- Water rate increases are “smoothed” over a period of years to avoid rate spikes. WaterOne’s objective is to structure composite debt service to be approximately level on a year-to-year basis where appropriate, which avoids significant roller-coaster types of increases and decreases in debt service and enables water rates to remain relatively stable (smoothed) over time.
- Should revenues not materialize in a given year, expenditures and/or reserves are adjusted to meet the shortfall.
- A Budget Calendar is prepared with the following timelines:

March	Budgeting Materials Distributed to Staff
April	Initial Budgets Completed by Management Staff
July	General Manager Reviews Division/Departmental Budgets
October	Balanced Budget Recommended to Board
October	Board Review with WaterOne staff
November	Public Hearing
December	Final Board Approval

203. Five Year Budget

- Each year, in conjunction with the annual budget, detailed rolling 5-year annual capital and new personnel budgets are projected. Last year’s projection becomes this year’s guideline. Deviations from projections are analyzed, documented, and adjustments are made as appropriate.

204. Multi-Year Forecasting

FISCAL POLICIES & PROCEDURES

- To aid in financial planning, a 20-year financial simulation model is used as a guideline for current year budgeting and rate setting. Projections include revenues, operating expenditures, total capital improvement project (CIP) costs, debt service requirements, rate increases, bond sizing, and debt service coverage. Together these are used to:
 - a. Project long-term sustainability of core services within projected revenue sources.
 - b. Project operating revenues and capital reserves available for direct funding of capital projects.
 - c. Project debt financing for capital projects within targeted debt coverage ratios.
- The 20-year model is updated annually to reflect emerging issues to ensure that it reflects the current environment.

III. REVENUE POLICIES

301. Developing Water Rates

- WaterOne will establish, maintain and collect rates, fees, and charges sufficient to pay all obligations as defined in the Water Rate Covenant.
Bond Covenants – Section 902. Rate Covenant
K.S.A. 19-3502
- WaterOne will not provide water or any of its tools that produce water without a reasonable charge with the exception of fire suppression.
- Projections for Water Sales Revenues are developed using customer growth and customer class water usage standards. Standards are developed by using historical trends to define “normal”, which prevents fluctuations based on weather or economic conditions. These standards are reviewed annually for reasonableness.
- Interest income is developed based on current market conditions, advice of financial advisors, and trending for future years.
- One-time revenues should not be used to fund normal, ongoing operations and consequently are not included as a revenue source in the development of the annual budget.

302. Rate Classifications

- Water rates are established using a Cost of Service (COS) recovery method for volume and service charges. Cost of Service Studies are conducted by outside financial consultants at a minimum of every five years. Staff updates a COS model in the interim years for reasonableness and trend analysis.
Rules & Regulations Rule II. Definitions
Rules & Regulations Rule VII. Water Rates
- Wholesale Rates are also COS based.
Rules & Regulations Rule II. Definitions
Rules & Regulations Rule VII. Water Rates

303. Peak Management Structure

- Effective in 1994, the Board approved using Peak Management Rates (PMR) as the fee structure for water rates. PMR is an inclining rate structure. Its goal is to shave usage peaks. Shaving peak usage allows investment in additional capacity to be delayed. It also promotes equity among rate payers as “peakers” pay for the additional capacity they use.

Rules & Regulations Rule II. Definitions

Rules & Regulations Rule VII. Water Rates

- The PMR structure differs from the traditional inclining block structure in that each customer’s block charges are individualized based on their personal average winter consumption (AWC).

Rules & Regulations, Rule II

- Block I equals 125% of AWC, Block II is usage in excess of 125%. Default AWCs are used for each class so customers with relatively low consumption will not be penalized.

Rules & Regulations, Rule VII

- For revenue stability, the following budget results are targeted:
 - a. 80% +/- 2% of revenue generated from Block I plus service charge
 - b. 20% +/- 2% of revenue generated from Block II and Block III
 - c. Between 20% and 25% of revenue generated from service charge

304. System Development Charges (SDCs)

- Water One has a philosophy of “growth pays for growth”.
- System Development Charges (SDCs) are impact fees charged to new customers who connect onto the Water System. SDC Revenues are NOT part of the annual budget. Funds generated are used for the building or replacement of major infrastructures (capacity and distribution) or for the retirement of debt.

Rules & Regulations, Rule II

- For every new retail Service Connection Application such new service connection shall be subject (in addition to the service connection charge) to a System Development Charge to compensate for the applicable costs of investment required for existing and future water supply, treatment, transmission and distribution facilities.

Rules and Regulations Rule XI. Retail System Development Charge, Purpose and Amount

FISCAL POLICIES & PROCEDURES

- SDC rates are developed for a determined period of time and may be “phased-in” year-by-year at the discretion of the Board.
Rules and Regulations Rule XI.
- SDCs are Cost of Service based using the “buy-in method”. This calculation methodology uses the integrated transmission and major distribution system in the system development charge calculations and also considers all supply and treatment facilities, regardless of whether or not they add additional capacity to the system. Under this methodology, a new customer is required to “buy-in” to the existing system so that they are on an equal equity basis with all other customers having similar service requirements.
Rules and Regulations Rule XI.
- Cost of Service Studies are conducted by outside financial consultants at a minimum of every five years. Staff updates a COS model in the interim years for reasonableness.
- To be conservative in revenue projections, SDC revenue is forecast as if all services sold were at 5/8” connection size, even though the larger sizes are more expensive.
- Wholesale SDCs are computed based on Max Day and Max Hour requirements.

305. Water System General Fund

- All revenues derived and collected by WaterOne from the operation of the Water System will be paid and deposited into the Water System General Fund.
Bond Covenants – Section 702. Water System General Fund
- The manner in which WaterOne may administer and deposit moneys from the General Fund is outlined in the Kansas Statutes and bond covenants.
K.S.A. 19-3516(a)
Bond Covenants – Section 703. Application of Moneys in Funds

IV. EXPENDITURE POLICIES (Operation & Maintenance Expense)

401. Expenditures - General

- Operating expenses include personnel costs, benefits, supplies, services and maintenance materials.
- The Board may approve expenditures in excess of the budget if funds are available.
- Funding is provided for the adequate maintenance of equipment, facilities and infrastructure.
- Appropriate costs are capitalized in order to match the cost of the asset with its useful life. Capitalization thresholds are reviewed annually.
- Cost standards and overhead calculations are utilized as a method for standardizing cost transference from Operation and Maintenance expense accounts to capital projects or for charging to a third party. They are reviewed and updated annually.
- Personnel costs are budgeted at 99% to recognize the “slippage” factor. Slippage accounts for such things as turnover in positions, vacancy rates and attrition.

402. Pension

- Pension costs are fully funded as determined by annual actuarial studies.
- Pension gains and losses are recognized and amortized per actuarial formulas.

403. Insurance

- WaterOne will carry and maintain a reasonable amount of fire, public liability, workmen’s compensation, and fidelity insurance in amounts comparable to those held by similar municipalities in the State of Kansas and costs of insurance shall be paid as an operating cost out of the revenues of the Water System.

Bond Covenants – Section 905. Insurance

404. Purchasing Contracts

- WaterOne's capital and operating budgets are reviewed by the respective Directors and submitted to the General Manager who reviews them and makes a recommendation to the Board for approval. Therefore, staff approval will be given for disbursements for items included in the budget up to the following aggregate amounts:

Manager	\$0 to \$ 5,000
Assistant Director - Production	\$0 to \$10,000
Director	\$0 to \$10,000
General Manager:	\$100,000

(See Limitations to the authority of the General Manager – Board Policy #11 Cited Above and WaterOne Purchasing Policy)

- Purchasing contracts for aggregate expenditures up to \$50,000 can be approved by the General Manager, purchasing contracts for aggregate expenditures from \$50,000 to \$100,000 require notification of the Board Chairman or Vice Chairman, and purchasing contracts for aggregate expenditures over \$100,000 require Board approval.

Board Policy #11 – Subjects Requiring Board Authorization

405. Change Orders

- Change Orders for increases on construction projects in excess of \$25,000 for any one increase must be approved by the Board.

Board Policy #11 – Subject Requiring Board Authorization.

406. Expense Reimbursement Policy

- Reimbursements to employees and officials for expenditures made on behalf of WaterOne may be made providing such expenses were:
 - a. Incurred in performing officially assigned duties
 - b. Necessary and reasonable
 - c. For the direct benefit of WaterOne
 - d. Properly submitted and documented
 - e. Approved in advance, if required
 - f. Within budget
 - g. Lawful

Board Policy #18 - Expense Reimbursement Policy

V. DEBT MANAGEMENT POLICIES

501. Debt Issuance Policy

- Maintain the highest bond rating by the credit rating agencies who rate WaterOne's senior debt.
- WaterOne does not have a legal debt limit.
- Revenue Bonds are issued with debt repayment from Water Rates, SDCs, or in the case of capitalized interest, from bond proceeds.
- Whenever possible, debt is marketed using the competitive bid process.
- WaterOne covenants to provide continuing disclosure as required by the SEC Rule and as set forth in the Continuing Disclosure Letter of Instructions as attached to the Preliminary Official Statement and made a part thereof in each bond issuance.

Bond Covenants – Section 1401. Disclosure

502. Debt Structure

- Debt financing is not used to finance current operating expenditures.
- Key debt ratios should be evaluated against industry standards or averages.
- Composite debt service is structured to be approximately level on a year-to-year basis where appropriate. This avoids spikes, while allowing structuring for the future.
- WaterOne will fix, establish, maintain and collect rates, fees and charges for water or water service furnished by or through the Water System. Such rates, fees and charges shall at all times be sufficient so that the Net Revenues of the Water System shall be not less than 125% of the Annual Debt Service.

Bond Covenants – Section 902. Rate Covenant.

- Though Bond Covenants only require the above referenced 125%, it is the intent of the Board to maintain water rates at a level which will provide Net Revenues from Operations sufficient to produce annually coverage of at least two hundred percent (200%) of the current Annual Debt Service to be funded in any year.

Board Policy #16

FISCAL POLICIES & PROCEDURES

- Debt principal and interest payments are budgeted as an expenditure.

503. Funding Major Capital Projects with Debt

- Long-term borrowing is used to fund major capital improvement projects and to refund outstanding debt obligations on a current or advanced basis.
- The term of the debt issued for capital expenditures will not exceed the projects' useful lives. The standard term for WaterOne debt is twenty to twenty-five years.
- At least once every three years, the Consulting Engineer will examine and report on the condition and operation of the Water System, including recommendations and reports of extraordinary items of maintenance. This report will be filed with the Secretary of the Board.

Bond Covenants – Section 908. Consulting Engineer Report

504. Refunding / Refinancing

- Refunding of outstanding debt is done to take advantage of the opportunity to achieve debt service savings due to lower interest rates, or to restructure the debt, or to make room for future borrowings.
- Refinancing or restructuring will not extend the final maturity of the original debt.
- WaterOne uses the guideline of a targeted savings of 3% of par refunded on a net present value (NPV) basis to determine cost effectiveness of doing a refunding.

VI. BONDS & OPERATING FUND INVESTMENT POLICY

The following section VI is a complete excerpt from the 'Bond and Operating Fund Investment Policy' document. The only differences being the numbering below is prefixed by "[60-]" in order to differentiate the numbering from Section 1 of these Fiscal Policies & Procedures and some formatting variance.

**Water District No. 1 of Johnson County
Bond and Operating Fund
Investment Policy
February 14, 2007
(as revised December 13, 2016)**

[60-] 1.1 Investment Authority

Water District No. 1 of Johnson County (WaterOne) has authority granted in K.S.A. 12-1675 to invest all funds held by, or belonging to WaterOne. WaterOne bond covenants further define suitable and authorized investment parameters.

[60-] 1.2 Policy Statement

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. All available funds, including bond / construction funds and operating funds, shall be invested in conformance with the Water District No. 1 of Johnson County Bond and Operating Fund Investment Policy (the Policy) and with applicable legal and administrative guidelines and all investments made by, or on behalf of, WaterOne shall seek to adhere to the following objectives.

[60-] 1.2.1 Safety

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio and to mitigate credit risk and interest rate risk.

[60-] 1.2.1a Credit Risk

WaterOne will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:

- Limiting investments to those in Sections 1.6.1 and 1.6.2 of this Policy.
- Pre-qualifying the financial institutions, brokers / dealers, intermediaries, and advisers with which WaterOne will do business (Reference Section 1.20).

[60-] 1.2.1b Interest Rate Risk

WaterOne will minimize interest rate risk, the risk that the market value at redemption of securities in the portfolio will fall due to a significant change in general interest rates, by:

FISCAL POLICIES & PROCEDURES

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term, fixed rate securities.
- Maintaining an overall average portfolio maturity of less than 1.5 years.

[60-] 1.2.2 Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets. A portion of the portfolio may also be placed in an interest bearing checking account in order to meet ongoing obligations.

[60-] 1.2.3 Yield

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. Investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal.
- Liquidity needs may require that the security be sold.

[60-] 1.3 Adoption of Policy

Any revisions to the Policy must be approved by the Board per Board Policy # 11.

[60-] 1.4 Scope

This Policy applies to all available funds, including bond / construction funds and operating funds of WaterOne, but not to the investment of Defined Benefit Retirement Plan funds. Investment of these funds is governed by The Master Statement of Investment Policies and Objectives for those retirement plans . Investment of both bond / construction funds and operating funds is also governed by bond covenants which may be more restrictive than Policy requirements.

[60-] 1.5 Pooling of Funds

Except for cash in certain restricted and special funds, WaterOne will consolidate cash balances from all funds to maximize investment earnings. Investment

income will be allocated to the various funds based on their respective ownership and in accordance with generally accepted accounting principles.

[60-] 1.6 Suitable and Authorized Investment Parameters

The following policies will assist WaterOne with attaining the objectives stated in Section 1.2. In accordance with, and subject to restrictions imposed by, current statutes and bond covenants applicable to both bond funds and operating funds, the following list represents the entire range of investments that WaterOne will consider and which shall be authorized for the investment, by WaterOne, of aforementioned funds.

[60-] 1.6.1 Authorized Investments for Operating Funds and Bond / Construction Funds

Investment of operating funds and investment of all bond / construction funds is limited to the following list of authorized investments:

- Funds needed for ongoing daily operations are to be held in a fully collateralized interest bearing Time Deposit Account or Demand Deposit Account.
- Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)
- Debt obligations of the following United States Government Sponsored Enterprises (GSE):
 - Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)
 - Federal Home Loan Bank (FHLB)
- Mortgage Backed Securities (MBS) the principal of and interest on which are unconditionally guaranteed by the United States of America.
- Collateralized Repurchase Agreements backed at 100% by acceptable collateral limited to the following:
 - Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)
 - Debt obligations of the following United States Government Sponsored Enterprises (GSE):

FISCAL POLICIES & PROCEDURES

- Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)
 - Federal Home Loan Bank (FHLB)
-
- Guaranteed Investment Contracts (GIC) with any bank, non-bank financial institution or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least “A” or “A2” by Standard & Poor’s or Moody’s respectively. In the case of a guaranteed corporation, the long-term debt (or claims paying ability for insurance companies) of the guarantor must be rated at least “A” or “A2” by Standard & Poor’s and Moody’s respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.

 - Kansas Municipal Investment Pool (KMIP) – Reference KSA 12-1677b

[60-] 1.7 Collateralization

Funds needed for ongoing daily operations and kept in an interest bearing checking account at WaterOne’s primary banking institution, are to be collateralized in an amount equal to a minimum of 100% of the account balance on deposit, less the amount insured by the FDIC. A pledged security report will be provided to WaterOne by the Federal Reserve on a monthly basis and will provide the following details regarding the collateral:

- Pledgee Name and ID Number
- Pledgor Name and ID or ABA Number
- Cusip
- Par Amount
- Description and Maturity Date of Collateral

Acceptable collateral includes:

- Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)

- Debt obligations of the following United States Government Sponsored Enterprises (GSE):
 - Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)

- Federal Home Loan Bank (FHLB)
- Mortgage Backed Securities (MBS) the principal of and interest on which are unconditionally guaranteed by the United States of America.

[60-] 1.8 Diversification

The investment portfolio shall be diversified by investing in securities with varying maturities and in varying types of securities with the following maximum portfolio limits as a percentage of the par value of WaterOne's total investment portfolio (all funds combined with the exception noted below for investment in GICs).

○ Collateralized Time Deposit or Demand Deposit Account	100%
○ U.S. Treasuries and U.S. Agencies	100%
○ Government Sponsored Enterprises (GSE)	80%
○ Repurchase Agreements	30%
○ Guaranteed Investment Contracts	100%/25%*
○ Kansas Municipal Investment Pool (KMIP)	25%

*Up to 100% of Bond / Construction Funds may be invested in GICs.
Up to 25% of Operating Funds may be invested in GICs.

Investments should be made as to avoid over-concentration in securities from any one specific issuer, with the exception of U.S. Treasuries.

[60-] 1.9 Maximum Maturities

To the extent possible, WaterOne shall attempt to match its investments with anticipated cash flow requirements. WaterOne shall adopt a balanced portfolio approach structuring the core portfolio (maturities over one year) with a weighted average maturity range of 1 – 2 years. The maximum investment portfolio maturity shall be two years, with the exception of funds invested in KMIP, which may be invested up to the pool's maximum maturity.

Reserve funds and other funds with longer-term investment horizons may be invested in longer maturities if these maturities coincide as nearly as practicable with the expected use of funds.

A portion of the portfolio shall be invested in an authorized investment providing readily available funds such as Time Deposit or Demand Deposit accounts, KMIP and Overnight Repurchase Agreements to insure that appropriate liquidity is maintained to meet ongoing obligations.

The maximum average maturity of the total portfolio, including construction / bond funds shall not exceed 1.5 years.

[60-] 1.10 Intent to Hold to Maturity

It is the intent of WaterOne to hold all securities to maturity unless liquidation of invested funds is required for liquidity needs or for necessary portfolio adjustments. The sale of securities prior to maturity shall require the prior approval of the Director of Finance.

[60-] 1.11 Investments Maturity Management

When structuring the maturity composition of the investments, the Cash & Investment Manager may evaluate current and expected interest rate yields in consultation with the Investment Adviser.

[60-] 1.12 Portfolio Management

All investments of WaterOne funds shall be managed through the office of the Director of Finance consistent with this Policy. The Cash & Investments Manager will provide reports on a monthly basis for review by the Director of Finance.

[60-] 1.13 Cash Management & Investment Practices

WaterOne's cash management practices shall ensure that funds held by, and belonging to, WaterOne are managed in compliance with this Policy and in a manner that provides for adequate funds to be available to meet all disbursement requirements and obligations of WaterOne in a timely manner.

[60-] 1.14 Trading Authorization

All trading accounts will be held in the name of "Water District No. 1 of Johnson County, Kansas". The General Manager shall have all trading authority for the investment of WaterOne funds and that trading authority shall be exercised by the Director of Finance, the Cash & Investments Manager and the Investment Analyst.

[60-] 1.15 Bond and Operating Fund Investment Policy Review and Revisions

This Policy shall be reviewed by the Cash & Investments Manager and any revisions to the Policy must be approved by the WaterOne's Board as specified in Board Policy No. 11.

[60-] 1.16 Arbitrage

WaterOne's investment position relative to arbitrage restrictions is to continue pursuing the maximum yield on applicable investments while ensuring the safety of capital and liquidity and to rebate excessive earnings if necessary.

[60-] 1.17 Reasonable and Prudent Person Standard

The standard of care to be used by the investment officials shall be the "reasonable and prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved

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of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

[60-] 1.18 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial / investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of WaterOne.

[60-] 1.19 Delegation of Authority

Authority to manage the investment program is granted to the Director of Finance. Responsibility for the operation of the investment program is hereby delegated to the Cash and Investments Manager, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy. The Cash and Investments Manager may delegate any tasks to the Investment Analyst. No person may engage in an investment transaction except as provided under the terms of this Policy.

[60-] 1.20 Authorized Financial Dealers and Institutions

A list will be maintained of financial institutions and broker/ dealers authorized to provide investment services to WaterOne.

All financial institutions and broker / dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements
- Proof of Financial Industry Regulatory Authority (FINRA) certification
- Proof of state registration
- Certification of having read and understood the Policy

[60-] 1.21 Competitive Placement

All investment purchase transactions are to be awarded on a competitive bid basis, however WaterOne reserves the right to accept offerings which do not represent the lowest cost if other considerations are relevant, such as settlement date restrictions or failure of the financial institution / broker / dealer to provide a timely response. At least two quotations must be solicited. Solicitations for offerings are documented and filed for auditing purposes. Ties are given to the bank/ broker holding the main banking relationship with WaterOne. Offerings

received after a reasonable response time may not be considered at WaterOne's discretion.

[60-] 1.22 Delivery vs. Payment

All trades will be executed with the Fed Wire Book Entry system of Delivery vs. Payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

[60-] 1.23 Safekeeping and Custody

All securities are to be perfected in the name of "Water District No. 1 of Johnson County, Kansas" and held in safekeeping under the custody of a financial institution, such as a bank or brokerage firm, with legal responsibility for the securities. For each security held, the custodian will issue a safekeeping receipt indicating ownership by WaterOne. The safekeeping agent shall prepare and deliver to WaterOne a holdings report and a transaction summary report monthly.

[60-] 1.24 Internal Controls

The investment program will operate under an internal control structure designed to ensure that the assets of WaterOne are protected from loss, theft or misuse. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The internal controls shall address the following points:

- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities
- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments, wire and ACH transfers

[60-] 1.25 Reporting

The Cash & Investment Manager shall prepare investment portfolio reports on a monthly basis.

[60-] 1.25.1 Report Contents

The Cash & Investments Manager shall prepare investment reports on a monthly basis showing the investment activity (purchases and maturities) over the prior month, average daily investments, accrued monthly investment income and the annualized yield on investments. Any variance of the portfolio with the Policy will also be reported.

[60-] 1.26 Performance Standards / Benchmarking

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The investment portfolio will be managed in accordance with the parameters specified in this Policy. The portfolio should obtain a market average rate of return during a market economic environment of stable interest rates. The short term portion of the portfolio (less than one year maturity) should exceed the 91 day U.S. Treasury Bill rate. An appropriate benchmark, such as the 1-2 Year Treasury Index, shall be established for the long term portion of the portfolio (maturity one year and greater) against which portfolio performance and duration shall be compared on a regular basis.

[60-] 1.27 Marking to Market

The market value of the portfolio shall be calculated, in accordance with GASB Statement 31, on a monthly basis and reflected on the applicable Fund Analysis report each month. Market values of all portfolio holdings will be obtained from a reputable and independent source.

[60-] 1.28 Use of External Consultants / Advisers

External investment consultants and/or advisers may be engaged to assist with the management of all or part of the portfolio.

[60-] 1.29 Policy Exemptions

Any investment held as of the first date of approval of any revision to this Policy that does not meet the revised guidelines of the Policy, shall be exempted from the Policy requirements until maturity or liquidation of the investment, at which time monies shall be reinvested as provided by the revised Policy.

[60-] 1.30 Personnel Authorized to Secure Investments for WaterOne

The following are authorized to secure investments for WaterOne in accordance with WaterOne policies and controls:

- General Manager
- Director of Finance
- Cash & Investments Manager
- Investment Analyst

VII. RESERVE POLICIES

701. Purpose

- The purpose of WaterOne's reserves is to ensure that sufficient funding is available at all times to meet operating, capital, and debt service obligations. Reserves are managed in a manner that allows WaterOne to meet unforeseeable events while avoiding significant water rate fluctuations due to unavoidable changes in cash flow requirements.

Board Policy #33

- Adequate reserves and the financial policies governing them are multi-purpose:
 - a. They can provide rate stabilization after all other measures have been evaluated to meet unexpected fluctuations in either revenue or service demands.
 - b. They can smooth cash flow drains in cyclical low revenue months.
 - c. They can provide financing flexibility.
 - d. They can support bond ratings in the capital markets.
- Properly managed reserves insure uninterrupted business operations from cycle to cycle and in extraordinary circumstances.

702. Funding Order

- WaterOne's reserves are each designed to meet specific purposes and defined with specific rules. In order of priority funding they are:
 - a. Bond Reserve Fund - Defined by Bond Covenants – Section 703. Funded by cash and/or equivalent security.
 - b. Operating Contingency - Defined by Bond Covenants – Section 703. Increases are funded as a revenue requirement in the annual budget.
 - c. Negative Cash Flow Reserve – Defined by Board Policy #34, increased as recommended by staff on an as-needed basis when year-end funds are available.
 - d. Rate Stabilization Reserve – Defined by Board Policy #33, funded as needed when year-end funds are available or from other sources as approved by the Board.
- Reserve policies and reserve levels are reviewed annually as part of the budget process and policies and procedures are updated accordingly.

703. Fund Balance

- The use of reserves is meant as a temporary supplement to annually augment planned cash flow activities (Negative Cash Flow Reserve, Board Policy #34) and to provide flexibility in extenuating circumstances.
(Bond Covenant Reserves - Section 703, Rate Stabilization Reserves – Board Policy #33, Negative Cash Flow Reserve – Board Policy #34).
- Staff must evaluate the length and severity of any economic condition and its impact on future revenue and expenditure assumptions to determine what must be done to achieve a balanced budget.
- Regardless of what may be causing the problem, the reserves will be used only after other remedies such as expenditure reductions have been evaluated.
- It is critical that the issues that are causing the imbalance be identified and addressed. Then, if a problem still exists, funds from the reserves can be utilized to maintain liquidity and rate stability.

704. Reserves

704.1 Bond Resolution Section 703 Operating Contingency

- The required purpose and balances of this reserve are defined by Section 703 of the Bond Covenants (Applications of Moneys in Funds). They are calculated monthly and treated as a set-aside to insure a measure of liquidity and safety of investment for the bondholders and are generally considered the last resort available for anything other than very temporary cash spending.
Section 703 of the Bond Covenants (Applications of Moneys in Funds)
- By bond covenant, WaterOne covenants and agrees that as long as any senior parity debt remains outstanding that it will administer and deposit all of the moneys held in the Water System General Fund as described below.
 - a. There shall first be paid all amounts due for Operation and Maintenance Expenses. Thereafter, Section 703 Bond Covenant Reserves are to be set aside in the following manner.

FISCAL POLICIES & PROCEDURES

- b. Debt Service (Variable Requirement) – There shall be deposited on the first day of each month a pro rata amount set aside to the Principal and Interest Fund.
 - 1. An amount equal to not less than the pro rata amount of principal and interest of debt service funding that will become due on the next succeeding payment date.
 - 2. The bond covenants state that, “all amounts deposited to the Principal and Interest Fund...shall be expended and used...for the sole purpose of paying the principal of and interest...when the same become due.”
 - 3. Any amount due for replenishment of the Bond Reserve Funds in the event of a draw or other shortfall.
 - c. Extraordinary Contingency (Non-Variable Requirement) – An adequate reserve for operating and extraordinary renewal and replacement cost contingencies of not less than \$2,000,000.
 - d. 60 Day Reserves (Variable Requirement)
 - 1. The payment of Operation and Maintenance Expenses for the ensuing 60 days
 - 2. The necessary material purchase requirements for the ensuing 60 days.
 - e. Obligated Reserves (Variable Requirement) – Reasonable reserves for contracts and commitments. Included are payables, line extension advances, capital carryovers from a previous budget year, and benefit area refunds.
- An increase to the 703 Reserve is budgeted annually as an expense to recognize the increased costs of the variable portions of the reserve.
 - The 703 Reserve will always be funded first before any allocation is made to WaterOne's Negative Cash Flow Reserve or the Rate Stabilization Reserve.

704.2 Negative Cash Flow Reserves

- The purpose of Negative Cash Flow Reserve is to insure financial stability during the months when cash receipts are cyclically low, normally during the months of January through June each year. Though receipts during these months are generally lower, WaterOne's funding obligations such as payroll, debt service, insurance premiums, and retirement plan contributions occur throughout the year at relatively fixed levels.

Board Policy #34

- This reserve, during the low cash flow months, is used as an extension to water sales revenue. It can be used to keep the Section 703 Reserve intact, pay for normal operation and maintenance expenses and/or cover any shortfalls in annual capital requirements.
- This is a revolving reserve used during the annual low revenue cycle.
- This reserve was originally established in January 1996. Since then, the reserve has been increased as operation and maintenance, annual capital, and debt service expenses have increased due to inflation or expanded programs. As these and fixed costs continue their natural escalation, the funding level for this reserve will continue to grow on an incremental basis.
- Each year when the budget is prepared, a cash flow needs analysis will be completed based on input from department heads. The timing of annual capital purchases, capital carryovers, infrastructure replacements, and ongoing operating needs will be used to determine the amount of negative cash flow reserve requirements for the coming year and the subsequent reserve funding level.
- The Negative Cash Flow Reserve cannot be replenished until after the Section 703 Reserves are fully funded. Once this occurs, and current monthly cash flow needs are satisfied, then the Negative Cash Flow Reserve can be replenished up to the current Board approved funding level.
- Rebuilding the reserve usually begins early in the third quarter as actual summer water sales begin to materialize as cash.

704.3 Rate Stabilization Reserve

- The Rate Stabilization Reserve was established to address unforeseen revenue shortfalls such as:
 - a. Weather related water sales deficits
 - b. Economic downturns
 - c. Unexpected disaster or accident
 - d. Unanticipated, but necessary emergency repairs and/or
 - e. An unanticipated mid-year increase in such fixed costs as power, fuel, or materials.

Board Policy #27 & #33

FISCAL POLICIES & PROCEDURES

- The Rate Stabilization Reserve is the most flexible of the reserves and can be used to meet a variety of needs.
- This fund is used for extraordinary circumstances after all other funding avenues have been evaluated.
- Should any unanticipated shortages in revenues be deemed to be recurring, such as a permanent power rate increase, adjustments will be made in the following budget year to reflect revised revenue or expenditure expectations.
- Formal Board approval is required prior to fund usage.
- Budgeted operating expenditures are funded with budgeted revenues, both of which are planned on a “normal year” basis. A “normal year” being defined as a year in which weather conditions are neither wet nor dry and expenditures are not intended to cover catastrophic conditions.
- The level of this fund should be such that if conditions outside the “norm” as described above do occur, then a source of funding will be available. Funding levels for this reserve will be set by the Board.
- The appropriate level of this reserve will be analyzed on an annual basis as part of the operating budget development cycle and the year-end uncommitted funds evaluation.
- The Board will be notified when the reserve reaches a minimum level as determined by the Board.
- Replenishment of this fund is defined by Board Policy and will be funded as-needed when year-end funds are available or from other sources as approved by the Board.
- Annually, the Rate Stabilization Reserve is the last reserve funded and may take several years to replenish depending on the level of depletion.

VIII. CAPITAL

WaterOne differentiates between three types of capital improvements: Annual Capital, Master Plan, and Transmission & Distribution.

801. Annual Capital

- Annual Capital funding is for the replacement of fleet, major equipment, and for the capitalized repair, replacement and relocation of existing mains, services and hydrants.
- Annual Capital combined with the annual contribution to Transmission & Distribution funding is defined as Total Annual Capital and is set at least equal to depreciation.
- WaterOne's capitalization threshold is \$5,000.
- Depreciation is not budgeted but used only as a funding guideline.
- Capital expenditures are budgeted in the year the item is to be purchased or constructed.
- Carryover of annual capital funds is allowed for items not purchased or completed in the current year with appropriate review.
- Fleet requests are evaluated against standards developed for both age and miles.
- New projects identified during a budget year not funded in the approved budget can with the approval of the General Manager and the Director of Finance be funded from the Omission & Contingency (O&C) Budget.

802. Master Plan

- Master Plan capital projects are generally for new major facilities or systems having a long-term life of benefit to WaterOne or for major replacements. These projects can benefit current customers as well as new customers.
- Master Plan projects consist of three types of facilities:
 - a. Production – water source and treatment equipment and structures including river intakes, collector wells, a river jetty, reservoirs, residual monofills, supply mains, and treatment plants.

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- b. Pumping & Storage – equipment and structures including pumps, pump stations, underground and ground level reservoirs as well as elevated storage in water towers.
- c. Transmission & Distribution – water mains, isolation valves, pressure reducing valves, and tunnels for mains.
- The current Master Plan is based on the latest Water Supply Master Plan developed by WaterOne’s consulting engineers. Recommendations developed for water supply and treatment facilities are designed to meet projected demands for at least forty years. The Transmission and Distribution recommendations will meet projected demands for at least twenty years.
- Current year projects are reviewed no less than quarterly by staff and the consulting engineers to reaffirm timelines, costs in relationship to current economic conditions and to ensure available resources.
- The Master Plan is divided into phases. These phases are designed to allow for flexibility and to ensure that capital investment is made at the correct time to provide an adequate supply of water without building capacity in excess of what will be needed.
- Funding for Master Plan projects come from three sources which are expended in the following priority order:
 - a. proceeds from revenue bonds;
 - b. System Development Charges; and
 - c. water sales revenue.
- Funds are set aside within the Master Plan Fund as “committed” when the project is awarded.
- Although it is the practice to keep the balance no lower than \$5,000,000 in the Master Plan Fund, the objective is to accumulate a larger fund balance in order to reduce the size of future bond issues.

802.1 Annual Designation of Water Sales Revenue to Master Plan

- Each year a portion of water sales revenue is budgeted to the Master Plan Fund in the annual Board adopted budget.
- The annual designation of water sales revenue to the Master Plan Fund is analyzed each year as part of the budget process. The target is to designate a minimum of 5% of revenue to the Master Plan Fund in each annual budget; however, the percent designation is reviewed and

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updated annually based on the current economic conditions and the Master Plan Fund balance.

- The goal of designating a minimum of 5% of revenue to the Master Plan Fund is to reduce the size of future bond issues and provide some budget stability. In deficit years, the funding can be reduced which provides budget stability by offsetting water revenue shortfalls.

803. Transmission and Distribution

- Transmission and Distribution projects are for the repair and maintenance of existing infrastructure and are funded by water rates on a pay-as-you-go basis.
- Funding is budgeted as a component of the Total Annual Capital Budget.
- The combined budget for Annual Capital and Transmission and Distribution is set to equal or exceed WaterOne's depreciation of all assets.
- Transmission and Distribution consists of six types of projects: main replacements, relocation projects, general improvements, and capital main breaks, transmission main repair and replacements, and condition assessment.

Main Replacements

- a. Main replacements are budgeted based on the results of a water main asset management program.
- b. The goal is to replace all assets, including mains, at the time which produces the lowest life-cycle cost of that particular asset while continuing to accomplish WaterOne's mission of providing a reliable water supply. Modeling is used to determine the optimum time for replacements.
- c. The decision as to which main replacement projects are the highest priority is determined by a decision matrix that includes many factors, some of which are:
 - i. the number of main breaks per mile per year
 - ii. condition assessment
 - iii. a risk analysis of the consequence of failure
 - iv. cost reduction by timing replacements in conjunction with street improvement projects.

Relocation Projects

- a. These projects are constructed in coordination with street improvement projects planned by the governmental entities in areas that WaterOne serves.
- b. The General Manager has the authority to approve and sign water facility Relocation Agreements with cities, counties, and other political subdivisions of the state expanding or improving street right-of-way under the following conditions:
 - 1. Where WaterOne retains its private easement and relocation is requested, the requesting political subdivision will fully indemnify it for the cost of the adjustment within its retained easement.
 - 2. Any disclaimer of WaterOne's private easements is compensated by a substituted cost reimbursement for all immediate and future relocations within the street right-of-way.
 - 3. Any expense borne by WaterOne will be only for relocation of its facilities that were originally located in street right-of-way.

Board Policy #31 – Relocation Agreements

General Improvements

- a. General system improvements include normal service connection rehabilitation, main upsizing, and installing new mains and fire hydrants.
K.S.A. 19-3514
- b. WaterOne's service connections are the pipe and related material that connect the water main to the meter. These service connections require ongoing replacement and rehabilitation in order to maintain a reliable water supply.
- c. Main upsizing occurs when a main is replaced with a larger diameter main to allow for increased capacity or water flow. Most upsizing is paid for by WaterOne and is done in conjunction with relocation projects to improve water flow throughout the system. Some upsizing is done when new housing and commercial development occurs and is paid for by the developer.
- d. New mains are occasionally installed to extend the system, but primarily to provide redundant supply or improve fire protection water flow in a particular area.

Capital Main Breaks

- a. Main breaks are unplanned construction to replace sections of water main or an entire fire hydrant that is broken and / or leaking.
- b. If the nature of the leak is such that a clamp or component part can be used to make the repair, it is considered to be an operational maintenance cost. If a section of main, two feet or greater in length, is taken out and replaced with new main, it is considered to be a capital improvement.

Transmission Main Repair & Replacements

- a. This category includes combination air valve replacements and relocations, blow off replacements and relocations, blind flanges and related bolt replacements, and transmission main capital breaks.
- b. New installations and extensive replacements of transmission mains are funded in Master Plan.

Condition Assessment

- a. This category includes hiring contractors to assess main condition as well as WaterOne construction of manways for access to the entrance of the pipe.

IX. POST BOND ISSUANCE COMPLIANCE

This section IX of WaterOne's Fiscal Policies and Procedures (the "Compliance Policy") is intended to guide WaterOne in meeting its obligations under applicable statutes, regulations and documentation associated with WaterOne's publicly offered and privately placed bonds, notes and other obligations (collectively "bonds"). This Compliance Policy addresses ongoing obligations following the issuance of bonds. These obligations may arise as a result of federal tax law (with respect to tax-exempt securities) and securities laws (with respect to ongoing disclosure) or as a result of contractual commitments made by the Issuer.

This Compliance Policy outlines obligations that may be applicable to each issue of bonds and identifies the party responsible for monitoring compliance. At WaterOne, the Director of Finance (the "Compliance Officer") is responsible for ensuring that the Compliance Policy is followed and checklists and records are maintained. The Compliance Officer may delegate responsibility to employees and outside agents for developing and maintaining records and checklists. WaterOne will provide educational opportunities (opportunities to attend educational programs/seminars on the topic) for the parties identified in this policy with responsibilities for post-issuance compliance in order to facilitate their performance of these obligations.

901. Transcripts

901.1. Provision by Bond Counsel and Content

WaterOne's bond counsel shall (for each issue) provide WaterOne with a transcript related to the issuance of bonds. It is expected that the transcript will include a full record of the proceedings related to the issuance of bonds, including proof of filing of I.R.S. Form 8038-G or 8038-GC, if applicable.

901.2. Retention

Bond transcripts will be retained in the Records Center at WaterOne's administrative offices located at 10747 Renner Boulevard, Lenexa, Kansas, or other authorized storage facility.

902. Federal Tax Law Requirements

Applicable only if the bonds are issued as tax-exempt securities (or those securities treated under federal tax law as tax-advantaged securities such as Build America Bonds).

902.1. Use of Proceeds

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- a. If the project(s) to be financed with the proceeds of the bonds will be funded with multiple sources of funds, WaterOne will adopt an accounting methodology that maintains each source of funding separately and monitors the actual expenditure of proceeds of the bonds.
- b. Records of expenditures (timing, amount, and account code of expenditure) of the proceeds of bonds will be maintained by the Compliance Officer.
- c. Records of interest earnings on the proceeds of bonds will be maintained by the Compliance Officer. Interest earnings on proceeds will be deposited in the fund in which the proceeds of the bonds were deposited. If for any reason interest earnings will not remain in the fund in which the proceeds of bonds were deposited, then the plan for use of interest earnings will be discussed with WaterOne's bond counsel.
- d. Records of interest earnings on bond reserve funds will be maintained for the bonds (unless the original principal amount of the bond issue, including other issues during the same calendar year, was \$5,000,000 or less).
- e. Records of Declaration(s) of Intent to Reimburse will be maintained by the Compliance Officer.

902.2. Arbitrage Rebate

- a. *Rebate Monitor.* The Compliance Officer will oversee the Rebate Monitor. The Cash & Investments Manager, or other person designated by the Compliance Officer, will serve as Rebate Monitor and will monitor compliance with the arbitrage rebate obligations of WaterOne for each bond issue. WaterOne will provide educational opportunities, through attendance at educational programs/seminars on the topic of arbitrage regulations, to support the Rebate Monitor and facilitate his/her performance of these obligations.
- b. *Small Issuer Exception.* When WaterOne issues bonds, if the Rebate Monitor determines that the total principal amount of governmental obligations (including all-tax-exempt leases, etc.) of WaterOne issued or incurred will be greater than \$5,000,000, the Rebate Monitor will monitor arbitrage rebate compliance.
- c. *Funds Subject to Rebate.* In addition to funds expended for capital project costs from the Construction Fund, when a bond reserve fund is established those proceeds are subject to arbitrage rebate as well. The

Rebate Monitor will consult with bond counsel when bonds are issued to determine which funds are subject to arbitrage rebate. The Rebate Monitor will report to the Compliance Officer if any current “bona fide debt service fund” fails to meet requirements which allow exemption, such as the Principal and Interest Fund failing to zero out within the required period. The Rebate Monitor will evaluate, with the assistance of bond counsel or arbitrage rebate consultant if necessary, any new fund created outside the bond resolutions to determine if it is subject to rebate, and; any change of the use of an existing fund which could cause the fund to contain gross proceeds of a bond issue, such as the fund being used exclusively to pay debt service.

- d. *Rebate Exceptions.* The Rebate Monitor will review the closing certificate, arbitrage letter of instructions, tax certificate, tax agreement or other transcript documents relating to the instructions for compliance with federal tax law (the “tax certificate”) in the transcript in order to determine whether WaterOne is expected to comply with a spending exception that would exempt WaterOne from arbitrage rebate liability. If the tax certificate identifies this spending exception, then the Rebate Monitor will monitor the records of expenditures (described in 902.1. above) to determine whether WaterOne met the spending exception. The Rebate Monitor may engage the services of an arbitrage rebate compliance consultant to verify the spend down exception, if necessary. If no other funds are subject to arbitrage rebate and WaterOne has met the relevant spending exception, the Rebate Monitor will retain documentation demonstrating timing of expenditures, and will not need to perform arbitrage rebate calculations or pay an arbitrage rebate to the federal government.
- e. *Construction Fund Negative Arbitrage.* If WaterOne did not meet or does not expect to meet the spending exception described in (i) above, and no other funds are subject to arbitrage rebate, WaterOne will review the investment earnings records retained as described in 902.1.(c) above. If the investment earnings records clearly and definitively demonstrate that the average rate of return on investments of all proceeds of the issue was lower than the “arbitrage yield” on the issue then the Rebate Monitor will retain documentation describing the basis for such determination.
- f. *Bond Reserve Fund.* The Rebate Monitor will monitor investment earnings on the bond reserve fund for each bond issue, including allocating earnings by bond issue in any pooled reserve funds and retain such records for performance of the arbitrage rebate calculation.

- g. *Consultant Services.* If the spending exception is not met *and* if records do not clearly demonstrate negative arbitrage, *or* if other funds such as a bond reserve fund must be included in the arbitrage rebate calculation, WaterOne will retain the services of an arbitrage rebate consultant in order to calculate any potential arbitrage rebate liability. Calculations will be performed no later than 60 days after the fifth anniversary of the date of each issue, every five years thereafter, and no later than 60 days following the retirement of the last obligation of the issue. The selected rebate consultant shall provide a written report in each instance to the Compliance Officer with respect to the issue and with respect to any arbitrage rebate owed, if any.
- h. *Rebate Reporting and Payment.* If, based on the report of the rebate consultant, WaterOne has an arbitrage rebate liability, WaterOne will file reports with the Internal Revenue Service. WaterOne will remit arbitrage rebate to the federal government no later than 60 days following the retirement of the last obligation of the issue.

902.3. Unused Proceeds Following Completion of the Project

Following completion of the project(s), financed with the issue proceeds (or three years from the date of issuance if this occurs first), the Compliance Officer will:

- a. review the expenditure records to determine whether the proceeds have been allocated to the project(s) intended and if any questions arise, consult with bond counsel in order to determine the method of re-allocation of proceeds.
- b. direct the use of remaining unspent proceeds in accordance with the limitations set forth in the authorizing proceedings (e.g., bond resolution, bond ordinance, trust indenture, etc.) and if no provision is otherwise made for the use of unspent proceeds, to the redemption or defeasance of outstanding bonds of the issue.
- c. consult with bond counsel, if after three years unused proceeds remain, regarding potential yield restriction or yield reduction payments relating to the unspent bond proceeds.

902.4. Facilities and Use of the Facilities Financed with Proceeds, Private Use

WaterOne's Compliance Officer will monitor and confirm that WaterOne maintains an asset list or other record regarding all facilities and equipment that are bond-financed, and depreciation schedules for such facilities and equipment. In order to maintain tax-exemption of securities issued on a tax-

FISCAL POLICIES & PROCEDURES

exempt basis, the financed facilities (projects) are required to be used for governmental purposes during the life of the issue.

The Compliance Officer will coordinate with WaterOne staff to monitor and maintain records regarding any private use of the projects financed with tax-exempt proceeds. The IRS Treasury Regulations prohibit private business use (use by private parties including nonprofit organizations and the federal government) of tax-exempt financed facilities beyond permitted *de minimus* amounts unless cured by a prescribed remedial action. Private use may arise as a result of activities such as the following:

- a. Sale of the facilities;
- b. Lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers) or leasehold improvement contracts;
- c. Management contracts (in which WaterOne authorizes a third party to operate a facility, e.g., cafeteria), research contracts and naming rights contracts;
- d. Preference arrangements (in which WaterOne permits a third party preference, such as parking in a public parking lot); and.
- e. Joint-ventures, limited liability companies or partnership arrangements.

If the Compliance Officer identifies private use of tax-exempt debt financed facilities, the Compliance Officer will consult with WaterOne's bond counsel to determine whether private use will adversely affect the tax-exempt status of the issue and if so, what remedial action is appropriate. The Compliance Officer should retain all documents related to any of the above potential private uses.

902.5. Records Retention

The Compliance Officer will maintain records in WaterOne's Records Center for each issue (the "Post Issuance Compliance and Disclosure Record"). Records will be retained by WaterOne for the life of the bond issue (and any issue that refunds the bond issue) and for a period of six years thereafter. Records will include:

- a. Records with respect to matters described in section 901 and subsections 902.1 through 902.4
- b. Copies of all certificates and returns filed with the IRS (e.g., for payment of arbitrage rebate) and all reports regarding IRS examinations of Issuer or its bond financings.

- c. Copies of all documents related to potential private use as set forth in 902.4. above, including leases, user agreements for use of the financed property (agreements that provide for use of the property for periods longer than 30 days), whether or not the use was within the four walls, e.g., use of the roof of the facility for a cell phone tower.
- d. Any other documentation necessary to establish the qualification for tax-exemption of the bonds.

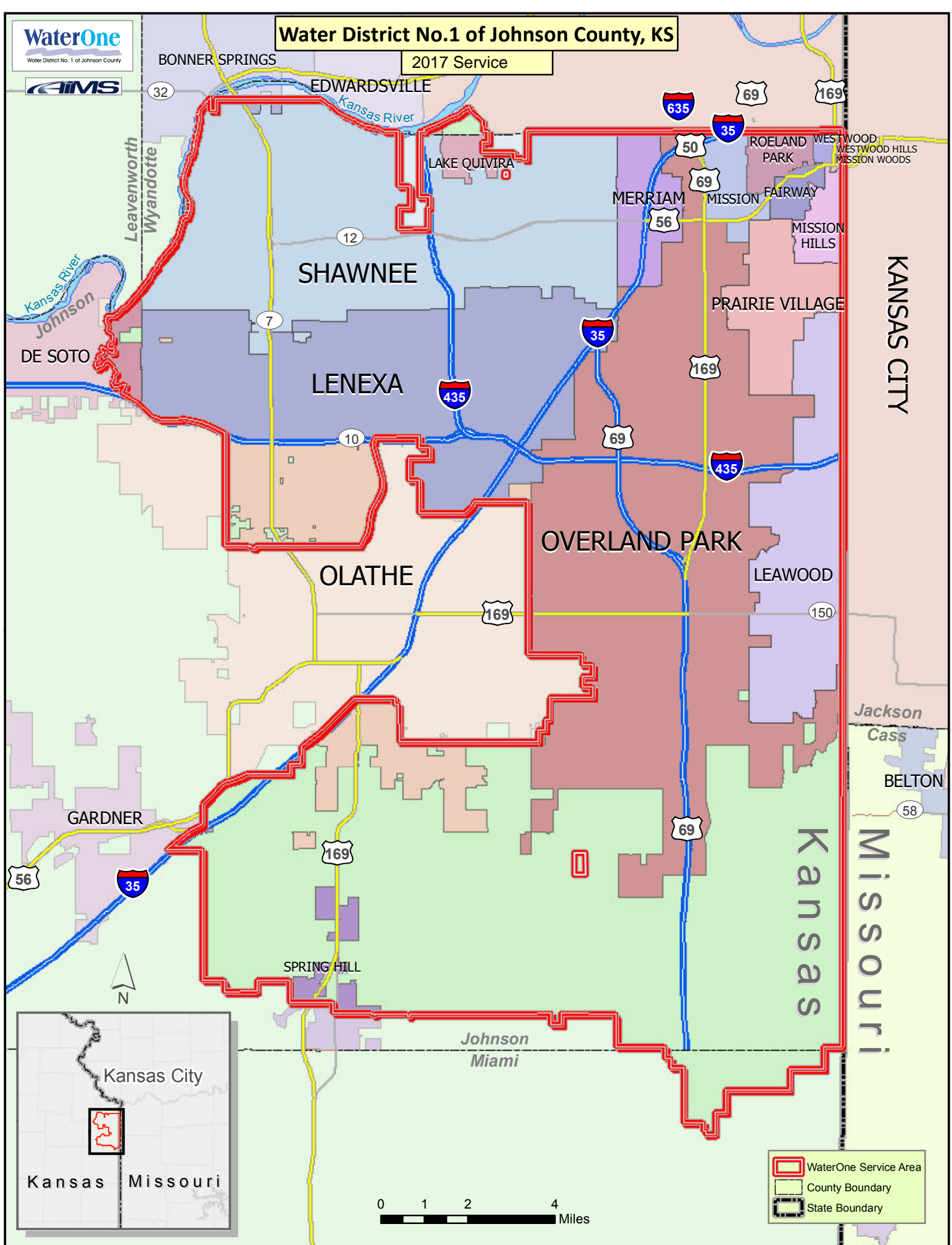
903. Ongoing Disclosure

Under the provisions of SEC Rule 15c2-12 (the “Rule”), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of bonds. Unless WaterOne is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each issue will include an undertaking by WaterOne to comply with the Rule.

- a. The Compliance Officer will monitor compliance by WaterOne with its undertakings including an annual filing of operating and financial information.
- b. The Compliance Officer will monitor events which might require WaterOne to file notice of a listed “material event” in the Rule. The Compliance Officer will consult WaterOne’s bond counsel if a “material event” is identified, will cause to be filed any required disclosure, and will timely notify the Board of such disclosure.
- c. The Compliance Officer will maintain as part of the issue’s Post Issuance Compliance and Disclosure Record:
 - i. An annual disclosure monitoring and compliance checklist,
 - ii. A record of the annual filing of operating and financial information,
 - iii. A record of any material event disclosures, and
 - iv. A record of any voluntary continuing disclosures.

Water District No.1 of Johnson County, KS

2017 Service



JOHNSON COUNTY DEMOGRAPHICS POPULATION

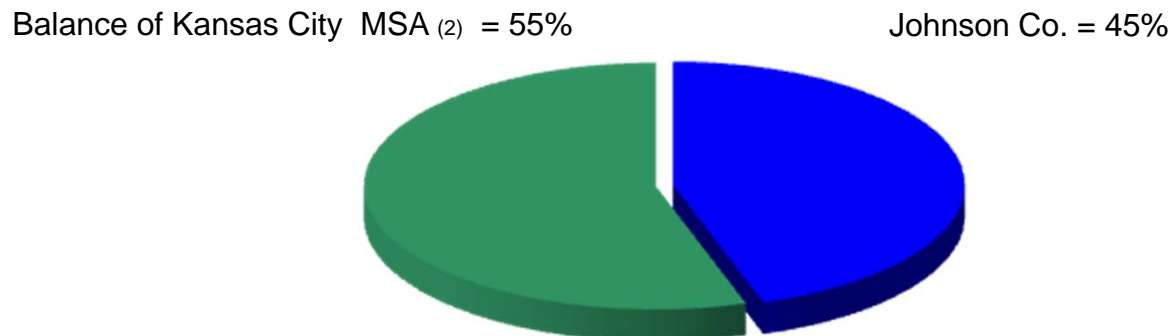
POPULATION GROWTH 2004 to 2014 ⁽¹⁾

Between 2004 and 2014, Johnson County's population grew by 77,581 (15.6%). Johnson County accounted for 46% of the total population growth in the entire State of Kansas and 45% of the Kansas City MSA ⁽²⁾.

Kansas Population Growth: 2004 to 2014



Kansas City MSA ⁽²⁾ Population Growth: 2004 to 2014

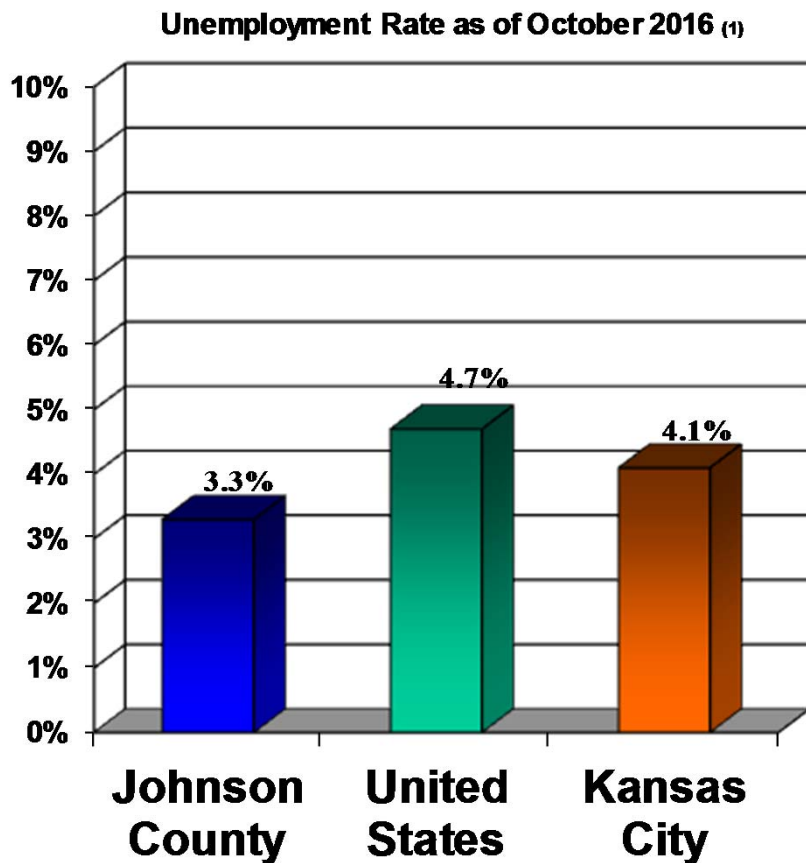


Johnson County Population

2000 ⁽³⁾	451,086
2010 ⁽³⁾	544,179
2015 ⁽⁴⁾	590,604

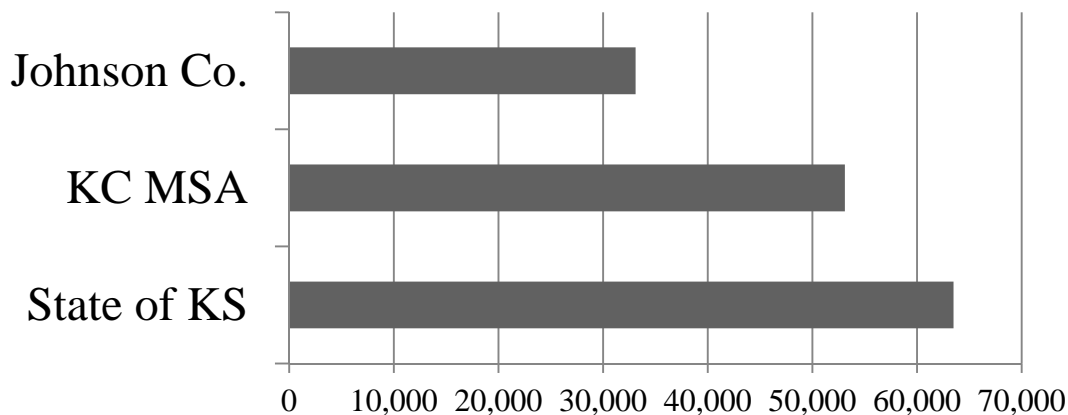
1. Source: County Economic Research Institute, 2016 Economic Primer
2. MSA is Metropolitan Statistical Area of Kansas City.
3. Source: U.S. Census Bureau, 2010 Census
4. Source: 2015 Johnson County CAFR

JOHNSON COUNTY DEMOGRAPHICS EMPLOYMENT AND JOB GROWTH



JOB GROWTH 2005 TO 2015 ⁽²⁾

The number of jobs in Johnson County grew from 298,794 in 2005 to 331,904 in 2015, an increase of 33,109 jobs or 11%. Over the decade, Johnson County accounted for 52% of the total net increase in jobs in the State of Kansas and 62% of the job growth in the Kansas MSA⁽³⁾.

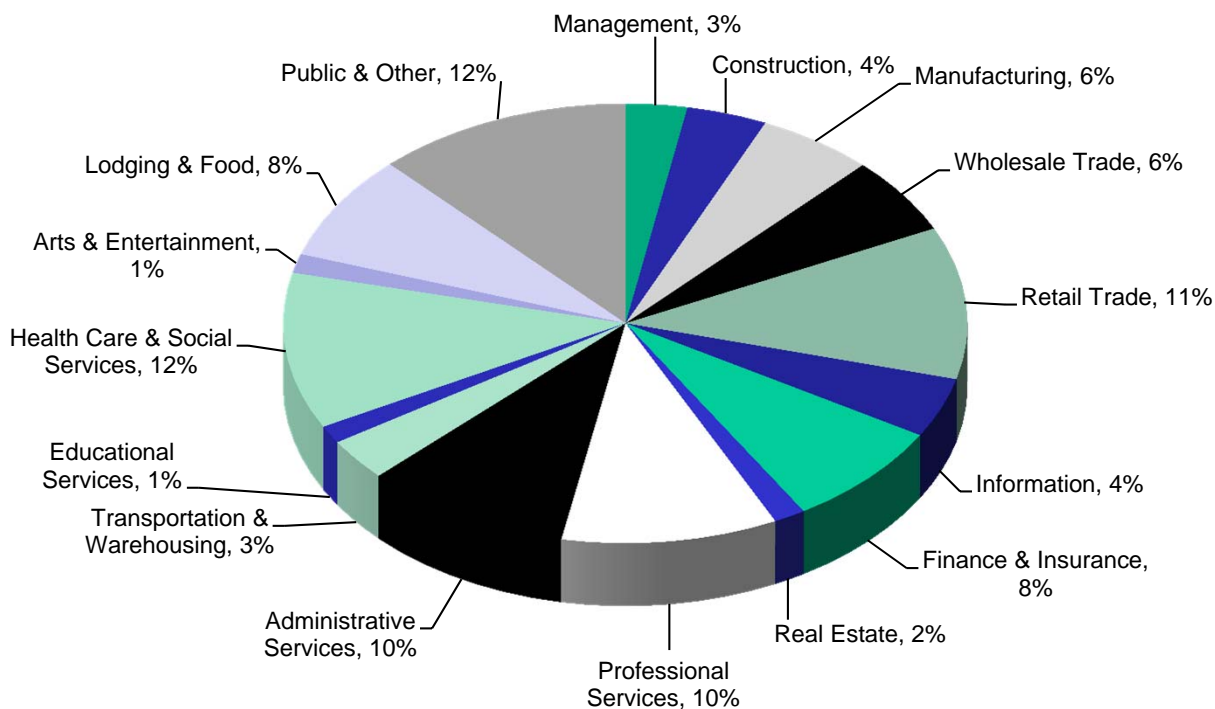


1. Source: County Economic Research Institute, December 2016 Johnson County Indicators

2. Source: County Economic Research Institute, 2016 Economic Primer

3. MSA is Metropolitan Statistical Area of Kansas City.

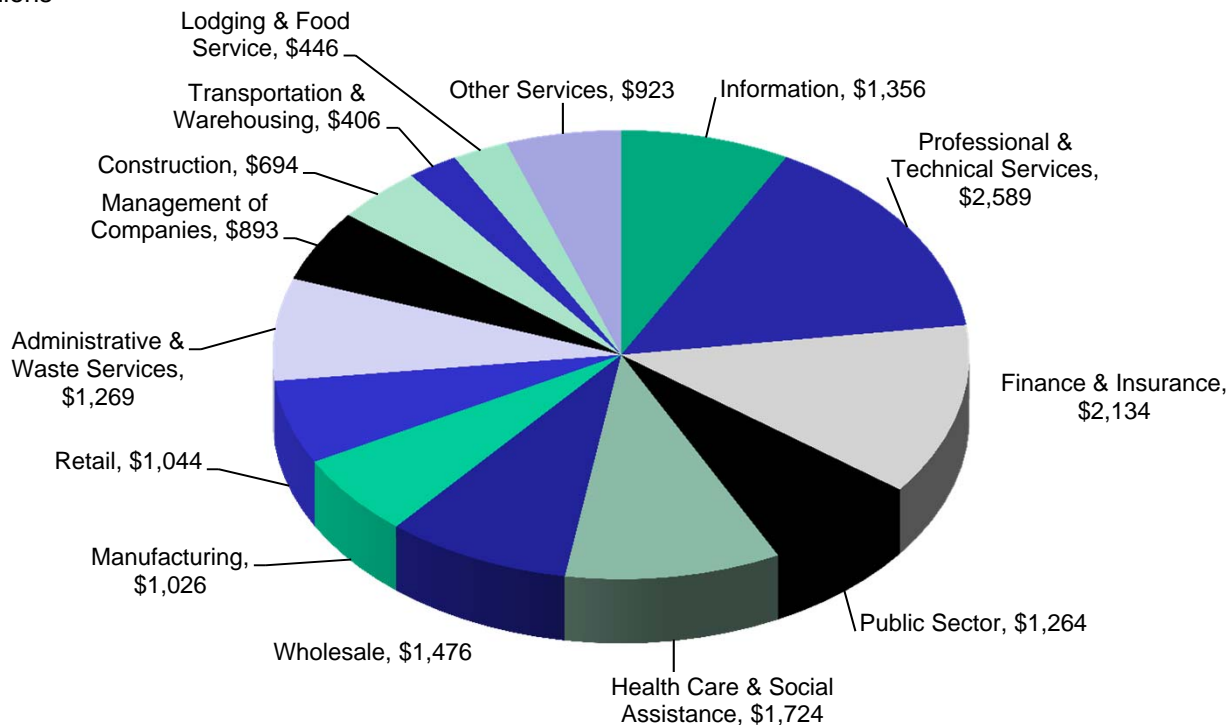
JOHNSON COUNTY DEMOGRAPHICS NON-FARM EMPLOYMENT BY INDUSTRY: 2014



Source: County Economic Research Institute, 2015 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS PRIVATE SECTOR PAYROLL BY INDUSTRY: 2014

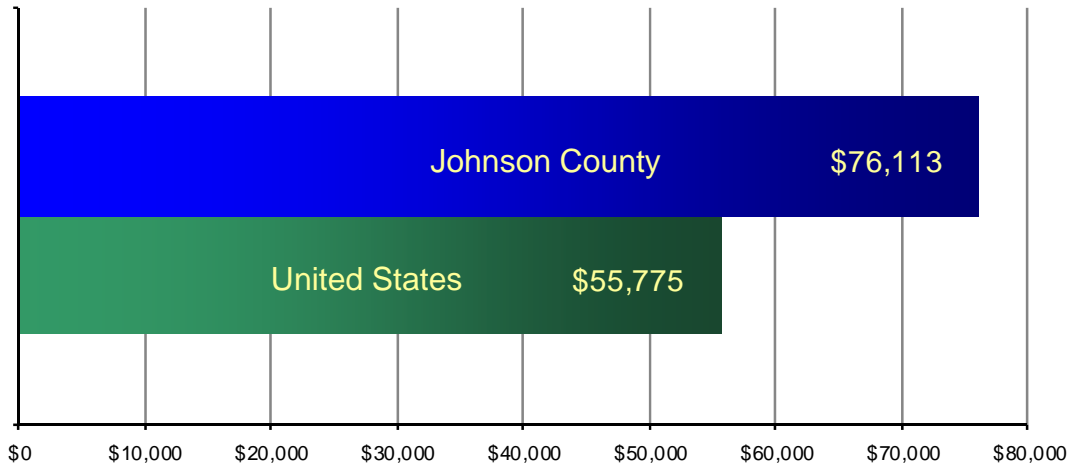
In millions



Source: County Economic Research Institute, 2016 Economic Primer

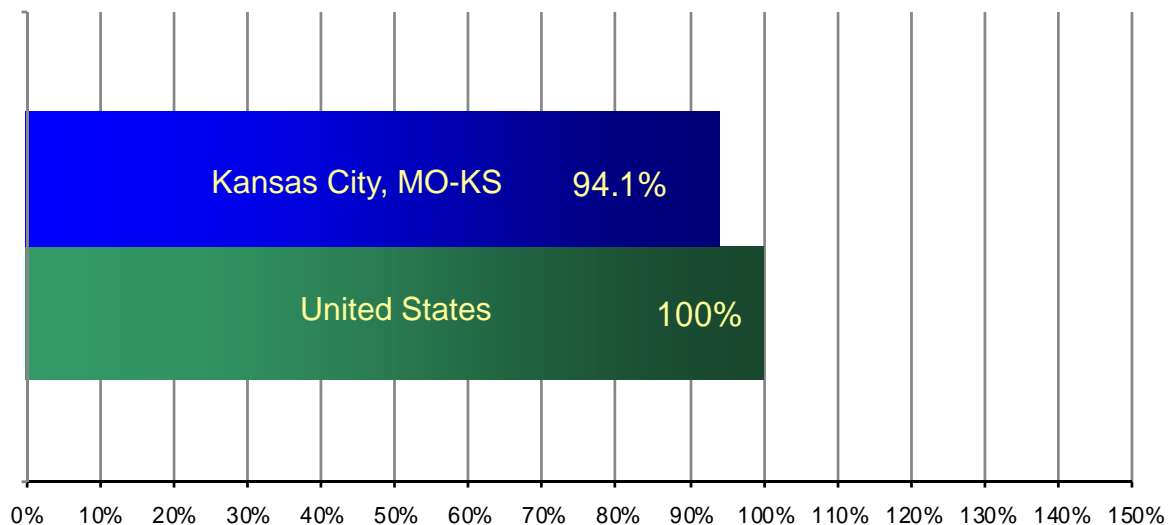
JOHNSON COUNTY DEMOGRAPHICS QUALITY OF LIFE

2015 Median Household Income



Source: United States Census Bureau

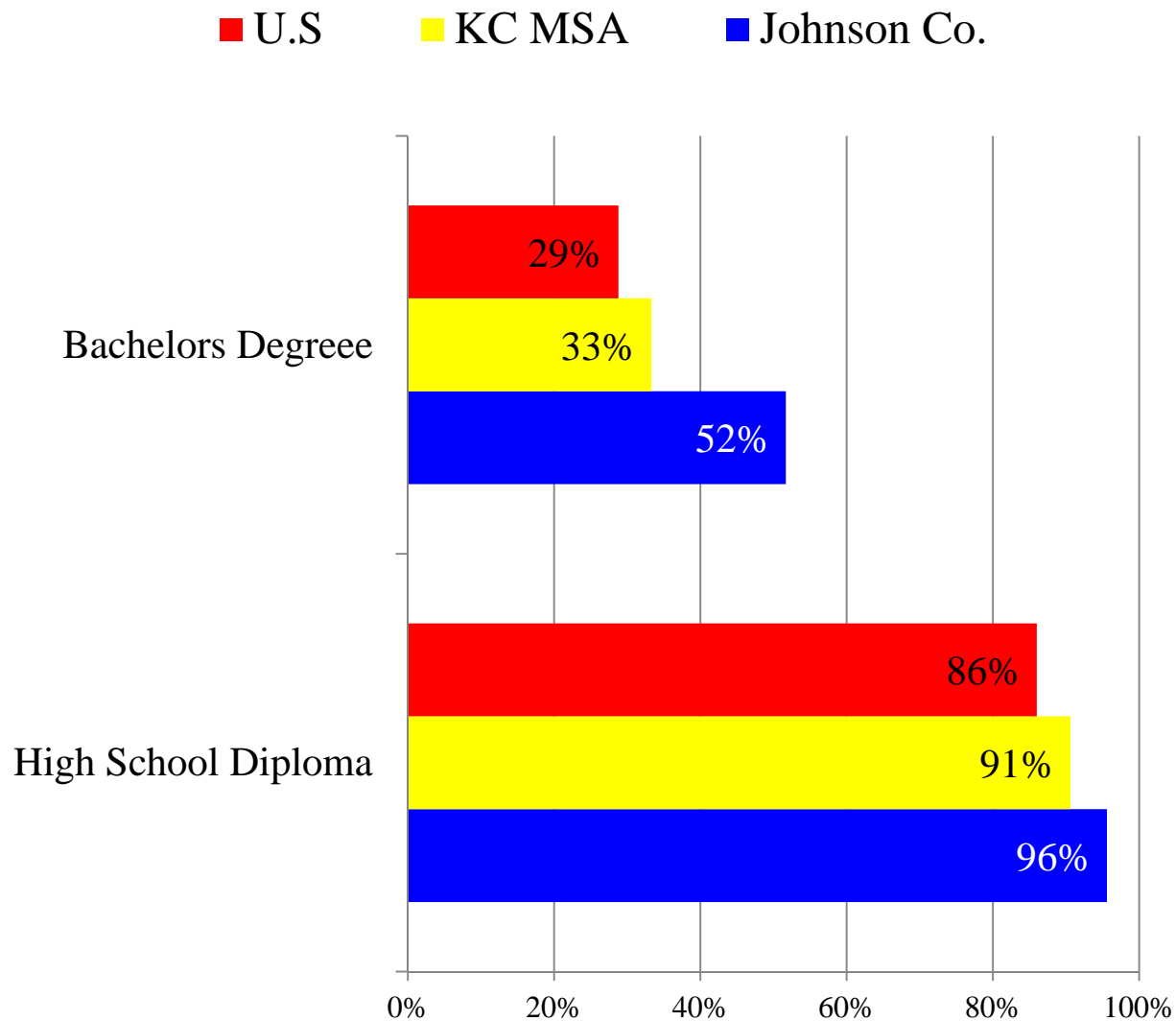
Cost of Living Index



Source: Missouri Economic Research and Information Center

JOHNSON COUNTY DEMOGRAPHICS EDUCATION

Percent of Persons 25 Years & Older with at least a:



Source: County Economic Research Institute, 2016 Economic Primer

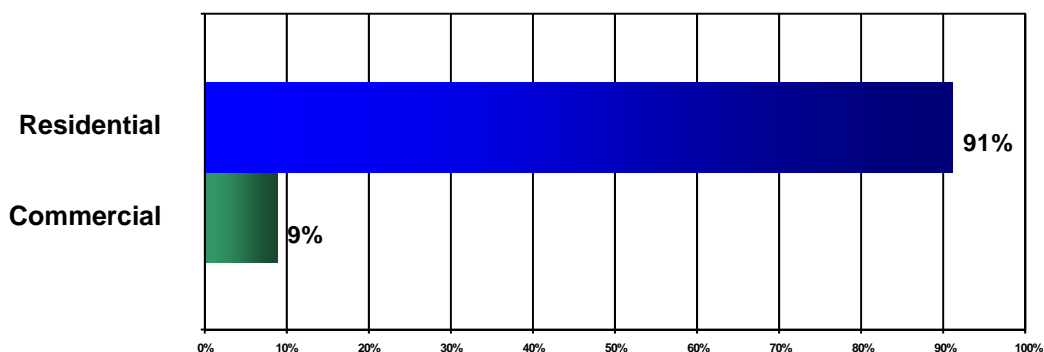
CUSTOMER BASE INFORMATION (2016)

Top 15 Customers

- 1 COCA COLA BOTTLING
- 2 BLUE VALLEY SCHOOL DISTRICT
- 3 CITY OF OVERLAND PARK
- 4 SHAWNEE MISSION SCHOOL DISTRICT
- 5 SHAWNEE MISSION MEDICAL CENTER
- 6 CORPORATE WOODS
- 7 JOHNSON COUNTY WASTEWATER
- 8 SPRINT WORLD HEADQUARTERS
- 9 SHASTA BEVERAGES
- 10 CEVA BIOMUNE
- 11 KANSAS CITY COUNTRY CLUB
- 12 MISSION HILLS COUNTRY CLUB
- 13 INDIAN HILLS COUNTRY CLUB
- 14 CITY OF LENEXA
- 15 MEADOWLARK HILLS APT

Top 15 accounts make up 3.9% of revenue

Customer Base



WaterOne's customer base is very stable. Approximately 91% of the customer accounts are single family residential and make up 65% of revenue. Commercial customers make up 35% of water sales revenue, and consist of a wide variety of light industrial, office building, entertainment, retail shop, service oriented businesses, and multi-family units.

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STRATEGIC PLANNING AND PERFORMANCE MEASURES

The Strategic Plan (Plan) at WaterOne serves as the map to provide direction for future utility initiatives. It defines the mission, vision, values, and identifies eight strategic goals and their related strategies.

Definitions

Strategic planning uses a variety of terms to describe the different components of the Plan. The following definitions are provided to clarify WaterOne's interpretation of those terms.

Vision: The aspirations of the utility for the future; what motivates strategic change.

Mission: The reason the utility is in business; its purpose in the community.

Values: The principles that govern how business is conducted and the actions of individuals.

Strategic Goals: Broad based goals that focus on the utility's future and ability to reach the vision.

Strategies: Broad based ideas that provide general direction to achieve the strategic goals.

Strategic Plan

Vision Statement

WaterOne...Setting the standard for utility excellence.

Mission Statement

To provide a safe, reliable, and high-quality water supply with superior service and value.

Values

Quality | Integrity | Safety | Accountability | Respect

Goals and Strategies

Goal 1: Ensure a safe, reliable, high quality water supply

- Produce and distribute water to the customer that meets or exceeds all state and federal regulations.
- Meet or exceed Board-established water quality goals and customer expectations.
- Continue long-range water resource and infrastructure master planning to reliably serve current and future customer demands.
- Monitor and participate in activities that protect water resources.

Goal 2: Provide excellent customer service

- Continuously improve customer service.
- Periodically evaluate customer perceptions and satisfaction.
- Expand online service to meet customer expectations.
- Provide education and outreach through the use of innovative communication tools and social media.
- Maintain effective relationships with public agencies.
- Cultivate a strong customer-oriented mindset among all employees.
- Provide timely emergency alerts to customers using mass notification system.
- Assess customer expectations/satisfaction.

Goal 3: Be an employer of choice

- Attract and retain a high-quality workforce.
- Provide a competitive total compensation package.
- Train, develop and mentor employee talent.
- Foster a culture of communication.

Goal 4: Ensure financial stability and predictable rates

- Develop effective annual budgets and long-range plans.
- Establish rates that are fair and equitable.
- Continuously monitor revenue and manage expenditures versus budget.
- Regularly and effectively communicate financial plans and results to stakeholders.
- Pursue opportunities for additional revenue that would be beneficial to our ratepayers.

Strategic Plan

Goal 5: Continuously improve business processes

- Meet or exceed established key performance indicators.
- Leverage the use of technology resources and assets.
- Ensure that institutional knowledge us documents, retained and improved over time.
- Utilize effective project management concepts, including broad communication of lessons learned.
- Maintain transparency and appropriate governance practices in all business processes.

Goal 6: Proactively manage infrastructure

- Monitor condition of water supply and distribution assets.
- Meet or exceed established service levels.
- Prioritize asset replacement using lowest lifecycle cost.
- Communicate results to stakeholders.

Goal 7: Be good stewards of the environment

- Promote efficient water use by fostering an educated, aware and engaged community.
- Develop alternative methods of performing activities to minimize environmental impact.
- Use sustainable materials and processes by balancing societal, financial and environmental impacts.
- Develop efficient, cost effective programs to reduce, recycle and reuse consumables.
- Conduct business operations in compliance with applicable environmental regulations.

Goal 8: Promote a safe work environment and establish a security conscious culture

- Maintain a safe workplace that maximizes employee safety.
- Safeguard facilities, electronic assets, and intellectual property by proactively identifying and addressing vulnerabilities.
- Ensure business continuity by maintaining redundant and resilient facilities and critical staffing capabilities.
- Continue to update and test emergency response plans to support the ability to respond to and recover from any incident.
- Promote employee awareness and security and safety issues.

Strategic Plan

2017 Operational Goals and how they relate to the Strategic Goals

2017 Operational Goals By Division		Strategic Goals							Safety & Security
		Quality Water	Customer Service	Employer of Choice	Financial Stability	Process Improvement	Asset Management	Environmental Stewardship	
Strategic Goal:		1	2	3	4	5	6	7	8
Production									
1	Develop SCADA master plan	X				X	X		
2	Complete supply and distribution master plan	X			X		X		
3	Complete Wolcott engine generator project							X	X
4	Construct Kansas River horizontal collector well	X							
5	Complete materials and personnel space study						X		
6	Complete design engineering for ozone facility	X			X	X	X	X	
7	Execute two emergency operation drills								X
8	Develop "big data" strategy					X			
Distribution									
1	Complete supply and distribution master plan	X				X	X		
2	Complete materials and personnel space study						X		

2017 Operational Goals By Division		Strategic Goals							
		1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship	8 Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
3	Process mapping main breaks with customer interface		X			X	X		
4	Improve valve maintenance program		X			X	X		
5	Develop and implement KPI's for CMVS		X			X			
6	Complete GPS/GIS project					X	X		
7	Continue implementation of Distribution Technician program			X					
Customer Relations									
1	Develop "Big Data" strategy					X			
2	60th Anniversary celebration events			X					
3	Enhance customer service strategic plan		X			X			
4	Process mapping main breaks with customer interface		X			X	X		
5	Expand service day options and expand Habitat for Humanity opportunities			X				X	
6	Complete Kubra billing improvements		X						
7	RFP for AMR/AMI solution		X			X			

Strategic Plan

2017 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
8	Continue fun initiatives			X					
9	Continue straight-read meter change-out					X	X		
Finance									
1	Complete supply and distribution master plan	X				X	X		
2	Complete materials and personnel space study						X		
3	Issue bonds				X		X		
4	Refinance 2007 Bonds				X				
5	Implement barcoding for inventory management					X			
6	Issue RFI for 457/401 record keeper, implement changes as needed			X		X			
Human Resources									
1	Complete compensation study, develop communications & implementation			X					
2	Complete Model-Netics training			X					
3	Develop technology plan for training room and conference rooms			X		X			

2017 Operational Goals By Division		Strategic Goals							
		1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship	8 Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
4	Reintroduce Leadership Academy			X					
5	Appraisal form update			X					
6	60th Anniversary celebration events			X					
7	Implement barcoding for inventory management					X			
8	Issue RFI for 457/401 record keeper, implement changes as needed			X		X			
9	Implement Learning Management System (LMS)			X		X			
10	Continue implementation of Distribution Technician program			X					
11	Complete security camera upgrades						X		X
12	Continue Human Resources Information System improvements			X		X			
13	Engagement survey (new format)			X					
Legal/Audit									
1	Issue RFI for 457/401 record keeper, implement changes as needed			X		X			
2	Sign new contract with service line insurance provider		X						

Strategic Plan

2017 Operational Goals By Division		Strategic Goals							
		1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship	8 Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
3	Issue RFP & select vendor for records management project					X			
4	Develop WaterOne Charitable Foundation							X	
Information Technology									
1	Develop SCADA master plan	X				X	X		
2	Improve disaster planning and business continuity processes					X			
3	Implement recommendations from information security report					X			
4	Develop technology plan for training room and conference rooms			X		X			
5	Appraisal form update			X					
6	Implement barcoding for inventory management					X			
7	Develop "Big Data" strategy					X			
8	Process mapping main breaks with customer interface		X			X	X		
9	Complete Kubra billing improvements		X						
10	Complete GPS/GIS project					X	X		

2017 Operational Goals By Division		Strategic Goals							
		1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship	8 Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
11	Implement SLA's and KPI's for IT functions					X			

Performance Measures

The performance measures on the following pages are WaterOne's system for objectively measuring the progress of accomplishing the strategic goals.

Performance Measures - By Strategic Goal

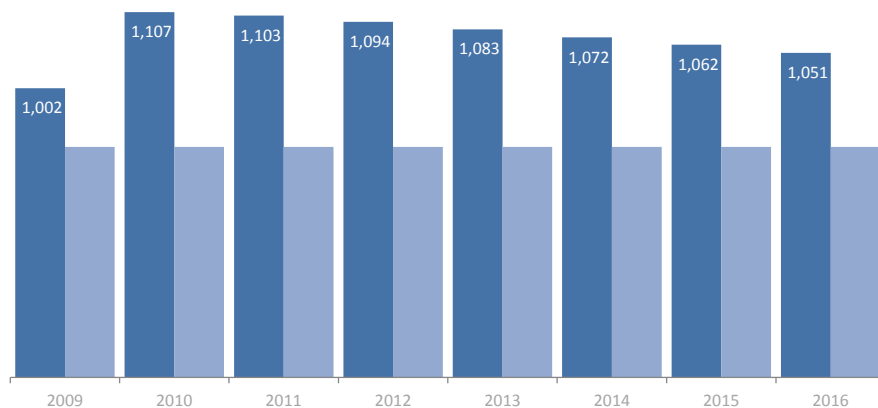
STRATEGIC GOAL 1 Ensure a Reliable, High Quality Water Supply.



KPI	Target	Actual	Status	Management Comment
1. Conformance with Drinking Water Internal Standards, Regulations, Monitoring, MCL/TT - (PRD) Percentage of parameter samples that comply with Safe Drinking Water Act Standards.	100%	100%	G -	
2. Conformance with Water Quality Goals - Monthly (PRD) Percentage of parameter-samples that comply with WaterOne established drinking water standards. (See Water Quality KPI table on page 8.)	100%	95.83%	B -	
3. Production Facilities' Capacity of Available Max Day Gallons Per Customer. Annual. (See graph below.)	920	1,051	B -	Asset Management Service Level Goals. (Annual)

Max Day Gallons Per Customer

Max Day Capacity
 KPI = 920



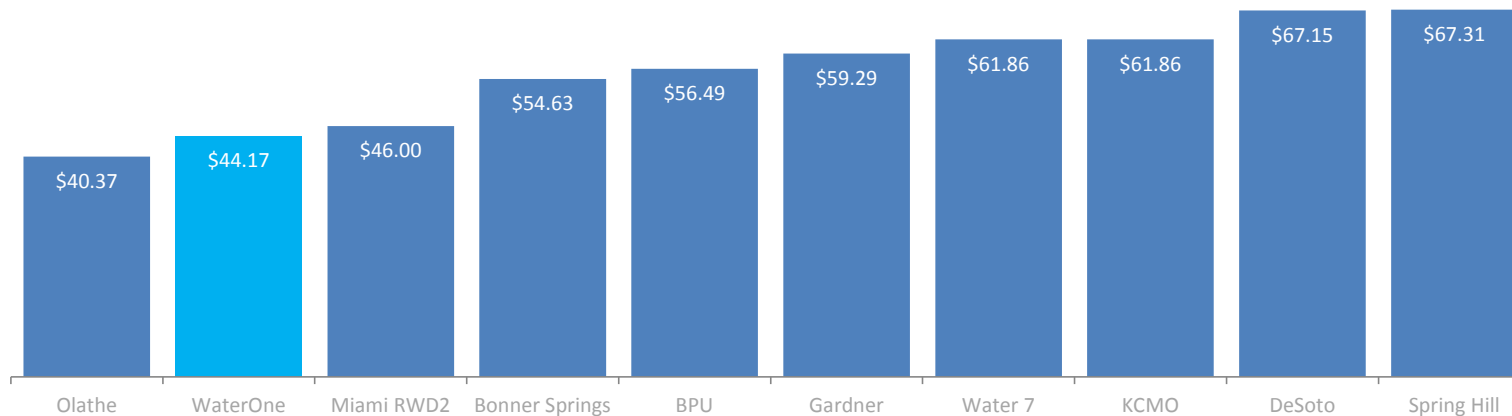
STRATEGIC GOAL 2

Provide Excellent Customer Service



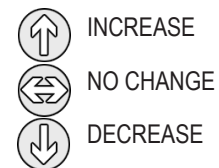
KPI	Target	Actual	Status	Management Comment
4. Composite Customer Satisfaction Performance Rating - (CCR) based upon an index of various customer service and water service components common to utilities across the nation.	80.0	84.6	B -	The Composite Index Rating was 84.6, which exceeded the target of 80.
5. Technical Water Quality Complaints per 1,000 Accounts - (CCR) Expression of complaints related to core utility service, T&O, Turbidity, Pressure, etc.	8.0	5.0	B -	
6. Residential Cost of Water - (FIN) Comparison of residential cost of water service based on both a defined quantity of water use and the average residential bill amounts for these services.	\$44.17	\$44.17	G -	Regionally competitive and annual increases have been less than the Kansas City area CPI. (Annual)
7. Billing Accuracy - (CCR) 12MTD Expression of error-driven billing adjustments per 10,000 bills.	7.2	8.2	R -	Billing accuracy was affected by a large number of inaccurate meter readings during the first quarter. The bills were corrected in subsequent months.

Average Monthly Water Bill for Typical Customers at 7,500 Gal. WaterOne Vs. Neighboring Utilities



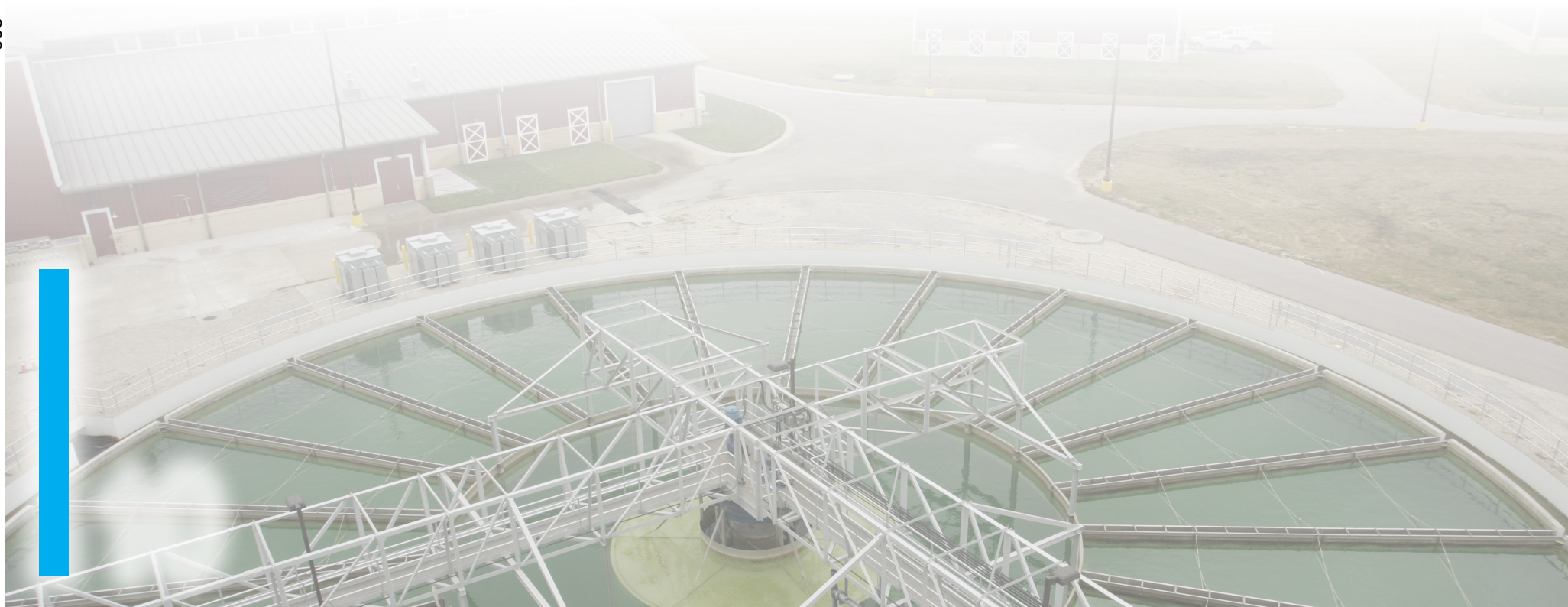
STRATEGIC GOAL 3

Be An Employer Of Choice.



BLUE: Exceeds target > 2%
GREEN: +/- 2% < target
YELLOW: 2% - 5% < target
RED: 5% < target

KPI	Target	Actual	Status	Management Comment
8. Employee Health and Safety Severity Rate - (HR) Employee days lost due to injury. Rate per 100 employees. Changed from 5.0 in 2015 to 19.7 in 2016. Two employees required significant time off after work-place injuries.		19.7	R -	No targeted performance determined. (Annual)
9. Turnover Rate - (HR) Expression of the performance and stability of the workforce. YTD.		12.5%	G -	No targeted performance determined.



STRATEGIC GOAL 4

Ensure Financial Stability and Predictable Rates.



INCREASE

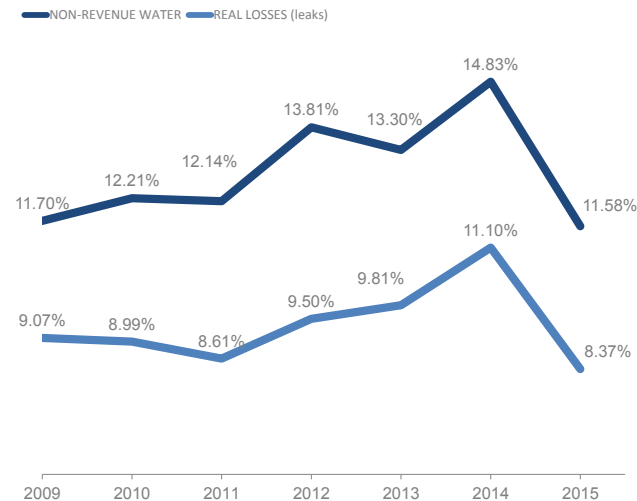
NO CHANGE

DECREASE

BLUE: Exceeds target > 2%
GREEN: +/- 2% < target
YELLOW: 2% - 5% < target
RED: 5% < target

KPI	Target	Actual	Status	Management Comment
10. Total Non-Revenue water percent and the subset that relates to "Real Loss" (i.e. water leaks). (See graph below.)	10%	8.37%	B - ↑	
11. O&M Cost Per Million Gallons Produced. - YTD	\$2,291	\$2,288	G - ↓	
12. O&M Cost per Customer Account - O&M Costs divided by number of customer accounts that were billed during the report period. YTD	\$366	\$343	B - ↓	
13. Actual Vs. Budgeted Water Sales Revenue. - YTD	\$108,416,876	\$108,586,314	G - ↑	
14. O&M Budget to Actual Expenses (Post-Transfers) - YTD	\$53,099,364	\$49,701,802	B - ↓	
15. Customers Served Per Employee - (HR) Number of customer accounts that were billed for some or all of the reporting period divided by the number of full-time equivalent employees.		454	G - ↔	No targeted performance determined. (Annual)
16. Debt Ratio - Quantifies the utilities level of indebtedness.	26.3%	21.7%	B - ↑	21.7% is the Debt Ratio for the calendar year 2016. (Annual)
17. Customer Service Cost per Customer Account - Measure of the amount of resources applied to the customer service program.		\$28.59	G - ↔	No targeted performance determined. (Annual)

NON-REVENUE WATER as a % of Budgeted Produced



STRATEGIC GOAL 5

Continuously Improve Business Processes

No KPIs developed at this time.



INCREASE

NO CHANGE

DECREASE



BLUE: Exceeds target > 2%

GREEN: +/- 2% < target

YELLOW: 2% - 5% < target

RED: 5% < target

STRATEGIC GOAL 6

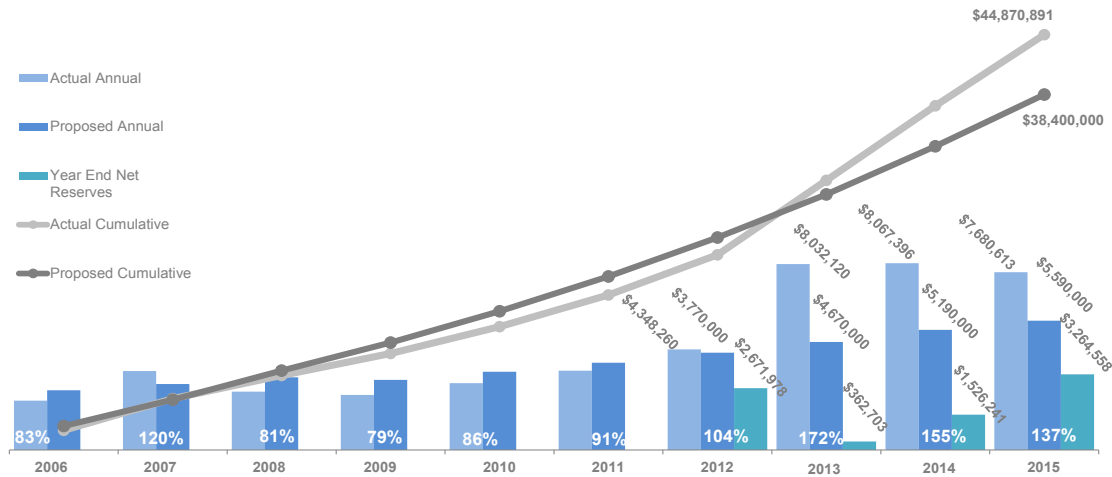
Manage Water Supply and Distribution Assets

KPI		Target	Actual	Status	Management Comment
18. System Renewal Rate - (DST) Rate at which infrastructure is being renewed or replaced as compared to projected replacement needs. (See graph on page 13 - "Piping Replacement.")		100%	112.0%	B -	The annual goals are tied to long term asset management objectives, and unless the trend reverses may lead to increased emergency repairs. (Annual)
19. Water Distribution System Integrity - (DST) Quantification of the condition of the water distribution system by considering the number of main breaks and leaks per 100 miles of pipeline. (See graph on page 13 - "Leaks Per 100 Miles of Pipe.")		37.0	37.9	Y -	See Staff Report.
20. Active Customer Accounts Vs. Projected - (FIN) Actual growth in the number of bill paying customers compared to estimated growth.		1,500	1,394	R -	
21. Of the customers that experienced a water outage in 2016, the percent of affected customers that were out of service for:	0 - 4 Hours	> = 80%	86.8%	G -	
	4-12 Hours	< = 20%	13.2%	G -	
	> 12 Hours	0%	0.0%	G -	
22. Total annual minutes of service outage divided by the annual weighted average number of customers will not exceed 20 minutes.		20	11	B -	Asset Management Service Level Goals. (Annual)

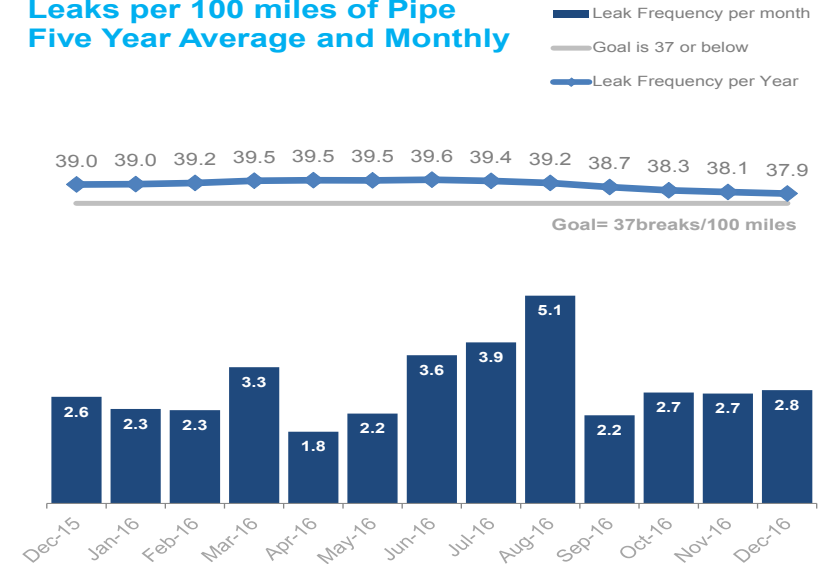
Strategic Goal 6, Cont'd

KPI	Target	Actual	Status	Management Comment
23. Conformance with Minimum Pressure Goals. Percentage of time a minimum pressure of 40 psi was supplied to 95% of the service territory.	95%	100%	B -	Asset Management Service Level Goals.
24. Conformance with Maximum Pressure Goals. Percentage of time a maximum pressure of 135 psi was supplied to 75% of the service territory.	95%	100%	B -	Asset Management Service Level Goals.
25. Annual Capital Projects - (FIN) Annual Capital Projects not on-time / on-budget.	\$10,510,000	\$4,453,896	G -	
26. Master Plan Projects - (FIN) Master Plan Projects not on-time / on-budget or having excessive change orders.	\$129,662,345	\$110,646,716	G -	

Piping Replacement - Proposed vs. Actual



Leaks per 100 miles of Pipe Five Year Average and Monthly



STRATEGIC GOAL 7

Be Good Stewards of the Environment.

STRATEGIC GOAL 8

Promote a Safe Work Environment & Establish a Security Conscious Culture

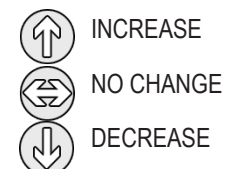
No KPIs developed at this time.

Performance Measures- Monthly & Quarterly

Reporting Division	WaterOne Key Performance Measures	Measurement As Of 12/31/2015	2016 Goal As Of 12/31/2016	2016 Year to Date or 12 Months to Date 12/31/2016	Variance (- % indicates not meeting goal)	Current Month Goal	Current Month Actual	Performance Rating
	Reported Monthly or Quarterly							
PRD	Conformance with Drinking Water Standards	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	G -
PRD	Conformance with WaterOne Water Quality Goals (Monthly)	95.4%	100.0%	95.8%	-4.17%	100.0%	100.0%	B -
PRD	Conformance with WaterOne Minimum Pressure Goals (Monthly)	100.0%	95.0%	100.0%	5.26%	95.0%	100.0%	B -
PRD	Conformance with WaterOne Maximum Pressure Goals (Monthly)	100.0%	95.0%	100.0%	5.26%	95.0%	100.0%	B -
CCR	Composite Customer Satisfaction Performance Rating (qtrly)	82.9	80.0	84.6	5.75%			B -
CCR	Technical Water Quality Complaints/1,000 Accounts (12 MTD - Est.)	4.5	8.0	5.0	-37.5%	0.7	0.3	B -
CCR	Billing Accuracy - Bill Adj/10,000 Bills (12 MTD)	4.9	7.2	8.2	13.89%	7.2	7.7	R -
HR	Turnover Rate (YTD)	9.1%		12.5%				G -
FIN	O&M Cost per Million Gallons Produced	\$2,391	\$2,291	\$2,288	-0.14%	\$3,123	\$3,723	G -
FIN	O&M Cost per Customer Account	\$326	\$366	\$343	-6.33%	\$27	\$30	B -
FIN	Actual vs. Budgeted Water Sales Revenue	\$94,775,765	\$108,416,876	\$108,586,314	0.16%	\$6,057,094	\$6,361,150	G -
FIN	O&M Budget to Actual Expenses	\$46,817,259	\$53,099,364	\$49,701,802	-6.40%	\$3,981,451	\$4,403,733	B -
DST	Water Distribution System Integrity - Avg leaks/100 miles (5 yr rolling)	39.0	37.0	37.9	2.43%	3.1	2.8	Y -
FIN	Active Customer Accounts vs. Projected	1,224	1,500	1,394	-7.07%	110	63	R -
FIN	Annual Capital Projects	\$5,749,078	\$10,510,000	\$4,453,896				G -
FIN	Master Plan Projects	\$90,449,699	\$129,662,345	\$110,646,716				G -
HR	Planned Maintenance	*		*				











2016 Key Performance Indicators (KPI)

* This KPI is being re-evaluated.



BLUE: Exceeds target > 2%
GREEN: +/- 2% < target
YELLOW: 2% - 5% < target
RED: 5% < target

Performance Measures - Annual

Reporting Division	WaterOne Key Performance Measures	2012 Final	2013 Final	2014 Final	2015 Final	2016 Final	2017 Target	Performance Rating
	Reported Annually							
PRD	Max Day Facilities per Customer (gal per customer)	1,094	1,083	1,072	1,062	1,051	920	B - 
FIN	Residential Cost of Water	\$38.25	\$39.49	\$40.79	\$42.37	\$44.17	\$44.17	G - 
HR	Employee Health & Safety Severity Rate	12.8	9.6	9.3	5.0	19.7		R - 
DST	Distribution System Real Water Loss	9.5%	9.8%	11.1%	8.4%	*	10.0%	B - 
DST	Number of Minutes of Water Outage per Total System Customers (New for 2016)				13	11	20	B - 
DST	Of the customers that experienced a water outage in 2016, the percent of affected customers that were out of service > 12 hours.				0.1%	0.0%	0.0%	G - 
HR	Customers Served per Employee	439	426	454	456	454		G - 
FIN	Debt Ratio	23.8%	20.2%	25.1%	23.5%	21.7%	26.3%	B - 
CCR	Customer Service Cost Per Customer Account	\$32.66	\$28.58	\$27.75	\$27.04	\$28.59		G - 
DST	System Renewal Rate - Distribution	104.0%	172.0%	155.0%	137.4%	112.0%	100.0%	B - 

Final
2016 Key
Performance
Indicators
(KPI)



INCREASE

NO CHANGE

DECREASE



BLUE: Exceeds target > 2%

GREEN: +/- 2% < target

YELLOW: 2% - 5% < target

RED: 5% < target

* Real Water Loss for the 2016 / 2017 test period will not be ready until early summer of 2017.

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703

703 is the section of WaterOne's bond resolutions pertaining to the priority of WaterOne's flow funds. Within the budget document, reference to "703" is related to the portion of the flow of funds which sets aside an operating contingency and specifies how the required balance of that reserve is calculated.

Adopted Budget

The budget approved by WaterOne's board at the regularly scheduled December Board meeting.

AHQ

Administrative Headquarters. Location of WaterOne's administrative offices, fleet, warehouse and distribution service center.

AIMS

Automated Information Mapping System. A department within Johnson County Kansas government. It is also a Geographic Information System (GIS). AIMS enhances the ability of GIS to make the county's maps and data available online.

Amortized

The general elimination of a liability in regular payments over a specified period of time.

AMR

Automated Meter Reading. A program using wireless radio transmitters that remotely reads customer meters and then transfers the data into the billing system.

Annual Capital Budget

The budget for new and replacement capital construction projects and equipment purchases funded from water rates as part of the Adopted Budget. The Annual Capital Budget excludes Master Plan projects and funding.

Arbitrage

The practice of taking advantage of a price differential for the same financial instrument in two or more different markets.

GLOSSARY

AWC

Average Winter Consumption. A customer's base water usage for Peak Management Rate (PMR) billing purposes, stated in gallons per day. The AWC is used when determining which commodity block rate is applicable to water consumption in a billing period. For each year the AWC is calculated as the customer's average daily consumption for January through April. Customers are given the benefit of the higher of their individual AWC or the Default AWC.

AWWA

American Water Works Association. A nonprofit, scientific and educational association dedicated to managing and treating water.

Balanced Budget

Annual financial plan in which revenues equals expenditures.

Benefit Area

When a petitioner requests a new, replaced, or enlarged Water Main Extension that could potentially serve other land owners of a defined area, A Benefit Area may be established. A Benefit Area Agreement includes provisions requiring owners of other tracts within the Benefit Area to pay WaterOne a pro-rata share of the original cost of the Water Main Extension which is then forwarded to the original Petitioner who contributed the Water Main Extension as a Benefit Area Refund. In some cases WaterOne may be the petitioner..

Benefit Area Refunds

Payments to petitioners under Benefit Area Agreements.

Board

Governing body of WaterOne. Made up of seven members elected at-large to four year terms.

Bond

A debt instrument which promises to pay a sum of money on a specific date at a specified interest rate.

BPU

Board of Public Utilities. Neighboring utility who provide electricity and water to WaterOne facilities located in Wyandotte County, Kansas, outside WaterOne's boundaries, primarily intake and treatment facilities.

GLOSSARY

Budget

The District's financial plan balancing proposed expenditures for a certain period of time to the expected income or revenue for that same period.

CAD

Computer-Aided Design. Using computers to design projects.

CIP

Capital Improvement Program. A proactive program addressing the capital needs of WaterOne, specifically related to growth and aging infrastructure. CIP consists of three components: Master Plan, Transmission & Distribution, and Annual Capital.

CMVS

Construction, Maintenance, Valving and Services. A department within the Distribution Division at WaterOne.

COS

Cost of Service.

CPI

Consumer Price Index.

CRM

Customer Request Management System.

DB

Defined Benefit.

DC

Defined Contribution.

Debt Service

Cash required over a given period for the payment of interest and repayment of principal on bonded indebtedness.

Debt Service Coverage Ratio

The sum of the net operating revenues plus investment income available for debt service, divided by the annual debt service requirement.

Default AWC

Default Average Winter Consumption. An alternative to the AWC set by an individual customer. The Single-Family customer has a Default AWC which is the average of all individual customer AWCs within the Single-

GLOSSARY

Family Rate Class. All other retail customers have a Default AWC which is the average of all individual customer AWCs with the same meter size within their same Rate Class.

Delayed Payment Charge

A charge imposed on a water bill paid after the due date.

Designated to Master Plan

Revenue budgeted in the Adopted Budget which are derived from water rates and transferred to the Master Plan Capital Fund.

Depreciation

The expiration in the service life of capital assets attributable to wear & tear, deterioration, action of the physical elements, inadequacy or obsolescence.

Distribution Main

A water main which is supplied from Transmission Mains or other Distribution Mains and which is available to serve individual customer connections. Distribution Mains are generally sized less than 16 inches in diameter, but WaterOne may designate larger sizes as Distribution Mains depending on their function.

DM

Distribution Main.

Enterprise Fund

A type of fund in which the costs of goods and services are recovered directly from user fees associated with those goods and services.

EOP

Emergency Operation Plan.

ERC

Energy Rate Component. A key multiplier in the electricity rate from BPU.

ERP

Enterprise Resource Planning. Integrated software systems combining Financial, customer, human resource and other systems

Expenditure

The outflow of funds paid or to be paid for an asset obtained, or goods and services obtained regardless of when the expense is actually paid.

GLOSSARY

F2

Facility 2 at the Hansen Water Treatment Facility.

Field Service Charges

Misc. operating revenue from collection of charges for restoration of service after being shut off for nonpayment or other rule violations and returned check charges.

Fiscal Year

A twelve month accounting period to which the annual operating budget applies and at the end of which WaterOne determines its financial position. The fiscal year for WaterOne begins on January 1st of every year and ends on December 31st of that same year.

FTE

Full Time Equivalent. A measurement of employee staffing expressed as a ratio to a full time employee. One FTE is equal to 2,080 hours calculated as a full time employee's base paid hours which for 40 hours per week for 52 weeks.

GASB

Government Accounting Standards Board. The independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP). Standard issued by GASB are referred to by number (e.g., GASB 31).

General Fund

An account which contains all revenue derived and collected by the Water District from the operation of the Water System. It can only be used for the purposes authorized by law, including but not limited to, paying the costs of operation, maintenance, extension, and improvement of the Water System; paying the principal of and interest on the Bonds; funding the Bond Reserve Funds; and creating and maintaining adequate reserves.

General Improvements

General Improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants.

GLOSSARY

GIS

Geographic Information System. A mapping software that deals with spatial information. It links attributes and characteristics of an area to its geographic location.

HDPE

High-density polyethylene. A thermoplastic material used for pipes.

HP

Horse Power.

HVAC

Heating, Ventilation and Air Conditioning.

Kansas River Water Assurance District

A group of municipalities and industries who have rights to water from a river below Federal Reservoirs who pool their resources to purchase storage space in the reservoirs. This space and the water contained within that space is used or released to assure that the members of the District will have enough water to meet their demands.

KCP&L

Kansas City Power & Light. Electricity provider for a portion of WaterOne's facilities.

KMIP

Kansas Municipal Investment Pool.

KPIs

Key Performance Measures.

Labor Vac Gross

Labor Vacation Earned Gross. Accrued Vacation represents the value of employees' earned but untaken vacation as of December 31 of the budget year. At the time the budget is constructed it is an estimated amount based on the current employee base and historical balances. The change between years reflect the patterns of employees using more or less vacation during the fiscal year and the retirement of long term employees with large vested vacation balances.

LAN

Local-Area Network. A LAN is a computer network that spans a relatively small area.

GLOSSARY

LIMS

Laboratory Information Management System.

Line Locate

The process of locating underground water facilities, most often for the purpose of marking for the benefit of individual property owners, developers, and other utilities doing underground work in order to avoid damaging WaterOne's facilities.

M1

Code used internally by WaterOne for Multi-Family Residential Accounts, which are "2 or more residential living units contained within 1 building or structure and served solely by 1 service connection".

Master Plan

WaterOne's long-term plan for expansion adopted by the Board in 1977. The Plan includes projects to build new facilities or replacement projects related to water treatment, pumping and storage, and transmission mains. These facilities are needed primarily to increase water supply to serve new customers but are also designed to protect existing facilities from becoming obsolete.

MBA

Metrics-Based Analysis. MBAs are submitted to justify every new headcount. MBAs are data-driven analyses based on actual work produced, task-time estimates, constraining parameters, and assumptions.

MGD

Million Gallons per Day. A measurement of water flow.

MIUs

Meter Interface Units. MIUs are connected to the water meter and transmit the meter data to the communication network or system.

Modified Accrual Basis

The basis of accounting in which revenues are recognized in the period when they become available and measurable (known). Expenditures, if measurable, are recognized in the accounting period in which liabilities are incurred, regardless of when the receipt or payment of cash takes place. An exception is un-matured interest on general long-term debt, which is recorded when it is due.

GLOSSARY

Negative Cash Flow Reserve

The Negative Cash Flow Reserve is used to provide financial liquidity during low cash flow months, normally the months of January through June each year.

Net Bond Proceeds

Portion of the proceeds from a bond issue which are set aside in a construction fund to pay for Master Plan projects.

NPV

Net Present Value. The present value of the expected future cash flows minus the cost.

O&M

Operation & Maintenance.

OPEB

Other Post Employment Benefits. Benefits provided to retirees other than pension, such as retiree health insurance.

OT

Overtime (Labor).

P&I

Principal and Interest. Refers to principal and interest due on WaterOne's bonds.

Pay-As-You-Go Basis

A term used to describe a financial policy by which capital outlays are financed from current revenues rather than through borrowing.

PLC

Programmable Logic Controller.

PMR

Peak Management Rate. An inclining rate structure designed to encourage customers to reduce peak usage and recovers costs more equitably from those customers who choose to have peak water usage. PMR rates charge a higher amount for water usage above the customer's base usage. Block 1 rates are for volumes up to 125% of the customer's Average Winter Consumption (AWC). Block 2 rates, which are higher, are for those gallons used in excess of 125% of the customer's AWC.

GLOSSARY

Potable Water

Water that does not contain pollution, contamination, objectionable minerals or infective agents and is considered safe for domestic consumption.

Presed

Presedimentation. A pretreatment process used to remove gravel, sand, and other gritty material from raw water before it enters the main treatment plant.

Principal and Interest Fund

A fund used to account for restricted cash and investments. Its specific purpose is to pay the debt service on WaterOne's outstanding bonds and contingencies.

PRV

Pressure Reducing Valve.

PVC

Poly-Vinyl Chloride. A plastic material used for pipes.

R1

Code used internally by WaterOne for Single-Family Residential Accounts, which are "1 residential living unit served solely by 1 water service connection."

Rate Class

Customers grouped together for billing purposes having similar characteristics. WaterOne Rate Classes are: Single Family Residential, Multi-Family Residential, Small Commercial, Large Commercial, Temporary Commercial, and Wholesale.

Raw Water

Water in its natural, untreated state.

Reserve Fund

An account used to indicate that its balance is restricted for a specific purpose and is, therefore, not available for general appropriation.

RFP

Request for Proposal.

SAAS

Software as a Service.

GLOSSARY

SAN

Storage Area Network.

SAP

An integrated enterprise application suite, using Enterprise Resource Planning software in a client-server environment.

SCADA

Supervisory Control and Data Acquisition. A large-scale, distributed measurement and management computer system used as a mechanism to monitor and control chemical, physical or transport processes.

SCBA

Self-Contained Breathing Apparatus.

SDC Fund

The fund where SDC revenue is collected to pay for SDC-qualified facilities or to retire bonds which were issued for SDC-qualified facilities.

SDCs

System Development Charges. SDCs represent a capital contribution from new customers to be used by WaterOne for the construction, refurbishment, or replacement of major projects related to additional supply, treatment, and transmission and major distribution facilities, or the redemption of bonds issued to pay for those facilities.

Second Lien Parity Bonds

Special obligations of the Water District payable solely from and secured by a pledge of, and lien on, the Second Lien Net Revenues derived by the Water District from the operation of the Water System and are subordinate to the Senior Parity Bonds.

Senior Parity Bonds

Special obligations of the Water District payable solely from and secured by a pledge of and first lien on the net revenues of the Water district. The Second Lien Parity Bonds are subordinate to the Senior Parity Bonds.

Significant Accounts

For district-wide schedules, a Significant Account is any O&M account that comprises 5% or more of its category, and/or has a change of both \$25,000 and is 5.0% over the prior year's budget. For the divisional sections, Significant Accounts are the largest budget items and must collectively make up at least 90% of the divisional O&M budget.

GLOSSARY

SQL

Structured Query Language.

T & D

Transmission & Distribution - Facilities related to Transmission and Distribution include water mains, pressure reducing valves, service connections and fire hydrants.

T & D Capital Fund

A contingent liability account set up to pay only for the maintenance, rehabilitation and/or replacement of WaterOne's aging Transmission & Distribution underground infrastructure.

TM

Transmission Main.

Total Annual Capital

Total Annual Capital consists of the Annual Capital budget and annual funding to the T&D Capital Fund.

Transmission Main

A water main which functions as a high volume feed between the water source to Distribution Mains and other Transmission Mains. Transmission mains are generally sized 16 inches in diameter and larger, but WaterOne may designate smaller sizes as Transmission Mains depending on their function.

WAN

Wide-Area Network. A WAN spans a relatively large geographical area and typically consists of two or more LANs.

Water Revenue Bonds

Debt instruments issued by a state or local government in order to raise money which are secured solely by specified revenue and not by tax revenue.

Water Sales Revenue

Income derived from customers for the delivery of water, including service charges and metered volume-based charges.

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