

2018



WaterOne
Water District No. 1 of Johnson County

BUDGET

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2018 Budget

Adopted December 12, 2017

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

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Mark Parkins

Robert P. Reese

SENIOR STAFF:

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Darin Kamradt, 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



10747 Renner Boulevard

Lenexa, KS 66219

913.895.5500

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**Water District No. 1 of Johnson County
Kansas**

For the Fiscal Year Beginning

January 1, 2017

Christopher P. Monell

Executive Director

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EXECUTIVE SUMMARY

Looking back at 2017 ...

The weather in the first half of 2017 was relatively normal or average which has led to water sales revenue close to budget. There were some expense savings primarily related to more vacant positions than expected.



New customer growth for 2017 is close to the budget. Growth continues to be modest compared to pre-recession levels, but 2017 growth is on pace with the growth experienced in 2016 and is expected to continue to increase slowly over the next few years.

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

Looking ahead to 2018 ...

Water rates will not increase in 2018. In last year's budget a 3.0% rate increase was projected. The rate increase was eliminated primarily due to the refunding of a portion of outstanding debt which took advantage of the low interest rate environment and restructured debt for total level debt service.

Total revenue is projected to increase in 2018 due to customer growth and an increase in investment income. The revenues provided in the 2018 budget allow WaterOne to execute its strategic and level of service goals.

The debt refunding and restructure, increased investment income and continued customer growth provided the opportunity to keep rates flat for 2018 while also reducing the projected rate increases in the future. WaterOne remains committed to its policy of stable and predictable rates.



WATERONE 2018 BUDGET
EXECUTIVE SUMMARY

Where the money comes from ...

2018 REVENUE PROJECTIONS: \$115.78M

2018 revenues are projected to increase by \$1.94M, or 1.7%, over 2017 due to customer growth and an increase in investment income. The addition of 1,500 new customers provides increased water sales revenues which are partially offset by continued declining domestic water use. Investment income is increasing due to the combination of higher interest rates and increased cash available to invest.

Comparison of Revenues				
In Millions	2017 Budget	2018 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$111.30	\$112.32	\$1.02	0.9%
Other Operating Revenue	1.55	1.58	0.03	1.9%
Investment Income	0.99	1.88	0.89	89.9%
Total Revenue	\$113.84	\$115.78	\$1.94	1.7%

Numbers may not total due to rounding

Where the money goes ...

2018 REVENUE REQUIREMENTS: \$115.78M

The revenue requirements for 2018 increased by \$1.94M, or 1.7%, over 2017. As shown in the following table the largest increases are in funding designated to the Master Plan Capital Fund and operating and maintenance expenses while debt service funding is decreasing. Total annual capital and reserve funding are also increasing in 2018. All of these items are discussed in more detail in the following sections.

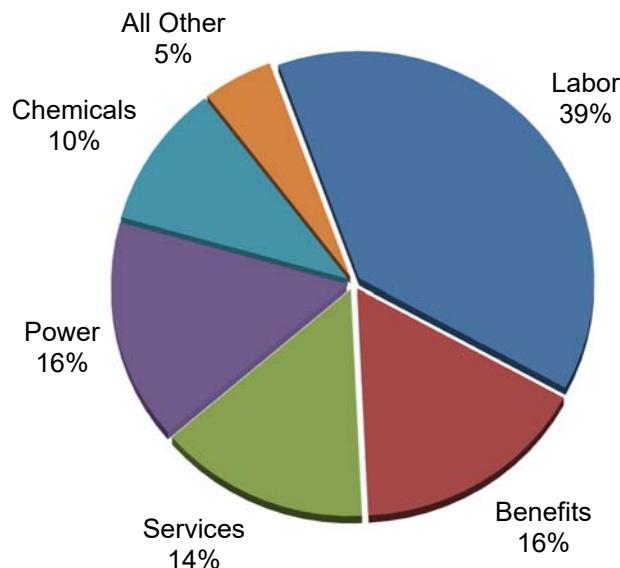
Comparison of Revenue Requirements				
In millions	2017 Budget	2018 Budget	\$ Inc <Dec>	% Inc <Dec>
Revenue Requirements				
Operations & Maintenance Expense	\$53.31	\$55.40	\$2.09	3.9%
Total Annual Capital	25.18	25.60	0.43	1.7%
Debt Service	24.83	21.27	<3.56>	<14.3%>
Designated to Master Plan	10.02	12.82	2.81	28.0%
Reserve Funding	0.51	0.69	0.18	35.3%
Total Revenue Requirements	\$113.84	\$115.78	\$1.94	1.7%

Numbers may not total due to rounding

OPERATIONS & MAINTENANCE EXPENSES: \$55.40M

Operations and Maintenance (O&M) expenses represent 48% of the 2018 budget, which is consistent with prior years. O&M increased 3.9% year-over-year. The table below shows the breakdown of the significant O&M expenses including the difference between 2017 and 2018 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense



In millions

O&M	2017 Budget	2018 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$20.24	\$21.35	\$1.11	5.5%
Benefits	8.69	9.01	0.32	3.7%
Power ^(a)	8.02	8.68	0.66	8.2%
Services	7.87	8.02	0.14	1.8%
Chemicals	5.83	5.68	<0.15>	<2.6%>
All Other	2.66	2.67	0.01	0.5%
Total	\$53.31	\$55.40	\$2.09	3.9%

Numbers may not total due to rounding

(a) includes power for source, treatment, transmission, and distribution from electricity and natural gas

Labor

Labor costs include:

- The annual true-up to the 2017 base to reflect the actual outcome of payroll after turn-over, retirements, and vacancies
- A 3.5% performance compensation adjustment
- A 1.0% equity adjustment related to the 2017 Compensation Study
- Overtime

- Transfers of labor costs to capital projects, capturing true project costs
- A net increase of 4.48 Full Time Equivalent (FTE) positions

All positions are assessed based on operational needs including those related to customer growth. Three new full time positions, two reclassifications from part time to full time and two interns are requested.

Requested Positions

- Instrument Tech - Full Time
- Construction Coordinator - Full Time
- Customer Representative - Full Time
- (2) Customer Representatives - Part Time to Full Time
- Lab Intern - Summer
- Human Resources Intern - Summer

Benefits

Benefits (net of transfers to capital) increased \$0.32M or 3.7%. Payroll related benefits are the primary drivers of the increase. Total Pension expenses are increasing 4.5% and FICA expense is increasing 5.1%. The increase is being partially offset by a reduction in the workers compensation premium.

Power

The power budget increased \$0.66M or 8.2%. Power is increasing primarily due to changes in the Board of Public Utilities (BPU) rate structure, a rate increase, a new standby charge, and an increase to the Energy Rate Component (ERC). Additional factors include increased used of the natural gas engine generators at the Wolcott Treatment Plant and increased use of the Ralph G. Wyss Pump Station.

Services

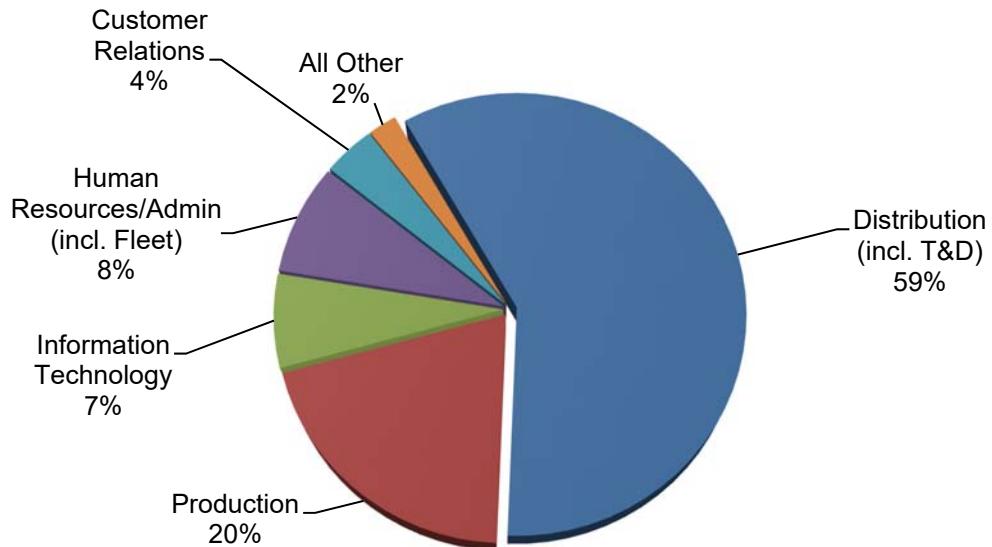
Services (net of transfers) increased \$0.14M or 1.8%. The largest increases were in pavement repair due to the increasing cost per main break, and in PC Software License & Maintenance due to increasing cost of annual maintenance contracts and new software.

Chemicals

The chemical budget decreased \$0.15M, or 2.6%. The decrease is due to continued dose reductions resulting from operational changes implemented in 2016 which reduced the need for chemicals to treat hardness and alkalinity.

TOTAL ANNUAL CAPITAL: \$25.60M

The Total Annual Capital budget for 2018 increased \$0.43M from 2017. Approximately 97% of the budget is used to replace 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

Total Annual Capital	2017 Budget	2018 Budget	\$ Inc <Dec>	% Inc <Dec>
Transmission & Distribution	\$14.41	\$14.78	\$0.37	2.6%
Production	5.74	5.15	<0.59>	<10.3%>
Human Resources/Admin. (incl. Fleet)	1.43	2.08	0.65	45.4%
Information Technology	1.54	1.75	0.21	13.8%
Customer Relations	1.39	0.98	<0.41>	<29.3%>
Distribution	0.04	0.32	0.28	778.7%
All Other	0.62	0.54	<0.09>	<14.0%>
Total Annual Capital	\$25.18	\$25.60	\$0.43	1.7%

Numbers may not total due to rounding

Annual Capital increased for 2018 by \$0.06M. These capital requests are primarily used to replace obsolete or worn-out equipment, purchase new equipment and technology, and make improvements to existing assets. The largest projects include production facility roof and valve replacements, mechanical and electrical improvements, annual meter replacements and a Storage Area Network (SAN) upgrade. These requests vary annually and are based on the asset management plan.

The Transmission & Distribution (T&D) budget has increased by \$0.37M to \$14.78M. The increase is due to continued execution of the asset management strategy which targets replacement of aging infrastructure at the lowest life-cycle cost. The increase is partially offset by reductions in the non-replacement categories, which continue to be less than budgeted and historical averages.

Transmission & Distribution (T&D)

In millions	2017 Budget	2018 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$7.07	\$7.95	\$0.88	12.4%
General Improvements	2.22	2.25	0.03	1.4%
Distribution Main Breaks	1.88	1.79	<0.09>	<4.8%>
Distribution Main Relocations	1.62	1.52	<0.10>	<6.2%>
Transmission Main Capital	1.02	0.72	<0.30>	<29.4%>
Condition Assessment	0.60	0.55	<0.05>	<8.3%>
Subtotal T&D Funding	\$14.41	\$14.78	\$0.37	2.6%

DEBT SERVICE: \$21.27M

Debt Service decreased \$3.56M, or 14.3%. The reduction is due to the refunding of the 2007 Bonds. The refunded bonds were issued at a lower interest rate and restructured to provide total level debt service.

DESIGNATED TO MASTER PLAN: \$12.82M

Funds designated to the Master Plan Capital Fund increased \$2.81M or 28.0%. “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.

The 2018 budget of \$12.81 is 11.1% 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: \$0.69M

Reserve funding increased \$0.18M or 35.3%. Reserve funding consists of reserves 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 residential customers and the business community.

The 2018 budget provides the resources needed to deliver on WaterOne’s vision of “*Setting the Standard for Utility Excellence.*”

Budget Review and Approval Process

The Finance Division kicks off the budget planning cycle in the first quarter. Budget targets and challenges are communicated 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 budgets, historical data, trend analysis and any other known relevant information. FP&A 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 managers to FP&A who review 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 closely 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.

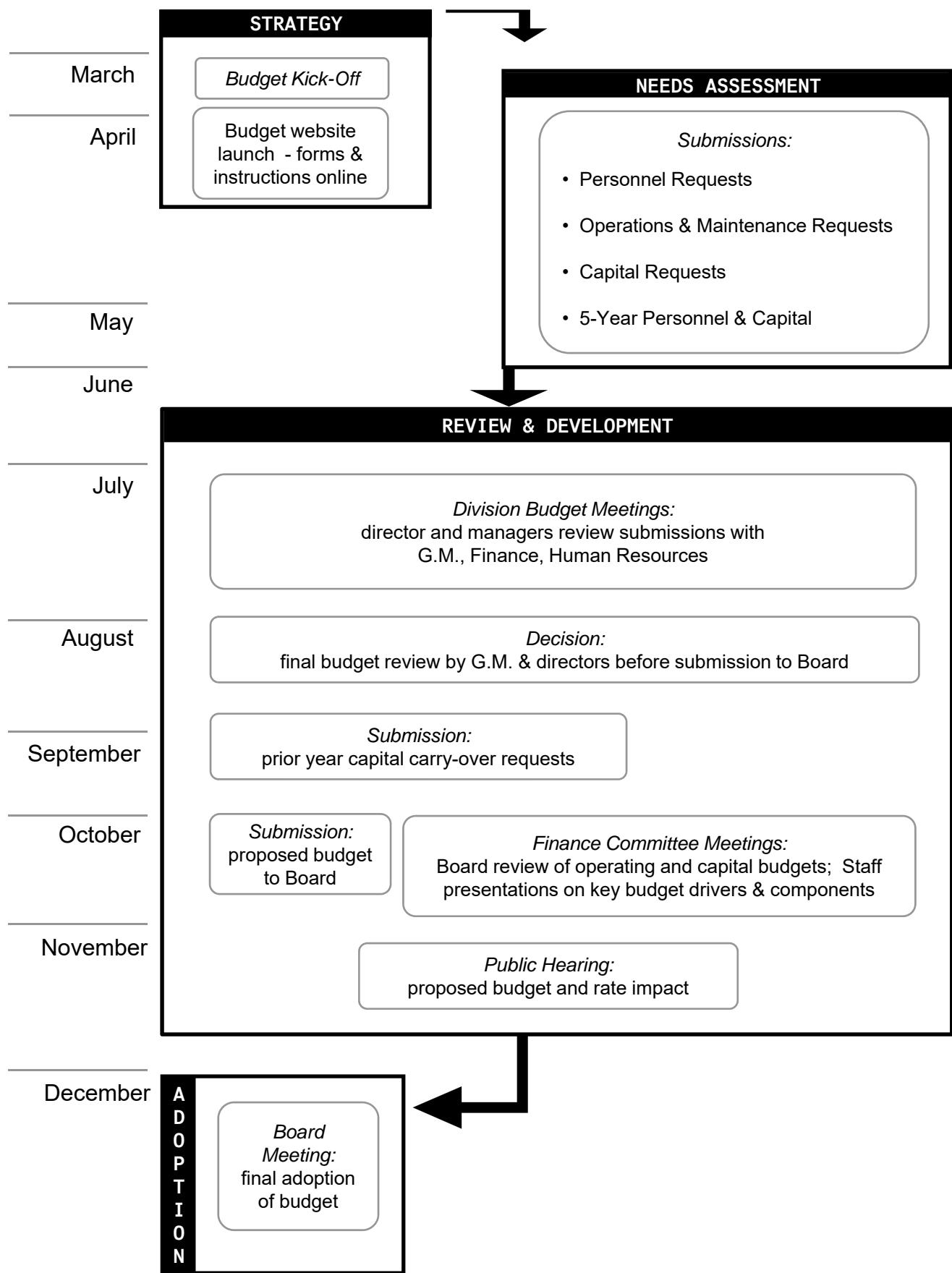
At this point, directors review, provide input, and after any additional changes, approve the current year and five year requests. Financial modeling is then updated with the latest budget submissions and any other revised assumptions and the water rates required to support the budget are produced.

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.

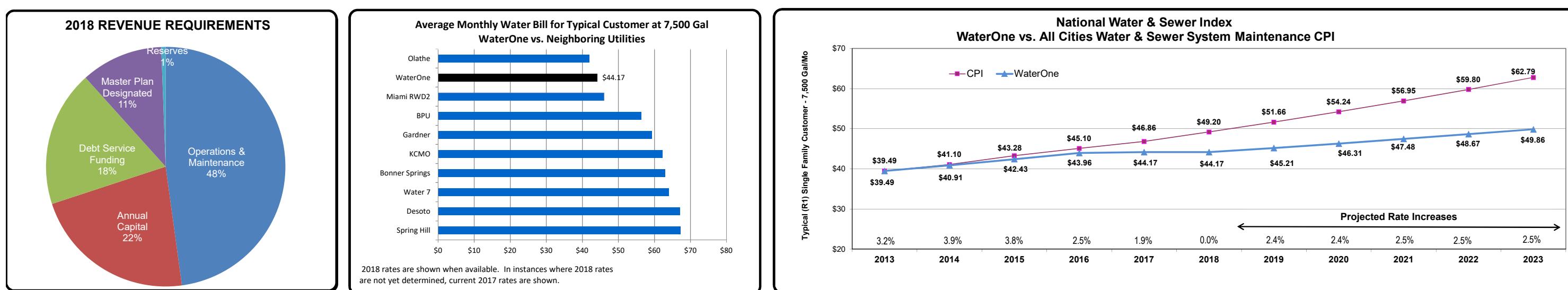
Formal budget amendments are not a part of WaterOne's process. See Fiscal Policies, Annual Budgeting (Section 202) for additional information.

2018 BUDGET PROCESS



WATERONE FINANCIAL OVERVIEW

TOTAL ANNUAL OPERATING BUDGET	★ Rate increases beyond the current year are not formally adopted and are subject to change in the future.											
	3.2%	3.9%	3.8%	2.5%	1.9%	0.0%	2.4%*	2.4%*	2.5%*	2.5%*	2.5%*	2.5%*
	2013 ACTUAL	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 BUDGET	2018 BUDGET	PROJECTION	PROJECTION	PROJECTION	PROJECTION	PROJECTION	PROJECTION
REVENUES PROVIDED:												
Sales Of Water	\$ 97,594,794	\$ 96,571,419	\$ 94,775,765	\$ 108,586,314	\$ 111,304,896	\$ 112,322,405	\$ 115,730,620	\$ 119,444,408	\$ 123,280,254	\$ 127,284,924	\$ 131,395,818	
Sales Of Water - Wholesale	-	-	-	-	-	-	-	-	-	-	-	
Other Operating Revenues	1,273,121	1,302,105	1,289,499	1,329,856	1,545,000	1,575,000	1,589,000	1,603,000	1,617,000	1,632,000	1,647,000	
Total Operating Revenues	98,867,915	97,873,524	96,229,765	109,916,170	112,849,896	113,897,405	117,319,620	121,047,408	124,897,254	128,916,924	133,042,818	
Investment Income (General and P&I Funds)	197,373	287,353	358,053	572,595	940,000	1,700,000	1,880,000	2,180,000	2,950,000	3,220,000	3,450,000	
Investment Income (Bond & SDC Fund)	-	64,193	189,725	230,189	50,000	180,000	-	10,000	-	10,000	-	
Total Investment Income	197,373	351,546	547,778	802,784	990,000	1,880,000	1,880,000	2,190,000	2,950,000	3,230,000	3,450,000	
TOTAL REVENUES PROVIDED	\$ 99,065,287	\$ 98,225,070	\$ 96,777,543	\$ 110,718,954	\$ 113,839,896	\$ 115,777,405	\$ 119,199,620	\$ 123,237,408	\$ 127,847,254	\$ 132,146,924	\$ 136,492,818	
REVENUE REQUIREMENTS:												
Operations & Maintenance Expense	\$ 47,214,225	\$ 48,769,727	\$ 46,817,259	\$ 49,728,302	\$ 53,308,419	\$ 55,397,311	\$ 57,467,081	\$ 58,179,899	\$ 61,012,162	\$ 64,003,217	\$ 67,208,086	
Annual Capital	3,166,509	2,721,823	5,736,185	4,864,318	10,765,000	10,820,000	12,230,000	12,720,000	13,220,000	13,740,000	14,280,000	
Current Year Carryovers to be Spent in Following Year	4,207,532	5,593,129	5,213,191	6,040,982	-	-	-	-	-	-	-	
Transmission and Distribution (T&D) Funding	11,950,000	13,174,000	13,743,000	12,940,000	14,410,000	14,780,000	16,003,000	17,354,000	18,804,000	20,388,000	22,093,000	
Total Annual Capital	19,324,041	21,488,952	24,692,376	23,845,300	25,175,000	25,600,000	28,233,000	30,074,000	32,024,000	34,128,000	36,373,000	
Debt Service Funding	21,273,985	23,728,410	22,624,501	24,663,482	24,831,043	21,268,202	22,003,434	22,008,038	22,006,738	22,005,500	22,008,650	
Master Plan Designated	4,063,989	1,559,690	400,000	12,437,530	10,015,434	12,821,892	10,616,105	11,935,472	11,734,355	10,910,207	9,443,082	
Investment Income (Bond & SDC Fund)	-	64,193	189,725	230,189	50,000	180,000	-	10,000	-	10,000	-	
Repayment to Master Plan for Bond Payoff	3,587,500	2,259,167	2,170,000	-	-	-	-	-	-	-	-	
Total Transfers to Master Plan	7,651,489	3,883,050	2,759,725	12,667,719	10,065,434	13,001,892	10,616,105	11,945,472	11,734,355	10,920,207	9,443,082	
Bond Covenant Required Reserves	-	(145,068)	533,729	(519,505)	70,000	510,000	580,000	720,000	740,000	750,000	1,050,000	
Negative Cash Flow Reserve	500,000	500,000	-	-	390,000	300,000	310,000	330,000	340,000	340,000	410,000	
TOTAL REVENUE REQUIREMENTS	\$ 95,963,740	\$ 98,225,070	\$ 97,427,589	\$ 110,385,299	\$ 113,839,896	\$ 115,777,405	\$ 119,199,620	\$ 123,237,408	\$ 127,847,254	\$ 132,146,924	\$ 136,492,818	
Funds Available for Reservation	\$ 3,101,547	\$ -	\$ (650,046)	\$ 333,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Senior Parity and 2nd Lien Debt Service Coverage	2.44	2.08	2.21	2.47	2.44	2.84	2.81	2.96	3.04	3.10	3.15	
Master Plan Designated as a % of Water Sales	4%	2%	0%	11%	9%	11%	9%	10%	9%	8%	7%	
MASTER PLAN CAPITAL FUND												
Carryover Reserves Available for Future Awards	\$ 26,250,055	\$ 32,263,852	\$ 52,376,319	\$ 41,165,815	\$ 43,717,520	\$ 51,091,959	\$ 23,506,556	\$ 18,807,827	\$ 20,272,164	\$ 40,929,831	\$ 42,193,846	
Funding Sources:												
Net Bond Proceeds	-	78,328,280	-	-	-	40,000,000	-	-	-	-	-	
Designated for Master Plan from Annual Budget	8,563,989	1,559,690	400,000	12,437,530	10,015,434	12,821,892	10,616,105	11,935,472	11,734,355	10,910,207	9,443,082	
System Development Charge (SDC) Revenue	8,700,000	10,500,000	7,500,000	9,900,000	11,000,000	7,282,500	8,544,000	9,290,500	10,143,000	11,115,000	10,830,000	Assumes all 5/8" System Development Charges
Reserve Transfers	-	3,450,000	1,800,000	1,500,000	-	-	343,635	1,309,500	-	10,000	-	
Investment Income (Bond & SDC Fund)	-	-	116,644	-	-	180,000	-	10,000	-	10,000	-	
Total Funding Sources	\$ 17,263,989	\$ 93,837,970	\$ 9,816,644	\$ 23,837,530	\$ 61,015,434	\$ 20,284,392	\$ 19,503,740	\$ 22,545,472	\$ 21,877,355	\$ 22,035,207	\$ 20,273,082	
TOTAL FUNDS AVAILABLE	\$ 43,514,044	\$ 126,101,822	\$ 62,192,963	\$ 65,003,345	\$ 104,732,954	\$ 71,376,351	\$ 43,010,296	\$ 41,353,298	\$ 42,149,519	\$ 62,965,038	\$ 62,466,927	
Master Plan Project Costs (Award Basis)	\$ 11,250,192	\$ 73,725,503	\$ 21,027,147	\$ 21,285,825	\$ 53,640,995	\$ 47,869,795	\$ 24,202,469	\$ 21,081,134	\$ 1,219,688	\$ 20,771,193	\$ 9,915,937	



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2018 Adopted Budget to 2017 Adopted Budget
2018 Water Rate Increase = 0.0%

	2017 ADOPTED BUDGET @ 1.9%	2018 ADOPTED BUDGET @ 0.0%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 111,304,896	\$ 111,304,896	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	1,293,237	1,293,237	1.2%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(275,728)	(275,728)	-0.2%
5 Increase Required from Rate Adjustment	na	0	0	0.0%
6 TOTAL SALES OF WATER	\$ 111,304,896	\$ 112,322,405	\$ 1,017,509	0.9%
7 Delayed Payment Charges	\$ 600,000	\$ 600,000	\$ -	0.0%
8 Field Service Charges	350,000	355,000	5,000	1.4%
9 Other Operating Revenues	595,000	620,000	25,000	4.2%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,545,000	\$ 1,575,000	\$ 30,000	1.9%
11 Investment Income (General and P&I Funds)	\$ 940,000	\$ 1,700,000	\$ 760,000	80.9%
12 Investment Income (Bond & SDC Fund)	50,000	180,000	130,000	260.0%
13 TOTAL INVESTMENT INCOME	\$ 990,000	\$ 1,880,000	\$ 890,000	89.9%
14 TOTAL REVENUES PROVIDED	\$ 113,839,896	\$ 115,777,405	\$ 1,937,509	1.7%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 53,308,419	\$ 55,397,311	\$ 2,088,892	3.9%
17 Annual Capital	\$ 10,765,000	\$ 10,820,000	\$ 55,000	0.5%
18 T&D Funding	14,410,000	14,780,000	370,000	2.6%
19 TOTAL ANNUAL CAPITAL	\$ 25,175,000	\$ 25,600,000	\$ 425,000	1.7%
20 Senior Parity Bonds	\$ 16,368,275	\$ -	\$ (16,368,275)	-100.0%
21 2nd Lien Bonds / Parity Bonds (2018)	8,462,769	21,268,202	12,805,434	151.3%
22 TOTAL DEBT SERVICE FUNDING	\$ 24,831,043	\$ 21,268,202	\$ (3,562,841)	-14.3%
23 Master Plan Designated	\$ 10,015,434	\$ 12,821,892	\$ 2,806,458	28.0%
24 Investment Income (Bond & SDC Fund)	50,000	180,000	130,000	260.0%
25 TOTAL TRANSFERS TO MASTER PLAN	\$ 10,065,434	\$ 13,001,892	\$ 2,936,458	29.2%
26 Bond Covenant Required Reserves	\$ 70,000	\$ 510,000	\$ 440,000	628.6%
27 Negative Cash Flow Reserve	390,000	-	(390,000)	-100.0%
28 TOTAL REQUIRED RESERVE FUNDING	\$ 460,000	\$ 510,000	\$ 50,000	10.9%
29 TOTAL REVENUE REQUIREMENTS	\$ 113,839,896	\$ 115,777,405	\$ 1,937,509	1.7%
30 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 60,531,477	\$ 60,380,094	\$ (151,383)	-0.3%
31 Debt Service (Line #22)	\$ 24,831,043	\$ 21,268,202	\$ (3,562,841)	-14.3%
32 DEBT SERVICE COVERAGE (Ln #30 / Ln #31)	2.44	2.84		
33 ADJUSTMENT TO WATER RATES	1.9%	0.0%		

Percentages may not add due to rounding

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 that WaterOne maintain a debt service reserve funded by cash or surety policy. The Bond Reserve is currently cash funded.

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 12/31/2017	\$ 46,696,592	\$ 111,617,792	\$ 3,703,686	\$ 1,038,867	\$ 15,636,176	\$ 11,000,000	\$ 189,693,113
Water Sales	112,322,405	-	-	-	-	-	112,322,405
Other Operating Revenues	1,575,000	-	-	-	-	-	1,575,000
Investment Income	1,700,000	180,000	-	-	-	-	1,880,000
System Development Charges	-	7,282,500	-	-	-	-	7,282,500
Bond Proceeds	-	-	-	-	-	-	-
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	12,272,745	14,780,000	21,817,349	-	-	48,870,094
Total Revenue & Transfers In	\$ 115,597,405	\$ 19,735,245	\$ 14,780,000	\$ 21,817,349	\$ -	\$ -	\$ 171,929,999
Operations & Maintenance Expense	55,397,311	-	-	-	-	-	55,397,311
Capital Spending	10,820,000	79,185,359	14,780,000	-	-	-	104,785,359
Debt Service Payments	-	-	-	21,817,349	-	-	21,817,349
Transfer to Debt Service	21,817,349	-	-	-	-	-	21,817,349
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	14,780,000	-	-	-	-	-	14,780,000
Transfers to Master Plan	12,272,745	-	-	-	-	-	12,272,745
Total Expenditures & Transfers Out	\$ 115,087,405	\$ 79,185,359	\$ 14,780,000	\$ 21,817,349	\$ -	\$ -	\$ 230,870,113
Projected Fund Balance at 12/31/2018	\$ 47,206,592	\$ 52,167,678	\$ 3,703,686	\$ 1,038,867	\$ 15,636,176	\$ 11,000,000	\$ 130,752,999
Increase (Decrease) in Fund Balance	\$ 510,000	\$ (59,450,114)	\$ -	\$ -	\$ -	\$ -	\$ (58,940,114)
Percent Change in Fund Balance	1.1%	-53.3%	0.0%	0.0%	0.0%	0.0%	-31.1%

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 decrease in the fund balance is the result of paying down bond funds for financing the Ozone Generation Facility and Electrical Equipment Replacement, as well as cash funding for the AMI project .

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.

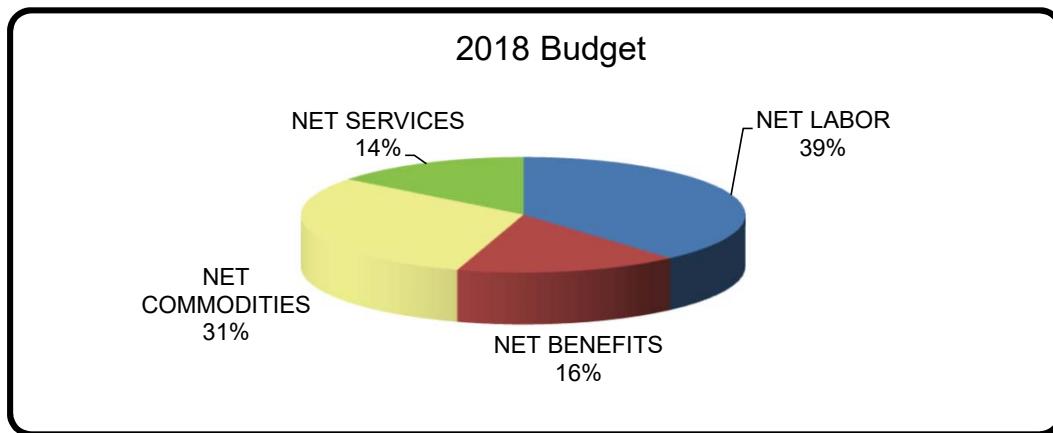
Bond Reserve: The bond reserve is fully funded and should not change unless bonds are paid off.

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

2018 O&M Budget

Compared to 2017 Budget

SIGNIFICANT ACCOUNTS



This report includes 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.

	2017 Budget	2018 Budget	\$ Inc/(Decr)	% Inc/(Decr)
NET LABOR	\$20,238,525	\$21,346,128	\$1,107,603	5.5%
NET BENEFITS	8,688,815	9,009,594	320,779	3.7%
NET COMMODITIES	16,507,215	17,024,642	517,427	3.1%
NET SERVICES	7,873,863	8,016,947	143,083	1.8%
Total	\$53,308,419	\$55,397,311	\$2,088,892	3.9%

(numbers may not add due to rounding)

2018 Budget Compared to 2017 Budget
By Category
ACCOUNTS - BY CATEGORY

12/27/2017

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				
Labor - Non OT	25,154,763	26,334,242	1,179,479	4.7%
Labor-Non OT Gross includes projected payroll costs for all authorized WaterOne employees. To project labor, it is assumed that all current authorized positions are filled as of January 1, 2018. Budgeted salaries have a reduction of 1.0% for slippage.				
The 2018 Labor Budget is increasing a total of \$1,179,479 or 4.7% over the 2017 Budget. After the annual true-up to reflect the actual outcome of payroll after turnover, retirements and vacancies, the beginning base is \$24,988,051.				
		% Chg from 2017 Budget		
2017 Budget Gross Payroll	\$ 25,154,763			
Annual True-Up of 2017 Base	<u>(166,713)</u>		-0.7%	
2018 Beginning Base	\$ 24,988,051			
Eliminated Positions	0		0.0%	
New Authorizations	<u>231,613</u>		0.9%	
	\$ 25,219,664			
Equity Adjustment (a)	240,000		1.0%	
Performance Compensation (b)	874,578		3.5%	
Total Projected 2018 Labor Budget	\$ 26,334,242		4.7%	

Numbers may not add due to rounding.

- (a) A 1% equity adjustment is budgeted related to the result of a compensation study completed in 2017.
- (b) Performance Compensation is calculated as a percent of 2018 Beginning Base Pay. A 3.5% overall Performance Compensation adjustment is budgeted.

<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
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The significant budget factors in 2018 are:

1) *Annual True-Up of Beginning Base* (\$166,713)

The decrease to the beginning base is made up of the following 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 \$280,275.
- A true-up based on the 2017 Compensation Study to bring employees up to the minimum level of their salary range was \$82,372.
- One-time performance pay was \$31,190. It is not part of base pay and becomes part of the annual true-up.

2) *Eliminations/New Authorizations* \$231,613

- A total of 3 new full time positions and two summer positions are requested for a total of \$191,266.
- 2 reclassifications from part time to full time are requested for a total of \$40,347.
- The 2018 Budget authorized headcount is 387 full time, 4 part time, and 22 temporary/summer. The 4 part time and 22 temporary/summer represent 8.63 full time equivalents for a total of 395.63 full time equivalents.

3) *Equity Adjustment from 2017 Compensation Study* \$240,000

- An equity adjustment based on the Compensation Study is budgeted at \$240,000. This adjustment is related to employees that are exceeding performance expectations and have remained in the lowest one-third of their salary range.

4) *Performance Compensation Adjustments* \$874,578

- A performance adjustment increase of 3.5% is budgeted at \$874,578.

All Other PAYROLL Accounts	1,136,749	1,115,913	(20,836)	(1.8%)
PAYROLL Transfers	(6,052,986)	(6,104,027)	(51,041)	0.8%
Net PAYROLL	20,238,525	21,346,128	1,107,603	5.5%

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
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BENEFITS

Employee Insurance - Health	4,503,254	4,567,633	64,379	1.4%
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The projected components of the increase in health insurance are a 1.3% increase for additional personnel and 0.1% increase related to the employee coverage mix and slippage. There is no premium increase projected for 2018.

Total Pension Accounts	3,661,822	3,826,876	165,054	4.5%
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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 increase because of employee turnover.

		% Change from 2017
	2018 Budget	Budget
<i>Defined Benefit (DB) Plans</i>		
412010 - Pension DB – Final Pay Plan	2,547,775	2.3%
412050 - Pension DB – Cash Balance Plan	50,526	31.2%
Total DB Plans	2,598,301	
<i>Defined Contribution (DC) Plans</i>		
412020 - Pension DC – WaterOne	426,627	(0.6%)
412052 - Pension DC – (New) WaterOne	195,980	32.4%
Total DC - Base	622,607	
412030 - Pension DC – Match	300,345	(0.6%)
412051 - Pension DC – (New) Match	305,623	20.8%
Total DC - Match	605,968	
<i>Grand Total Pension</i>	<u><u>3,826,876</u></u>	4.5%

<u>2017</u>	<u>2018</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	2,490,918	2,547,775	56,857	2.3%
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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.

Pension DB – Cash Balance Plan	38,504	50,526	12,022	31.2%
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The Cash Balance Plan was effective for new employees on January 1, 2014. 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.

2) Defined Contribution - Base

Pension DC – WaterOne	429,213	426,627	(2,586)	(0.6%)
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This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on eligible full time employee base 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) WaterOne' for costs related to employees hired after that date).

Pension DC – (New) WaterOne	148,011	195,980	47,969	32.4%
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This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account for all employees hired on or after January 1, 2014. The budget is based on eligible full time employee base salary. The budget increase is due to more participants entering the plan.

	<u>2017</u>	<u>2018</u>	<u>\$/DIF</u>	<u>% DIF</u>
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3) Defined Contribution - Match

Pension DC – Match	302,166	300,345	(1,821)	(0.6%)
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This budget covers WaterOne'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	253,010	305,623	52,613	20.8%
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This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account for all employees hired on and 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	1,917,686	2,016,340	98,654	5.1%
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The budget increase is due to the higher projected payroll and includes FICA for additional employee requests. Of the 5.1% increase, 4.7% is due to payroll and 0.4% is due to fewer non-taxable benefit payments and wages subject to Social Security Tax.

Other Post Employment Benefits (OPEB)	150,000	120,000	(30,000)	(20.0%)
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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.

All Other BENEFITS Accounts	1,482,562	1,390,962	(91,600)	(6.2%)
BENEFITS Transfers	(3,026,509)	(2,912,217)	114,292	(3.8%)
Net BENEFITS	8,688,815	9,009,594	320,779	3.7%

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
COMMODITIES				
Chemicals - Water Treatment	5,830,128	5,677,008	(153,120)	(2.6%)
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 2018 is decreasing due to continued dose reductions resulting from operational changes implemented in 2016 which reduced the need for chemicals to treat hardness and alkalinity.				
Power - Transmission	4,154,660	4,656,332	501,672	12.1%
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 2018 budget is increasing due to changes in the BPU rate structure, a rate increase, a new standby charge, and an increase to the Energy Rate Component (ERC).				
Power - Source	2,079,675	2,052,830	(26,845)	(1.3%)
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 2018 budget is decreasing due to operational changes which reduced production at the Wolcott facility.				
Power - Distribution	1,586,674	1,718,130	131,456	8.3%
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 the projected increased use of the Ralph G. Wyss Pump Station.				
Material & Supplies	1,374,353	1,386,650	12,297	0.9%
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	943,198	948,255	5,057	0.5%
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 \$2.04 in the 2017 budget to \$2.00 in 2018. The account is included as significant because it makes up more than 5% of the Commodities category.				

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
Natural Gas	350,905	396,475	45,570	13.0%
The budget increase is due to a higher forecasted usage in 2018 of the natural gas engine generators at the Wolcott facility.				
All Other COMMODITIES Accounts	931,849	930,866	(983)	(0.1%)
COMMODITIES Transfers	(744,227)	(741,904)	2,322	(0.3%)
Net COMMODITIES	16,507,215	17,024,642	517,427	3.1%

SERVICES

Pavement Repair	887,050	939,350	52,300	5.9%
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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 2018 budget is increasing due to an increase in the average cost per break.

PC Software License & Maintenance	594,918	791,085	196,167	33.0%
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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 2018 which is described below.

1. GIS software: GIS, computer aided design, hydraulic modeling software, and SCADA software. This account increased \$16,461 in 2018 primarily due to a scheduled rate increase in the annual maintenance contract for the SCADA control system platform along with additional maintenance costs as more equipment is added to the system.

2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget has increased \$179,706 in 2018. Changes are described below.

- a. An increase of \$105,368 is due to the movement of software maintenance contracts from the three other accounts in order to differentiate maintenance contracts between software and hardware for tracking purposes.
- b. An increase of \$45,138 is due to the annual maintenance contract for SAP increasing and the annual changes in subscriptions for Microsoft.
- c. New meter test bench software and applications for security increased the budget by \$29,200. These will be partially offset by the discontinuance of applications no longer necessary for the business.

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
Contracted Services	580,744	657,636	76,892	13.2%
These are services that are not cost-effective to complete in-house. The increase is due primarily to additional network security monitoring services and increase for repairs at the administrative headquarters which is trending up due to the age and high use of the building.				
Clean Drinking Water Fee	594,452	597,894	3,442	0.6%
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.				
Property & Liability Insurance	657,631	589,271	(68,360)	(10.4%)
The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, Auto and Cyber Liability. The 2018 budget is decreasing based on realized premium savings.				
Water Billing Services	494,500	474,000	(20,500)	(4.1%)
This account is for the outsourced printing and mailing of water bills. 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 lower contract costs and increased paperless billing.				
Security and/or Security Guards	455,888	468,825	12,937	2.8%
This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. The budget increase is due to an annual escalator in the current contract.				
Telecom	402,552	449,640	47,088	11.7%
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. Telecom – Voice and Telecom – Data have been combined to reflect the technology industry trend towards bundling services. The budget increased in 2018 primarily due to this combination of accounts.				
Training	250,900	312,225	61,325	24.4%
The budget is based on a multi-year average. For 2018, the budget is increasing due to more people in new positions. Training calculates to 1.2% of labor.				

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
Maintenance Services	274,950	246,970	(27,980)	(10.2%)
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 the contract for the river gauges at Parkville and the Kansas Weir being less than budgeted in 2017 and a decrease in the autoclave services contract at the lab.				
Mowing & Landscaping	148,200	182,350	34,150	23.0%
This budget is for contracted mowing and landscaping services at 31 facilities including treatment plants, pump stations river intakes and wellfields, and administrative facilities. The budget includes more frequent mowing and services at locations in residential areas which were not meeting neighborhood standards.				
Kansas River Water Assurance Dist. (KRWAD)	150,849	182,177	31,328	20.8%
KRWAD is a group of municipalities and industries that pool their resources to obtain water storage from three Kansas reservoirs; when needed, water can be released. The 2018 budget includes a 4% increase over 2017, as well as an additional \$25,000 for the new Regional Conservation Partnership Program.				
IT Hardware Maintenance	252,946	155,506	(97,440)	(38.5%)
This account is for the recurring maintenance contracts for network hardware and was previously titled IT Maintenance – Contracted. The decrease in 2018 is primarily related to the software maintenance contracts moving to the PC Software License & Maintenance and Contracted Services accounts. This change was to differentiate contracts between software and hardware maintenance for tracking purposes.				
Laboratory Services	117,450	149,449	31,999	27.2%
This account is associated with testing for water quality metrics as required by regulatory agencies. The budget is based historical costs to perform these tests and includes new testing that is expected to be required in the budget year. The budget increase is due primarily to new EPA testing requirements starting in 2018.				
IT Maint - SAAS	98,900	55,150	(43,750)	(44.2%)
This budget is for "Software As A Service" (SAAS). The reduction is due to budgets for the Notify JoCo emergency notification system and for the Board agenda services tool moved to 'PC Software & Maintenance'.				
General Expenses & Miscellaneous	33,975	7,950	(26,025)	(76.6%)
This account included a one-time expense in 2017 for the 60th Anniversary celebrations. The remaining charges are for community related events and sponsorships.				

	<u>2017</u>	<u>2018</u>	<u>\$ DIF</u>	<u>% DIF</u>
Telecom - Voice	45,060	-	(45,060)	(100.0%)
WaterOne has transitioned telecommunications providers for increased quality and service capabilities. The new vendor provides bundled voice and data services which are budgeted under 'Telecom'.				
KS State Water Analysis	50,000	-	(50,000)	(100.0%)
The multi-year KS river cyanobacteria studies involving taste and odor were completed.				
Contractual Fee To Consol. Gov. Wy'dot.	52,500	-	(52,500)	(100.0%)
This is a 20 year contract to the Unified Government of Wyandotte County regarding land previously used as a lime residual treatment facility. The contract ends in 2017 and will not be a future budget item.				
All Other SERVICES Accounts	2,229,843	2,257,969	28,125	1.3%
SERVICES Transfers	(499,445)	(500,500)	(1,055)	0.2%
Net SERVICES	7,873,863	8,016,947	143,083	1.8%
GRAND TOTAL	53,308,419	55,397,311	2,088,892	3.9%

Numbers may not add due to rounding

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WaterOne 2018 Budget

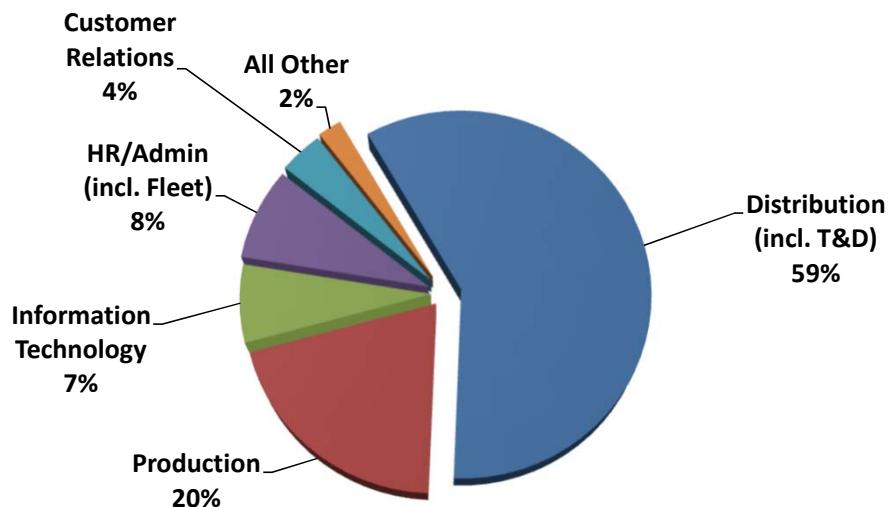
OVERVIEW

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION

Comparison of 2017 & 2018

Division	2017 Adopted Budget	2018 Proposed Budget	Dif \$	Dif %	% of Total Capital Requests	
					2017	2018
Distribution (incl. T&D)	\$ 14,446,155	\$ 15,097,680	\$ 651,525	4.5%	57.4%	59.0%
Production	5,742,910	5,149,236	(593,674)	(10.3%)	22.8%	20.1%
Human Resources / Admin. (incl. Fleet)	1,431,691	2,081,319	649,628	45.4%	5.7%	8.1%
Information Technology	1,538,210	1,751,210	213,000	13.8%	6.1%	6.8%
Customer Relations	1,392,796	984,508	(408,288)	(29.3%)	5.5%	3.8%
Finance	-	-	-	-	0.0%	0.0%
Omissions and Contingencies	623,238	536,047	(87,191)	(14.0%)	2.5%	2.1%
Total Annual Capital	\$ 25,175,000	\$ 25,600,000	\$ 425,000	1.7%	100%	100%

PERCENT OF TOTAL ANNUAL CAPITAL BUDGET



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

	<u>2017</u>	<u>2018</u>	\$	%
			Incr/(Decr)	Incr/(Decr)
Distribution Main Replacements	\$ 7,070,000	\$ 7,950,000	\$ 880,000	12.4%
General Improvements	2,220,000	2,250,000	30,000	1.4%
Distribution Main Breaks	1,880,000	1,790,000	(90,000)	(4.8%)
Distribution Main Relocations	1,620,000	1,520,000	(100,000)	(6.2%)
Transmission Main Capital	1,020,000	720,000	(300,000)	(29.4%)
Condition Assessment	600,000	550,000	(50,000)	-8.3%
Subtotal T&D Funding	\$ 14,410,000	\$ 14,780,000	\$ 370,000	2.6%

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2018 REVENUE SUMMARY

OPERATING REVENUE ASSUMPTIONS

Comparison of Revenues

Revenue Type	2017 Budget	2018 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$111,304,896	\$112,322,405	\$1,017,509	0.9%
Other Operating Revenues	1,545,000	1,575,000	30,000	1.9%
Investment Income	990,000	1,880,000	890,000	89.9%
Total	\$113,839,896	\$115,777,405	\$1,937,509	1.7%

Sales of Water

Sales of Water in 2018 is projected to increase by \$1,017,509 or 0.9%.

- 1,500 new customers will provide additional revenue of \$1,293,237. WaterOne projects new customer growth by analyzing the long term historical average as well as the recent growth trends.
- A 1.0% budgeted reduction in single family residential (R1) gallons per customer caused revenues to decrease. Residential usage is declining due to more efficient appliances and plumbing fixtures. This decrease was partially offset by a projected increase in the percentage of block 2 gallons sold, the net result of these changes is a decrease of \$55,334.
- Adjustments are made annually to the assumptions related to multi-family and commercial customer gallons sold and block allocations, as well as actual customer growth and meter sizes. Adjustments are made based on historical usage and trend analysis. The result of these adjustments is a net reduction in revenue of \$220,394.

Volume Charge vs. Service Charge

- Volume charges are 78% of revenue
- Service charges are 22% of revenue

The water sales budget is developed assuming “normal” weather which means 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 the same as the 2017 budget. (See 'Supplemental Schedules', Exhibit 5 for current fees and charges.)

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 2018 are budgeted to be \$355,000, a \$5,000 increase over the 2017 budget. (See 'Supplemental Schedules', Exhibit 5 for current fees and charges.)

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 \$620,000, an increase of \$25,000 or 4.2% from the 2017 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 2018 is budgeted to be \$1,880,000. This is an increase of \$890,000 or 89.9% from the 2017 budget. The increase is due to the assumed interest rate increasing from 0.75% to 1.25% and a higher projected General Fund balance.

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 to retire debt. For 2018, SDC income is budgeted at \$7,282,500 which is the same as the 2017 budget. SDCs are conservatively budgeted by assuming that all of the customer growth will be 5/8" service connections. Customer growth and the 5/8" SDC charge both remain the same as 2017. For 2018, customer growth is budgeted at 1,500 customers and the 5/8" SDC is \$4,855. (See 'Supplemental Schedules', Exhibit 5 for current fees and charges.)

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	2018 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

There is no rate increase for 2018 and no change to the rate structure. The typical customer's bill will remain flat at \$44.17 per month.

Comparison of Volume Rates and Service Charges
2017 to 2018
0.0% Rate Increase

	Meter Size	2017 Rates	2018 Rates	\$ Increase	% Increase
Retail Service Charges:					
Single Family Residential	Bi-monthly				
Monthly	5/8"	\$22.90	\$22.90	\$0.00	0.0%
	3/4"	\$30.00	\$30.00	\$0.00	0.0%
	1"	\$44.70	\$44.70	\$0.00	0.0%
	1 1/2"	\$82.90	\$82.90	\$0.00	0.0%
	2"	\$124.20	\$124.20	\$0.00	0.0%
	3"	\$300.00	\$300.00	\$0.00	0.0%
	4"	\$471.50	\$471.50	\$0.00	0.0%
All Other	Monthly				
	5/8"	\$14.20	\$14.20	\$0.00	0.0%
	3/4"	\$17.80	\$17.80	\$0.00	0.0%
	1"	\$25.10	\$25.10	\$0.00	0.0%
	1 1/2"	\$44.20	\$44.20	\$0.00	0.0%
	2"	\$64.90	\$64.90	\$0.00	0.0%
	3"	\$152.80	\$152.80	\$0.00	0.0%
	4"	\$238.50	\$238.50	\$0.00	0.0%
	6"	\$505.10	\$505.10	\$0.00	0.0%
Temporary Commercial (All Meter Sizes)		\$90.40	\$90.40	\$0.00	0.0%

Retail Volume Charges per 1,000 Gallons:

Block 1 (0 to 125% of AWC):

All Classes	\$4.08	\$4.08	\$0.00	0.0%
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Block 2 (Over 125% of AWC):

All Classes	\$5.43	\$5.43	\$0.00	0.0%
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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.

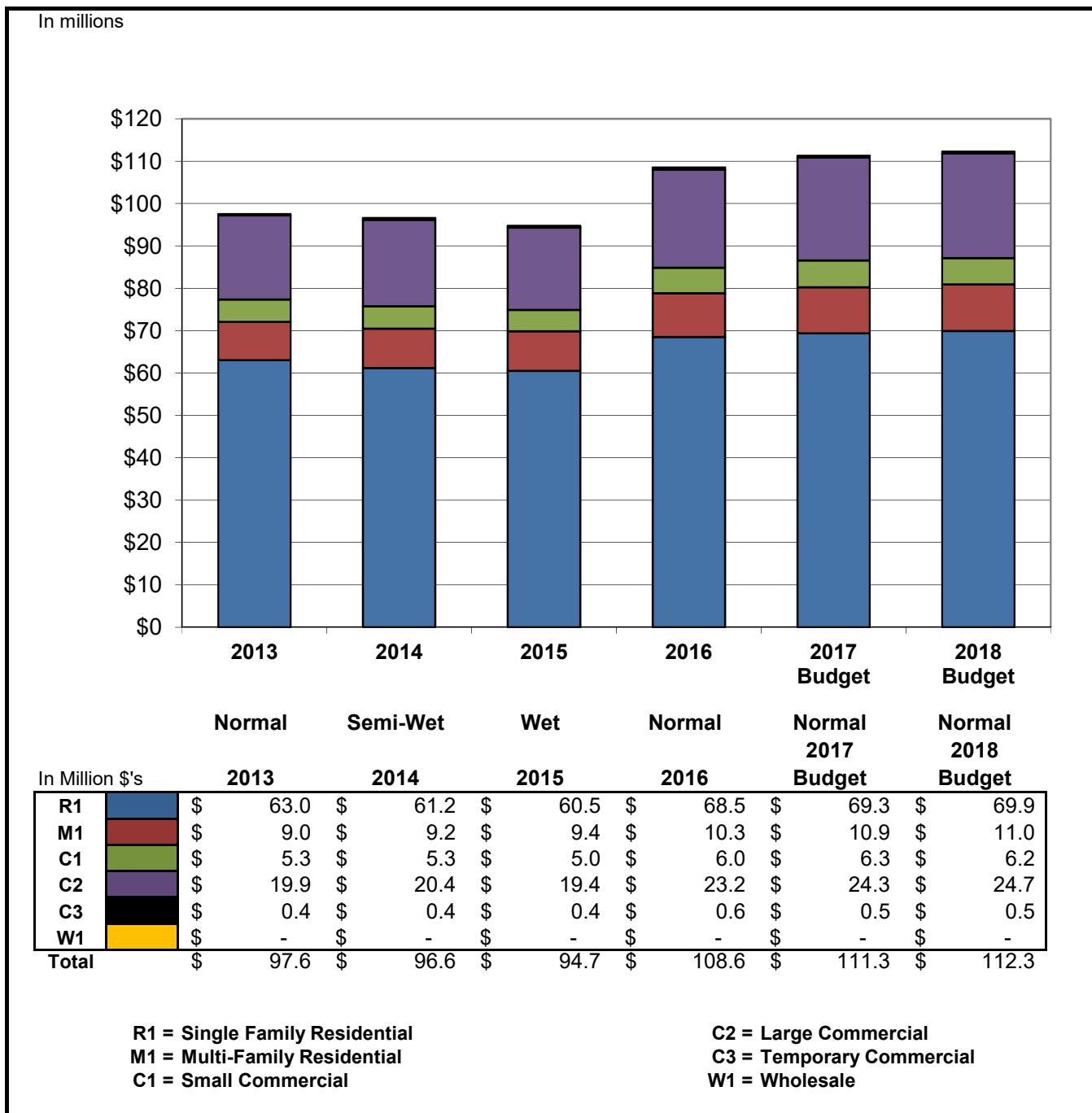
For Single-Family Residential (R1) customers, the DEFAULT AWC is based on the 5-year average of Individual AWCs of all Single-Family Residential (R1) customers, regardless of meter size.

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.

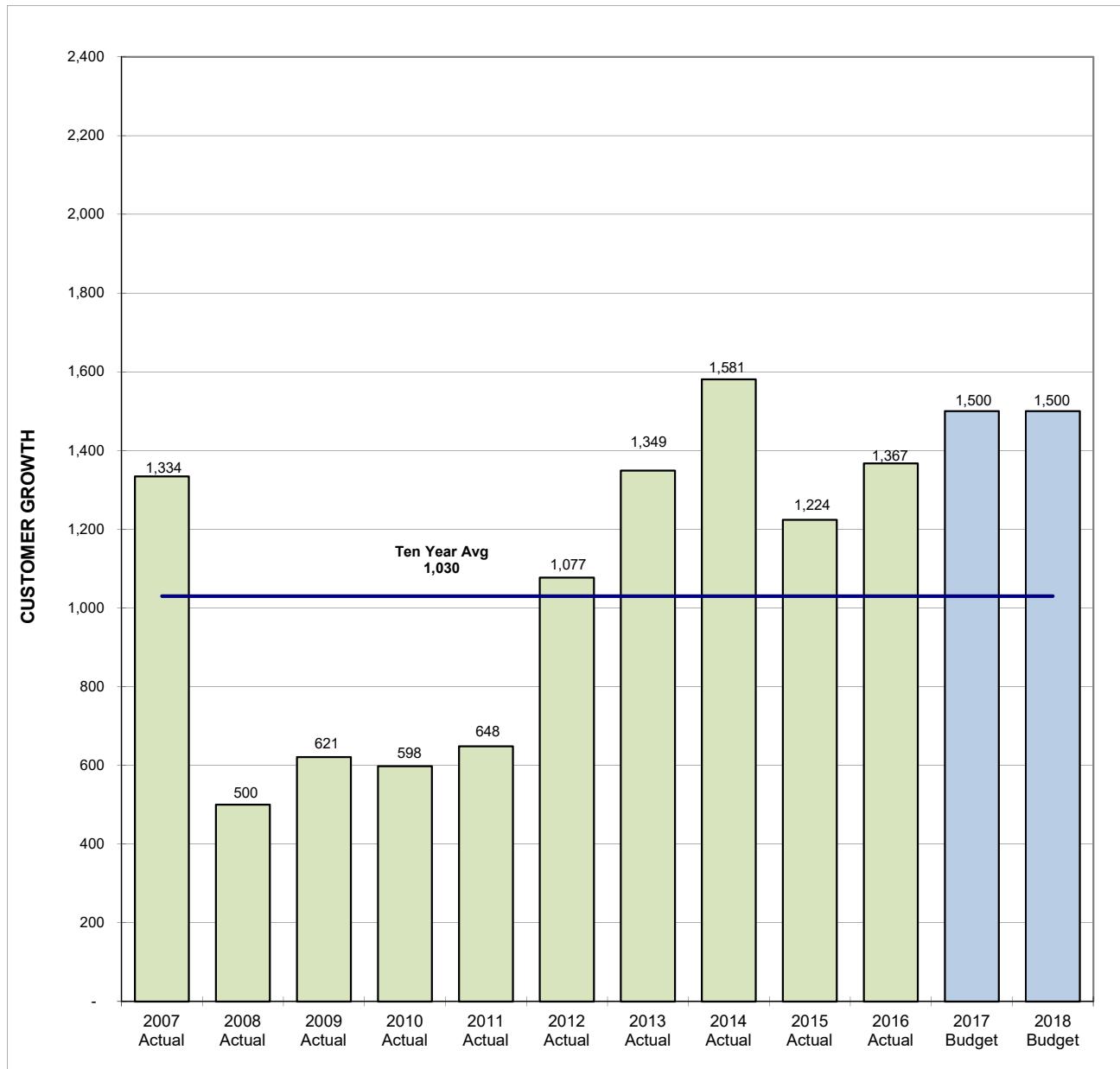
Monthly Bill Impact
By Rate Class and Meter Size

Rate Class	Meter Size	Monthly Consumption (In Gallons)	Block 1 Gallon %	2017 Avg Bill	2018 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
AWWA Typical Customer	5/8"	7,500	79%	\$ 44.17	\$ 44.17	0.0%	\$ -
Single Family Residential							
Low Usage	5/8"	3,662	98%	\$ 26.49	\$ 26.49	0.0%	\$ -
Moderate Usage	5/8"	7,212	86%	\$ 42.24	\$ 42.24	0.0%	\$ -
High Usage	5/8"	12,061	64%	\$ 66.52	\$ 66.52	0.0%	\$ -
Low Usage	1"	4,014	93%	\$ 39.11	\$ 39.11	0.0%	\$ -
Moderate Usage	1"	9,597	71%	\$ 65.26	\$ 65.26	0.0%	\$ -
High Usage	1"	27,324	40%	\$ 155.96	\$ 155.96	0.0%	\$ -
Multi-Family Residential							
Low Usage	1"	10,087	99%	\$ 66.39	\$ 66.39	0.0%	\$ -
Moderate Usage	1"	20,463	97%	\$ 109.42	\$ 109.42	0.0%	\$ -
High Usage	1"	44,901	76%	\$ 222.84	\$ 222.84	0.0%	\$ -
Low Usage	1 1/2"	22,503	99%	\$ 136.32	\$ 136.32	0.0%	\$ -
Moderate Usage	1 1/2"	40,447	98%	\$ 210.32	\$ 210.32	0.0%	\$ -
High Usage	1 1/2"	91,255	74%	\$ 448.55	\$ 448.55	0.0%	\$ -
Low Usage	2"	26,213	99%	\$ 172.20	\$ 172.20	0.0%	\$ -
Moderate Usage	2"	51,055	97%	\$ 275.27	\$ 275.27	0.0%	\$ -
High Usage	2"	143,952	67%	\$ 716.35	\$ 716.35	0.0%	\$ -
Small Commercial							
Low Usage	5/8"	631	99%	\$ 16.78	\$ 16.78	0.0%	\$ -
Moderate Usage	5/8"	2,666	93%	\$ 25.33	\$ 25.33	0.0%	\$ -
High Usage	5/8"	17,979	63%	\$ 96.53	\$ 96.53	0.0%	\$ -
Low Usage	3/4"	1,546	97%	\$ 24.17	\$ 24.17	0.0%	\$ -
Moderate Usage	3/4"	7,929	73%	\$ 53.04	\$ 53.04	0.0%	\$ -
High Usage	3/4"	37,045	42%	\$ 197.95	\$ 197.95	0.0%	\$ -
Low Usage	1"	2,630	98%	\$ 35.90	\$ 35.90	0.0%	\$ -
Moderate Usage	1"	12,543	80%	\$ 79.66	\$ 79.66	0.0%	\$ -
High Usage	1"	51,618	51%	\$ 269.84	\$ 269.84	0.0%	\$ -
Large Commercial							
Low Usage	1 1/2"	13,793	89%	\$ 102.52	\$ 102.52	0.0%	\$ -
High Usage	1 1/2"	104,689	59%	\$ 529.28	\$ 529.28	0.0%	\$ -
Low Usage	2"	25,028	92%	\$ 169.72	\$ 169.72	0.0%	\$ -
High Usage	2"	175,355	65%	\$ 863.20	\$ 863.20	0.0%	\$ -
Low Usage	3"	100,277	90%	\$ 575.47	\$ 575.47	0.0%	\$ -
High Usage	3"	522,029	69%	\$ 2,501.15	\$ 2,501.15	0.0%	\$ -
Low Usage	4"	327,298	96%	\$ 1,591.55	\$ 1,591.55	0.0%	\$ -
High Usage	4"	2,872,859	77%	\$ 12,851.79	\$ 12,851.79	0.0%	\$ -

HISTORY OF WATER SALES BY RATE CLASS



CUSTOMER GROWTH

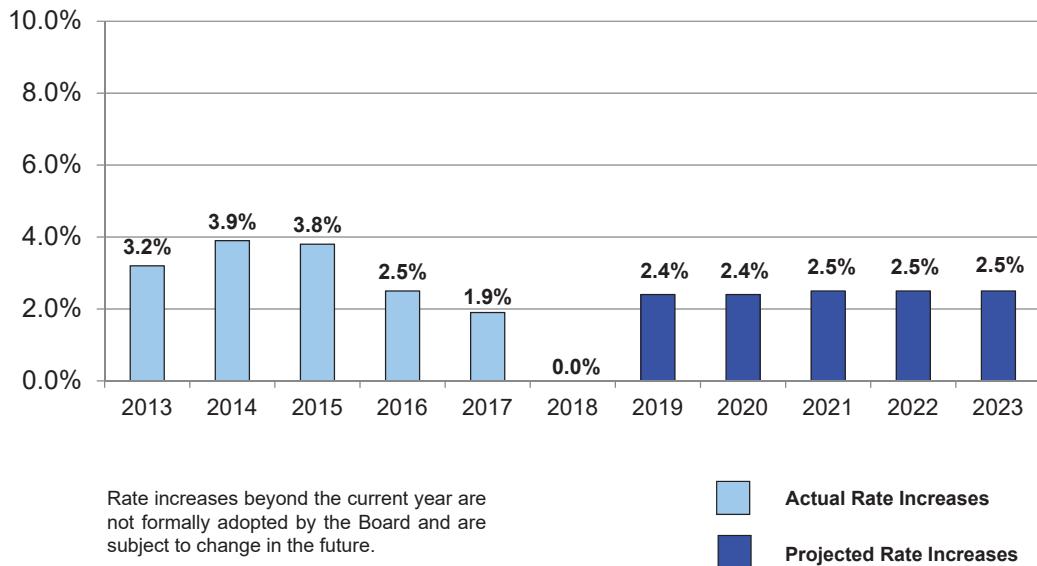


10 Year Average (2007 to 2016) of Customer Growth = 1,030

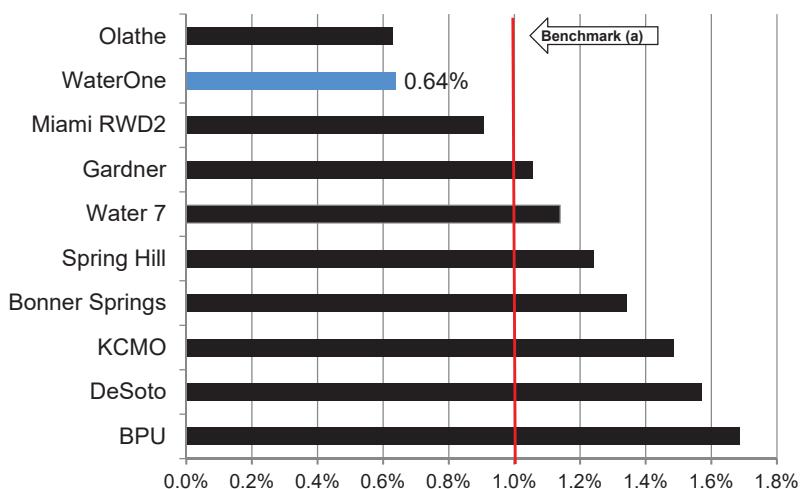
Only normal customer growth is reflected in the graph. Commercial Temporary (C3) customers are excluded from the annual customer growth amounts.

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

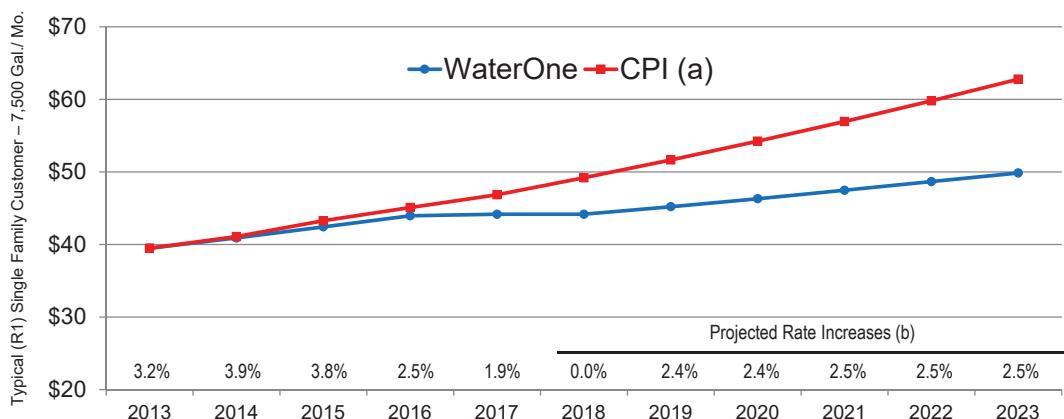


a) Local economic and demographic factors affect a community's financial capacity to support and pay for drinking water service. Fitch Ratings has indicated that it considers rates that are higher than 1% for an individual water utility to be financially burdensome (Fitch, 2012).

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

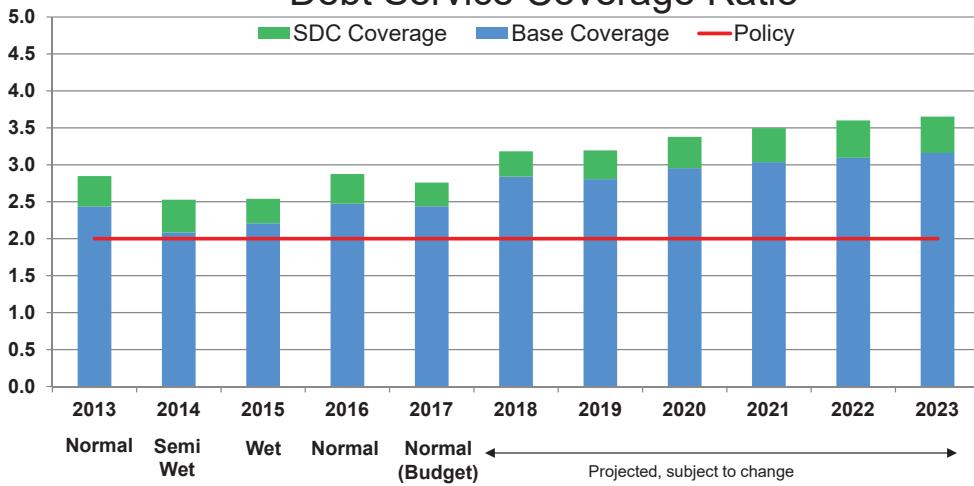
WaterOne vs. All Cities Water & Sewer System Maintenance CPI



a) Actual CPI comes from the Department of Labor. CPI estimated at 3.9% in 2017 which is the one year change from July 2016 to July 2017. CPI estimated at 5.0% for 2018 through 2023 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.

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.

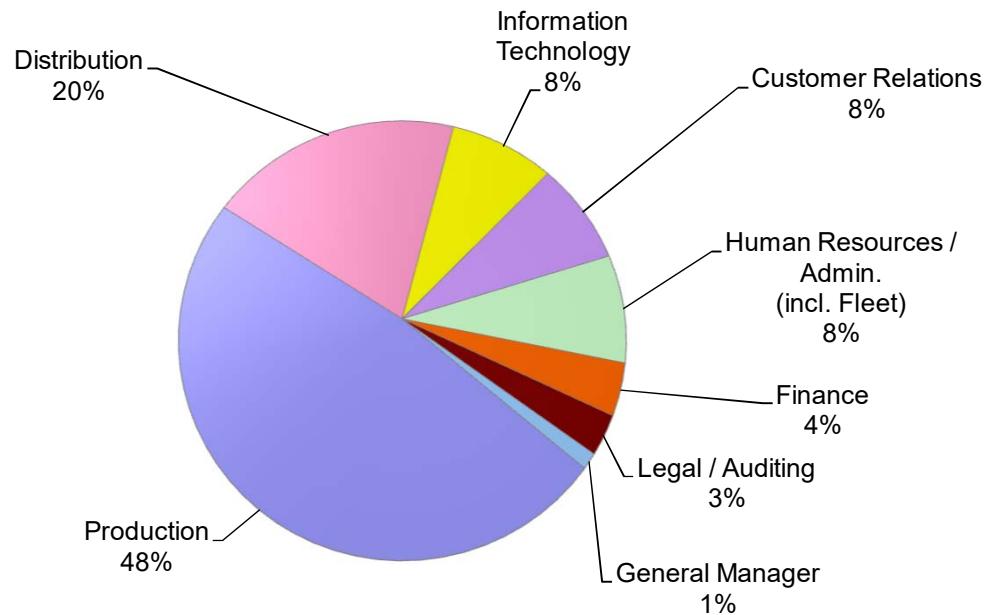
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OPERATIONS & MAINTENANCE BUDGET BY DIVISION
Comparison of 2017 & 2018

Division	2017 Budget	2018 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2017	2018
Production	\$ 25,809,589	\$ 26,563,064	\$ 753,475	2.9%	48.4%	48.0%
Distribution	10,377,161	11,082,646	705,485	6.8%	19.5%	20.0%
Information Technology	4,339,702	4,567,459	227,758	5.2%	8.1%	8.2%
Human Resources / Admin.	4,073,317	4,433,610	360,294	8.8%	7.6%	8.0%
Customer Relations	4,231,349	4,362,943	131,594	3.1%	7.9%	7.9%
Finance	2,197,228	2,108,868	(88,360)	(4.0%)	4.1%	3.8%
Legal / Auditing	1,649,468	1,630,354	(19,113)	(1.2%)	3.1%	2.9%
General Manager	630,606	648,366	17,759	2.8%	1.2%	1.2%
TOTAL	\$ 53,308,419	\$ 55,397,311	\$ 2,088,892	3.9%	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



WaterOne 2018 Budget

Operations and Maintenance

2018 Budget Compared to 2017 Budget O&M ACCOUNTS BY CATEGORY

12/27/2017

	Account Number	2017	2018	\$ DIF	% DIF
PAYROLL					
Labor - Non OT	410010	25,154,763	26,334,242	1,179,479	4.7%
Labor - OT	410015	1,056,749	1,055,913	(836)	-0.1%
Water Board Salaries	410080	60,000	60,000	-	0.0%
Labor - Vacation Earned	410020	20,000	-	(20,000)	-100.0%
TOTAL PAYROLL BEFORE TRANSFERS	26,291,512	27,450,155	1,158,643	4.4%	
PAYROLL Transfers	(6,052,986)	(6,104,027)	(51,041)	0.8%	
Net PAYROLL	20,238,525	21,346,128	1,107,603	5.5%	
BENEFITS					
Employee Insurance - Health	413010	4,503,254	4,567,633	64,379	1.4%
Pension DB – Final Pay Plan	412010	2,490,918	2,547,775	56,857	2.3%
Pension DB – Cash Balance Plan	412050	38,504	50,526	12,022	31.2%
Pension DC – WaterOne	412020	429,213	426,627	(2,586)	-0.6%
Pension DC – (New) WaterOne	412052	148,011	195,980	47,969	32.4%
Pension DC – Match	412030	302,166	300,345	(1,821)	-0.6%
Pension DC – (New) Match	412051	253,010	305,623	52,613	20.8%
FICA	411010	1,917,686	2,016,340	98,654	5.1%
Retirees Insurance - Health	413050	349,832	358,287	8,455	2.4%
Worker's Compensation	411020	479,681	255,876	(223,805)	-46.7%
Employee Insurance - Dental	413020	208,688	207,429	(1,259)	-0.6%
Retirees Insurance - Health Subsidy	413052	120,000	150,000	30,000	25.0%
Employee Health - Retiree Subsidy	413015	(120,000)	(150,000)	(30,000)	25.0%
Other Post Employment Benefits (OPEB)	412040	150,000	120,000	(30,000)	-20.0%
Employee Insurance - Long/Short Term Disabil.	413040	71,046	118,477	47,431	66.8%
Employee Insurance - Life	413030	101,436	105,384	3,948	3.9%
Other Tangible Employee Benefits	414030	70,150	85,800	15,650	22.3%
Car Allowance - Employees	426065	60,900	60,900	-	0.0%
Compensation & Benefits Consulting Services	414020	25,000	50,000	25,000	100.0%
Employee Insurance - Vision	413025	41,570	39,958	(1,612)	-3.9%
Health Related Training & Counseling	414060	17,268	32,600	15,332	88.8%
Unemployment Insurance	411050	25,232	26,394	1,162	4.6%
Employees Association Activity	414040	22,064	24,350	2,286	10.4%

Bold = See 'Overview' for more

WaterOne 2018 Budget

Operations and Maintenance

	Account Number	2017	2018	\$ DIF	% DIF
Service Awards	414070	16,000	17,000	1,000	6.3%
Tuition Reimbursement	414100	10,000	10,000	-	0.0%
Retirees Insurance - Life	413060	6,550	7,182	632	9.6%
WOW & Water Spout Awards	414090	10,000	5,000	(5,000)	-50.0%
125D Flexible Benefit Plan	414010	5,445	4,725	(720)	-13.2%
Flowers, Cards, Memorials	414050	1,700	1,600	(100)	-5.9%
Worker's Comp - Returns Of Premium/Divid	411030	(40,000)	(20,000)	20,000	-50.0%
TOTAL BENEFITS BEFORE TRANSFERS		11,715,324	11,921,811	206,487	1.8%
BENEFITS Transfers		(3,026,509)	(2,912,217)	114,292	-3.8%
Net BENEFITS		8,688,815	9,009,594	320,779	3.7%

COMMODITIES

Chemicals - Water Treatment	424070	5,830,128	5,677,008	(153,120)	-2.6%
Power - Transmission	424030	4,154,660	4,656,332	501,672	12.1%
Power - Source	424020	2,079,675	2,052,830	(26,845)	-1.3%
Power - Distribution	424010	1,586,674	1,718,130	131,456	8.3%
Material & Supplies	421070	1,374,353	1,386,650	12,297	0.9%
Inventory Withdrawals	421010	943,198	948,255	5,057	0.5%
Natural Gas	424050	350,905	396,475	45,570	13.0%
Electricity	424040	212,970	222,700	9,730	4.6%
Small Tools & Equipment	421130	202,705	192,998	(9,707)	-4.8%
Uniforms	421160	92,425	95,520	3,095	3.3%
On-Line Analyzer Supplies	421090	80,000	78,000	(2,000)	-2.5%
BPU Water Purchased In-House	424065	90,000	75,000	(15,000)	-16.7%
Safety Equipment & Supplies	421110	68,596	60,240	(8,356)	-12.2%
Kitchen Supplies	421040	33,000	55,000	22,000	66.7%
Office Supplies	421080	38,285	37,015	(1,270)	-3.3%
Crushed Rock	421020	29,600	30,700	1,100	3.7%
Other General Settlement	599000	26,183	29,523	3,340	12.8%
Postage	426280	22,500	20,300	(2,200)	-9.8%
Elec. Communication Device	423150	15,000	15,000	-	0.0%
Paper & Print Supplies	421100	8,000	8,750	750	9.4%
Medical & First Aid Supplies	421060	900	7,500	6,600	733.3%
OT Meals	426230	5,310	4,850	(460)	-8.7%
Flowable Fill	421025	2,600	4,000	1,400	53.8%
Envelopes	421030	3,000	3,000	-	0.0%

Bold = See 'Overview' for more

WaterOne 2018 Budget

Operations and Maintenance

	Account Number	2017	2018	\$ DIF	% DIF
Topsoil	421150	2,170	2,470	300	13.8%
Proactive Safety Recognition	421120	2,400	2,300	(100)	-4.2%
Software - Misc Small Purchases	421140	14,000	2,000	(12,000)	-85.7%
Cash Discount Taken	426560	(17,795)	(16,000)	1,795	-10.1%
TOTAL COMMODITIES BEFORE TRANSFERS		17,251,442	17,766,546	515,104	3.0%
COMMODITIES Transfers		(744,227)	(741,904)	2,322	-0.3%
Net COMMODITIES		16,507,215	17,024,642	517,427	3.1%

SERVICES

Pavement Repair	422290	887,050	939,350	52,300	5.9%
PC Software License & Maintenance	426250	594,918	791,085	196,167	33.0%
Contracted Services	422090	580,744	657,636	76,892	13.2%
Clean Drinking Water Fee	426070	594,452	597,894	3,442	0.6%
Property & Liability Insurance	425010	657,631	589,271	(68,360)	-10.4%
Water Billing Services	422430	494,500	474,000	(20,500)	-4.1%
Security and/or Security Guards	422340	455,888	468,825	12,937	2.8%
Telecom	423030	402,552	449,640	47,088	11.7%
Training	426340	250,900	312,225	61,325	24.4%
Clean Up	422070	273,800	279,700	5,900	2.2%
Maintenance Services	422240	274,950	246,970	(27,980)	-10.2%
Telecom - Cell Phones	423120	213,185	236,958	23,774	11.2%
Uncollectible Accounts	426350	209,000	190,000	(19,000)	-9.1%
Mowing & Landscaping	422270	148,200	182,350	34,150	23.0%
Kansas River Water Assurance Dist. (KRWAD)	426190	150,849	182,177	31,328	20.8%
IT Hardware Maintenance	423022	252,946	155,506	(97,440)	-38.5%
Laboratory Services	422170	117,450	149,449	31,999	27.2%
Cleaning & Inspecting Facilities	422080	136,219	139,213	2,994	2.2%
Engineering	422100	148,000	138,000	(10,000)	-6.8%
Vehicle & Equipment Rental	426360	68,458	87,600	19,142	28.0%
Dues & Local Meetings	426120	76,008	86,793	10,785	14.2%
Property Tax Assessment	426290	64,845	83,004	18,159	28.0%
Meter Reading - AMR Services	422260	69,000	71,900	2,900	4.2%
Checking Account Service Fees	426040	67,000	68,000	1,000	1.5%
Vehicle Repair Services	422420	65,665	67,450	1,785	2.7%
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%
Printing Services	422330	80,140	55,570	(24,570)	-30.7%
IT Maint - SAAS	423021	98,900	55,150	(43,750)	-44.2%

WaterOne 2018 Budget

Operations and Maintenance

	Account Number	2017	2018	\$ DIF	% DIF
Subscriptions & Reference Materials	426330	48,547	50,430	1,883	3.9%
Bank Lockbox Processing Fees	426060	53,000	48,000	(5,000)	-9.4%
Auditing Fees	422030	46,675	46,875	200	0.4%
AWWA Research Foundation Fees	426030	43,924	46,821	2,897	6.6%
Vehicle License & Registration	426370	41,744	46,525	4,781	11.5%
Recruitment Costs	426130	30,000	45,000	15,000	50.0%
AIMS License Agreement	426010	36,938	37,109	171	0.5%
Barricade Rental	422040	37,850	36,650	(1,200)	-3.2%
WaterOne Memberships	426390	34,330	34,330	-	0.0%
Payroll Processing	422300	24,889	26,171	1,282	5.2%
Permit & Easement Fees	426260	25,000	26,100	1,100	4.4%
Cathodic Protection	422060	20,598	23,925	3,327	16.2%
IT Maint - Printers	423024	22,400	22,400	-	0.0%
Legal Services	422180	20,000	20,000	-	0.0%
Delivery Charges (UPS/Fed Ex/Local)	426110	15,875	18,875	3,000	18.9%
Help Wanted Ads	426160	20,000	18,000	(2,000)	-10.0%
Radio Charges	423075	15,800	15,800	(0)	0.0%
Maintenance - Itron System	422190	15,000	15,750	750	5.0%
Financial Advisory Services	422120	5,000	14,827	9,827	196.5%
Answering Service	422020	17,000	14,000	(3,000)	-17.6%
Post Offer Physicals	426270	12,333	12,400	67	0.5%
Equipment Repair Services	422110	13,200	12,150	(1,050)	-8.0%
Trash Removal Services	422400	9,232	11,660	2,428	26.3%
Environmental & Risk Mgmt	426140	25,490	11,550	(13,940)	-54.7%
Advertising	422010	10,600	9,840	(760)	-7.2%
General Expenses & Miscellaneous	426150	33,975	7,950	(26,025)	-76.6%
Pre-Employment Services	422320	7,750	7,500	(250)	-3.2%
Reimburse Damage To Other Utilities	426300	5,600	5,800	200	3.6%
Other Services Settlement	539100	6,500	4,750	(1,750)	-26.9%
Bank Account Reconciliation Fees	426020	3,400	3,200	(200)	-5.9%
Spoil Removal	422075	1,800	3,200	1,400	77.8%
Interest On Security Deposits	426170	1,848	2,942	1,094	59.2%
Commitment To Excellence Award	426080	1,900	2,800	900	47.4%
Storage Expenses	422380	3,500	2,500	(1,000)	-28.6%
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Kansas One Call Fee	422165	500	500	-	0.0%
Water Rights	426380	400	400	-	0.0%

Bold = See 'Overview' for more

WaterOne 2018 Budget

Operations and Maintenance

	Account Number	2017	2018	\$ DIF	% DIF
Contractual Fee To Consol. Gov. Wy'dot.	426090	52,500	-	(52,500)	-100.0%
KS State Water Analysis	422160	50,000	-	(50,000)	-100.0%
Telecom - Voice	423095	45,060	-	(45,060)	-100.0%
Non-Employee Overload	426210	18,500	-	(18,500)	-100.0%
Arbitrage Services	422122	3,000	-	(3,000)	-100.0%
IT Maint - Communications	423023	2,400	-	(2,400)	-100.0%
Job Work Revenue Credits	426180	(6,000)	(7,000)	(1,000)	16.7%
TOTAL SERVICES BEFORE TRANSFERS		8,373,309	8,517,447	144,138	1.7%
SERVICES Transfers		(499,445)	(500,500)	(1,055)	0.2%
Net SERVICES		7,873,863	8,016,947	143,083	1.8%
GRAND TOTAL		53,308,419	55,397,311	2,088,892	3.9%

Numbers may not add due to rounding

H:\Finance\FINSHARE\1BUDGET\2018 Budget\O&M\[District Level O_M Comparison-18Z.xlsx]By Category-ALL ACCTS

2017 Approved and 2018 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2017

Explanations are provided when there is a \$10,000 and 10% 2018 Budget Increase <Decrease> from the 2017 Estimated Actual.

Cost Elements	2017 ESTIMATED ACTUAL	2017 APPROVED BUDGET			2018 PROPOSED BUDGET		
		2017 Budget	2017 Estimated Actual Over <Under> 2017 Budget	% Over <Under> Budget	2018 Budget		2018 Budget Increase <Decrease> from 2017 Estimated Actual
					2018 Budget	2018 Budget Increase <Decrease> from 2017 Estimated Actual	
PERSONNEL COSTS							
P1	410010 Labor - Gross	\$ 23,682,989	\$ 25,154,763	\$ (1,471,774)	-5.9%	\$ 26,334,242	\$ 2,651,253 11.2%
	410015 Labor - OT Gross	1,091,604	1,056,749	34,855 3.3%		1,055,913	(35,691) -3.3%
P2	410020 Labor Vacation Accrual - Gross	20,000	20,000	- 0.0%		- (20,000)	-100.0%
	410080 Water Board Salary	60,000	60,000	- 0.0%	60,000	-	0.0%
P3	413010 Employee Insurance - Health	4,119,664	4,503,254	(383,590) -8.5%		4,567,633	447,969 10.9%
	412010 Pension DB - Final Pay Plan	2,679,653	2,490,918	188,735 7.6%	2,547,775	(131,878) -4.9%	
P4	412050 Pension DB - Cash Balance Plan	29,504	38,504	(9,000) -23.4%	50,526	21,022 71.2%	
	412020 Pension DC - District	423,992	429,213	(5,221) -1.2%	426,627	2,635 0.6%	
	412052 Pension DC - District (New)	187,661	148,011	39,650 26.8%	195,980	8,319 4.4%	
	412030 Pension DC - Match	310,988	302,166	8,822 2.9%	300,345	(10,643) -3.4%	
P4	412051 Pension DC - Match (New)	200,898	253,010	(52,112) -20.6%	305,623	104,725 52.1%	
P1	411010 FICA - Gross	1,820,512	1,917,686	(97,174) -5.1%	2,016,340	195,828 10.8%	
P5	411020 Worker's Comp	367,778	439,681	(71,903) -16.4%	235,876	(131,902) -35.9%	
P6	412040 OPEB - Gross	150,000	150,000	- 0.0%	120,000	(30,000) -20.0%	
P7	413050 Retiree Insurance - Health	289,555	349,832	(60,276) -17.2%	358,287	68,732 23.7%	
	413020 Employee Insurance - Dental	195,475	208,688	(13,213) -6.3%	207,429	11,954 6.1%	
	413052 Retiree Insurance - Health Subsidy	120,000	120,000	- 0.0%	150,000	30,000 25.0%	
	413015 Employee Insurance - Health Subsidy	(120,000)	(120,000)	(0) 0.0%	(150,000)	(30,000) 25.0%	
	413030 Employee Insurance - Life	103,654	101,436	2,218 2.2%	105,384	1,730 1.7%	
P8	413040 Employee Insurance - LT & ST Disability	82,130	71,046	11,084 15.6%	118,477	36,347 44.3%	
	414030 Employee Benefits - Other	79,303	70,150	9,153 13.0%	85,800	6,497 8.2%	
	426065 Car Allowance	62,850	60,900	1,950 3.2%	60,900	(1,950) -3.1%	
	413025 Employee Insurance - Vision	37,859	41,570	(3,711) -8.9%	39,958	2,099 5.5%	
	414020 Compensation & Benefit Consulting Svcs	53,741	25,000	28,741 115.0%	50,000	(3,741) -7.0%	
	411050 Unemployment Insurance	24,258	25,232	(974) -3.9%	26,394	2,136 8.8%	
P9	414060 Health Training/Counseling	17,548	17,268	280 1.6%	32,600	15,052 85.8%	
	414100 Tuition Reimbursement	6,221	10,000	(3,779) -37.8%	10,000	3,779 60.7%	
	414070 Service Awards	15,803	16,000	(197) -1.2%	17,000	1,197 7.6%	
	414040 Employee Association Activity	22,210	22,064	146 0.7%	24,350	2,140 9.6%	
	414090 Wow & Spout Awards	4,247	10,000	(5,753) -57.5%	5,000	753 17.7%	
	414010 125D Plan - Gross	5,021	5,445	(424) -7.8%	4,725	(296) -5.9%	
	413060 Retiree Insurance - Life	3,780	6,550	(2,770) -42.3%	7,182	3,402 90.0%	
	414050 Flowers, Cards, Memorials	1,517	1,700	(183) -10.8%	1,600	83 5.5%	
	TOTAL PERSONNEL COSTS	\$ 36,150,415	\$ 38,006,835	\$ (1,856,421) -4.9%	\$ 39,371,966	\$ 3,221,551	8.9%

P1 2017 is under budget due to vacant authorized positions as well as higher than planned turnover.

P2 This budget was removed in 2018. Vacation accrual is a non-cash expense and can vary year to year.

P3 2017 is under budget due to vacant authorized positions as well as higher than planned turnover.

P4 Budget increase in 2018 is due to higher participation rates and payroll projections.

P5 The budget decrease is based on actual premiums from the policy renewal effective in July.

P6 The 2018 reduction is based on a schedule of funding calculated in the actuarial report.

P7 Retiree health insurance is increasing due to an increased number of retirees.

P8 Increased rates due to decreasing waiting period to receive LT disability and including ST disability coverage.

P9 Additional wellness initiatives planned in 2018.

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		2017 Budget	Budget		2018 Budget		% Increase <Decrease>	
COMMODITIES								
424070 Chemicals - Water Treatment	\$ 5,333,829	\$ 5,830,128	\$ (496,299)	-8.5%	\$ 5,677,008	\$ 343,179	6.4%	
424030 Power - Transmission	4,254,936	4,154,660	100,276	2.4%	4,656,332	401,396	9.4%	
C1 424020 Power - Source	1,739,049	2,079,675	(340,626)	-16.4%	2,052,830	313,781	18.0%	
424010 Power - Distribution	1,637,723	1,586,674	51,049	3.2%	1,718,130	80,407	4.9%	
421070 Material & Supplies	1,267,709	1,374,353	(106,644)	-7.8%	1,386,650	118,941	9.4%	
421010 Inventory Withdrawals	926,423	943,198	(16,775)	-1.8%	948,255	21,832	2.4%	
C2 424050 Natural Gas	309,552	350,905	(41,353)	-11.8%	396,475	86,923	28.1%	
424040 Electricity	216,497	212,970	3,527	1.7%	222,700	6,203	2.9%	
C3 421130 Small Tools & Equipment	100,508	202,705	(102,197)	-50.4%	192,998	92,490	92.0%	
421160 Uniforms	99,179	92,425	6,754	7.3%	95,520	(3,659)	-3.7%	
421090 On-Line Analyzer Supplies	74,720	80,000	(5,280)	-6.6%	78,000	3,280	4.4%	
C4 424065 Water Purchased In House	84,692	90,000	(5,308)	-5.9%	75,000	(9,692)	-11.4%	
421110 Safety Equip & Supplies	75,310	68,596	6,714	9.8%	60,240	(15,070)	-20.0%	
421040 Kitchen Supplies	63,241	33,000	30,241	91.6%	55,000	(8,241)	-13.0%	
421080 Office Supplies	34,929	38,285	(3,356)	-8.8%	37,015	2,086	6.0%	
519210 Crushed Rock	42,440	32,200	10,240	31.8%	34,700	(7,740)	-18.2%	
599000 Other General Settlement	33,452	26,183	7,269	27.8%	29,523	(3,929)	-11.7%	
426280 Postage	19,576	22,500	(2,924)	-13.0%	20,300	724	3.7%	
423150 Electronic Communication Device	8,638	15,000	(6,362)	-42.4%	15,000	6,362	73.7%	
421100 Paper	7,079	8,000	(921)	-11.5%	8,750	1,671	23.6%	
421060 Med/1st Aid Supplies	3,016	900	2,116	235.1%	7,500	4,484	148.7%	
426230 OT Meals	4,350	5,310	(960)	-18.1%	4,850	500	11.5%	
421030 Envelopes	2,785	3,000	(215)	-7.2%	3,000	215	7.7%	
421150 Topsoil	2,633	2,170	463	21.3%	2,470	(163)	-6.2%	
421120 Proactive Safety Recognition	2,502	2,400	102	4.2%	2,300	(202)	-8.1%	
421140 Software - Small Purchases	7,165	14,000	(6,835)	-48.8%	2,000	(5,165)	-72.1%	
426560 Cash Discounts Taken	(9,014)	(17,795)	8,781	-49.3%	(16,000)	(6,986)	77.5%	
TOTAL COMMODITIES		\$ 16,342,917	\$ 17,251,442	\$ (908,524)	-5.3%	\$ 17,766,546	\$ 1,423,629	8.7%

C1 Source power is under budget in 2017 primarily due to lower than projected water production and operational changes which have reduced production at the Wolcott Treatment Facility.

C2 Natural Gas was under budget in 2017 primarily due to capitalizing consumption at Wolcott during the construction period for the engine generators.

C3 This account has been reduced in the 2018 budget to reflect the average actual history. 2017 was abnormally low and 2018 is expected to increase.

C4 This account is over budget in 2017 due to a one time equipment purchase. The budget is decreasing in 2018 due to a lower priced contract for lab coat services.

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SERVICES							
S1	519270 Pavement Repair	\$ 866,834	\$ 887,050	(20,216)	-2.3%	\$ 939,350	\$ 72,516 8.4%
S2	426250 PC Software & Maint	593,812	594,918	(1,106)	-0.2%	791,085	197,273 33.2%
S2	422090 Contracted Services	557,507	580,744	(23,237)	-4.0%	657,636	100,129 18.0%
	426070 Clean Water Fee	565,911	594,452	(28,541)	-4.8%	597,894	31,983 5.7%
	425010 P&L Insurance	620,877	657,631	(36,754)	-5.6%	589,271	(31,606) -5.1%
	422430 Water Billing Services	471,005	494,500	(23,495)	-4.8%	474,000	2,995 0.6%
	422340 Security	452,509	455,888	(3,379)	-0.7%	468,825	16,316 3.6%
S3	423030 Telecom	391,036	402,552	(11,516)	-2.9%	449,640	58,604 15.0%
	426340 Training	344,809	250,900	93,909	37.4%	312,225	(32,584) -9.4%
S4	422070 Clean Up	246,323	273,800	(27,477)	-10.0%	279,700	33,377 13.6%
	422240 Maint Svcs	238,652	274,950	(36,298)	-13.2%	246,970	8,318 3.5%
	423120 Telecom - Cell Phones	226,599	213,185	13,414	6.3%	236,958	10,360 4.6%
S5	426350 Uncollectible Accounts	147,803	209,000	(61,197)	-29.3%	190,000	42,197 28.5%
S6	426190 KS River Assurance District	151,132	150,849	283	0.2%	182,177	31,045 20.5%
S7	422270 Mowing & Landscaping	146,083	148,200	(2,117)	-1.4%	182,350	36,267 24.8%
S1	423022 IT Maint - Contracted	265,910	252,946	12,964	5.1%	155,506	(110,404) -41.5%
S8	422170 Laboratory Services	113,649	117,450	(3,801)	-3.2%	149,449	35,800 31.5%
	422080 Clean/Inspect Facilities	145,608	136,219	9,389	6.9%	139,213	(6,395) -4.4%
	422100 Engineering	149,980	148,000	1,980	1.3%	138,000	(11,980) -8.0%
S9	422420 Vehicle Repair Services	79,664	65,665	13,999	21.3%	67,450	(12,214) -15.3%
S10	422330 Printing Services	38,087	80,140	(42,053)	-52.5%	55,570	17,483 45.9%
S1	423021 IT Maint - SAAS	85,593	98,900	(13,307)	-13.5%	55,150	(30,443) -35.6%
S11	426210 Non-Employee Overload	201,575	18,500	183,075	989.6%	-	(201,575) -100.0%

S1 Software maintenance contracts moved from IT-Maint Contracted and IT-Maint SAAS to PC Software & Maint.

S2 The 2018 budget increase is due primarily to additional network security monitoring services and increased repairs at Administrative Headquarters.

S3 Telecom - Voice and Telecom - Data have been combined to reflect the technology industry trend towards bundling services. The budget increase in 2018 is primarily due to this combination of accounts.

S4 2017 is under budget primarily due to fewer main breaks than projected.

S5 A decrease 2017 actual reflects better collection methods and use of security deposits.

S6 The 2018 budget increased primarily due to a new Regional Conservation Partnership Program.

S7 The 2018 budget includes more frequent mowing and additional services at locations in certain residential areas which are not meeting local standards.

S8 EPA requirement of Unregulated Contaminant Monitoring Rule IV testing begins in 2018.

S9 Vehicle Repair Service is budgeted based on historical averages and yearly totals vary.

S10 There was less printing related to smart watering than planned in 2017.

S11 Non-Employee Overload was utilized to fill vacant authorized positions in 2017. There are no planned vacant positions in 2018.

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SERVICES (Cont'd)								
S12	426360 Vehicle & Equipment Rental	\$ 71,100	\$ 68,458	2,642	3.9%	\$ 87,600	16,500	23.2%
	426120 Dues & Local Meetings	80,292	76,008	4,284	5.6%	86,793	6,501	8.1%
	426290 Property Tax Assessment	75,982	64,845	11,137	17.2%	83,004	7,022	9.2%
	422260 Meter Reading - AMR Services	63,595	69,000	(5,405)	-7.8%	71,900	8,305	13.1%
	426040 Checking Account Service Fees	66,097	67,000	(903)	-1.3%	68,000	1,903	2.9%
S13	425030 P&L Ins - Self	42,413	60,000	(17,587)	-29.3%	60,000	17,587	41.5%
	426330 Subs & Reference Material	46,163	48,547	(2,384)	-4.9%	50,430	4,267	9.2%
	426060 Bank Lockbox Fees	48,310	53,000	(4,690)	-8.8%	48,000	(310)	-0.6%
	422030 Auditing Fees	47,572	46,675	897	1.9%	46,875	(697)	-1.5%
	426030 AWWA Research Foundation Fees	46,753	43,924	2,829	6.4%	46,821	68	0.1%
S14	426370 Vehicle License & Registration	45,438	41,744	3,694	8.8%	46,525	1,087	2.4%
	426130 Recruitment Costs	33,794	30,000	3,794	12.6%	45,000	11,206	33.2%
	426010 AIMS License Agreement	37,052	36,938	114	0.3%	37,109	57	0.2%
	519240 Barricade Rental	33,964	37,850	(3,886)	-10.3%	36,650	2,686	7.9%
	426390 WaterOne Membership	31,475	34,330	(2,855)	-8.3%	34,330	2,855	9.1%
	422300 Payroll Processing	26,828	24,889	1,939	7.8%	26,171	(657)	-2.4%
	426260 Permit & Easement Fees	29,048	25,000	4,048	16.2%	26,100	(2,948)	-10.1%
	422060 Cathodic Protection	20,262	20,598	(336)	-1.6%	23,925	3,663	18.1%
	423024 IT Maint - Printers	13,206	22,400	(9,194)	-41.0%	22,400	9,194	69.6%
	422180 Legal Services	15,131	20,000	(4,869)	-24.3%	20,000	4,869	32.2%
	426160 Help Wanted Ads	18,847	20,000	(1,153)	-5.8%	18,000	(847)	-4.5%
S15	422120 Financial Advisory Services	-	5,000	(5,000)	-100.0%	14,827	14,827	100.0%
	426140 Environ & Risk Management	12,544	25,490	(12,946)	-50.8%	11,550	(994)	-7.9%
S16	426150 General Expense & Miscellaneous	36,983	33,975	3,008	8.9%	7,950	(29,033)	-78.5%
S17	426090 Cons Gov of Wyandotte County Fee	52,500	52,500	-	0.0%	-	(52,500)	-100.0%
S18	422160 KS Water Analysis	44,005	50,000	(5,995)	-12.0%	-	(44,005)	-100.0%
S19	423095 Telecom - Voice	12,134	45,060	(32,926)	-73.1%	-	(12,134)	-100.0%
	423023 IT Maint - Communications	3,783	2,400	1,383	57.6%	-	(3,783)	-100.0%

S12 The 2018 budget is based on historical averages. Individual yearly actuals may vary.

S13 The 2018 budget is based on historical averages. Individual yearly actuals may vary.

S14 Additional recruitment services planned for 2018.

S15 The 2018 budget is increasing due to the amortization of a cost of service study beginning in 2018.

S16 2017 expenses included \$25,000 for 60th anniversary events.

S17 This 20 year contract with Wyandotte County ended and is not planned for renewal.

S18 River study moved from KS Water Analysis to Engineering.

S19 Telecom - Voice moved to Telecom.

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		2017 Budget	2017 Estimated Actual Over <Under> 2017 Budget	% Over <Under> Budget	2018 Budget		2018 Budget Increase <Decrease> from 2017 Estimated Actual
					2018 Budget	2018 Budget Increase <Decrease> from 2017 Estimated Actual	
SERVICES (Cont'd)							
426110 Delivery Charges	\$ 15,819	\$ 15,875	(56)	-0.4%	\$ 18,875	3,056	19.3%
423075 Radio Charges (Fleet)	15,800	15,800	-	0.0%	15,800	(0)	0.0%
422190 Maint -Itron System	12,307	15,000	(2,693)	-18.0%	15,750	3,443	28.0%
422020 Answering Service	12,138	17,000	(4,862)	-28.6%	14,000	1,862	15.3%
426270 Post Offer Physical	14,245	12,333	1,912	15.5%	12,400	(1,845)	-13.0%
422110 Equip Repair Svcs	12,805	13,200	(395)	-3.0%	12,150	(655)	-5.1%
422400 Trash Removal Services	10,958	9,232	1,726	18.7%	11,660	702	6.4%
422010 Advertising	7,141	10,600	(3,459)	-32.6%	9,840	2,699	37.8%
422320 Pre-Employment Services	6,622	7,750	(1,128)	-14.6%	7,500	878	13.3%
426300 Reimburse Other Utility	2,827	5,600	(2,773)	-49.5%	5,800	2,973	105.2%
539100 Other Serv Settlement	4,177	6,500	(2,323)	-35.7%	4,750	573	13.7%
426020 Bank Account Reconciliation Fees	3,281	3,400	(119)	-3.5%	3,200	(81)	-2.5%
519250 Spoil Removal	5,895	1,800	4,095	227.5%	3,200	(2,695)	-45.7%
426170 Interest On Security Deposit	2,387	1,848	539	29.2%	2,942	555	23.3%
426080 Commitment To Excellence Program	3,232	1,900	1,332	70.1%	2,800	(432)	-13.4%
422380 Storage Expenses	1,327	3,500	(2,173)	-62.1%	2,500	1,173	88.5%
422150 Indoor Plants Svcs	2,174	2,000	174	8.7%	2,000	(174)	-8.0%
422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
426380 Water Rights	561	400	161	40.3%	400	(161)	-28.7%
422122 Arbitrage Services	-	3,000	(3,000)	-100.0%	-	-	100.0%
426180 Job Work Revenue Credit	(6,759)	(6,000)	(759)	12.6%	(7,000)	(241)	3.6%
TOTAL SERVICES	\$ 8,283,831	\$ 8,373,309	\$ (89,478)	-1.1%	\$ 8,517,447	\$ 233,616	2.8%
TOTAL TRANSFERS		(\$10,432,806)	(\$10,323,167)	(\$109,639)	1.1%	(\$10,258,648)	\$174,158
TOTAL O&M		50,344,356	53,308,419	(2,964,062)	-5.6%	55,397,311	5,052,954

Numbers may not total due to rounding

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INTRODUCTION

This section contains:

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

In 2018, a total of 387 full time, 4 part time, and 22 temporary/summer positions are budgeted. This includes three new full time positions, two interns, and two reclassifications from part time into two full time positions. The total FTEs after all adjustments are 395.63 which is an increase of 4.48 versus the 2017 budgeted authorized personnel. The organizational chart is color coded to show the reclassifications, eliminations and additional personnel requests.

Following the organizational 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 \$391,253.

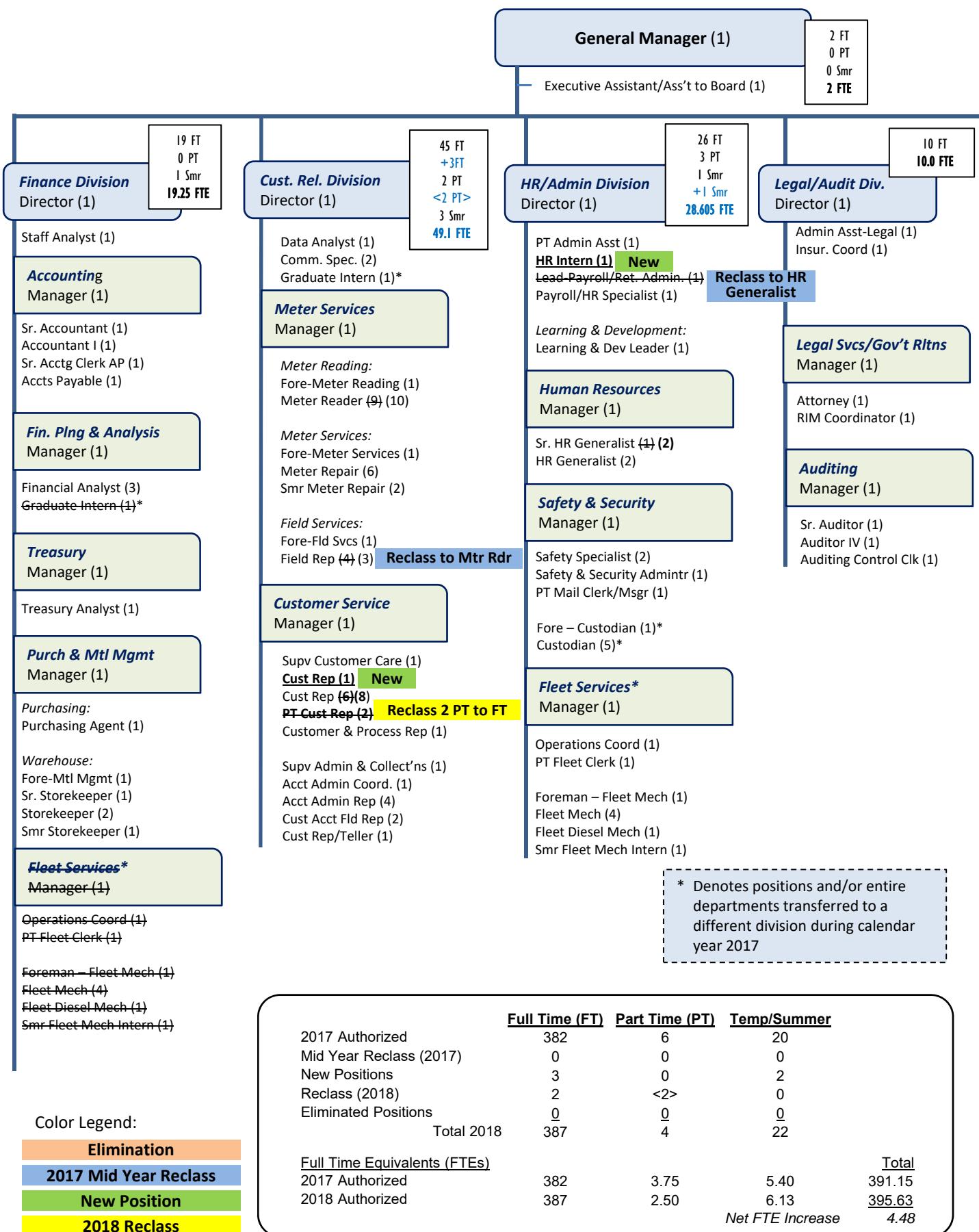
The budget includes a performance compensation adjustment of 3.50%.

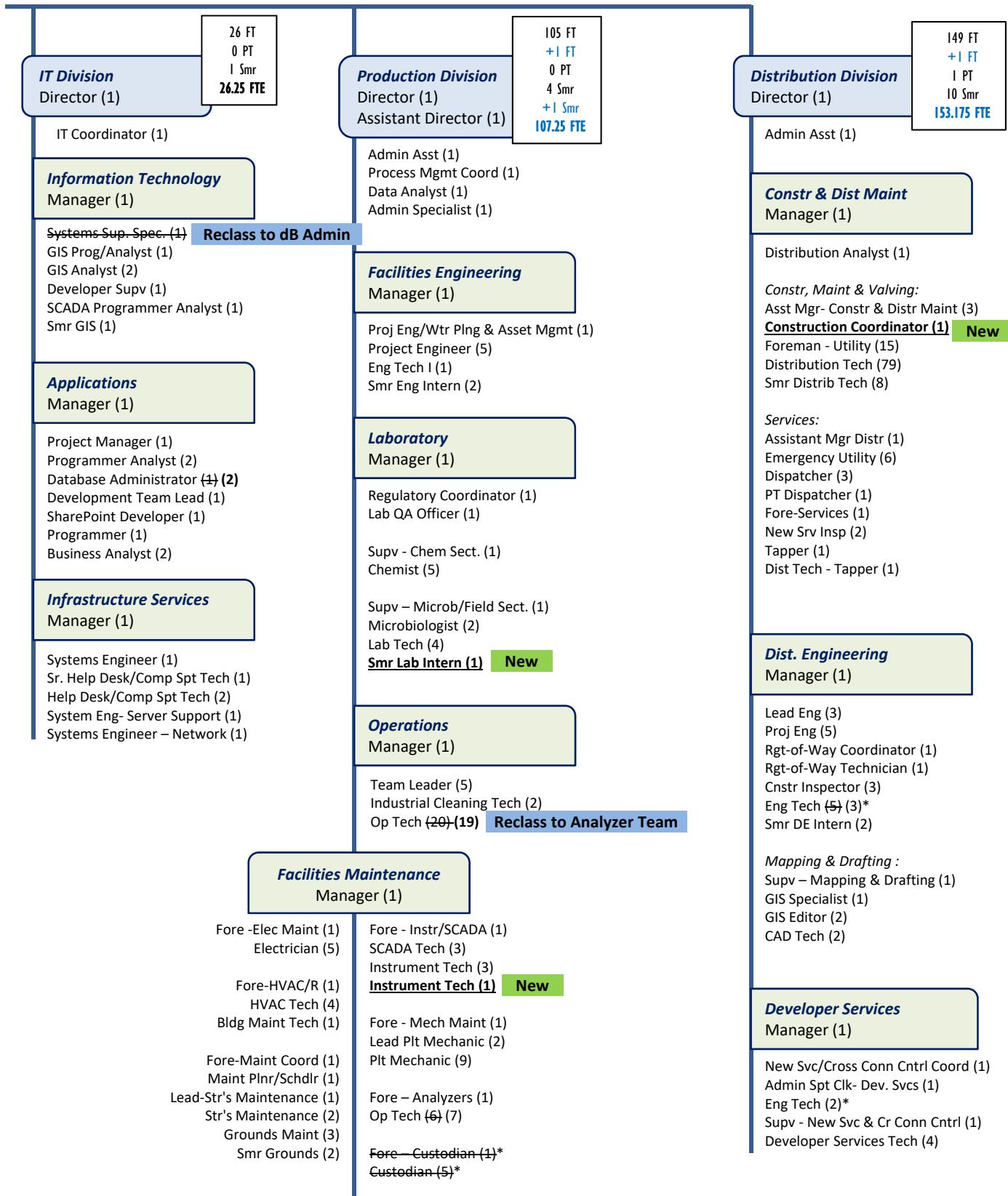
Employee benefits are allocated to divisions based on headcount or percent of payroll.

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 2018, the five-year plan is from 2019 to 2023.

WATERONE ORGANIZATIONAL





WaterOne 2018 Budget
O&M Costs Related to New Personnel

			Full Year Salary	Full Year Benefits	Other O&M*	Total O&M
Production						
Facilities Maintenance						
January	Instrument Technician	Full Time	\$54,538	\$16,361	\$300	\$71,199
Water Quality Laboratory						
May	Lab Intern	Summer	7,608	0	0	7,608
			PRODUCTION TOTAL	\$62,146	\$16,361	\$300
						\$78,807
Distribution						
Construction Maintenance Valving Services (CMVS)						
January	Construction Coordinator	Full Time	\$69,017	\$20,705	\$780	\$90,502
			DISTRIBUTION TOTAL	\$69,017	\$20,705	\$780
						\$90,502
Customer Relations						
Customer Service						
January	Customer Representative	Reclass PT to FT	\$20,173	\$13,528	\$0	\$33,701
January	Customer Representative	Reclass PT to FT	20,173	13,528	0	33,701
January	Customer Representative	Full Time	45,094	13,528	0	58,622
			CUSTOMER RELATIONS TOTAL	\$85,440	\$40,584	\$0
						\$126,024
Human Resources/Administration						
Dir., Human Resources/Administration						
January	Intern	Summer	\$15,010	\$0	\$0	\$15,010
			HUMAN RESOURCES/ADMINISTRATION TOTAL	\$15,010	\$0	\$15,010
			TOTAL 2018 BUDGET for NEW EMPLOYEES	\$231,613	\$77,650	\$1,080
						\$310,343

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

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WaterOne 2018 Budget
Capital Related to New Personnel

	Total
Production	
Instrument Technician	
AP-18200 Van	\$39,901
Total Instrument Technician	\$39,901
Total Production Capital	\$39,901
Distribution	
Construction Coordinator	
AP-18107 SUV	\$29,926
AP-18100 Workstation	11,083
Total Construction Coordinator	\$41,009
Total Distribution Capital	\$41,009
TOTAL Capital for New Positions	\$80,910

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WaterOne 2018 Budget

PERSONNEL

Production 2018

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2018 Costs
Instrument Technician	\$54,538	\$54,538	\$16,361	\$300	\$39,901	\$111,100
Department	Facilities Maintenance					
Type	Full Time					
Start Date	January 2018					
Justification	The instrumentation shop is implementing a "reliability centered" calibration program. The calibration program includes 625 pieces of instrumentation including pressure, level, and flow transmitters. The program establishes a calibration schedule based on industry best practices. The new position will allow staff time to implement the calibration program while maintaining the expected level of service for required proactive and reactive maintenance.					
Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2018 Costs
Water Quality Lab Intern	\$7,608	\$7,608	\$0	\$0	\$0	\$7,608
Department	Laboratory					
Type	Full Time					
Start Date	January 2018					
Justification	Changes in EPA regulations and customer growth are expected to result in increased sampling with increased summer workload. The position will also be utilized as a recruitment tool for future employment when current employees retire, leave, or an additional full time employee is needed.					
Total Production Division	\$62,146	\$62,146	\$16,361	\$300	\$39,901	\$118,708

WaterOne 2018 Budget

PERSONNEL

Distribution 2018

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2018 Costs
Construction Coordinator	\$69,017	\$69,017	\$20,705	\$780	\$41,009	\$131,511

Department Construction Maintenance Valving and Services (CMVS)
 Type Full Time
 Start Date January 2018

Justification The Distribution Technician (DT) Program was established to develop a highly trained workforce to provide the highest quality water, safely, to our customers. The program requires extensive training, including testing, certifications, and demonstrating skilled equipment operation.

Training and certifications include: Water Distribution System Operator Certification; Water Distribution Operation training course; traffic safety; confined space; excavation safety; rigging and signalman; fork lift operation; blood borne pathogens; Smith driving; flagger training; enhanced CDL requirements; application of GPS tools; understanding multiple installation techniques; and knowledge of various material types.

Ensuring all DT's are in the right assignment and receiving the necessary training is essential for the DT's advancement opportunity and the success of the program. Assistant Managers are currently sharing this administrative responsibility which requires a significant amount of time and coordination.

The new Construction Coordinator will be the primary administrator of the DT Program, overseeing training course work and certification requirements for the department. This position will also develop a tracking and reporting system.

Total Distribution Division	\$69,017	\$69,017	\$20,705	\$780	\$41,009	\$131,511
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WaterOne 2018 Budget

PERSONNEL

Customer Relations 2018

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2018 Costs
Customer Representative	\$45,094	\$45,094	\$13,528	\$0	\$0	\$58,622

Department: Customer Service
 Type: Full Time
 Start Date: January 2018

Justification: Call volume in Customer Service has increased with the growth of the customer base and since Customer Service has become the initial contact point for all customer interaction related to WaterOne business including restoration, "Pardon our mess" flyers, engineering projects, outages, main flushing, and information campaigns.

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 the Wellness Fair. The lack of job satisfaction can lead to significant turnover, which is costly for Customer Service given the amount of training required for Customer Service Representatives.

With the addition of this position, 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
- Back office 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	\$45,094	\$45,094	\$13,528	\$0	\$0	\$58,622
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WaterOne 2018 Budget

PERSONNEL

Human Resources / Administration 2018

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2018 Costs
HR Intern	\$15,010	\$15,010	\$0	\$0	\$0	\$15,010

Department Director, HR
 Type Summer
 Start Date January 2018

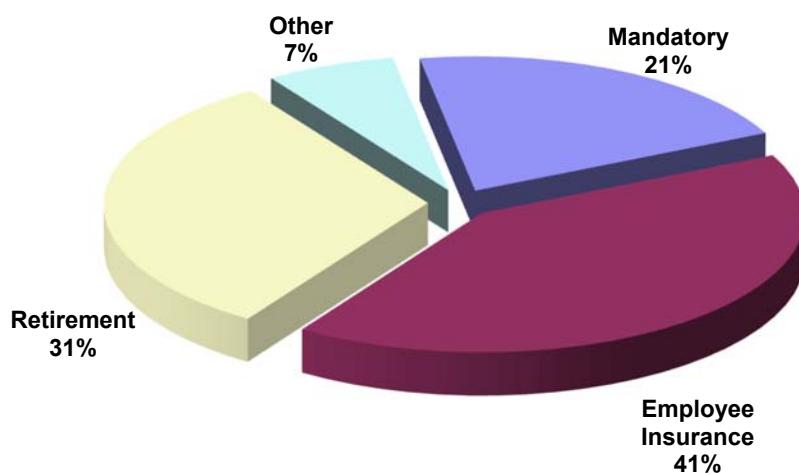
Justification Increased recruitment and department projects have created a need for a summer intern position.

Upcoming and ongoing HR projects that will utilize the intern include: data gathering and review for HR IT project list, implementation of electronic timekeeping, implementation of the Learning Management System, compensation studies, pro-active community outreach, updating recruiting materials, updating the applicant tracking system, updating job descriptions, enhancing the HR intranet site, and enhancing onboarding processes.

Total Admin / HR Division	\$15,010	\$15,010	\$0	\$0	\$0	\$15,010
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2018 BENEFITS

2018 Benefits by Category



	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$4,139,024	\$4,805,994	\$4,888,881	\$82,887	1.7%
Retirement	5,287,180	3,811,822	3,946,876	135,054	3.5%
Mandatory	2,296,024	2,382,599	2,278,610	<103,989>	<4.4%>
Other	702,633	714,909	807,444	92,535	12.9%
Benefits - Gross	\$12,424,861	\$11,715,324	\$11,921,811	\$206,487	1.8%
Less Transfers	<\$3,138,031>	<\$3,026,509>	<\$2,912,217>	\$114,292	<3.8%>
Benefits - Net	\$9,286,830	\$8,688,815	\$9,009,594	\$320,779	3.7%

WATERONE 2018 BUDGET

PERSONNEL

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

Benefit Expenses					
	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance - Health	\$3,915,293	\$4,503,254	\$4,567,633	\$64,379	1.4%
Pension DB - Final Pay Plan	3,572,800	2,490,918	2,547,775	56,857	2.3%
FICA	1,743,666	1,917,686	2,016,340	98,654	5.1%
Pension DC – WaterOne	439,848	429,213	426,627	<2,586>	<0.6%>
Retiree Insurance - Health	257,967	349,832	358,287	8,455	2.4%
Pension - DC (New) - Match	116,851	253,010	305,623	52,613	20.8%
Pension DC - Match	264,739	302,166	300,345	<1,821>	<0.6%>
Worker's Compensation	462,414	479,681	255,876	<223,805>	<46.7%>
Employee Insurance - Dental	195,311	208,688	207,429	<1,259>	<0.6%>
Pension - DC (New) WaterOne	147,097	148,011	195,980	47,969	32.4%
Other Post-Employment Ben.	723,791	150,000	120,000	<30,000>	<20.0%>
Employee Ins. - LT & ST Disab	69,091	71,046	118,477	47,431	66.8%
Employee Insurance - Life	101,002	101,436	105,384	3,948	3.9%
Other Employee Benefits	134,308	70,150	85,800	15,650	22.3%
Pension DB - Cash Balance Plan	22,055	38,504	50,526	12,022	31.2%
Comp & Ben Consulting Serv	4,768	25,000	50,000	25,000	100.0%
Employee Insurance - Vision	39,227	41,570	39,958	<1,612>	<3.9%>
Unemployment Insurance	66,162	25,232	26,394	1,162	4.6%
All Other	148,472	109,927	143,357	33,430	30.4%
Total Benefit Expense	\$12,424,861	\$11,715,324	\$11,921,811	\$206,487	1.8%

Numbers may not add due to rounding.

Employee Insurance – Health

The budgeted components of the increase in health insurance are a 1.3% increase for additional personnel, and 0.1% increase related to the employee coverage mix and slippage. There is no premium increase projected for 2018.

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.

FICA

The budget increase is due to the higher projected payroll and includes FICA for additional employee requests. Of the 5.1% increase, 4.7% is due to payroll and 0.4% is due to fewer non-taxable benefit payments and wages subject to Social Security Tax.

Pension DC - WaterOne

This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account. The budget is based on eligible full time employee base 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) WaterOne' for costs related to employees hired after that date).

Retiree Insurance - Health

This budget is based on no premium increase for the American Association of Retired Persons (AARP) and Blue Cross Blue Shield (BCBS). The budget increase is due to a projected increase in the number of participants.

Pension DC - (New) Match

This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account for all employees hired on and 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.

Pension DC - Match

This budget covers WaterOne'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).

Worker's Compensation

This budget is based on actual policy renewal in July. The decrease in premiums is based on actual experience.

Employee Insurance - Dental

This budget is based on no premium increase, the current coverage mix, and additional employees. There is a 0.6% decrease due to the change in mix of employees' coverage and a true-up to actual rates.

Pension DC – (New) WaterOne

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

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.

Employee Insurance – LT & ST Disability

The budget increase is due to a 27% increase in premiums related to decreasing the waiting period from 6 months to 3 months, and \$25k for short-term disability.

Employee Insurance - Life

The budget increase is due to the projected payroll increase and additional personnel requests. The rates have not increased from the prior year.

Other Employee Benefits

This budget funds various activities such as retirement events, United Way activities, Employee Day, and Pancakes with Santa. The increase is due to planning a more robust employee day, adding Bring Your Child to Work Day, enhancements to the retirement fair, and the plan to increase the number of employee engagement events.

Pension DB - Cash Balance Plan

The Cash Balance Plan was effective for new employees on January 1, 2014. 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.

Comp & Ben Consulting Serv

This budget funds compensation and benefit consulting projects. It includes the second year of a three year amortization of the 2017 compensation study and funding for additional miscellaneous consulting work.

Employee Insurance - Vision

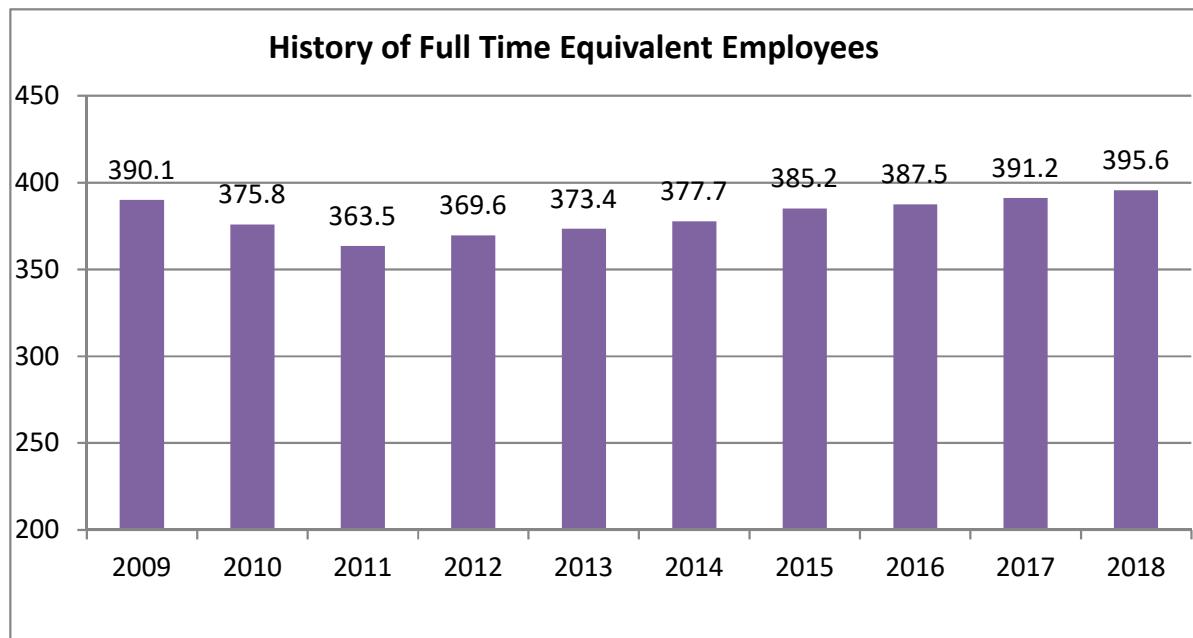
The budget includes no premium increase. It is based on the current coverage mix, the number of authorized personnel, and additional employees. There is a 3.9% decrease due to the change in mix of employees' coverage and a true-up to actual rates.

Unemployment Insurance

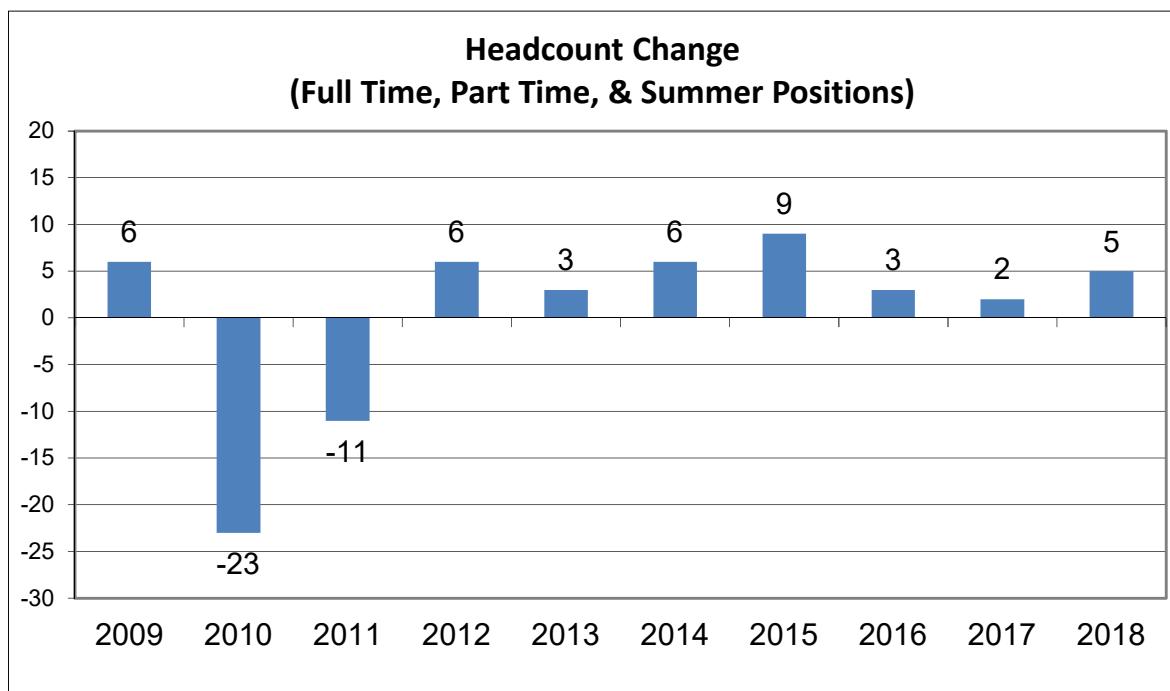
The budget is increasing due to the increase in projected payroll cost.

WaterOne 2018 Budget

Personnel



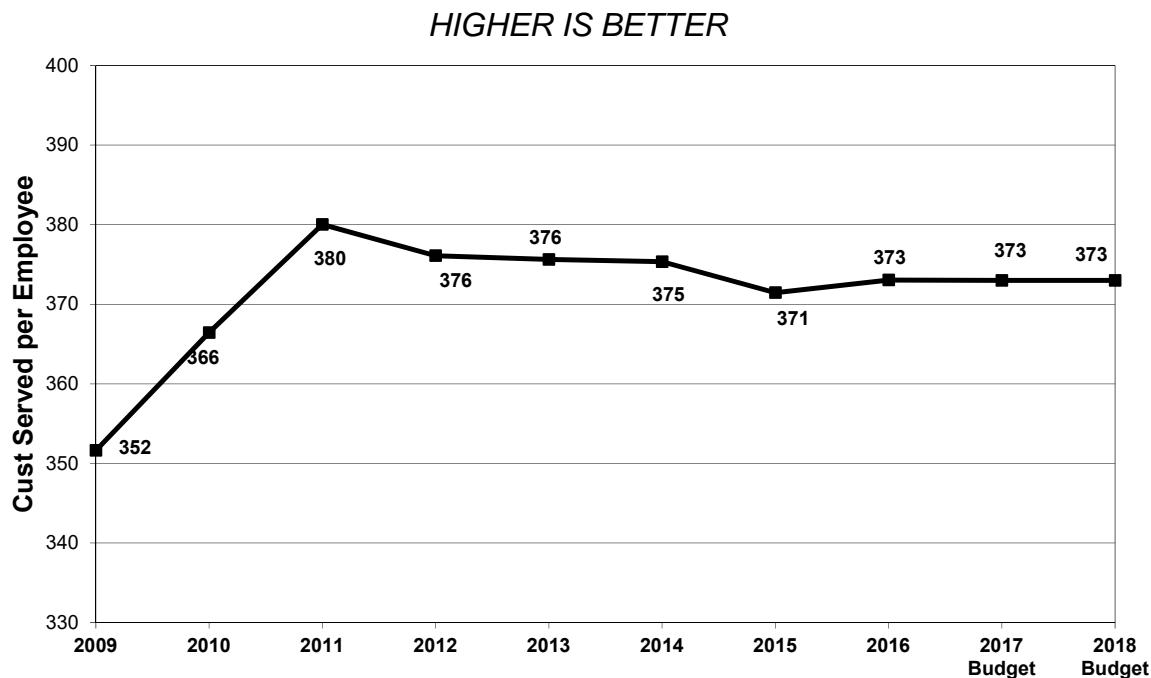
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Full Time	371	362	350	357	360	368	374	377	382	387
Part Time	20	15	14	13	13	8	10	8	6	4
Summer	22	13	15	15	15	18	19	21	20	22
Total	413	390	379	385	388	394	403	406	408	413



Average Customers Served Per Employee

In 2009, customer growth was near historic lows due to the Great Recession. Previous to the economic downturn, historical customer growth had averaged around 2,800 customers per year. Customer growth has been gradually increasing, but has yet to reach levels seen before the recession. The 2018 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

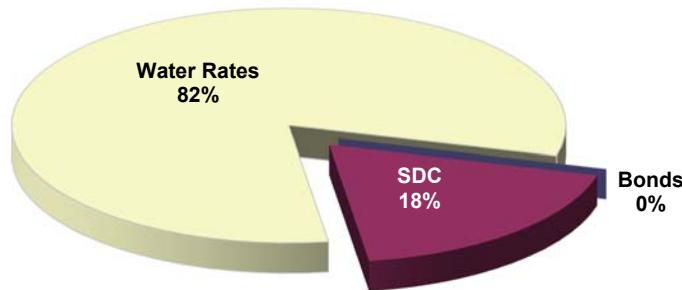
WaterOne provides water service to approximately 430,000 residents of Johnson County in 17 municipalities and encompasses 272 square miles. While WaterOne's service territory is only about 60% developed, portions of the distribution system are over 60 years old. This puts WaterOne in the position of 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:

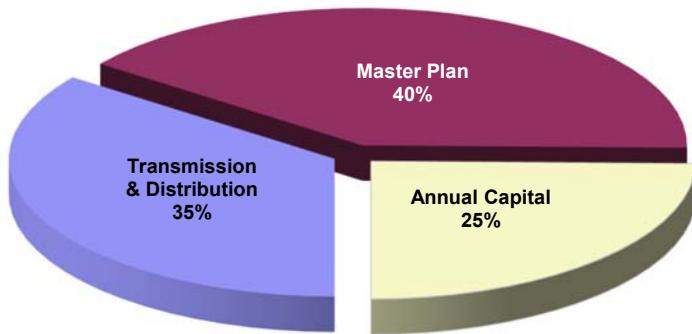
- **Water Rates** – Funds are designated on a “pay-as-you-go” basis from current water rates to fund Annual Capital, T&D, and Master Plan.
- **System Development Charges (SDCs)** – SDCs are paid by new customers when they apply for a service connection permit. The amount of the SDC, based on a growth 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 “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.

CIP Funding



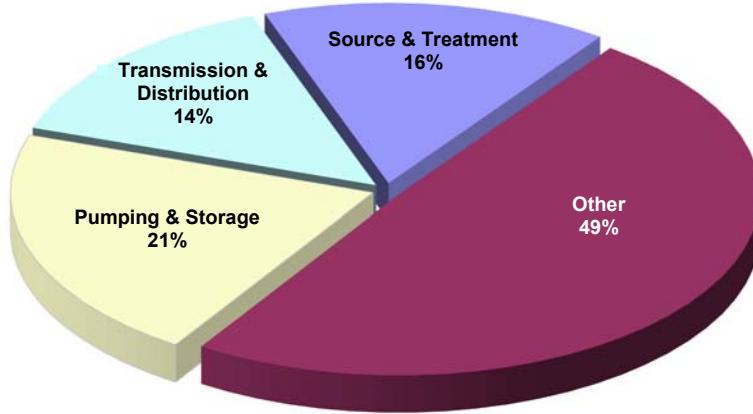
FUNDING	2018	2019	2020	2021	2022	2023	Total
Water Rates	\$38.4	\$38.8	\$42.0	\$43.8	\$45.0	\$45.8	\$253.9
SDCs	\$7.3	\$8.5	\$9.3	\$10.1	\$11.1	\$10.8	\$57.1
Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL FUNDING	\$45.7	\$47.3	\$51.3	\$53.9	\$56.1	\$56.6	\$311.0

CIP Expenditures



EXPENDITURES	2018	2019	2020	2021	2022	2023	Total
Master Plan	\$47.9	\$24.2	\$21.1	\$1.2	\$20.8	\$9.9	\$125.1
T&D	\$14.8	\$16.0	\$17.4	\$18.8	\$20.4	\$22.1	\$109.4
Annual Capital	\$10.8	\$12.2	\$12.7	\$13.2	\$13.7	\$14.3	\$77.0
TOTAL EXPENDITURES	\$73.5	\$52.4	\$51.2	\$33.2	\$54.9	\$46.3	\$311.5

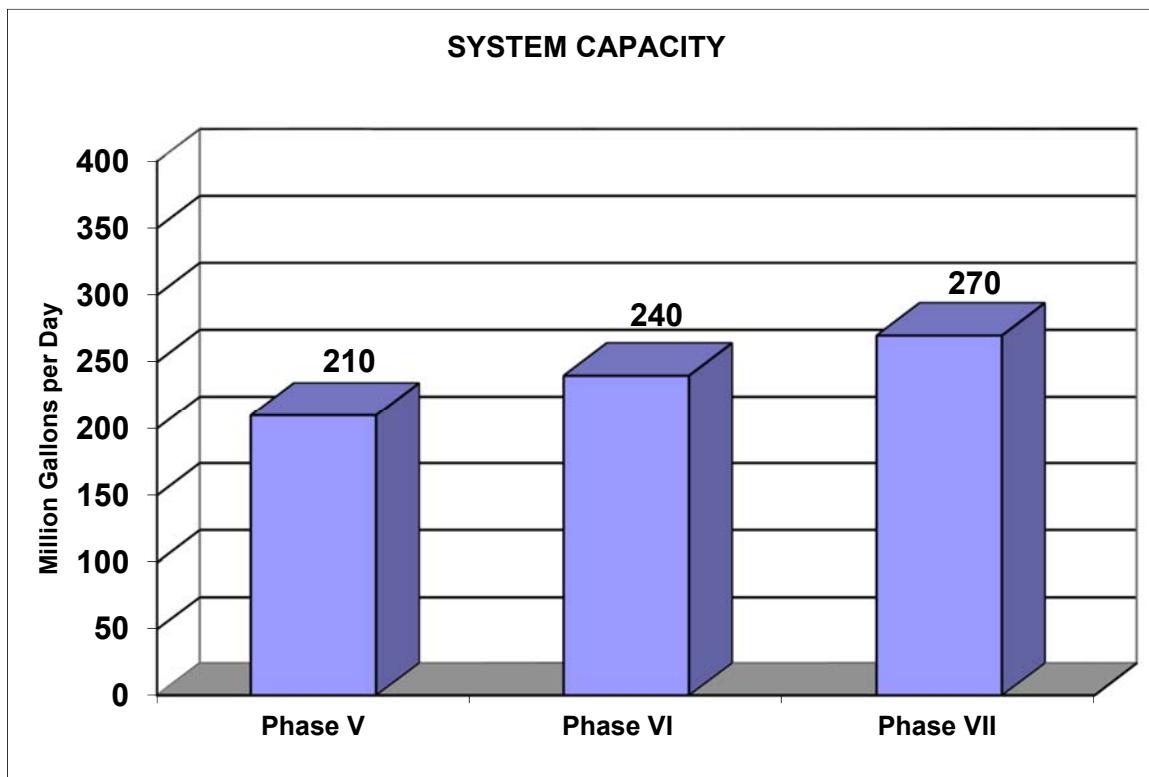
2018 Master Plan



Master Plan Purpose and Funding

- **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.
- **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).
- **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.
- **Other** – This category includes all projects that do not fit within the scope of the Pumping and Storage, Source and Treatment, or New & Replacement Transmission Mains and New Distribution Mains categories. This includes projects such as remodeling or replacements at administration facilities and upgrades to Advanced Metering Infrastructure (AMI).

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 2018 is the AMI Upgrade for approximately \$21.0M. This project will provide the infrastructure which will allow the collection of meter data remotely in order to enhance operational efficiency and improve customer service. The other large project in 2018 is the construction of an elevated tank in the Northwest Reduced Pressure Area (NWRPA). This elevated tank will help meet max hour demands in the NWRPA.

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.

2018 Master Plan Projects (Award Basis)**Pumping & Storage**

MP-21502	New	NWRPA Sub-Zone Elevated Tank	\$7,343,270
MP-18050	Repl.	Lamar Station Elect/HVAC Improvements	1,173,400
MP-17004	New	Nall Pump Station Phase II	800,384
MP-18002	New	Elevated Tank - K-7 & K-10 Hwy	443,456
MP-19003	New	Elevated Tank - 199th & Lackman	<u>297,440</u>
		Pumping & Storage	\$10,057,950

Source & Treatment

MP-19010	Repl.	Electrical Equipment Replacement Fac 2 South	\$5,282,978
MP-11002	New	Residual Monofill #9 - Hansen	<u>2,132,499</u>
		Source & Treatment	\$7,415,477

Distribution & Transmission

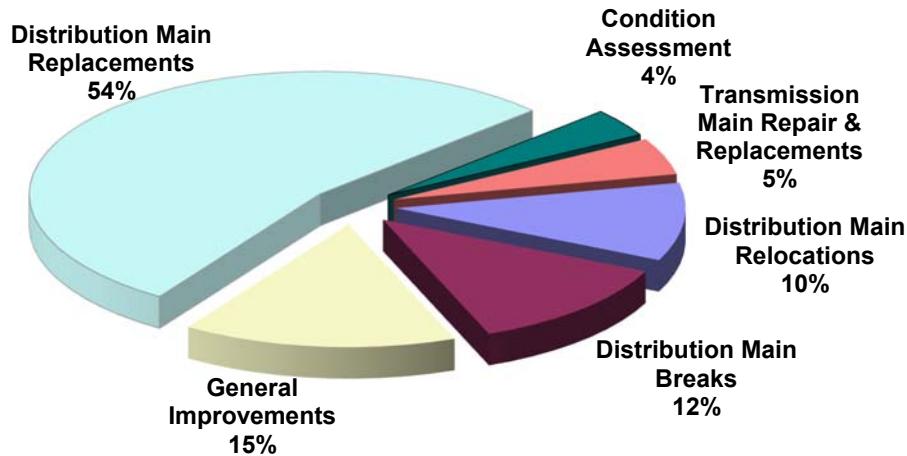
MP-19005	New	12" DM - High Dr/84th/Somerset/Lee/Meadow/89th	\$1,778,082
MP-13008	New	16" DM - Metcalf, 159th to 167th	1,745,110
MP-21500	Repl.	20" TM - 47th & Monticello to North Elevated Tank	1,380,597
MP-10009	New	ROW 72" TM, PS to 105th & K7	1,238,905
MP-21501	New	PRV Facilities at Sub-Pressure Zone Boundaries	<u>693,708</u>
		Distribution & Transmission	\$6,836,402

Other Facilities

MP-18011	Repl.	AMI Upgrade - Residential	\$16,957,908
MP-18012	Repl.	AMI Upgrade - Commercial	4,006,158
MP-20035	New	Remodel of P1 Building/AHQ	<u>2,595,900</u>
		Other Facilities	\$23,559,966

Total Master Plan (Award Basis) \$47,869,795

2018 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

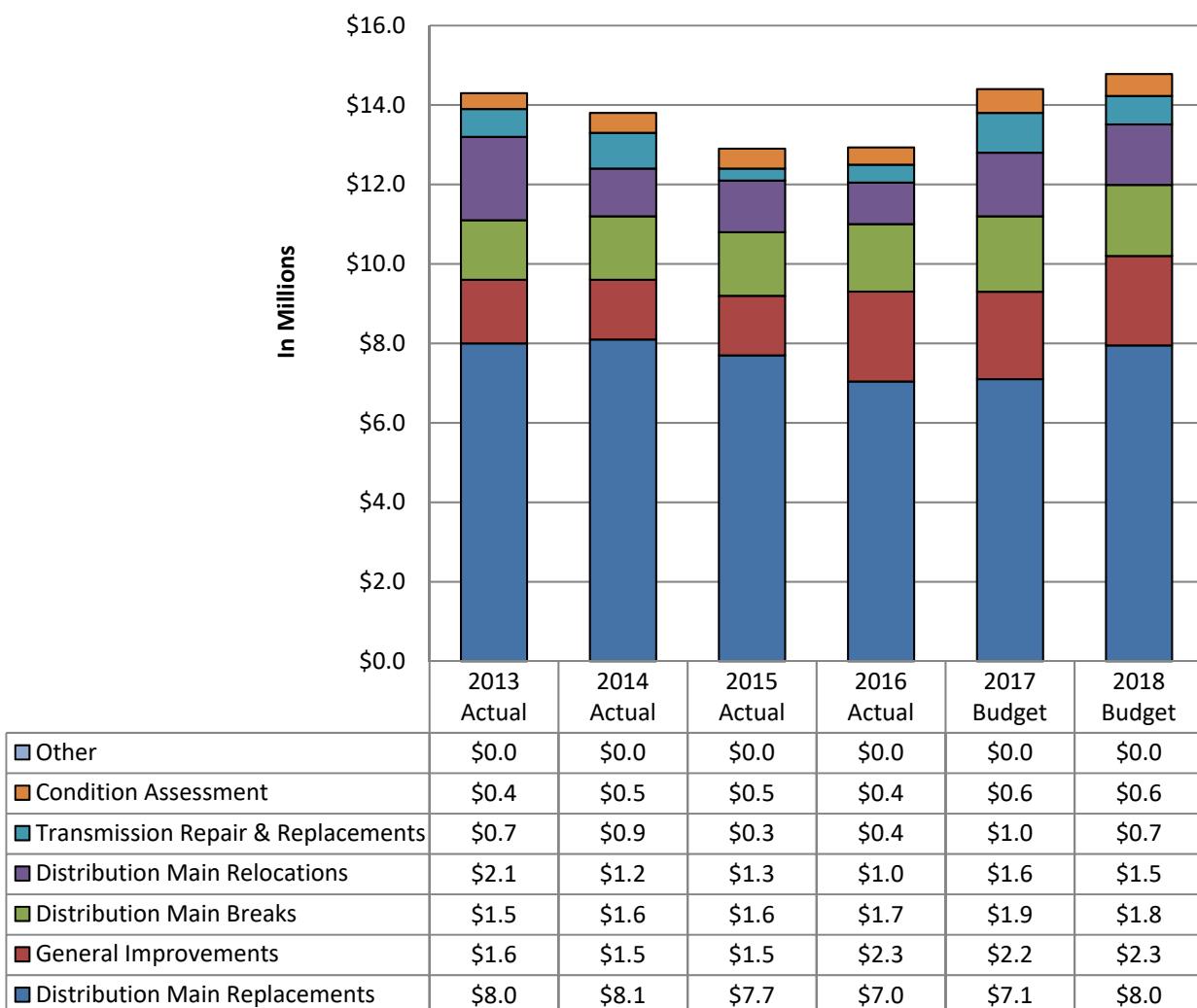
Restoration of streets, curbs, and sidewalks are a significant component of replacement costs, so WaterOne communicates with the municipalities' public works departments in order to coordinate the replacement of water mains with the municipalities' street projects. The goal is to minimize costs as well 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

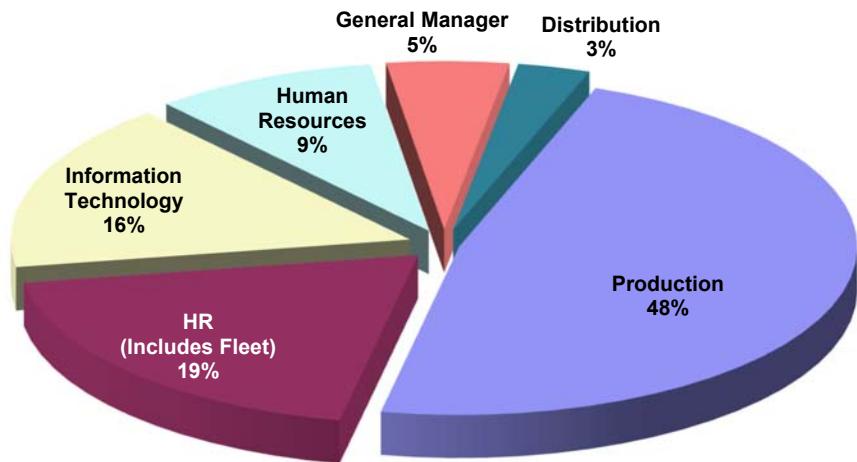
the developer. New mains are occasionally installed to extend the system, but are primarily needed to provide redundant supply or improve fire protection water flow in a particular area.

- **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 transmission main breaks, minor replacements, relocations, or general improvements to a transmission main not funded in the Master Plan. New installations and extensive replacements of transmission mains are funded in the Master Plan.
- **Condition Assessment** - This category includes hiring contractors to assess transmission main condition as well as assessments completed by WaterOne staff.

Transmission & Distribution by Category



2018 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.

Annual Capital Impact on Operating and Maintenance Expenses

WaterOne's operating budget is directly impacted by its capital improvement program. Many of the Annual Capital projects will have ongoing operating costs that will continue to impact future budgets. Common ongoing costs include labor, maintenance, and fuel. Capital projects may also have a positive impact on the budget by increasing efficiency and reducing the use of power, chemicals, or labor.

The table below summarizes the projected annual net operating impact of the requested annual capital projects by division during the current budget year and five year plan. Typically, replacement projects require similar labor and maintenance expenses as the existing assets and do not have a significant net operating impact.

Division	2018 Budget	Net Operating Impact					
		2018	2019	2020	2021	2022	2023

New

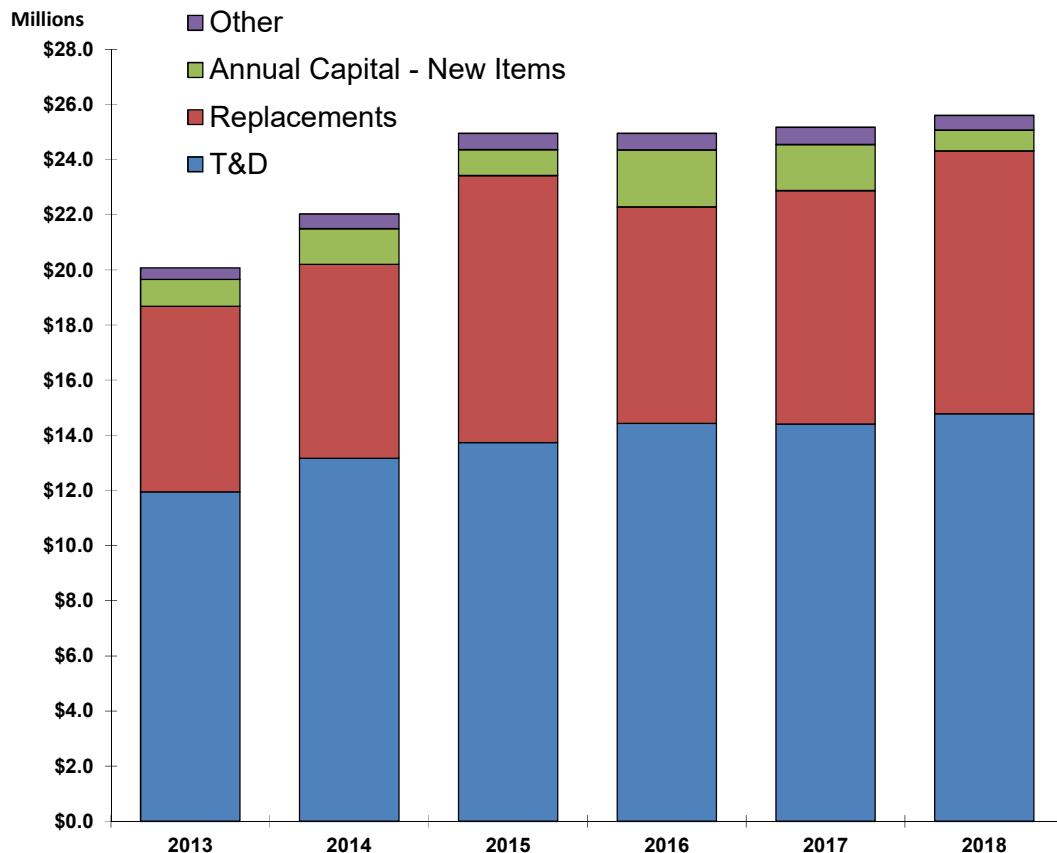
Production	\$413,419	\$0	\$0	\$0	\$0	\$0	\$0
Distribution	65,418	0	0	0	0	0	0
Customer Relations	14,409	0	0	0	0	0	0
Human Resources/Admin	69,827	3,700	3,770	3,850	3,930	4,010	4,090
Information Technology	188,421	0	34,000	34,000	34,000	34,000	34,000
New - Total	\$1,287,541	\$3,700	\$37,770	\$37,850	\$37,930	\$38,010	\$38,090

Replacement

Production	\$4,735,817	\$0	\$0	\$0	\$0	\$0	\$0
Distribution	252,262	0	0	0	0	0	0
Customer Relations	970,099	0	0	0	0	0	0
Human Resources/Admin	2,011,492	0	0	0	0	0	0
Information Technology	1,562,789	(126,861)	(136,741)	47,048	47,048	47,048	47,048
Replacement -Total	\$9,532,459	(\$126,861)	(\$136,741)	\$47,048	\$47,048	\$47,048	\$47,048

Annual Capital Total	\$10,820,000	(\$123,161)	(\$98,971)	\$84,898	\$84,978	\$85,058	\$85,138
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HISTORY OF BUDGETED TOTAL ANNUAL CAPITAL



Type of Annual Project	2013 Budget	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget
T&D Funding (a)	\$ 11,950,000	\$ 13,174,000	\$ 13,743,000	\$ 14,440,000	\$ 14,410,000	\$ 14,780,000
Annual Capital - Replacements	6,730,454	7,032,807	9,677,261	7,838,119	8,460,779	9,532,459
Other (b)	426,408	541,927	589,021	601,212	623,238	536,047
Total T&D, Replacement, and Other Funding	\$ 19,106,862	\$ 20,748,734	\$ 24,009,281	\$ 22,879,331	\$ 23,494,017	\$ 24,848,506
Annual Capital - New Items	\$ 973,138	\$ 1,281,266	\$ 940,719	\$ 2,070,669	\$ 1,680,983	751,494
TOTAL ANNUAL CAPITAL	\$ 20,080,000	\$ 22,030,000	\$ 24,950,000	\$ 24,950,000	\$ 25,175,000	\$ 25,600,000
T&D, Replacement, and Other as % of Total Annual Capital	95%	94%	96%	92%	93%	97%

(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	2017 CAPITAL REQUESTS	2018 CAPITAL REQUESTS	PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2018 CAPITAL REQUESTS	
PRODUCTION					
Facilities Engineering	\$ 4,750,404	\$ 4,412,426	4,507,855		8,920,281
Facilities Maintenance	870,338	736,810	45,121		781,931
Operations	-	-	\$ 1,637,250	\$ 1,637,250	
Water Quality Laboratory	122,168	-	8,302		8,302
TOTAL PRODUCTION	\$ 5,742,910	\$ 5,149,236	\$ 6,198,528	\$ 11,347,764	
DISTRIBUTION					
Distribution Engineering	\$ 14,418,885	\$ 14,793,965	\$ -	\$ 14,793,965	
Construction, Maintenance, Valving & Services	27,270	303,715	\$ 292,747	\$ 596,462	
Distribution Water Quality & New Services	-	-	-	-	-
TOTAL DISTRIBUTION	\$ 14,446,155	\$ 15,097,680	\$ 292,747	\$ 15,390,427	
CUSTOMER RELATIONS					
Meter Services	\$ 1,370,583	\$ 984,508	\$ 849,973		1,834,481
Office of the Director	22,213	-	\$ 58,866	\$ 58,866	
TOTAL CUST. RELATIONS	\$ 1,392,796	\$ 984,508	\$ 908,839	\$ 1,893,347	
HUMAN RESOURCES/ADMINISTRATION					
Fleet Services	\$ 1,388,614	\$ 1,693,393	\$ 854,955		2,548,348
Safety & Security	43,077	387,926	\$ 12,000		399,926
TOTAL HUMAN RESOURCES/ADMIN	\$ 1,431,691	\$ 2,081,319	\$ 866,955	\$ 2,948,274	
INFORMATION TECHNOLOGY					
Infrastructure Services	\$ 716,351	\$ 1,474,119	\$ 60,000	\$ 1,534,119	
Applications	666,372	221,673	742,176		963,849
Information Technology	155,487	55,418	142,269		197,687
TOTAL INFORMATION TECHNOLOGY	\$ 1,538,210	\$ 1,751,210	\$ 944,445	\$ 2,695,655	
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 24,551,762	\$ 25,063,953	\$ 9,211,514	\$ 32,887,390	
Capital Contingencies (@ 2.1% of Sub-Total Above) (a)	\$ 623,238	\$ 536,047	-		536,047
TOTAL OFFICE OF GENERAL MANAGER	\$ 623,238	\$ 536,047	\$ -	\$ 536,047	
GRAND TOTAL CAPITAL REQUESTS	\$ 25,175,000	\$ 25,600,000	\$ 9,211,514	\$ 34,811,514	

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 2018

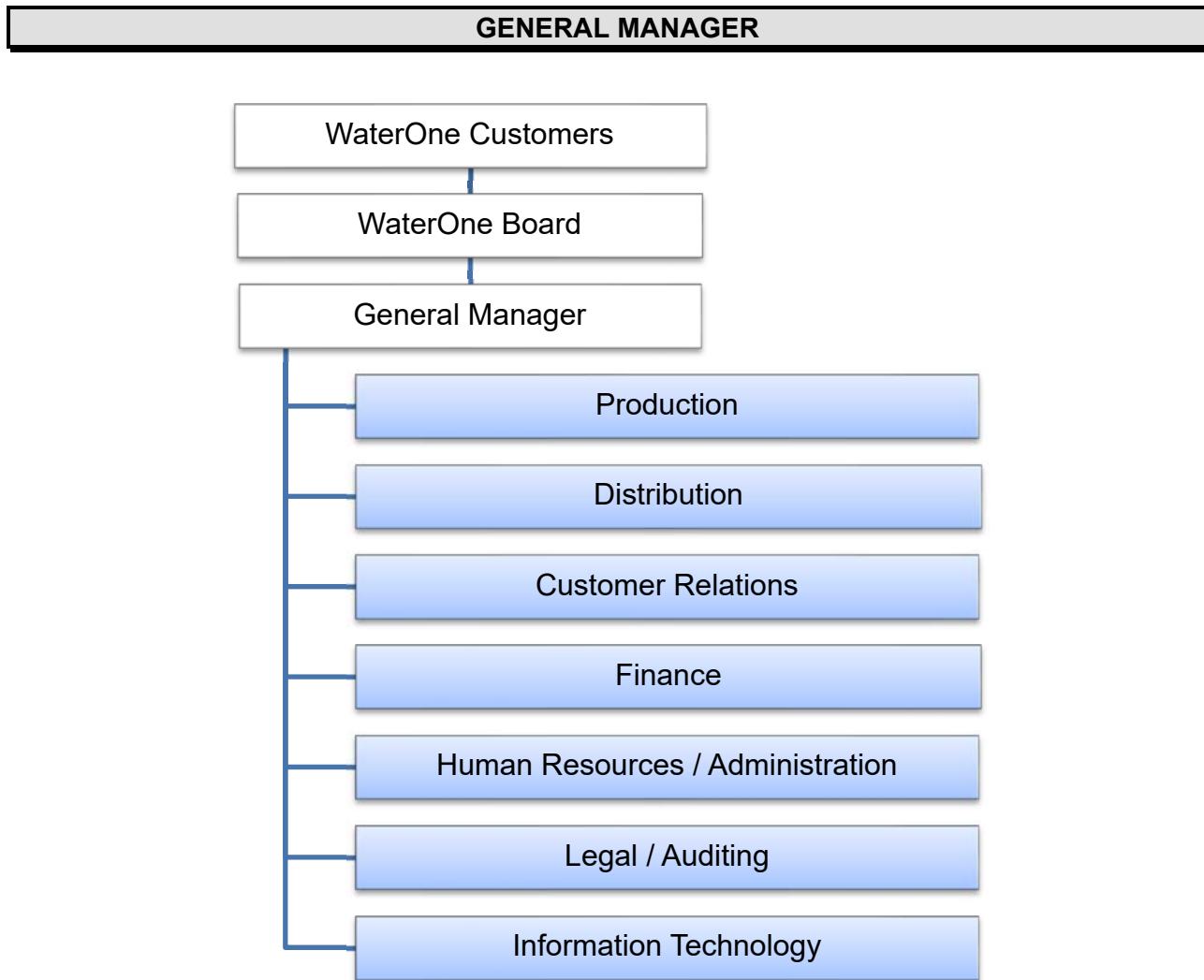
		*2017 Budget	12-31-2017 Unspent	Budget Carry- Over to 2018
PRODUCTION				
AC-15037	SCADA Replacement & Upgrades	\$ 1,296,769	\$ 1,194,232	\$ 1,637,250
	Operations Department Subtotal	\$ 1,296,769	\$ 1,194,232	\$ 1,637,250
AC-17001	Hansen Mechanical, Electrical, Plumbing Improvements	\$ 1,418,540	\$ 1,214,416	\$ 1,214,416
AC-17023	Missouri River Intake Pump #3 Rebuild	555,310	555,310	555,310
AC-17035	Missouri River Presed Pump #6 Rebuild	555,310	555,310	555,310
AC-17024	Facility 2 High Service Pump #14 Rebuild	499,780	499,780	499,780
AC-14100	Administrative Offices Space Study and Reconfiguration	243,122	243,122	243,122
AC-16302	Missouri River Intake Pump #1 Refurbishment	444,000	416,974	375,000
AC-17045	Hansen Exterior Lighting Improvements	222,124	207,073	300,000
AC-17048	O&M Building Elevator Replacement	166,594	166,591	190,000
AC-17043	O&M Building Operator Lab Remodel	111,062	109,827	180,000
AC-17036	Facility 1 Basin Equipment Replacement	166,594	166,594	166,594
AC-17031	Hansen Production Equipment Recoating	255,443	147,252	147,252
OC-17010	Chemical Doors Replacement at Facility 2 North & South	55,071	55,071	55,071
OC-17011	Administrative Office Window Replacement	89,057	(2,117)	20,000
OC-17004	Missouri Presed Perimeter Fencing	19,799	(1,286)	6,000
	Facilities Engineering Department Subtotal	\$ 4,801,806	\$ 4,333,917	\$ 4,507,855
AC-15702	Partial Administrative Office Carpet Replacement	\$ 26,679	\$ 26,224	\$ 26,224
AC-15701	MO Presed Door Replacements	18,897	18,897	18,897
	Facilities Maintenance Department Subtotal	\$ 45,576	\$ 45,121	\$ 45,121
OC-17013	Microbiology Lab HPDI Unit Replacement	\$ 8,302	\$ 8,302	\$ 8,302
	Water Quality Laboratory Department Subtotal	\$ 8,302	\$ 8,302	\$ 8,302
	PRODUCTION TOTAL	\$ 6,152,453	\$ 5,581,572	\$ 6,198,528
DISTRIBUTION				
AC-16105	Valve Inserting Machine	\$ 133,196	\$ 133,196	\$ 133,196
AC-15180	Auger Machine	83,371	83,371	83,371
AC-11050	Valve Maint Vac and Operator	64,180	64,180	64,180
AC-14016	Portable Valve Operators	28,404	25,927	12,000
	DISTRIBUTION TOTAL	\$ 309,151	\$ 306,674	\$ 292,747

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2018

		*2017 Budget	12-31-2017 Unspent	Budget Carry- Over to 2018
INFORMATION TECHNOLOGY				
AC-17029	Customer Request Management System	222,124	222,124	222,124
AC-17905	Records Information Management	111,062	111,062	382,979
AC-17008	SAP Upgrades and Enhancements	222,124	137,073	137,073
	Applications Department Subtotal	\$ 555,310	\$ 470,259	\$ 742,176
AC-17007	GIS Upgrades & Enhancements	\$ 155,487	\$ 142,269	\$ 142,269
	Information Technology Department Subtotal	\$ 155,487	\$ 142,269	\$ 142,269
AC-17092	Disaster Recovery Enhancements	\$ 111,062	\$ 99,587	\$ 60,000
	Infrastructure Services Department Subtotal	\$ 111,062	\$ 99,587	\$ 60,000
	INFORMATION TECHNOLOGY TOTAL	\$ 821,859	\$ 712,115	\$ 944,445
CUSTOMER RELATIONS				
AC-16000	Annual Meter Replacement	\$ 2,259,806	\$ 849,973	\$ 849,973
AC-17129	Mobile Water Station	22,213	22,213	58,866
	CUSTOMER RELATIONS TOTAL	\$ 2,282,019	\$ 872,186	\$ 908,839
HUMAN RESOURCES - FLEET				
AF-17066	2 Ton Service Body (Replace 5110)	\$ 194,359	\$ 194,359	\$ 194,359
AF-17131	2 Ton Service Body (Replace 5070)	194,359	194,359	194,359
AF-16014	Dump Truck (Replace 6220)	182,569	182,569	182,569
AF-15726	Service Truck (Replace 4100)	75,328	63,818	63,818
AF-14415	1 Ton Service Body (Replace 4670)	72,458	60,960	60,960
AF-17047	1 Ton Service Body (Replace 4690)	83,297	44,879	51,000
AP-17101	SUV - New Locator CMVS	27,766	24,867	29,000
AF-15008	Heavy Duty Tire Changer	27,790	27,790	27,790
AF-17090	Trailer (Replace 7223)	16,103	16,103	17,000
AF-17220	Trailer (Replace 7220)	13,327	13,327	14,500
AC-16210	Diagnostic Scan Tool	12,210	12,210	13,100
AC-16201	Floor Machine Replacement	10,966	10,966	12,000
AF-17153	3/4 Ton Van (Replace 9410)	35,207	2,716	6,500
	HUMAN RESOURCES - FLEET TOTAL	\$ 945,739	\$ 848,924	\$ 866,955
	GRAND TOTAL CARRY-OVERS	\$ 10,511,221	\$ 8,321,471	\$ 9,211,514

Numbers may not total due to rounding

*2017 Budget amount represents the approved 2017 budget amount or carryover amount for all projects that were requested for carryover into 2018.

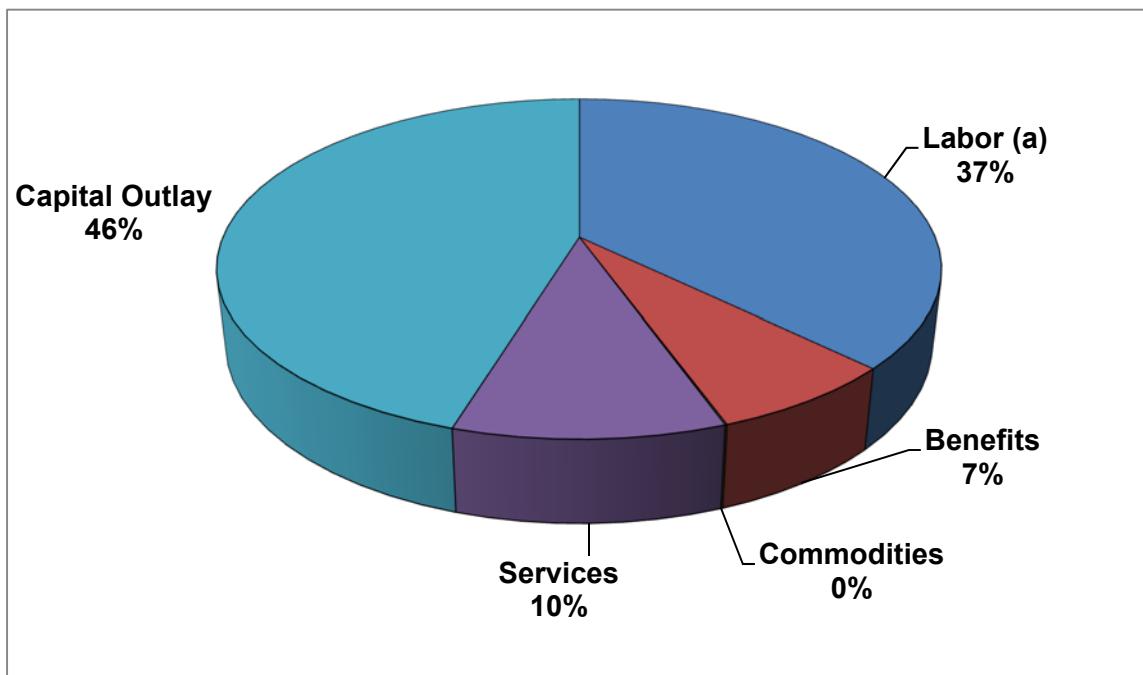
**OFFICE OF THE GENERAL MANAGER**

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."*

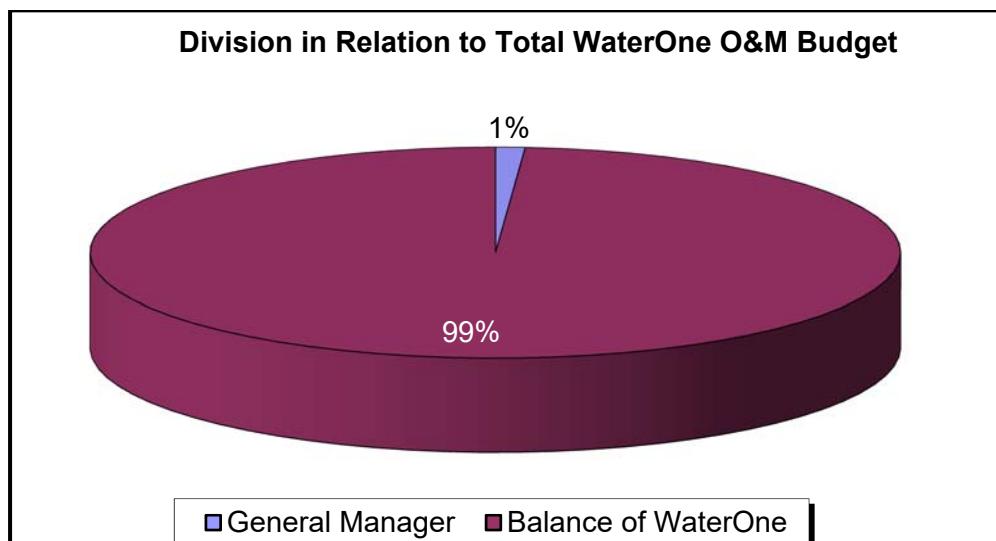
EXPENDITURES BY MAJOR CATEGORY

Net of Transfers

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$373,965	\$434,779	\$450,824	\$16,045	3.7%
Benefits	92,551	82,292	85,335	3,043	3.7%
Personnel Costs	\$466,516	\$517,071	\$536,159	\$19,088	3.7%
Commodities	1,293	700	850	150	21.4%
Services	118,430	118,575	121,003	2,428	2.0%
Transfers	<7,030>	<5,740>	<9,647>	<3,907>	68.1%
Total O&M	\$579,208	\$630,606	\$648,366	\$17,759	2.8%
Capital Outlay (b)	0	623,238	536,047	<87,191>	<14.0%>
Total	\$579,208	\$1,253,844	\$1,184,413	<\$69,432>	<5.5%>

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 annual capital budget.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$308,425	\$374,430	\$390,824	\$16,394	4.4%
Benefits	92,551	82,292	85,335	3,043	3.7%
Water Board Salaries	61,015	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	44,885	43,924	46,821	2,897	6.6%
WaterOne Memberships	29,436	34,330	34,330	0	0.0%
Subtotal	\$536,312	\$594,976	\$617,310	\$22,334	3.8%
All Other Accounts	49,926	41,370	40,703	<667>	<1.6%>
Less Transfers	<7,030>	<5,740>	<9,647>	<3,907>	68.1%
Total O&M	\$579,208	\$630,606	\$648,366	\$17,759	2.8%

Numbers may not add due to rounding

WATERONE 2018 BUDGET

GENERAL MANAGER

DIVISION PERSONNEL	2017	+	-	2018
	<i>Budget</i>			<i>Budget</i>
Headcount				
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. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 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.

Water Board Salaries

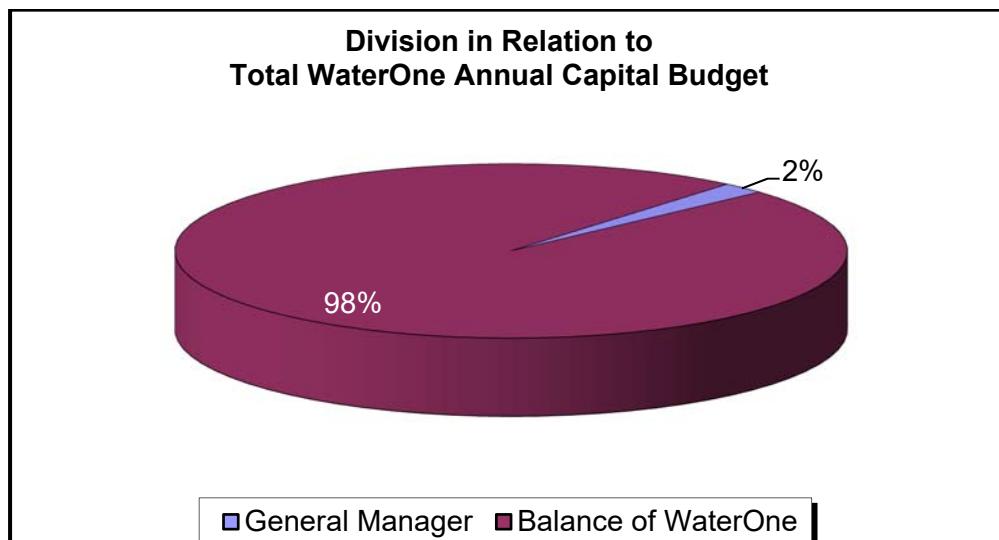
Board salaries are \$700/month for Board Members and \$800/month for the Board Chairman.

AWWA Research Foundation Fees

The AWWA Research Foundation administers research programs related to providing safe, sustainable, and affordable drinking water. The fee is based on gallons produced and population served. The budget increase is mostly due to an increase in gallons produced. The 2018 budget is based on gallons produced in 2016 which were more than the gallons produced in 2015.

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, NAACP, and MO River Public Water Supply. This budget also includes seven memberships in local chambers and one organizational membership.

ANNUAL CAPITAL

OC-18001	(a) 2018 Omissions & Contingencies	\$536,047
	Total Annual Capital	\$536,047

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 annual capital budget.

WaterOne 2018 Budget

GENERAL MANAGER

New

Project Description

2018 Omissions & Contingencies

Year

2018

Project

OC-18001

Plan

\$536,047

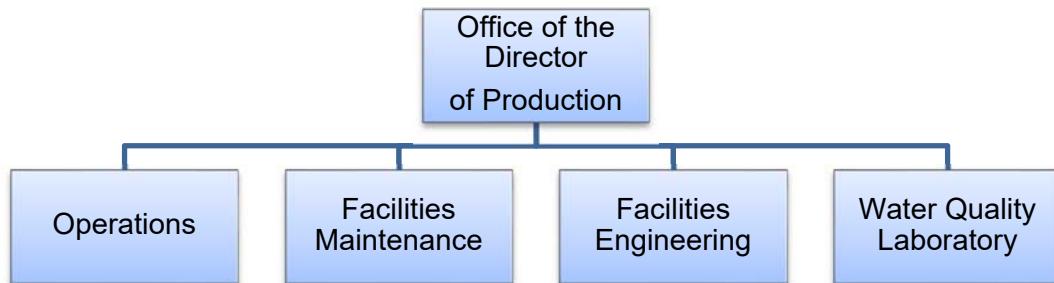


Justification

This is a contingency for unanticipated projects. Each Omissions & Contingencies project 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 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.

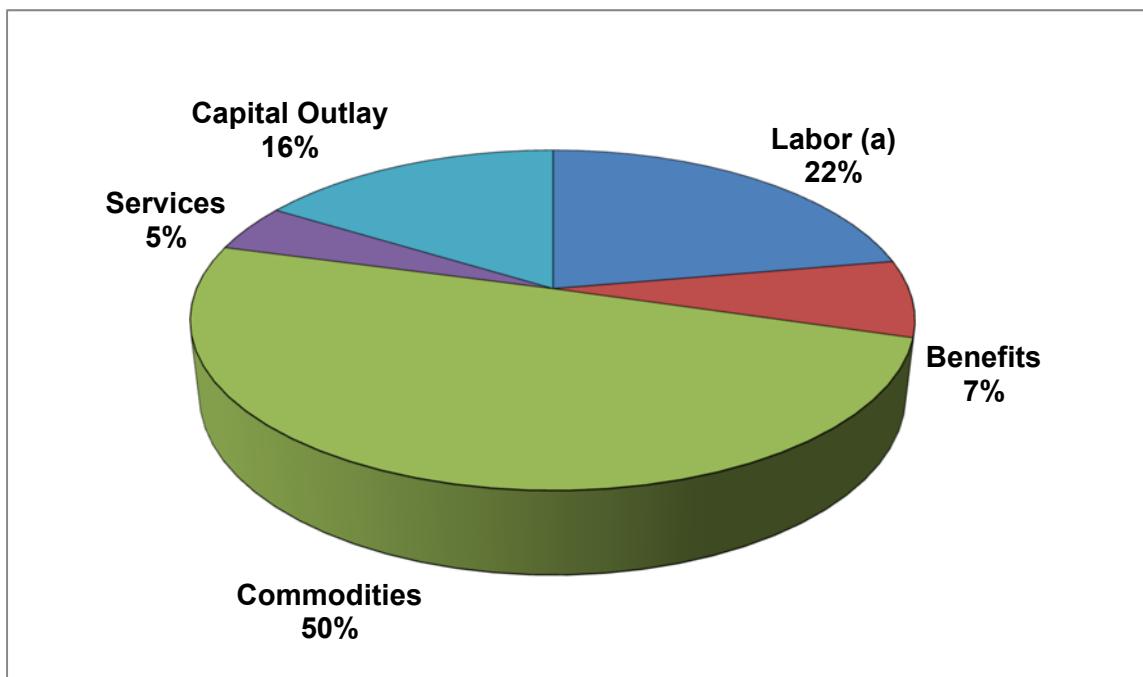
The Water Quality Laboratory department collects daily water samples and oversees bacteriological and chemical analysis as required by state and federal regulations. Water quality analysis is performed at all stages of water production to ensure that the water meets or exceeds regulation and performance 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 "2018 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

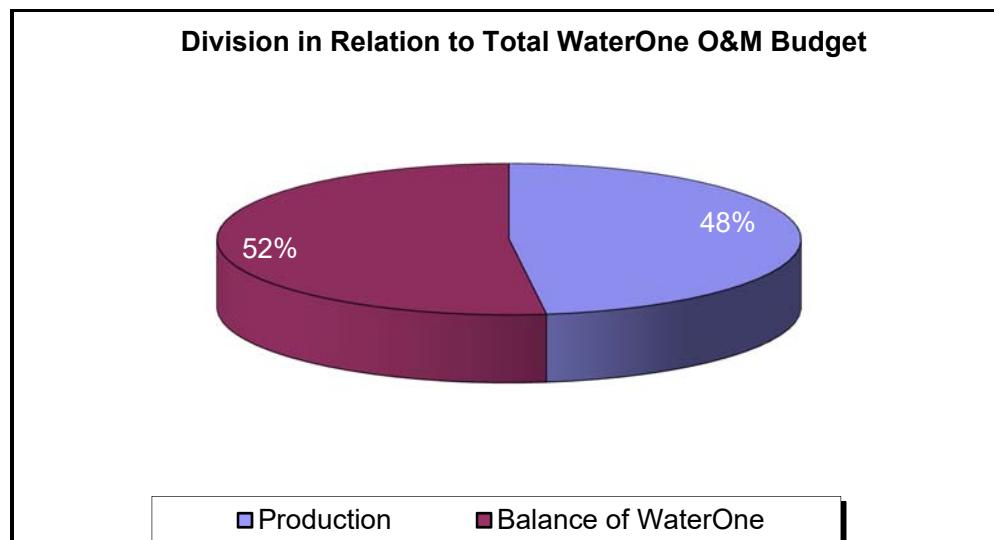
Net of Transfers

	2016 Actual (b)	2017 Budget (b)	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$6,944,971	\$7,392,262	\$7,635,686	\$243,424	3.3%
Benefits	2,446,534	2,247,703	2,315,334	67,631	3.0%
<i>Personnel Costs</i>	<i>\$9,391,505</i>	<i>\$9,639,965</i>	<i>\$9,951,020</i>	<i>\$311,055</i>	<i>3.2%</i>
Commodities	13,334,763	15,291,148	15,742,699	451,551	3.0%
Services	1,430,150	1,417,107	1,440,005	22,898	1.6%
Transfers	<671,087>	<538,631>	<570,661>	<32,030>	5.9%
Total O&M	\$23,485,331	\$25,809,589	\$26,563,064	\$753,475	2.9%
Capital Outlay	4,413,934	5,742,910	5,149,236	<593,674>	<10.3%>
Total	\$27,899,265	\$31,552,499	\$31,712,300	\$159,801	0.5%

Numbers may not add due to rounding

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

(b) Fleet & Custodial transferred to HR during 2017, after the approved budget. 2017 Budget and prior actuals are restated above without Fleet & Custodial for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$6,587,570	\$7,087,959	\$7,359,973	\$272,014	3.8%
Labor - OT	279,527	297,870	275,713	<22,157>	<7.4%>
Benefits	2,446,534	2,247,703	2,315,334	67,631	3.0%
Chemicals - Water Treatment	4,825,826	5,830,128	5,677,008	<153,120>	<2.6%>
Power - Transmission	3,674,891	4,154,660	4,656,332	501,672	12.1%
Power - Source	1,800,107	2,079,675	2,052,830	<26,845>	<1.3%>
Power - Distribution	1,743,241	1,586,674	1,718,130	131,456	8.3%
Material & Supplies	709,751	836,200	789,900	<46,300>	<5.5%>
Natural Gas	127,657	340,411	386,416	46,005	13.5%
Maintenance Services	192,262	271,200	243,280	<27,920>	<10.3%>
Mowing and Landscaping	115,939	148,200	182,350	34,150	23.0%
KS River Water Assurance Dist.	148,746	150,849	182,177	31,328	20.8%
Laboratory Services	129,364	117,450	149,449	31,999	27.2%
Subtotal	\$22,781,416	\$25,148,979	\$25,988,892	\$839,913	3.3%
All Other Accounts	1,375,002	1,199,241	1,144,832	<54,409>	<4.5%>
Less Transfers	<671,087>	<538,631>	<570,661>	<32,030>	5.9%
Total O&M	\$23,485,331	\$25,809,589	\$26,563,064	\$753,475	2.9%

Numbers may not add due to rounding

WATERONE 2018 BUDGET

PRODUCTION

DIVISION PERSONNEL	2017 Budget (a)	+ -		2018 Budget
<u>Headcount</u>				
Full Time	105	1 (b)		106
Part Time	0			0
Temporary/Summer	4	1 (b)		5
Total Headcount	109	2		111

Total Full Time Equivalents (FTEs)	107	1.25		107.25
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a) The 2017 Budget and headcount are restated without Custodial costs and staff. The Custodial group was transferred to Human Resources/Administration mid-year 2017.

b) Budgeted New Positions: Instrument Technician; Summer Lab Intern.

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 2017. 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, and as part of their normal schedule. Facilities maintenance requires overtime for after-hour emergency repairs to WaterOne facilities. The decrease in 2018 is based on a reduction in planned OT hours.

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 2018 is decreasing due to continued dose reductions resulting from operational changes implemented in 2016 which reduced the need for chemicals 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 2018 budget is increasing due to changes in the BPU rate structure, a rate increase, a new standby charge, and an increase to the Energy Rate Component (ERC).

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 2018 budget is decreasing due to operational changes involving reduced production at the Wolcott facility.

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 the projected increased use of 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 budget decrease is based on the history of actual materials used.

Natural Gas

The budget increase is due to higher forecasted usage in 2018 of the natural gas engine generators at the Wolcott facility.

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 due primarily to a reduction in the maintenance contract for autoclave services.

Mowing and Landscaping

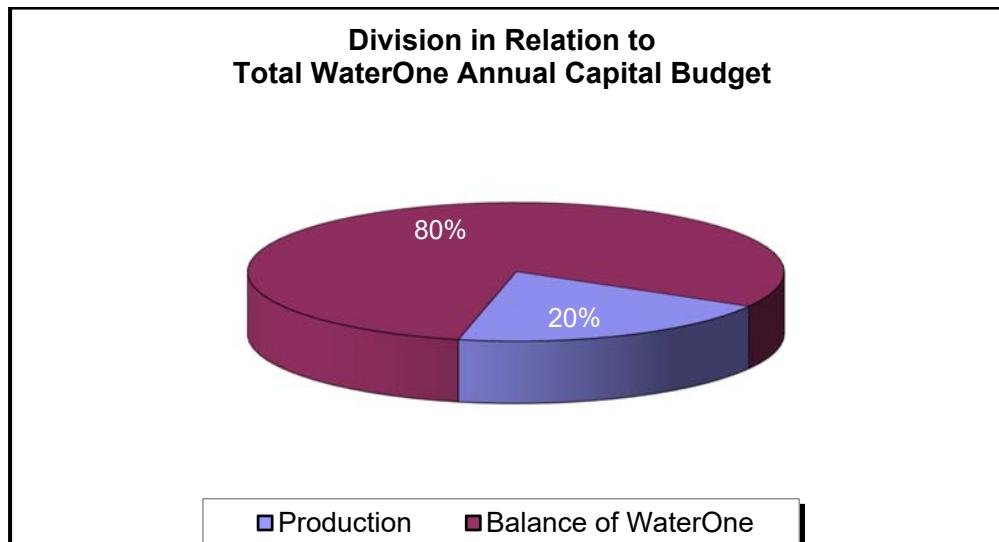
This budget is for contracted mowing and landscaping services at 31 facilities including treatment plants, pump stations, river intakes and well fields, and administrative facilities. The budget includes more frequent mowing and services at locations in residential areas which were not meeting neighborhood standards.

Kansas River Water Assurance District (KRWAD)

KRWAD is a group of municipalities and industries that pool their resources to obtain water storage from three Kansas reservoirs; when needed, water can be released. The 2018 budget includes a 4% increase over 2017, as well as an additional \$25,000 for the new Regional Conservation Partnership Program.

Lab Services

This account is associated with testing for water quality metrics as required by regulatory agencies. The budget is based historical costs to perform these tests and includes any new testing that is expected to be required in the budget year. The budget increase is due to new EPA testing requirements starting in 2018.

ANNUAL CAPITAL**New**

AC-18093	KS Presed Residual Back Flush	\$200,890
AC-18036	AHQ Material Bins Improvements	84,790
AC-18091	KS Well Line Isolation Valve	34,636
AC-18087	Hansen TP Ammonia Detectors	33,252
AC-18090	KS Presed East Gate Automation	26,601
AC-18092	Carbon Building PRV	22,167
AP-18100	Workstation for new Construction Coordinator	<u>11,083</u>
	Annual Capital - New	\$413,419

Replacement / Refurbish

AC-18041	Facility 2 Phase 3 & 4 Roof Replacement	\$1,072,892
AC-18016	MO River Facility Valve Replacement	831,271
AC-18031	Mechanical-Electrical Improvements	635,922
AC-18034	Production Facilities PLC Replacement	549,339
AC-18033	Quivira Pump Station Improvements	446,115
AC-18018	Emergency Equipment Replacements	443,344
AC-18037	Wolcott Membrane Controls Upgrade	248,170
AC-18020	Online Analyzers- Treatment/Distribution	188,421

WATERONE 2018 BUDGET

PRODUCTION

AC-18040	AHQ Kitchen Refurbishing	130,786
AC-18032	Wolcott IT Room HVAC Upgrades	78,971
AC-18035	Production Offices Furniture Replacement	38,793
AC-18086	Wolcott Coll. Well Parking Improvements	35,467
AC-18088	Residual Controls Cabinet Upgrade	12,857
AC-18083	Facility 2 Filter Turbidity Controllers	12,682
AC-18084	Wolcott pH & Conductivity Equip Repl	10,787
	Annual Capital - Replace / Refurbish	\$4,735,817
	Total Annual Capital	\$5,149,236

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-18152	(f)	Van (Repl 9304) Fac Maint	\$32,475
AF-18218	(f)	Trailer (Repl 7218) Fac Maint	19,951
AF-18263	(f)	SUV (Repl 8263) Fac Eng	29,926
AP-18200	(f)	Van - Instrument Tech	39,901

f) Fleet listed in 'Human Resources/Administration Division'

WATERONE 2018 BUDGET

PRODUCTION

MASTER PLAN

MP-19010	Repl.	Electrical Equipment Replacement Fac 2 South	\$5,282,978
MP-11002	New	Residual Monofill #9 - Hansen	<u>2,132,499</u>
Source & Treatment			\$7,415,477
MP-21502	New	NWRPA Sub-Zone Elevated Tank	\$7,343,270
MP-18050	Repl.	Lamar Station Elect/HVAC Improvements	1,173,400
MP-17004	New	Nall Pump Station Phase II	800,384
MP-18002	New	Elevated Tank - K-7 & K-10 Hwy	443,456
MP-19003	New	Elevated Tank - 199th & Lackman	<u>297,440</u>
Pumping & Storage			\$10,057,950
MP-20035	New	Remodel of P1 Building/AHQ	<u>2,595,900</u>
Other Facilities			\$2,595,900
Total Master Plan (Award Basis)			\$20,069,327
Total Capital			\$25,218,563

WaterOne 2018 Budget

PRODUCTION DIVISION

New

Project Description

KS Presed Residual Back Flush

Year

2018

Project #

AC-18093

Plan

\$200,890

Justification

The residual blowdown system at the KS Presed does not currently have a system to back flush with water after residuals have passed through the piping system. All other facilities have been constructed with this option. Without the back flush system, the piping can get plugged and has caused the basin to be taken out of service up to two weeks to clear the lines. This type of outage reduces the capacity of the facility by 33% or 24 MGD and increases O&M costs.

Project Description

AHQ Material Bins Improvements

Year

2018

Project #

AC-18036

Plan

\$84,790

**Justification**

The existing material bins store raw construction materials such as top soil, course gravel, fine gravel, and AB-3. The multiple compartments were not all originally constructed with roofs over the bin sections. When these materials become saturated with water, and freeze during the winter months it causes delays and inefficiencies when loading the materials onto trucks. The addition of a roof structure over the bins will eliminate the materials from becoming saturated and difficult to handle in the winter months.

WaterOne 2018 Budget

PRODUCTION DIVISION

New

Project Description

KS Well Line Isolation Valve

Year

2018

Project #

AC-18091

Plan

\$34,636

**Justification**

The installation of the new horizontal collector well on the Kansas River has changed the regulatory requirements related to the direct introduction of the well water into the Hansen Treatment Facility. The addition of this valve will allow for the proper control of well water and recycle water at the Hansen Facility.

Project Description

Hansen TP Ammonia Detectors

Year

2018

Project #

AC-18087

Plan

\$33,252

**Justification**

This project includes leak detection sensors and alarms at the Hansen Treatment Plant. These alarms will help to alert WaterOne personnel to take proper safety measures in the event of an ammonia leak. The project also includes a pressure sensor on the storage tanks.

WaterOne 2018 Budget

PRODUCTION DIVISION

New

Project Description

KS Presed East Gate Automation

Year

2018

Project #

AC-18090

Plan

\$26,601

Justification

This project will allow vehicles to exit the KS Presed through the east gate without the assistance of another employee directing traffic. The project includes safety bollards and a motor to operate the gate along with all the conduit needed to provide the power.

Project Description

Carbon Building PRV

Year

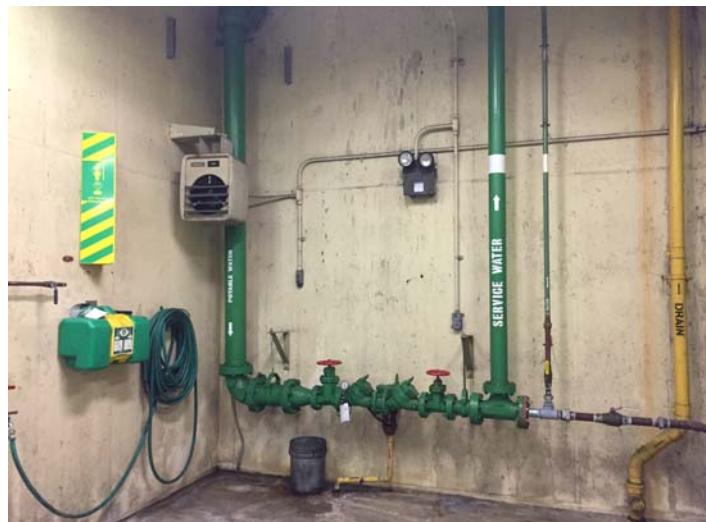
2018

Project #

AC-18092

Plan

\$22,167

Justification

The service water line that enters the carbon building is supplied from a water main that has over 120 psi on a regular basis. The carbon process control valves and back flow preventers in this building are subjected to these higher pressures and have experienced multiple failures due to the higher pressure. The addition of a pressure reducing valve will allow staff to appropriately adjust the water pressure entering the building to an acceptable level.

WaterOne 2018 Budget

PRODUCTION DIVISION

New

Project Description

Workstation new Construction Coordinator

Year

2018

Project #

AP-18100

Plan

\$11,083

Justification

Additional workspace will be required for a new Construction Coordinator.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Facility 2 Phase 3 & 4 Roof Replacement

Year

2018

Project #

AC-18041

Plan

\$1,072,892

**Justification**

This project includes the roof replacement for expansion Phase 3 and Phase 4 of the Hansen Treatment Facility 2. Phase 3 of Facility 2 was completed in 1996, making the building 22 years old in 2018. Phase 4 of this facility was completed in 1999, making it 19 years old in 2018. The roof of these facilities has an estimated useful life of 20 years. The existing roof has deteriorated and began to develop several leaks per year. Continued deterioration will eventually degrade the structure below the roofing system causing additional damage and repair costs.

Project Description

MO River Facility - Valve Replacement

Year

2018

Project #

AC-18016

Plan

\$831,271

**Justification**

The Missouri River Facility was built in 1983 and will be 35 years old in 2018. There are 10 valves installed in the original phase of construction that need inspected, repaired and replaced. These valves have a 15 year useful life. By replacing these valves, the facility can be efficiently operated and portions of the facility appropriately isolated when needed.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Mechanical-Electrical Improvements

Year

2018

Project #

AC-18031

Plan

\$635,922

Justification

This project consists of several smaller projects that when combined will increase the efficiency of managing them through one contractor. (1) RESIDUAL CONTROL VALVE REPLACEMENT (\$330,000): The eight valves which allow the isolation and control of the residuals between Facility 1 and the first two phases of Facility 2 into the residuals pumping station no longer operate or seal adequately which limits the ability to maintain the pump and control equipment. These valves have been in place since 1990 and have a useful life of 25 years. Replacement of these valves will allow the facility to be properly operated and maintained. (2) FACILITY 1 CHLORINE FEEDER REPLACEMENT (\$143,750): The existing chlorine feeders have no ability to be controlled or monitored through the SCADA system. The replacement of these feeders support the continual process of improving personnel safety and control within the facility. (3) HIGH SERVICE PUMP PAINTING (\$62,500): Several pump/motor/valve systems have been repaired and modified over recent years but have not been repainted since completion. Painting this equipment will properly protect the equipment through their next rebuild cycles and standardize the equipment color. (4) HIGH SERVICE PUMP SHROUDS (\$37,500): Several of the shrouds which seal the floor area around the pump columns have corroded and require replacement in order to continue to be effective in protecting debris from entering the clearwell. These shrouds have a varied time span of useful life depending on their construction material, but have in the past lasted through multiple pump changes which is extends the life beyond 30 years.



WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Production Facilities PLC Replacement

Year

2018

Project #

AC-18034

Plan

\$549,339

Justification

Programmable Logic Controllers (PLC's) are a main hub for the communication of data from individual pieces of equipment back to the SCADA system in the operations control room. PLC's have an estimated 15 years of useful life for these devices. The following facilities included in this project that have exceeded their useful life are: KS Presed, Quivira Pump Station, Crouthers Pump Station, Woodson Pump Station, 67th St. Pump Station, Woodson Pump Station, 211th Pump Station and 143rd St. Pump Station. Replacement of this equipment will increase the reliability of the SCADA connectivity and control for each of the locations.

Project Description

Quivira Pump Station Improvements

Year

2018

Project #

AC-18033

Plan

\$446,115

**Justification**

This project consists of the replacement and upgrade of portions of the main electrical supply system for the facility. The existing transformers for the facility are connected to the electrical switchgear through a bussduct. This type of conveyance structure has failed multiple times leading to costly and untimely repairs. Although the bussduct is not beyond its anticipated useful life, replacing the bussduct system with a standard conduit/conductor arrangement will prevent the previous moisture intrusion issues which caused the multiple failures.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Emergency Equipment Replacements

Year

2018

Project #

AC-18018

Plan

\$443,344

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.

Project Description

Wolcott Membrane Controls Upgrade

Year

2018

Project #

AC-18037

Plan

\$248,170

Justification

The main components of each of the 15 membrane skid control systems were purchased in 2008, and although normal useful life is 15 years, they have become unsupported by the manufacturer. Limited spare parts are available for the existing system. The upgrade will convert individual Programmable Logic Controllers (PLCs) at each membrane rack to individual Input/Output devices. This will communicate to two new redundant PLCs, thus reducing the number of PLCs while simplifying the controls increasing the reliability of the system. This improvement will enable a more efficient transition to a new SCADA system once that project is implemented.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Online Analyzers- Treatment/Distribution

Year

2018

Project #

AC-18020

Plan

\$188,421

Justification

The analyzer shop currently operates 12 online auto titrators that measure calcium hardness, total hardness, pH, alkalinity, and total alkalinity. This project would replace two units that are operating in extremely harsh environments and are becoming unreliable. The typical useful life of this piece of equipment is 10-12 years, and these will be 10 years old in 2018. Upgrading to the newest version of the instrument will reliably provide operations the process critical measurements. The newest versions provide greater communications solutions to diagnose a problem, and monitor the physical operation of the instrument remotely.

**Project Description**

AHQ Kitchen Refurbishing

Year

2018

Project #

AC-18040

Plan

\$130,786

**Justification**

The kitchen area located in the Fairbanks Room is a highly utilized common space. After 17 years of use, the kitchen is showing signs of wear. This project includes a full remodel of the kitchen area including new cabinets, sinks, countertops and appliances.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott IT Room HVAC Upgrades

Year

2018

Project #

AC-18032

Plan

\$78,971

Justification

The current design of the air conditioning equipment at the Wolcott Treatment Plant Information Technology (IT) equipment room, does not provide for sufficient redundancy to ensure proper cooling in the event of a mechanical failure. Recent failures of the existing system have caused IT equipment to overheat and created unanticipated plant shut downs which caused an interruption to the treatment process for nearly 24 hours. This type of event required several staff members to make an immediate unplanned trip to the facility to ensure the proper restart. Future outages like this could cause a longer shut down of the facility depending on the needed repairs to the equipment. The additional modifications recommended by this project should greatly reduce the risk of total cooling failure.

Project Description

Production Offices Furniture Replacement

Year

2018

Project #

AC-18035

Plan

\$38,793

Justification

Furniture in many of the offices and the Hansen Treatment Plant will be over 30 years old by 2018 and no longer meets acceptable ergonomical standards. Features that need corrected include desktop height and proper space for chair placement which affects the ability to maintain proper posture, space to keyboards and other computer equipment. Two conference room tables will also be replaced at Hansen 2nd Floor Small Conference Room and Wolcott Conference Room. The replacement of these tables will allow for improved space utilization and multiple configurations which will improve the training environment.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Coll. Well Parking Improvements

Year

2018

Project #

AC-18086

Plan

\$35,467

Justification

Over the last several years, vegetation has grown and the gravel parking area has degraded. This project includes removing existing surface dirt, debris, and vegetation, and installing fabric matting to prevent future vegetation growth. This project also includes the addition of 4" deep of 1.5" diameter gravel in the surrounding parking lot area which is approximately 18,000 square feet.

**Project Description**

Residual Controls Cabinet Upgrade

Year

2018

Project #

AC-18088

Plan

\$12,857

**Justification**

This project will replace residual controls with PLC's at the Hansen Treatment Plant. The typical useful life for this type of equipment is 15 to 20 years, and these controls have been in place since the construction of each phase, making them 20 to 30 years old. This project will replace four of these controls within the Hansen Treatment Facility.

WaterOne 2018 Budget

PRODUCTION DIVISION

Replace

Project Description

Facility 2 Filter Turbidity Controllers

Year

2018

Project #

AC-18083

Plan

\$12,682



Justification

Six of 28 filter turbidity controllers at the Hansen Treatment Facility are an older model that, while still functional, are obsolete. These units will be 9 years old in 2018, and typically have a 10 year useful life. They will be replaced with newer, dual input controllers. These units are much more robust in that they accept multiple instrument inputs and have superior data logging capabilities. Upgrading to these units will ensure true "dual redundancy" for reportable filter turbidity data.

Project Description

Wolcott pH & Conductivity Equip Repl

Year

2018

Project #

AC-18084

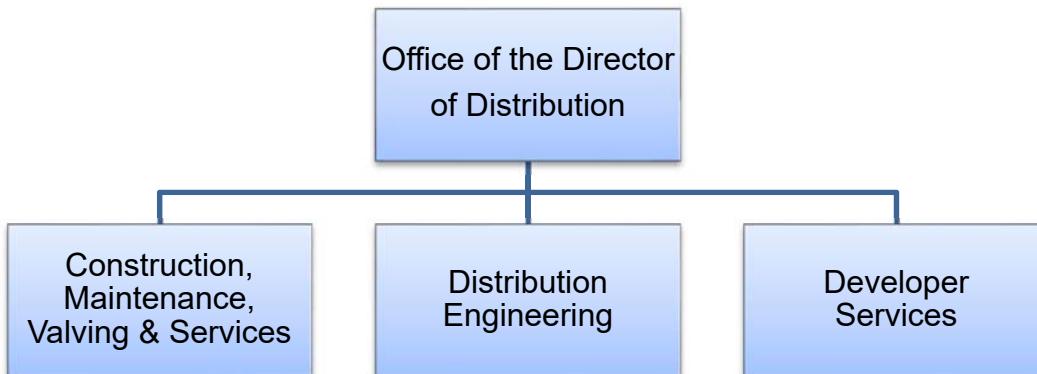
Plan

\$10,787



Justification

The analyzer shop operates two pH and conductivity controllers at the filter influent and two at the aerated sample locations at the Wolcott treatment facility. These four controllers monitor pH and conductivity. These units will be 9 years old in 2018, and typically have a 10 year useful life, however, factory support is no longer available for this type of controller. These four units will be replaced by two dual input controllers and digital sensors.

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, 17,900 fire hydrants and 51,000 valves, as well as over 148,000 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.

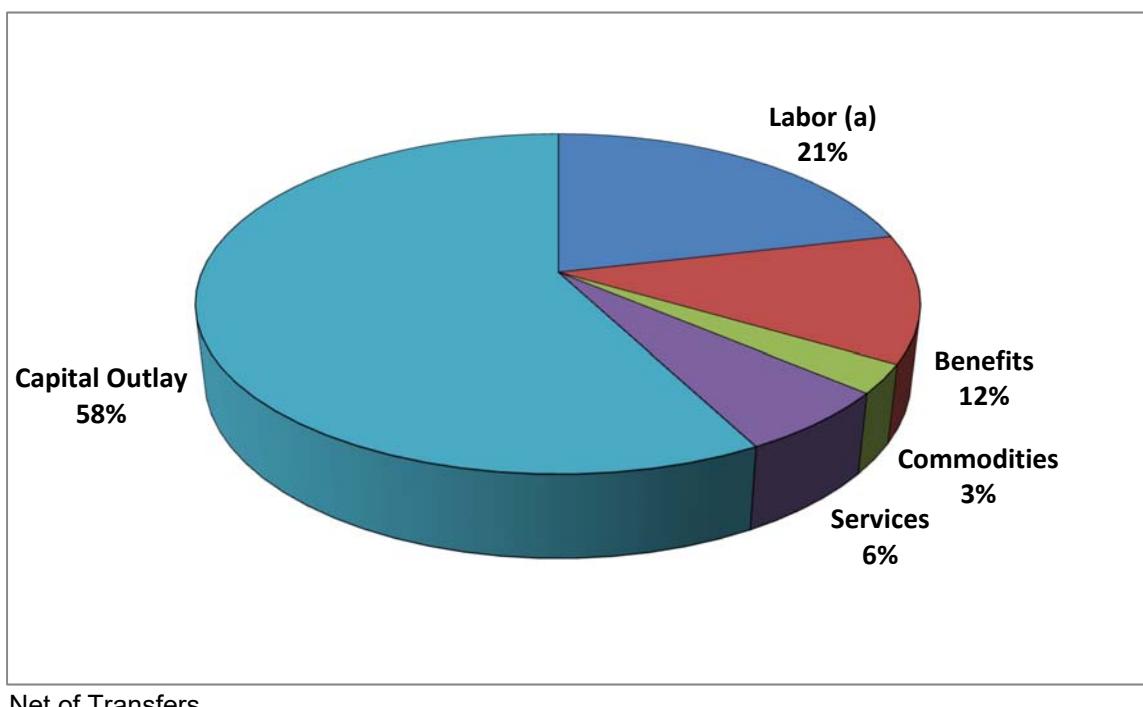
In the Developer Services department, the New Service Connection Section works with builders, developers, plumbing contractors, and private property owners to review plans, investigate water availability and process applications for residential and commercial service connection permits. The Water Quality 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.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2018 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$8,968,674	\$9,536,050	\$10,104,465	\$568,415	6.0%
Benefits	3,352,880	3,067,520	3,170,393	102,872	3.4%
Personnel Costs	\$12,321,554	\$12,603,570	\$13,274,858	\$671,287	5.3%
Commodities	697,202	732,947	718,540	<14,407>	<2.0%>
Services	1,831,207	1,522,380	1,604,385	82,005	5.4%
Transfers	<4,757,913>	<4,481,737>	<4,515,137>	<33,400>	0.7%
Total O&M	\$10,092,050	\$10,377,161	\$11,082,646	\$705,485	6.8%
Capital Outlay	13,256,682	14,446,155	15,097,680	651,525	4.5%
Total	\$23,348,732	\$24,823,316	\$26,180,326	\$1,357,010	5.5%

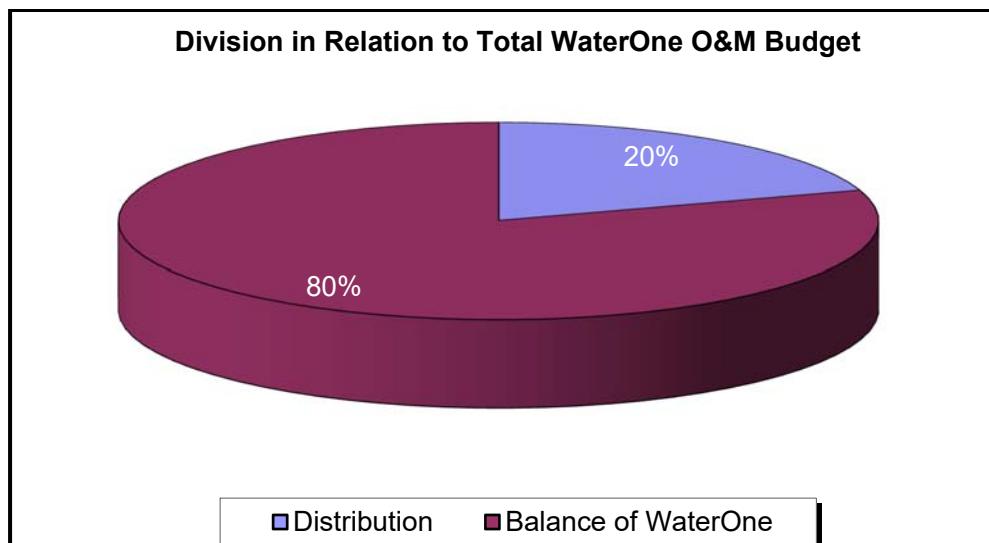
Numbers may not add due to rounding

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

WATERONE 2018 BUDGET

DISTRIBUTION

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$8,217,363	\$8,846,464	\$9,416,965	\$570,501	6.4%
Labor - OT	685,705	683,000	687,500	4,500	0.7%
Benefits	3,352,880	3,067,520	3,170,393	102,872	3.4%
Pavement Repair	1,040,585	887,050	939,350	52,300	5.9%
Inventory Withdrawals	381,217	370,897	363,700	<7,197>	<1.9%>
Clean Up (a)	260,423	262,970	258,170	<4,800>	<1.8%>
Contracted Services	183,305	133,800	141,900	8,100	6.1%
Small Tools & Equipment	14,253	145,700	123,800	<21,900>	<15.0%>
Subtotal	\$14,135,731	\$14,397,401	\$15,101,778	\$704,377	4.9%
All Other Accounts	714,232	461,497	496,005	34,508	7.5%
Less Transfers	<4,757,913>	<4,481,737>	<4,515,137>	<33,400>	0.7%
Total O&M	\$10,092,050	\$10,377,161	\$11,082,646	\$705,485	6.8%

Numbers may not add due to rounding

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

WATERONE 2018 BUDGET

DISTRIBUTION

DIVISION PERSONNEL	2017 <i>Budget</i>	+		-		2018 <i>Budget</i>
<u>Headcount</u>						
Full Time	149	1	(a)			150
Part Time	1					1
Temporary/Summer	10					10
Total Headcount	160	1				161
Total Full Time Equivalents (FTEs)	152.175	1				153.175

a) Budgeted New Positions: Construction Coordinator

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 2017. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

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

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.

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 2018 budget is increasing due to an increase in the average cost per break.

Inventory Withdrawals

Inventory consists of pipe, clamps, gaskets, and other material used in the maintenance of the transmission and distribution system. The budget is decreasing primarily due to the ability to capitalize additional inventory utilized for service line maintenance.

Clean Up

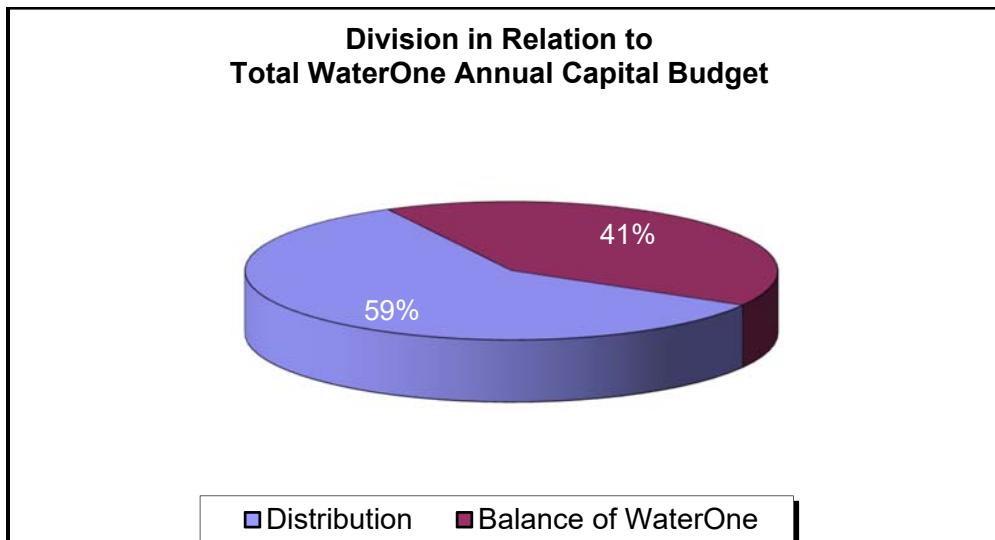
Clean Up includes the removal of construction debris, addition of topsoil, site grading as well as reseeding or sod replacement. The budget is based on average actual history.

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 and includes services such as street sawing and vacuum services. The budget in 2018 is increasing due to a planned increase in the number of fire hydrants scheduled for painting.

Small Tools & Equipment

Small Tools & Equipment consists of specialty construction equipment, hand tools, small power equipment and other repair items used in the maintenance of the transmission and distribution system. The 2018 budget decreased to reflect the average actual history.

ANNUAL CAPITAL**New**

AC-18009	Leak Correlator/Detection Equipment	\$55,418
AC-18014	New Services Cost Standard Difference	10,000
Annual Capital - New		\$65,418

Replacement / Refurbish

RV-18001	2018 Transmission & Distribution Funding	\$14,780,000
AC-18010	Pipeline Inspection Camera Replacement	110,836
AC-18011	Portable Dewatering Pump Replacement	72,043
AC-18008	Shoring and Safety Equipment	55,418
AC-18000	Pressure Datalogger Replacements (7)	13,965
Annual Capital - Replace / Refurbish		\$15,032,262
Total Annual Capital		\$15,097,680

Numbers may not add due to rounding

WATERONE 2018 BUDGET

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-18133	(f)	Service Body (Repl 5080) CMVS	\$177,338
AF-18065	(f)	Service Body (Repl 5100) CMVS	177,338
AF-18032	(f)	Service Body (Repl 5060) CMVS	177,338
AF-18100	(f)	Tandem Axle Dump Truck (Repl 6020) CMVS	163,502
AF-18080	(f)	Tandem Axle Dump Truck (Repl 6080) CMVS	163,502
AF-18507	(f)	Excavator 60 HP (Repl 7470) CMVS	133,003
AF-18101	(f)	Excavator 60 HP (Repl 7475) CMVS	133,003
AF-18472	(f)	Backhoe Loader (Repl 7472) CMVS	96,982
AF-18518	(f)	Skid Steer Track 92 HP (Repl 7518) CMVS	77,585
AF-18521	(f)	Skid Steer Tire 75 HP (Repl 7521) CMVS	72,043
AP-18107	(f)	SUV for new Construction Coordinator	29,926
AF-18200	(f)	SUV (Repl 8010) CMVS	29,926
AF-18159	(f)	SUV (Repl 2290) Distribution Engineering	29,926
AF-18104	(f)	SUV (Repl 8040) Distribution Engineering	29,926
AF-18238	(f)	Backhoe Trailer (Repl 7238) CMVS	24,938
AF-18232	(f)	Backhoe Trailer (Repl 7232) CMVS	24,938
AP-18100	(p)	Workstation for new Construction Coordinator	11,083

(f) Fleet vehicles and equipment are listed in the 'Human Resources/Administration Division'

(p) Facilities projects budgeted in Production

WATERONE 2018 BUDGET**DISTRIBUTION****MASTER PLAN CAPITAL**

MP-19005	New	12" DM - High Dr/84th/Somerset/Lee/Meadow/89th	\$1,778,082
MP-13008	New	16" DM - Metcalf, 159th to 167th	1,745,110
MP-21500	Repl	20" TM - 47th & Monticello to North Elevated Tank	1,380,597
MP-10009	New	ROW 72" TM, PS to 105th & K7	1,238,905
MP-21501	New	PRV Facilities at Sub-Pressure Zone Boundaries	693,708
Distribution & Transmission			\$6,836,402
Total Capital			\$21,934,082

WaterOne 2018 Budget

DISTRIBUTION DIVISION

New

Project Description

Leak Correlator/Detection Equipment

Year

2018

Project

AC-18009

Plan

\$55,418



Justification

A leak correlator device is utilized to pinpoint leak locations by measuring the time that it takes for sound from the leak to travel in separate directions. This information, along with pipe types, lengths and sizes allows the correlating unit to determine the distance from the attached sensors to the leak. This project includes 30 leak locating pods to expand the network capabilities for leak detection.

Project Description

New Services Cost Standard Difference

Year

2018

Project

AC-18014

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. This represents less than 1% of expected New Service Connection tap fees for the year.

WaterOne 2018 Budget

DISTRIBUTION DIVISION

Replace

Project Description

2018 Transmission & Distribution Funding

Year

2018

Project #

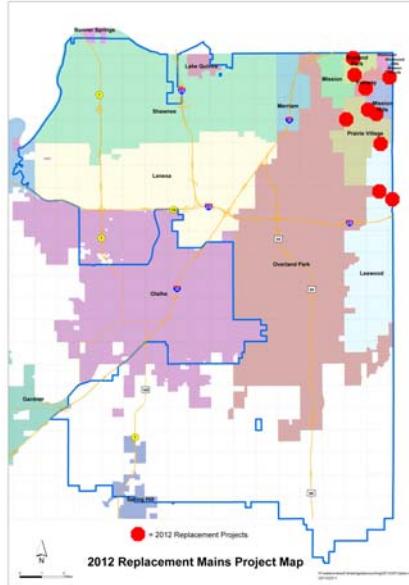
RV-18001

Plan

\$14,780,000

Justification

Replacements - \$7,950,000; General Improvements - \$2,250,000; Main Breaks - \$1,790,000; Relocations - \$1,520,000; TM Capital - \$720,000; Condition Assessment - \$550,000



Project Description

Pipeline Inspection Camera Replacement

Year

2018

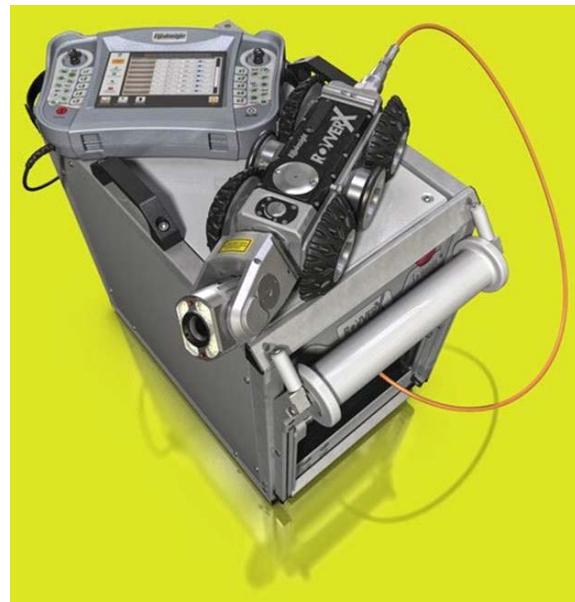
Project #

AC-18010

Plan

\$110,836

Justification



A portable camera unit travels in the pipeline to assess the condition of the pipe and verify if disturbances exist prior to pipebursting. Disturbances can be fittings, valves, a rolled gasket, a joint separation, or foreign object. This process prevents damage to the pipebursting equipment. The camera was purchased in 2010 and exceeds the expected useful life of five years.

WaterOne 2018 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Portable Dewatering Pump Replacement

Year

2018

Project #

AC-18011

Plan

\$72,043

**Justification**

Portable dewatering pumps are designed to pump large amounts of water that contain hard and soft solids such as mud, leaves, twigs, and sand. This portable unit was purchased in 2009 and has exceeded its useful life of five years.

Project Description

Shoring and Safety Equipment

Year

2018

Project #

AC-18008

Plan

\$55,418

**Justification**

This project is for the replacement of trench boxes and shoring equipment. Over time boxes become damaged or broken with normal use. Boxes that are no longer functional need to be replaced periodically.

WaterOne 2018 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Pressure Datalogger Replacements (7)

Year

2018

Project #

AC-18000

Plan

\$13,965

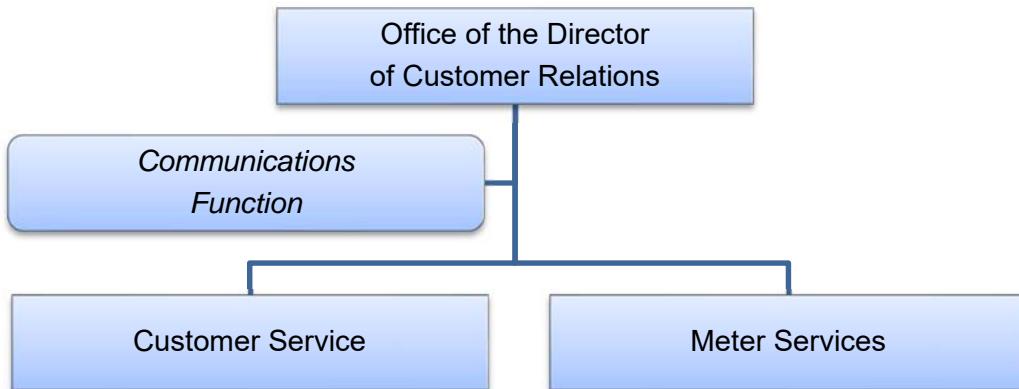
Justification

The datalogger replacement program was established in 2010 to exchange worn out temporary pressure datalogger units originally purchased in 1998 and 1999. Each worn out unit has been upgraded to a permanent datalogger. The datalogger units enhance the current system with full year readings, providing advanced data coverage. This project will replace 7 units with permanent multi dataloggers to obtain flow and pressure monitoring.



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 function 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 smart watering and emergency alert sign-ups.

DIVISION OBJECTIVE

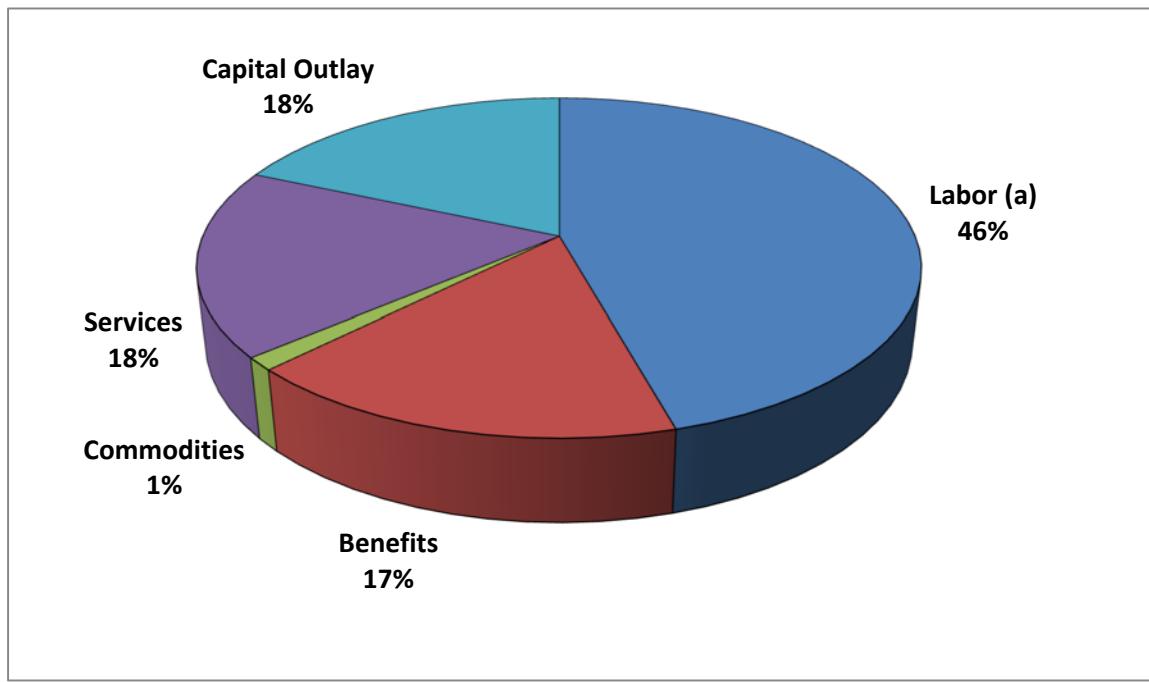
Deliver outstanding service to the utility's customers by being responsive to their needs, delivering timely and informative communications, and providing accurate account management.

WATERONE 2018 BUDGET
CUSTOMER RELATIONS

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under “2018 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

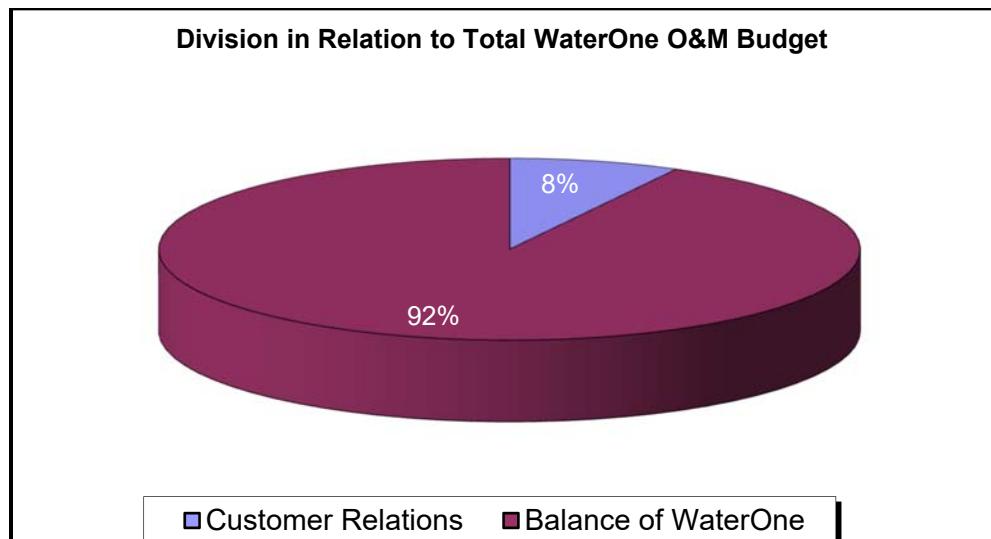
	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,175,731	\$2,425,095	\$2,549,459	\$124,364	5.1%
Benefits	900,657	851,405	900,714	49,309	5.8%
Personnel Costs	\$3,076,388	\$3,276,500	\$3,450,173	\$173,673	5.3%
Commodities	66,899	66,800	64,900	<1,900>	<2.8%>
Services	981,823	1,026,472	954,060	<72,412>	<7.1%>
Transfers	<63,553>	<138,423>	<106,190>	32,233	<23.3%>
Total O&M	\$4,061,558	\$4,231,349	\$4,362,943	\$131,594	3.1%
Capital Outlay	2,366,865	1,392,796	984,508	<408,288>	<29.3%>
Total	\$6,428,423	\$5,624,145	\$5,347,451	<\$276,694>	<4.9%>

Numbers may not add due to rounding.

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

WATERONE 2018 BUDGET
CUSTOMER RELATIONS

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,124,717	\$2,403,118	\$2,535,459	\$132,341	5.5%
Benefits	900,657	851,405	900,714	49,309	5.8%
Water Billing Services	464,101	494,500	474,000	<20,500>	<4.1%>
Uncollectible Accounts	209,644	209,000	190,000	<19,000>	<9.1%>
Meter Reading - AMR Svcs	68,738	69,000	71,900	2,900	4.2%
Printing Services	41,909	75,350	51,550	<23,800>	<31.6%>
Subtotal	\$3,809,766	\$4,102,373	\$4,223,623	\$121,250	3.0%
All Other Accounts	315,345	267,399	245,510	<21,889>	<8.2%>
Less Transfers	<63,553>	<138,423>	<106,190>	32,233	<23.3%>
Total O&M	\$4,061,558	\$4,231,349	\$4,362,943	\$131,594	3.1%

Numbers may not add due to rounding.

WATERONE 2018 BUDGET
CUSTOMER RELATIONS

DIVISION PERSONNEL	2017	+	-	2018
	<i>Budget</i>			<i>Budget</i>
<u>Headcount</u>				
Full Time	45	3 (a,b)		48
Part Time	2		-2 (a)	0
Temporary/Summer	2	1 (c)		3
Total Headcount	49	0		51
Total Full Time Equivalents (FTEs)	46.75	3.6	-1.25	49.1

a) Mid-Year: 2 part time Customer Representative positions were converted to 2 full time Customer Representatives
 b) Budgeted New Position: Customer Representative
 c) Mid-Year 2017: Transfer Graduate Intern from Finance

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 2017. 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

This account is for the outsourced printing and mailing of water bills. 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 lower contract costs and increased paperless billing.

Uncollectible Accounts

This is the estimated cost for uncollected water bills. Final bills that are unpaid are referred to an outside agency for collection and are considered uncollectible and are written off. The budget is based on historical actuals.

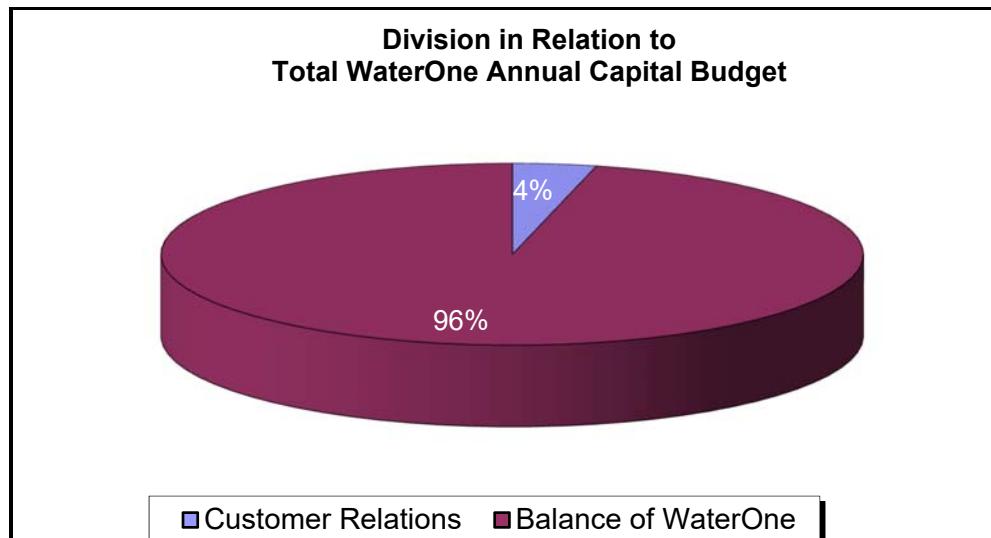
Meter Reading - AMR Services

This account is for outsourced automated meter reading services. The 2018 budget includes the current number of units plus average growth and a cost per unit increase.

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 budget decrease is due to more targeted campaign mailing costs.

ANNUAL CAPITAL



New

AC-18025	Residential Meter Interface Units (New)	<hr/> \$14,409
	Annual Capital - New	\$14,409

Replacement / Refurbish

AC-18006	Annual Meter Replacement	\$880,100
AC-18023	Meter Interface Unit Replacements	89,999
	Annual Capital - Replace / Refurbish	\$970,099
	Total Annual Capital	\$984,508

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-18500 (f) SUV (Repl 8090) Cust Accts \$29,926

(f) Fleet vehicles and equipment are listed in the 'Human Resources/Administration Division'

WATERONE 2018 BUDGET
CUSTOMER RELATIONS

MASTER PLAN

MP-18011	Repl.	AMI Upgrade - Residential	\$16,957,908
MP-18012	Repl.	AMI Upgrade - Commercial	4,006,158
Total Master Plan (Award Basis)			\$20,964,066

Total Capital \$21,948,574

WaterOne 2018 Budget

CUSTOMER RELATIONS DIVISION New

Project Description

Residential Meter Interface Units (New)

Year

2018

Project #

AC-18025

Plan

\$14,409



Justification

This annual program is used to convert for economic and safety purposes approximately 150 residential meters to Automated Meter Reading.

WaterOne 2018 Budget

CUSTOMER RELATIONS DIVISION Replace

Project Description

Annual Meter Replacement

Year

2018

Project #

AC-18006

Plan

\$880,100



Justification

This project is the annual program for the replacement of defective and old meters. The backlog of straight read meters will be completed by a contractor in 2017. This project resumes the normal 20-year replacement plan for all meters which is approximately 7,250 meters per year.

Project Description

Meter Interface Unit Replacements

Year

2018

Project #

AC-18023

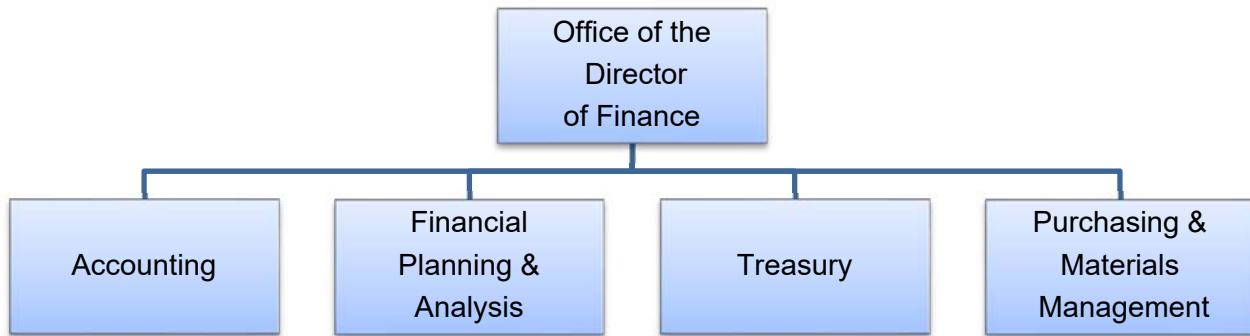
Plan

\$89,999



Justification

This project 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.

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 ensure adequate funds are available to achieve WaterOne's strategic goals.

The Treasury 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.

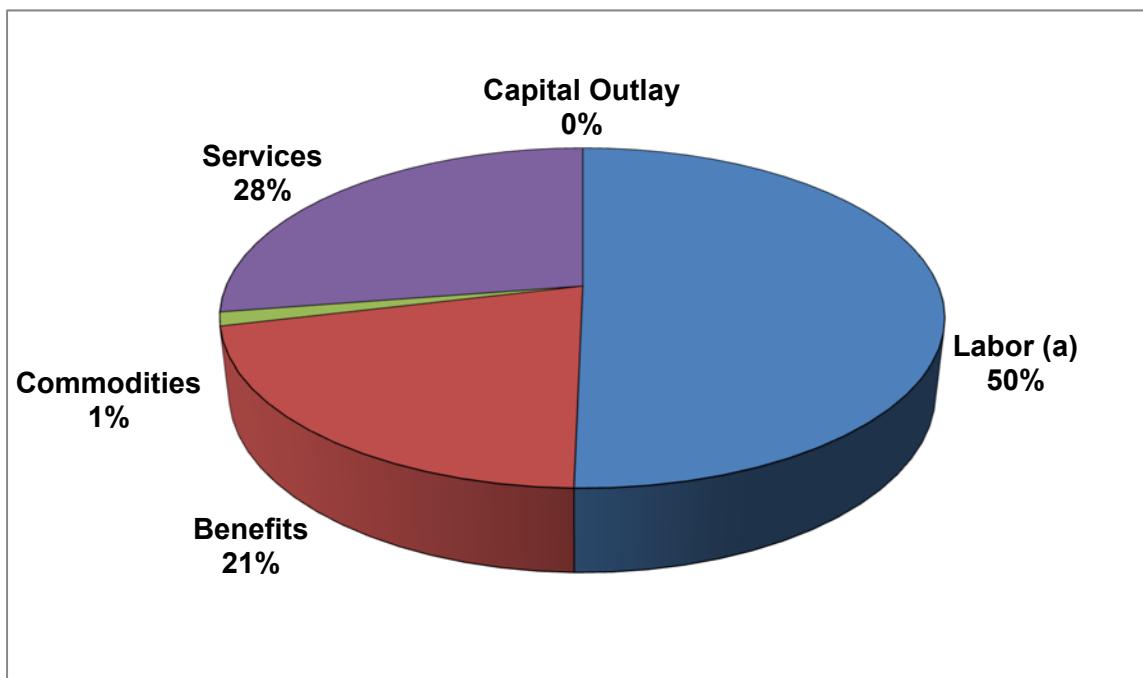
DIVISION OBJECTIVE

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.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2018 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY



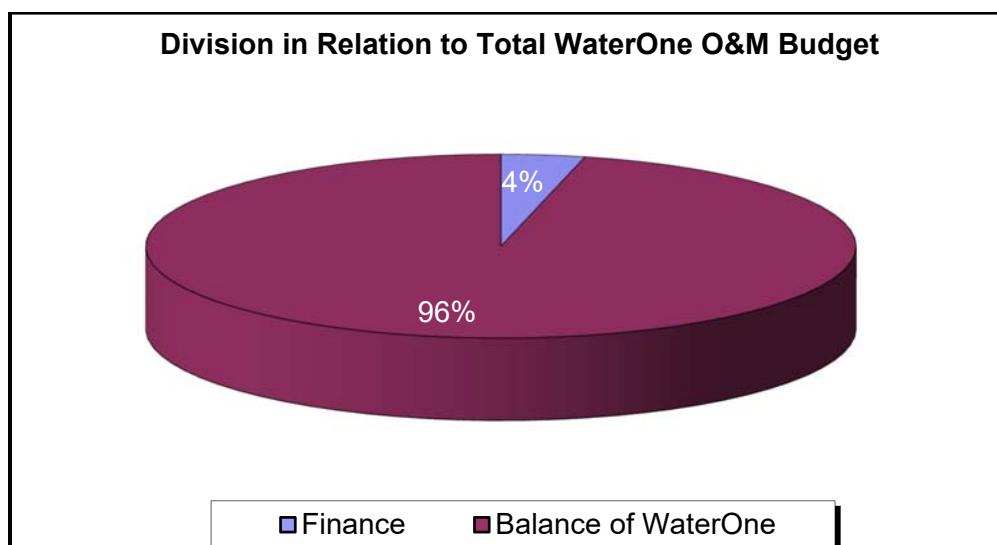
Net of Transfers

	2016 Actual (b)	2017 Budget (b)	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,404,270	\$1,486,837	\$1,477,039	<\$9,798>	<0.7%>
Benefits	459,084	438,180	441,314	3,135	0.7%
Personnel Costs	\$1,863,354	\$1,925,017	\$1,918,353	<\$6,663>	<0.3%>
Commodities	67,553	34,095	27,425	<6,670>	<19.6%>
Services	819,492	827,254	854,984	27,731	3.4%
Transfers	<639,985>	<589,137>	<691,895>	<102,757>	17.4%
Total O&M	\$2,110,414	\$2,197,228	\$2,108,868	<\$88,360>	<4.0%>
Capital Outlay	5,600	0	0	0	NA
Total	\$2,116,013	\$2,197,228	\$2,108,868	<\$88,360>	<4.0%>

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 HR from Finance during 2017, after the approved budget. 2017 Budget and prior actuals are restated with Fleet in HR for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	1,379,760	1,479,731	1,474,039	<5,692>	<0.4%>
Benefits	459,084	438,180	441,314	3,135	0.7%
Clean Drinking Water Fee	568,392	594,452	597,894	3,442	0.6%
Property Tax Assessment	78,351	64,845	83,004	18,159	28.0%
Checking Acct Service Fees	66,763	67,000	68,000	1,000	1.5%
Bank Lockbox Fees	45,447	53,000	48,000	<5,000>	<9.4%>
Kitchen Supplies	59,610	33,000	24,000	<9,000>	<27.3%>
Subtotal	2,657,407	2,730,208	2,736,251	6,043	0.2%
All Other Accounts	92,992	56,157	64,512	8,355	14.9%
Less Transfers	<639,985>	<589,137>	<691,895>	<102,757>	17.4%
Total O&M	\$2,110,414	\$2,197,228	\$2,108,868	<\$88,360>	<4.0%>

Numbers may not add due to rounding

DIVISION PERSONNEL	2017 Budget	+	-	2018
				Budget
<u>Headcount</u>				
Full Time	27		-8 (a)	19
Part Time	1		-1 (a)	0
Temporary/Summer	3		-2 (a,b)	1
Total Headcount	29		-11	

Total Full Time Equivalents (FTEs)	28.725		-9.475	19.25
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a) Mid-Year 2017: The Fleet Services group and associated budget were transferred to the Human Resources/Administration Division (Manager, Foreman, Operations Coordinator, 5 Fleet Mechanics, PT Fleet Clerk, Summer Fleet Mechanic Intern)
b) Mid-Year 2017: Transfer Graduate Intern to Customer Relations

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 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.

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.

Property Tax Assessment

This account is for property taxes due to Johnson, Wyandotte, and Leavenworth counties, as well as storm water drainage fees due to the local municipalities. The budget is based on an assumed 7% increase in property tax rates and historical averages in storm water drainage expenses.

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 current fee rates charged for typical services and the historical levels that are utilized. The budget is increasing due to customer growth which increases the volume related fees.

Bank Lockbox Fees

These are fees that are charged for data communication, imaging, and items deposited in the lockbox. The budget is based on the current rates charged for these services and the historical levels that we utilize those services. The budget is expected to decrease as electronic payment options become adopted more widely.

Kitchen Supplies

This account is for kitchen supplies such as disposable cups, plates, and silverware used by employees. The budget is based on historical costs as well as current contracts with supplies vendors. The budget decrease is due to moving the coffee supplies component to the Human Resources/Admin Division.

ANNUAL CAPITAL

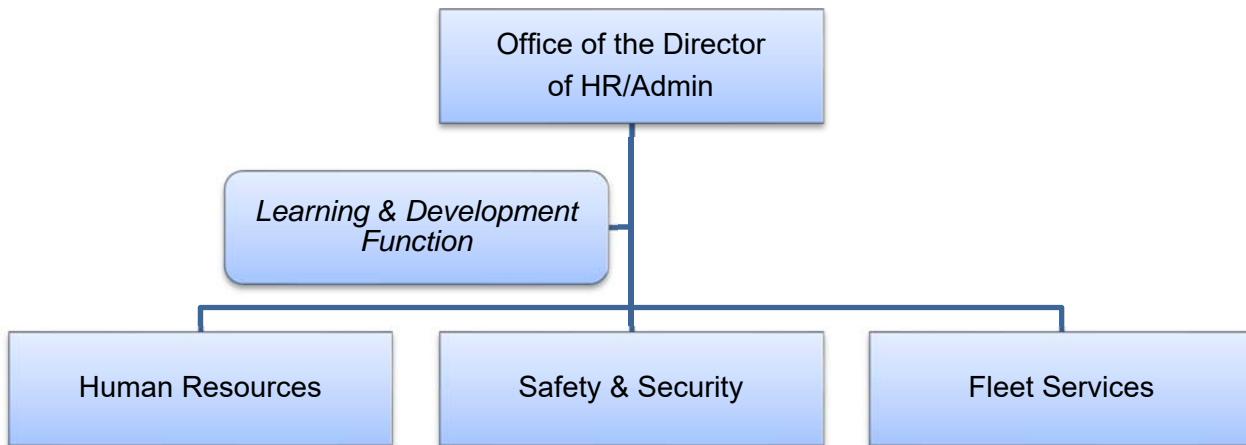
This division has no capital requirements.

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.

AC-18054	(i)	SAP Logistics Enhancements	55,418
(i) listed in the 'Information Technology Division'			

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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 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.

The Fleet Services 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.

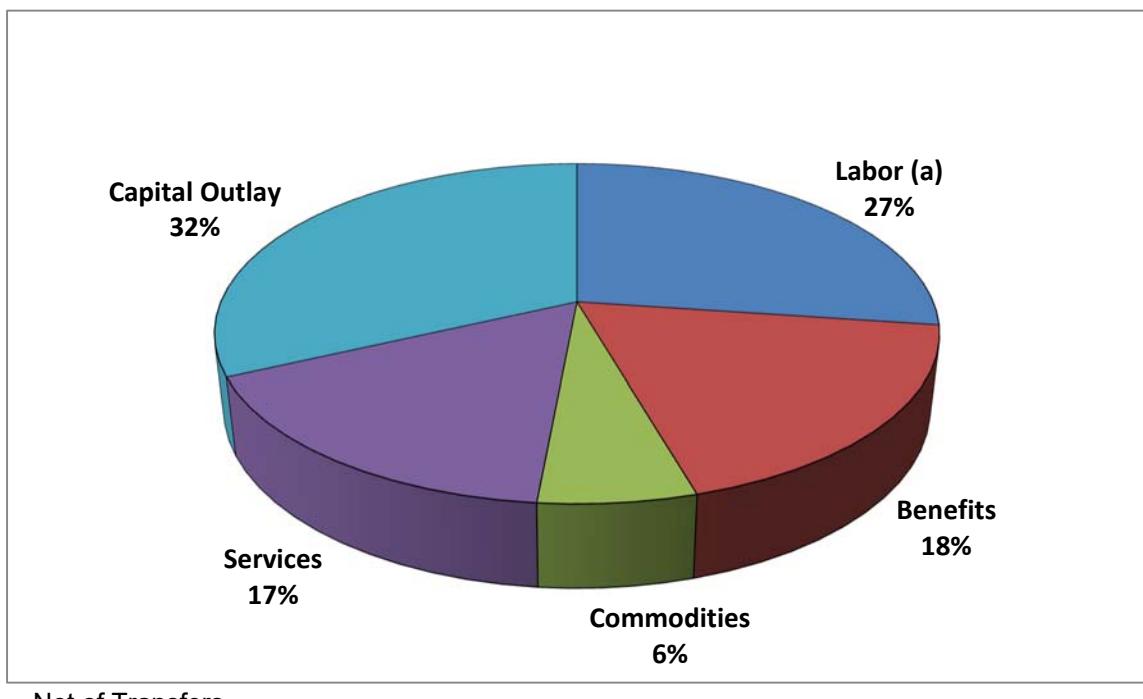
The Learning and Development function is responsible for facilitating training, educational opportunities, and knowledge management for WaterOne employees.

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 "2018 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

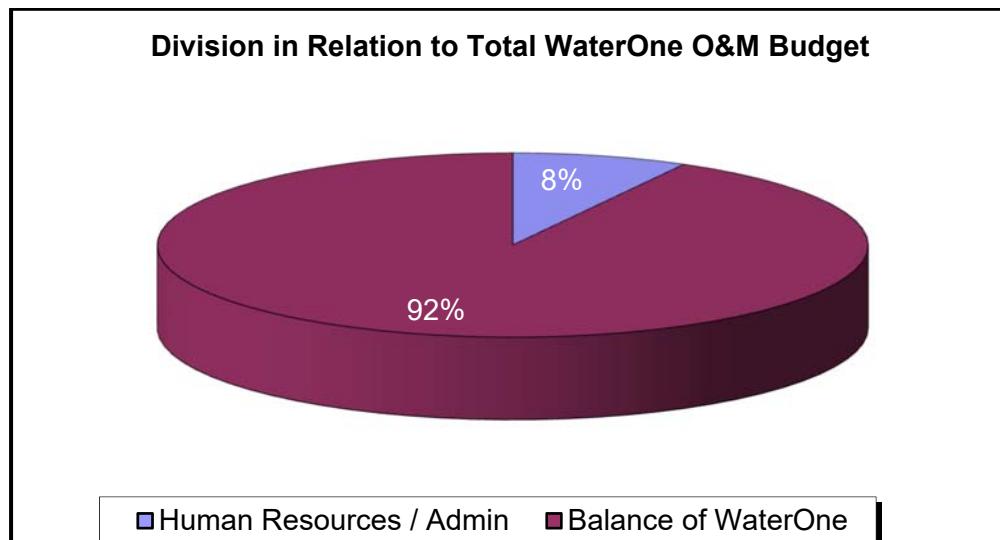
EXPENDITURES BY MAJOR CATEGORY

	2016 Actual (b)	2017 Budget (b)	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,542,468	\$1,917,982	\$1,965,967	\$47,985	2.5%
Benefits	1,140,066	1,134,204	1,195,216	61,012	5.4%
Personnel Costs	\$2,682,534	\$3,052,185	\$3,161,183	\$108,997	3.6%
Commodities	1,101,199	1,037,052	1,130,352	93,300	9.0%
Services	1,088,437	996,553	1,083,283	86,730	8.7%
Transfers	<897,771>	<1,012,473>	<941,207>	71,266	<7.0%>
Total O&M	\$3,974,398	\$4,073,317	\$4,433,610	\$360,294	8.8%
Capital Outlay	2,427,450	1,431,691	2,081,319	649,628	45.4%
Total	\$6,401,847	\$5,505,008	\$6,514,929	\$1,009,922	18.3%

Numbers may not add due to rounding.

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

(b) Fleet & Custodial transferred to HR during 2017, after the approved budget. 2017 Budget and prior actuals are restated above with Fleet & Custodial for more comparable history.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2018 Significant Cost Elements are described below.

	2016 Actual (a)	2017 Budget (a)	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,471,197	\$1,869,862	\$1,893,767	\$23,905	1.3%
Benefits	1,140,066	1,134,204	1,195,216	61,012	5.4%
Inventory Withdrawals	474,224	521,351	522,080	729	0.1%
Security	475,281	455,888	468,825	12,937	2.8%
Material & Supplies	472,885	383,303	440,250	56,947	14.9%
P&L Insurance	97,461	109,031	104,171	<4,860>	<4.5%>
Training	27,642	41,000	89,125	48,125	117.4%
Contracted Services	85,029	72,584	75,231	2,647	3.6%
Vehicle Repair Services	84,048	65,665	67,450	1,785	2.7%
Subtotal	\$4,327,832	\$4,652,888	\$4,856,115	\$203,227	4.4%
All Other Accounts	544,337	432,902	518,702	85,800	19.8%
Less Transfers	<897,771>	<1,012,473>	<941,207>	71,266	<7.0%>
Total O&M	\$3,974,398	\$4,073,317	\$4,433,610	\$360,294	8.8%

Numbers may not add due to rounding.

(a) Fleet & Custodial transferred to HR during 2017, after the approved budget. 2017 Budget and prior actuals are restated above with Fleet & Custodial for more comparable history.

DIVISION PERSONNEL	2017	+	-	2018
	<i>Budget (a)</i>			<i>Budget</i>
<u>Headcount</u>				
Full Time	26			26
Part Time	3			3
Temporary/Summer	1	1	(b)	2
Total Headcount	30			31

Total Full Time Equivalents (FTEs)	28.125	.48		28.605
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a) The 2017 Budget is restated to include Custodial & Fleet functions, which transferred to Human Resources/Administration mid-year 2017 (Fleet: 8 Full Time, 1 Part Time, and 1 Intern/Summer; Custodial: 6 FT)

b) Budgeted New Position: HR Intern

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 2017. 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. 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.

Inventory Withdrawals

There are two components in this budget. 90% of the budget is for fuel. The budgeted price per gallon for fuel decreased from \$2.04 in 2017 to \$2.00 for 2018 but was offset by an increase in the number of budgeted gallons. 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.

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 increase is due to an annual escalator in the current contract.

Material & Supplies

This category is for non-inventory vehicle repair parts, car wash repair parts, and shop supplies. Accounts are mostly budgeted based on multi-year averages. Increases are from vehicle repair parts, carwash repair parts, other fleet supplies and training materials.

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 2017 will be in effect for the first half of the 2018 budget. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

Training

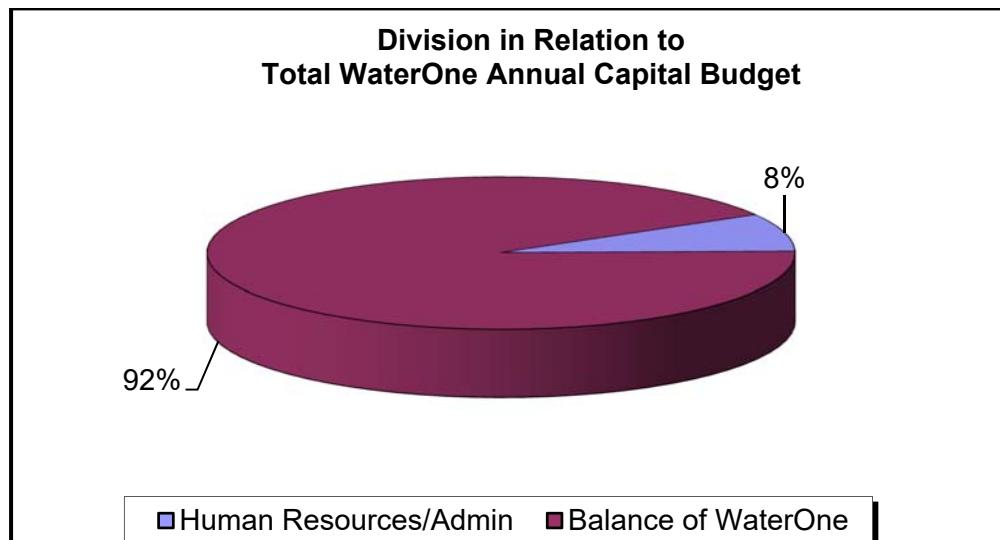
This account includes training for the division and WaterOne-wide training. The increase is due to more people in new positions and additional on-boarding training.

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. For training, a tour bus is contracted for district tours.

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 budget is based on recent history.

ANNUAL CAPITAL

The Human Resources / Administration Division includes the Fleet Services department which is responsible for the maintenance of the fleet. Vehicles and fleet equipment are included below; the description includes the user department.

New

AP-18200	Van - Instrument Tech	\$39,901
AP-18107	SUV for new Construction Coordinator	29,926
Annual Capital - New		\$69,827

Replacement / Refurbish

AC-18022	Radio System Replacement	\$387,926
AF-18032	Service Body (Repl 5060) CMVS	177,338
AF-18065	Service Body (Repl 5100) CMVS	177,338
AF-18133	Service Body (Repl 5080) CMVS	177,338
AF-18080	Tandem Axle Dump Truck (Repl 6080) CMVS	163,502
AF-18100	Tandem Axle Dump Truck (Repl 6020) CMVS	163,502
AF-18101	Excavator 60 HP (Repl 7475) CMVS	133,003
AF-18507	Excavator 60 HP (Repl 7470) CMVS	133,003

WATERONE 2018 BUDGET

HUMAN RESOURCES / ADMINISTRATION

AF-18472	Backhoe Loader (Repl 7472) CMVS	96,982
AF-18518	Skid Steer Track 92 HP (Repl 7518) CMVS	77,585
AF-18521	Skid Steer Tire 75 HP (Repl 7521) CMVS	72,043
AF-18152	Van (Repl 9304) Fac Maint	32,475
AF-18104	SUV (Repl 8040) Dist Eng	29,926
AF-18159	SUV (Repl 2290) Dist Eng	29,926
AF-18200	SUV (Repl 8010) CMVS	29,926
AF-18263	SUV (Repl 8263) Fac Eng	29,926
AF-18500	SUV (Repl 8090) Cust Accts	29,926
AF-18232	Backhoe Trailer (Repl 7232) CMVS	24,938
AF-18238	Backhoe Trailer (Repl 7238) CMVS	24,938
AF-18218	Trailer (Repl 7218) Fac Maint	19,951
Annual Capital - Replace / Refurbish		\$2,011,492
Total Annual Capital		\$2,081,319

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-18004	(i)	SAP Human Resources Implementations	\$166,255
(i) Computer equipment and software is listed in the 'Information Technology Division'			

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV New

Project Description

3/4 Ton Van - Instrument Tech

Year

2018

Project #

AP-18200

Plan

\$39,901

**Justification**

A 3/4 Ton Van is needed for the new Instrument Tech position.

Project Description

SUV - Construction Coordinator

Year

2018

Project #

AP-18107

Plan

\$29,926

**Justification**

SUV for new Construction Coordinator.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Radio System Replacement

Year

2018

Project #

AC-18022

Plan

\$387,926



Justification

This project replaces WaterOne's radios and related equipment. Equipment being replaced includes 113 portable radios, 6 mobile radios, 35 mounted radios in trucks, 31 single desk chargers, 35 lapel mics, 32 portable chargers for trucks, 9 multiple desk chargers, 35 truck mounts with built-in mics, an amplifier, a new dispatch console, programming and installation. Current radios are 15 years old with a 15 year useful life.

Project Description

Service Body (Repl 5080) CMVS

Year

2018

Project #

AF-18133

Plan

\$177,338



Justification

WaterOne Fleet Replacement Standard: 15 years and 9,000 hours; Unit #5080: 14 years, 9,836 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Service Body (Repl 5100) CMVS

Year

2018

Project #

AF-18065

Plan

\$177,338

Justification

WaterOne Fleet Replacement Standard: 15 years and 9,000 Hours; Unit #5100: 15 years, 8,449 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

Project Description

Service Body (Repl 5060) CMVS

Year

2018

Project #

AF-18032

Plan

\$177,338

**Justification**

WaterOne Fleet Replacement Standard: 15 years and 9,000 Hours; Unit #5060: 14 years, 9,647 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Tandem Axle Dump Truck (Repl 6020) CMVS

Year

2018

Project

AF-18100

Plan

\$163,502



Justification

WaterOne Fleet Replacement Standard: 15 Years and 9,000 Hours; Unit #6020: 9 years, 8,128 hours as of 4/2017. The unit will meet the hours criteria by 2018 and will be five years less than the age criteria. This unit is recommended for replacement in 2018 due to increasing maintenance costs. If maintenance expenses reduce, this replacement will be delayed until the unit meets the age replacement criteria. The replacement unit will be configured the same.

Project Description

Tandem Axle Dump Truck (Repl 6080) CMVS

Year

2018

Project

AF-18080

Plan

\$163,502



Justification

WaterOne Fleet Replacement Standard: 15 years and 9,000 Hours; Unit #6080: 14 years, 12,870 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Excavator 60 HP (Repl 7475) CMVS

Year

2018

Project #

AF-18101

Plan

\$133,003

**Justification**

WaterOne Fleet Replacement Standard: 9 years and 4,500 Hours; Unit #7475: 9 years, 3,888 hours as of 4/2017. This unit will meet the age criteria in 2018. The current unit is a backhoe loader that will be upgraded to an excavator to provide CMVS flexibility for larger projects.

Project Description

Excavator 60 HP (Repl 7470) CMVS

Year

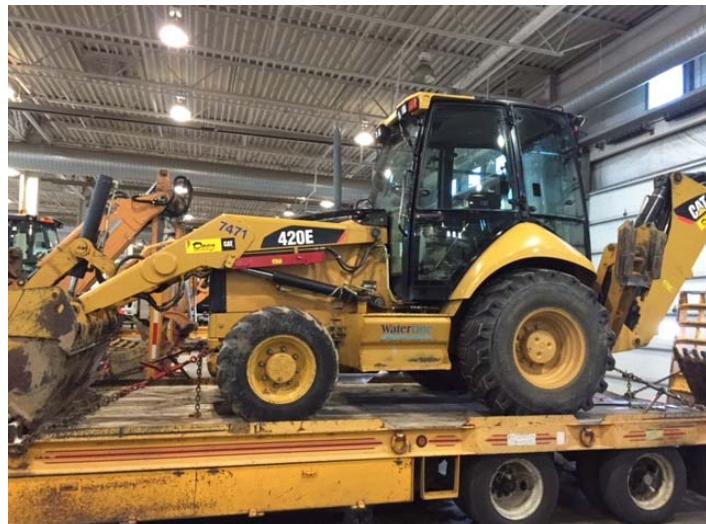
2018

Project #

AF-18507

Plan

\$133,003

**Justification**

WaterOne Fleet Replacement Standard: 9 years and 4,500 Hours; Unit #7470: 10 years, 4,076 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Backhoe Loader (Repl 7472) CMVS

Year

2018

Project

AF-18472

Plan

\$96,982

Justification



WaterOne Fleet Replacement Standard: 9 years and 4,500 Hours; Unit #7472: 9 years, 4,726 hours as of 4/2017. This unit currently meets the age and hours criteria. The replacement unit will be configured the same.

Project Description

Skid Steer Track 92 HP (Repl 7518) CMVS

Year

2018

Project

AF-18518

Plan

\$77,585



Justification

WaterOne Fleet Replacement Standard: 5 years and 2,500 Hours; Unit #7518: 6 years, 2,130 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Skid Steer Tire 75 HP (Repl 7521) CMVS

Year

2018

Project #

AF-18521

Plan

\$72,043

Justification

WaterOne Fleet Replacement Standard: 5 years and 2,500 Hours; Unit #7521: 6 years, 1,938 hours as of 4/2017. This unit will meet the age and hours criteria in 2018. The replacement unit will be configured the same.

Project Description

Van (Repl 9304) FM

Year

2018

Project #

AF-18152

Plan

\$32,475

Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #9304: 9 years, 110,362 miles as of 4/2017. The unit will meet the miles but not the age criteria in 2018. The unit is being replaced due to increasing maintenance costs. If maintenance expenses reduce, this replacement will be delayed until the unit meets the age replacement criteria. The replacement unit will be downsized from a 3/4 ton van to a Transit Connect Van.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

SUV (Repl 8263) Fac Eng

Year

2018

Project #

AF-18263

Plan

\$29,926

Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #8263: 16 years, 103,769 miles as of 4/2017. This unit will meet the age and miles criteria in 2018. The replacement unit will be configured the same.

Project Description

SUV (Repl 8010) CMVS

Year

2018

Project #

AF-18200

Plan

\$29,926

Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #8010: 14 years, 102,261 miles as of 4/2017. This unit will meet the age and miles criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

SUV (Repl 2290) Dist Eng

Year

2018

Project #

AF-18159

Plan

\$29,926

Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #2290: 16 years, 105,193 miles as of 4/2017. This unit will meet the age and miles criteria in 2018. The replacement unit will be reconfigured from a 1/2 ton pick up to a SUV.

**Project Description**

SUV (Repl 8040) Dist Eng

Year

2018

Project #

AF-18104

Plan

\$29,926

Justification

WaterOne Fleet Replacement Standard: 12 years and 120,000 miles; Unit #8040: 14 years, 105,841 miles as of 4/2017. This unit will meet the age and miles criteria in 2018. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

SUV (Repl 8090) Cust Accts

Year

2018

Project #

AF-18500

Plan

\$29,926

Justification

WaterOne Fleet Replacement Standard: 12 Years and 120,000 Miles; Unit #8090: 14 years, 99,543 miles as of 4/2017. This unit will meet the age and miles criteria in 2018. The replacement unit will be configured the same.

Project Description

Backhoe Trailer (Repl 7238) CMVS

Year

2018

Project #

AF-18238

Plan

\$24,938

**Justification**

WaterOne Fleet Replacement Standard: 9 Years; Unit #7238: 9 years as of 4/2017. This unit meets the age criteria. The replacement unit will be configured the same.

WaterOne 2018 Budget

HUMAN RESOURCES & ADMINISTRATION DIV Replace

Project Description

Backhoe Trailer (Repl 7232) CMVS

Year

2018

Project #

AF-18232

Plan

\$24,938

Justification

WaterOne Fleet Replacement Standard: 9 Years; Unit #7232: 10 years as of 4/2017. This unit meets the age criteria. The replacement unit will be configured the same.

Project Description

Trailer (Repl 7218) FM

Year

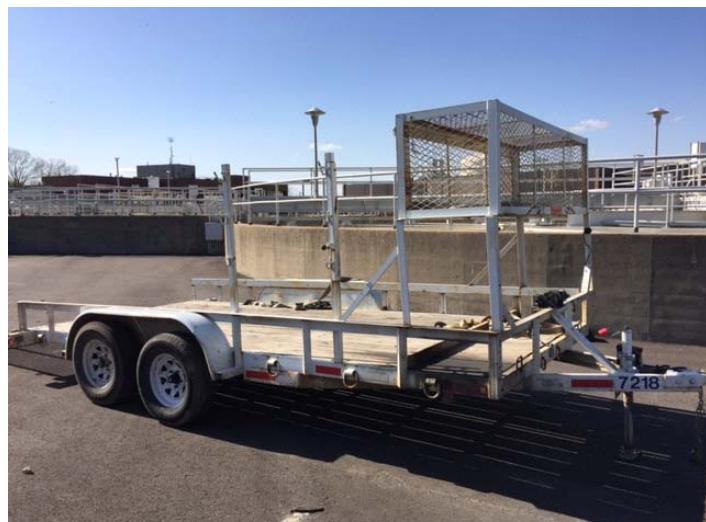
2018

Project #

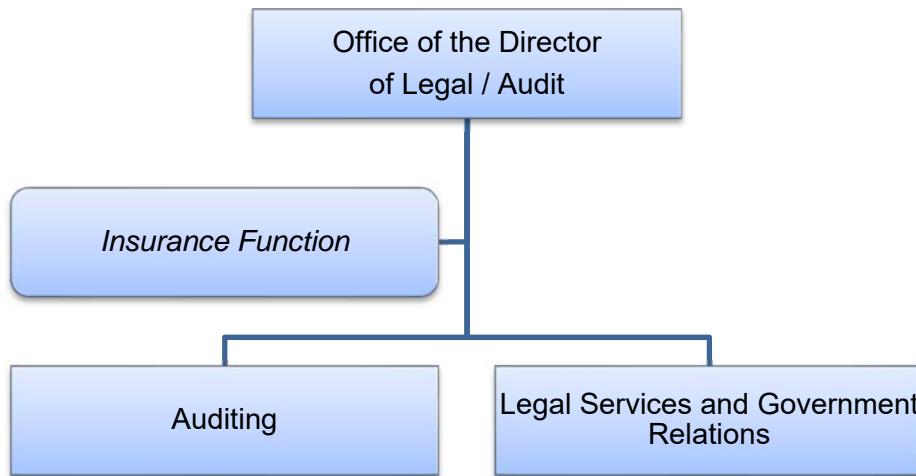
AF-18218

Plan

\$19,951

Justification

WaterOne Fleet Replacement Standard: 9 Years; Unit #7218: 16 years as of 4/2017. This unit meets the age criteria. The replacement unit will be configured the same.

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, 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.

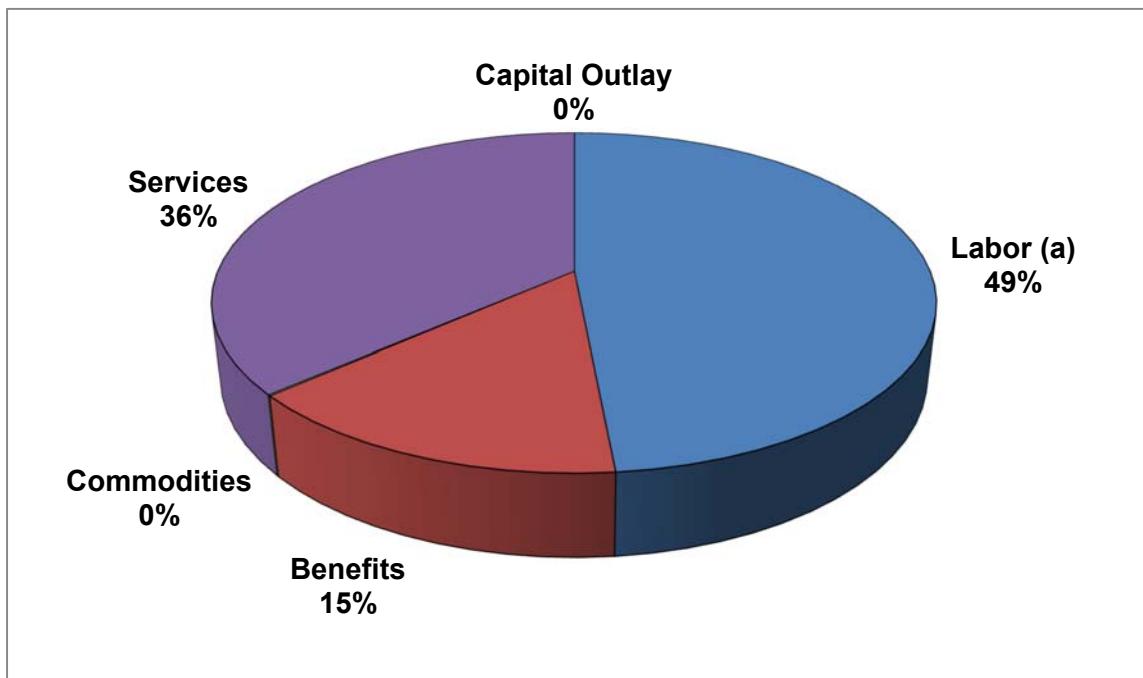
The Insurance Function is responsible for insurance coverage related to property and casualty risk management.

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 “2018 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

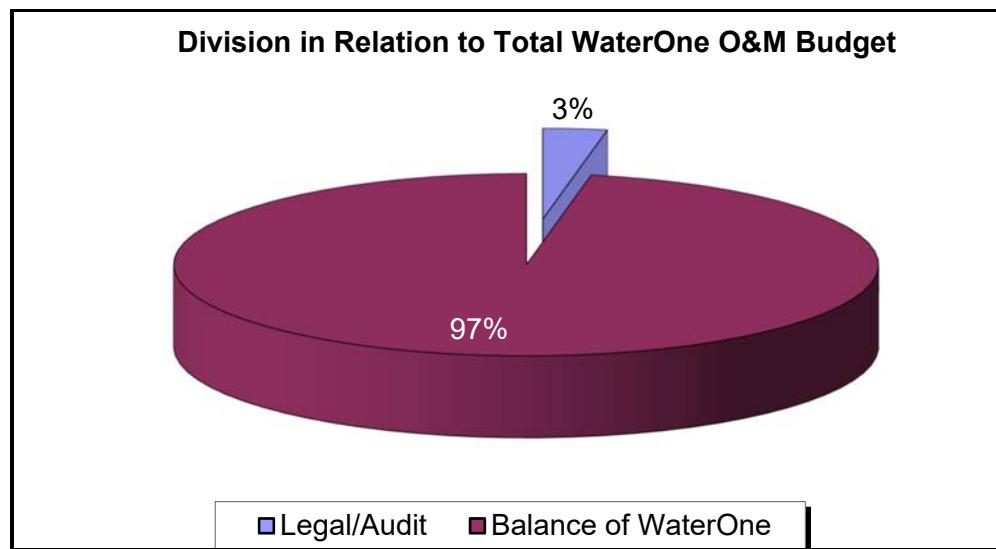
EXPENDITURES BY MAJOR CATEGORY

Net of Transfers

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$713,619	\$851,747	\$870,776	\$19,029	2.2%
Benefits	230,089	239,527	243,745	4,218	1.8%
Personnel Costs	\$943,707	\$1,091,274	\$1,114,521	\$23,247	2.1%
Commodities	1,577	2,280	1,750	<530>	<23.2%>
Services	735,108	726,010	671,122	<54,888>	<7.6%>
Transfers	<179,731>	<170,096>	<157,039>	13,057	<7.7%>
Total O&M	\$1,500,661	\$1,649,468	\$1,630,354	<\$19,113>	<1.2%>
Capital Outlay	0	0	0	0	NA
Total	\$1,500,661	\$1,649,468	\$1,630,354	<\$19,113>	<1.2%>

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 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$705,432	\$851,260	\$870,776	\$19,516	2.3%
Benefits	230,089	239,527	243,745	4,218	1.8%
Property & Liability Insurance	484,826	548,600	485,100	<63,500>	<11.6%>
Property & Liability - Self Ins.	129,304	60,000	60,000	0	0.0%
Auditing Fees	44,462	46,675	46,875	200	0.4%
Subtotal	\$1,594,113	\$1,746,062	\$1,706,496	<\$39,566>	<2.3%>
All Other Accounts	86,279	73,502	80,897	7,395	10.1%
Less Transfers	<179,731>	<170,096>	<157,039>	13,057	<7.7%>
Total O&M	\$1,500,661	\$1,649,468	\$1,630,354	<\$19,113>	<1.2%>

Numbers may not add due to rounding

WATERONE 2018 BUDGET

LEGAL / AUDITING

DIVISION PERSONNEL	2017	+	-	2018
	<i>Budget</i>			<i>Budget</i>
<u>Headcount</u>				
Full Time	10			10
Part Time	0			0
Temporary/Summer	0			0
Total Headcount	10			10
Total Full Time Equivalents (FTEs)	10			10

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 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.

Property & Liability Insurance

The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, and Cyber Liability. The 2018 budget is decreasing based on realized premium savings. 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. Claims can significantly vary from year to year. In 2016, there was a one-time \$60,000 settlement to replace damaged sewer facilities.

Auditing Fees

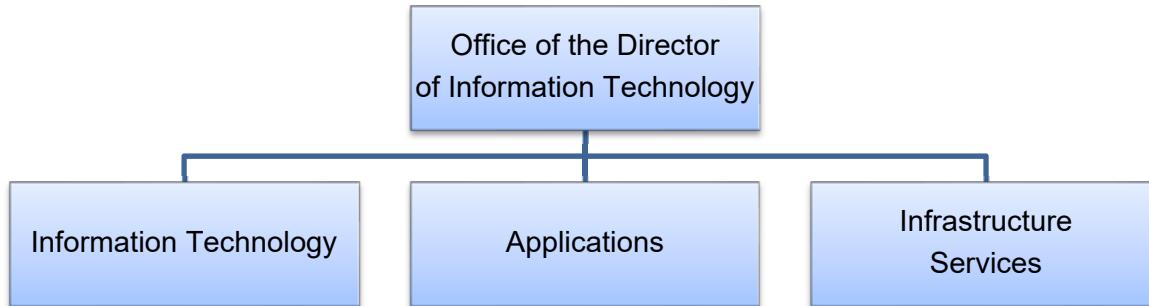
The budget for auditing fees includes the fee for the annual external audit, the Kansas filing fee for the Division of Accounts and Reports, and the publication of the annual financial statement. Fees are established through the RFP process and approved by the Board. The budget is based on a quote from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

ANNUAL CAPITAL

This division has no capital requirements.

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 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

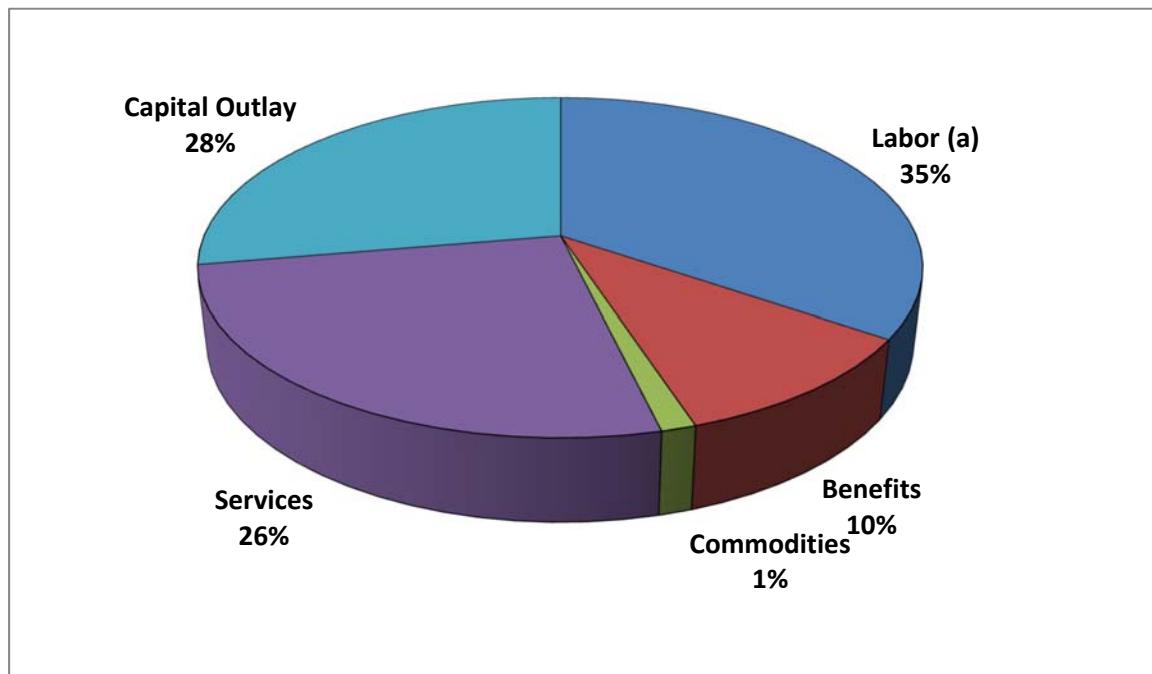
Provide secure business technology solutions in support of WaterOne's Strategic Goals and business objectives. Identify future business needs while maintaining the technology tools and architecture, support, and other solutions necessary to improve company performance and productivity, measure key performance 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 "2018 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

WATERONE 2018 BUDGET
INFORMATION TECHNOLOGY

EXPENDITURES BY MAJOR CATEGORY



Net of Transfers

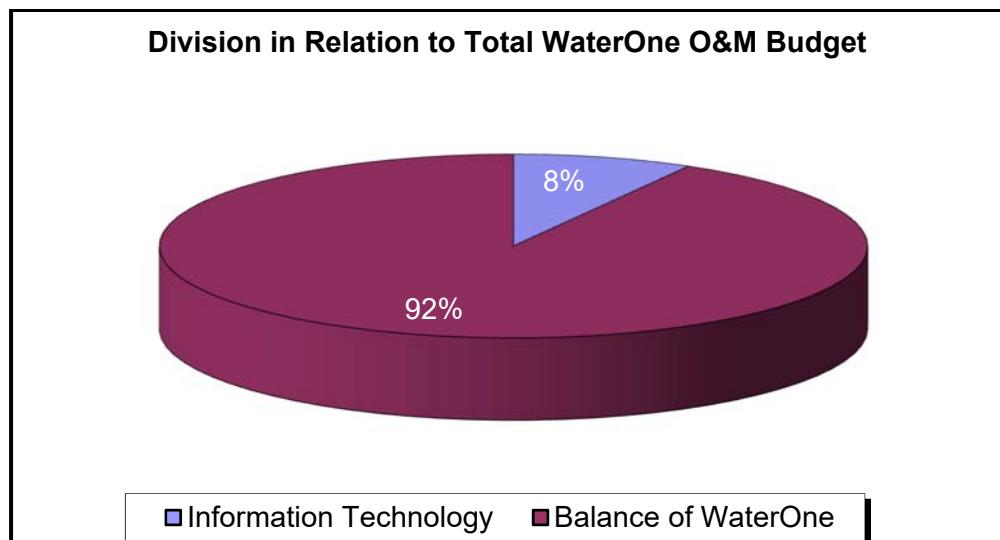
	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,811,330	\$2,246,760	\$2,395,939	\$149,179	6.6%
Benefits	664,969	627,984	657,543	29,559	4.7%
<i>Personnel Costs</i>	<i>\$2,476,299</i>	<i>\$2,874,744</i>	<i>\$3,053,482</i>	<i>\$178,738</i>	<i>6.2%</i>
Commodities	55,881	86,420	80,030	<6,390>	<7.4%>
Services	1,828,307	1,738,959	1,788,604	49,645	2.9%
Transfers	<435,804>	<360,421>	<354,657>	5,765	<1.6%>
Total O&M	\$3,924,683	\$4,339,702	\$4,567,459	\$227,758	5.2%
Capital Outlay	1,374,561	1,538,210	1,751,210	213,000	13.8%
Total	\$5,299,244	\$5,877,912	\$6,318,669	\$440,758	7.5%

Numbers may not add due to rounding

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

WATERONE 2018 BUDGET
INFORMATION TECHNOLOGY

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2018 Significant Cost Elements are described below.

	2016 Actual	2017 Budget	2018 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,775,286	\$2,241,939	\$2,392,439	\$150,500	6.7%
Benefits	664,969	627,984	657,543	29,559	4.7%
PC Software License & Maintenance	586,125	588,118	784,285	196,167	33.4%
Telecom	599,323	402,552	449,640	47,088	11.7%
Contracted Services	104,710	188,240	176,895	<11,345>	<6.0%>
IT Hardware Maintenance	242,350	252,946	155,506	<97,440>	<38.5%>
Subtotal	\$3,972,763	\$4,301,779	\$4,616,308	\$314,529	7.3%
All Other Accounts	387,724	398,344	305,808	<92,536>	<23.2%>
Less Transfers	<435,804>	<360,421>	<354,657>	5,764	<1.6%>
Total O&M	\$3,924,683	\$4,339,702	\$4,567,459	\$227,758	5.2%

Numbers may not add due to rounding

WATERONE 2018 BUDGET
INFORMATION TECHNOLOGY

DIVISION PERSONNEL	2017 Budget	+	-	2018
				Budget
<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. An additional 1.0% is budgeted for equity adjustments related to the results of a compensation study completed in 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.

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 2018 which is described below.

1. GIS software: GIS, computer aided design, hydraulic modeling software, and SCADA software. This account increased \$16,461 in 2018 primarily due to a scheduled rate increase in the annual maintenance contract for the SCADA control system platform along with additional maintenance costs as more equipment is added to the system.
2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget has increased \$179,706 in 2018. Changes are described below.
 - a. An increase of \$105,368 is due to the movement of software maintenance contracts from the following three accounts:
 - IT Hardware Maintenance (previously titled IT Maintenance – Contracted)
 - IT Maintenance– SAAS
 - Software Small Purchases
 This change was to differentiate maintenance contracts between software and hardware for tracking purposes.
 - b. An increase of \$45,138 is due to the annual maintenance contract for SAP increasing and the annual changes in subscriptions for Microsoft.

WATERONE 2018 BUDGET
INFORMATION TECHNOLOGY

c. New meter test bench software and applications for security increased the budget by \$29,200. These will be partially offset by the discontinuance of applications no longer necessary for the business.

Telecom

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. Telecom – Voice and Telecom – Data have been combined to reflect the technology industry trend towards bundling services. The budget increased in 2018 primarily due to this combination of accounts.

Contracted Services

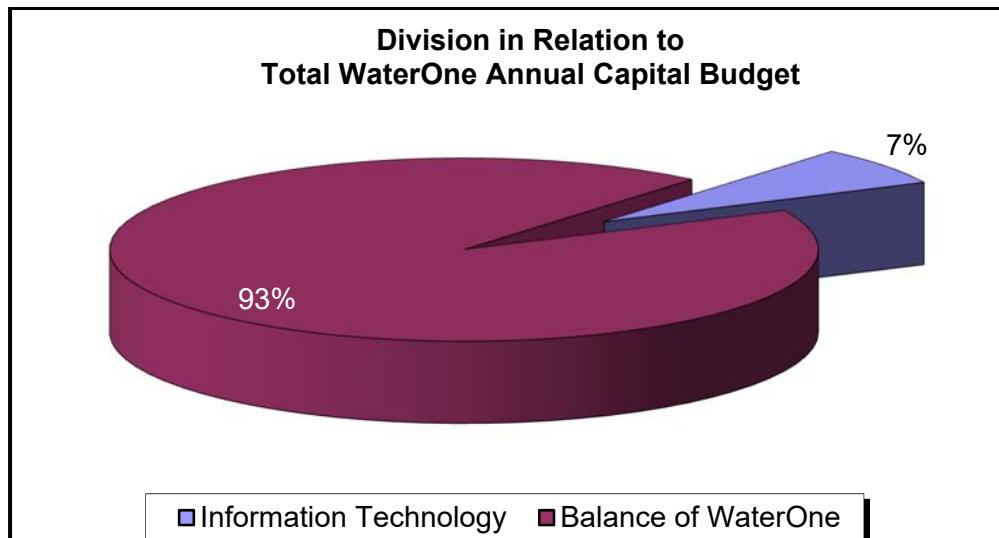
Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. WaterOne contracts for various services including backup SAP basis administration support, functional consulting services for SAP, GIS and Microsoft projects, network monitoring, and implementation of new software. The 2018 budget decreased to reflect the average actual history.

IT Hardware Maintenance

This account is for the recurring maintenance contracts for network hardware and was previously titled IT Maintenance – Contracted. The decrease in 2018 is primarily related to the software maintenance contracts moving to the PC Software License & Maintenance account. This change was to differentiate contracts between software and hardware maintenance for tracking purposes.

WATERONE 2018 BUDGET
INFORMATION TECHNOLOGY

ANNUAL CAPITAL



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

New

AC-18050	Network Access Control (Security)	<u>\$188,421</u>
	Annual Capital - New	<u>\$188,421</u>

Replacement / Refurbish

AC-18052	SAN Upgrade	\$687,183
AC-18002	PC Replacement Program	266,006
AC-18001	Network Upgrades	177,338
AC-18004	SAP Human Resources Implementations	166,255
AC-18039	Server Replacement Program	110,836
AC-18003	GIS Upgrades and Enhancements	55,418
AC-18054	SAP Logistics Enhancements	55,418
AC-18005	Printer Replacement Program	44,335
	Annual Capital - Replace / Refurbish	\$1,562,789
	Total Annual Capital	\$1,751,210

Numbers may not add due to rounding

WaterOne 2018 Budget

INFORMATION TECHNOLOGY DIVISION

New

Project Description

Network Access Control (Security)

Year

2018

Project

AC-18050

Plan

\$188,421



Justification

This project includes purchasing new hardware and software which will increase WaterOne's network security.

WaterOne 2018 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

SAN Upgrade

Year

2018

Project #

AC-18052

Plan

\$687,183

**Justification**

A storage area network (SAN) moves storage resources off the common user network and reorganizes them into an independent, high-performance network. The most recent SAN upgrade was completed in early 2013. The 2018 project is planned to replace core and backup storage environments that are obsolete and out of warranty.

Project Description

PC Replacement Program

Year

2018

Project #

AC-18002

Plan

\$266,006

**Justification**

This program replaces 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 2018 budget includes 100 desktops/laptops @ \$2,000 = \$200,000; 75 monitors @ \$250= \$18,750; Peripherals (keyboards, docking stations, soundbars, ports) \$21,250.

WaterOne 2018 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Network Upgrades

Year

2018

Project #

AC-18001

Plan

\$177,338



Justification

This program replaces local area network (LAN), wide area network (WAN), 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

SAP Human Resources Implementations

Year

2018

Project #

AC-18004

Plan

\$166,255



Justification

This project will enhance SAP functionality for human resources. The enhanced functionality includes an online open enrollment process to eliminate manual entry into SAP by human resources, an electronic timesheet application for more accurate recording of work time, and employee and manager self-service.

WaterOne 2018 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Server Replacement Program

Year

2018

Project #

AC-18039

Plan

\$110,836

**Justification**

This program replaces servers and server components necessary to support continuing business operations. Additionally, this program provides for miscellaneous software used to monitor and manage the hardware components that make up the server environment. This program is a necessary and recurring component of providing reliable computing services. The 2018 budget includes: 4 servers x \$20,000 = \$80,000; Server components \$15,000; Software & Licensing \$5,000

Project Description

GIS Upgrades and Enhancements

Year

2018

Project #

AC-18003

Plan

\$55,418

**Justification**

This program is to support 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 in response to user requests.

WaterOne 2018 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

SAP Logistics Enhancements

Year

2018

Project #

AC-18054

Plan

\$55,418

**Justification**

This project will enhance the functionality of logistics in SAP. This includes improvements to inventory processes as it relates to implementing material resource planning process to help make the construction/inventory related processes more efficient.

Project Description

Printer Replacement Program

Year

2018

Project #

AC-18005

**Plan**

\$44,335

Justification

Annual program to replace printers that are technically deficient, functionally obsolete, or failure critical. 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. In 2018, select wide format printers are scheduled for replacement.

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DEBT SERVICE

In 2018, WaterOne will be responsible for paying the debt service on the outstanding Parity Bonds (Series 2009, 2010, 2012, 2014 and 2017.)

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

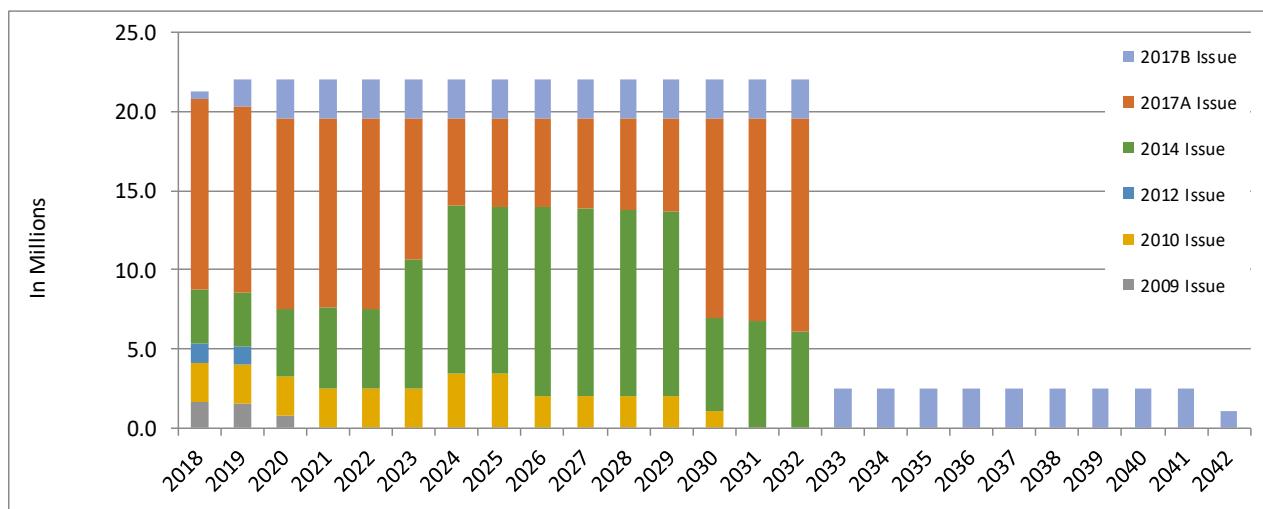


Chart excludes an \$2.34M of capitalized interest in 2018-2019 on 2017B Bonds to be paid from bond proceeds

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 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	\$26,190,000
Outstanding Bonds on Jan. 1, 2018	3,725,000
Debt Service Requirement for 2018	1,662,325
Funding in 2018 for Principal to be Retired	1,555,000
First Callable Maturity	1/1/2019
True Interest Cost (TIC) at time of original bond issue	2.2643%

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	\$28,890,000
Outstanding Bonds on Jan. 1, 2018	24,065,000
Debt Service Requirement for 2018	2,472,638
Funding in 2018 for Principal to be Retired	1,520,000
First Callable Maturity	1/1/2020
True Interest Cost (TIC) at time of original bond issue	3.6745%

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	\$6,605,000
Outstanding Bonds on Jan. 1, 2018	2,340,000
Debt Service Requirement for 2018	1,210,950
Funding in 2018 for Principal to be Retired	1,170,000
First Callable Maturity	N/A
True Interest Cost (TIC) at time of original bond issue	0.9189%

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	\$86,350,000
Outstanding Bonds on Jan. 1, 2018	85,170,000
Debt Service Requirement for 2018	3,383,144
Funding in 2018 for Principal to be Retired	200,000
First Callable Maturity	1/1/2024
True Interest Cost (TIC) at time of original bond issue	3.4495%

Water Revenue Refunding Bonds, Series 2017A

The 2017A Series Bonds were issued on November 8, 2017 for the purpose of refunding \$132,085,000 of the 2007 Series Bonds. The 2017A refunding resulted in a savings of approximately \$10.9 million over 15 years.

Original Amount of Bonds issued	\$110,205,000
Outstanding Bonds on Jan. 1, 2018	\$110,205,000
Debt Service Requirement for 2018	\$12,074,860
Funding in 2018 for Principal to be Retired	\$7,497,143
First Callable Maturity	1/1/2027
True Interest Cost (TIC) at time of original bond issue	2.4651%

Water Revenue Bonds, Series 2017B

The 2017B Series Bonds were issued on November 8, 2017 for the purpose of funding Master Plan projects which included the Ozone Treatment Plant.

Original Amount of Bonds issued	\$40,105,000
Outstanding Bonds on Jan. 1, 2018	\$40,105,000
Debt Service Requirement for 2018 (excl. capitalized interest)	\$464,286
Funding in 2018 for Principal to be Retired	\$464,286
First Callable Maturity	1/1/2027
True Interest Cost (TIC) at time of original bond issue	3.0565%

Summary of Outstanding Principal Amounts
As of January 1 Each Year

As of January 1	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	Total Outstanding Bonds
2012	\$ 174,205,000	\$ 19,870,000	\$ 28,890,000	\$ 0	\$ 0	\$	\$	\$ 222,965,000
2013	170,025,000	17,830,000	28,605,000	6,605,000	0			223,065,000
2014	164,750,000	14,880,000	28,035,000	5,735,000	0			213,400,000
2015	155,780,000	10,550,000	27,465,000	4,765,000	86,150,000			284,710,000
2016	146,690,000	7,465,000	26,895,000	3,220,000	85,950,000			270,220,000
2017	137,115,000	5,165,000	25,510,000	2,910,000	85,750,000			256,450,000
2018	(refunded)	3,725,000	24,065,000	2,340,000	85,170,000	110,205,000	40,105,000	265,610,000
2019		2,170,000	22,545,000	1,170,000	84,970,000	110,062,143	40,069,286	260,986,429
2020		725,000	20,975,000	0	84,770,000	102,565,000	39,605,000	248,640,000
2021		0	19,340,000	0	83,615,000	94,730,000	38,625,000	236,310,000
2022		0	17,640,000	0	81,600,000	86,295,000	37,510,000	223,045,000
2023		0	15,870,000	0	79,585,000	77,510,000	36,340,000	209,305,000
2024		0	14,020,000	0	74,405,000	68,220,000	35,110,000	191,755,000
2025		0	11,150,000	0	66,540,000	61,580,000	33,815,000	173,085,000
2026		0	8,185,000	0	58,385,000	57,965,000	32,455,000	156,990,000
2027		0	6,490,000	0	48,605,000	54,075,000	31,025,000	140,195,000
2028		0	4,725,000	0	38,540,000	49,995,000	29,525,000	122,785,000
2029		0	2,890,000	0	28,185,000	45,715,000	27,975,000	104,765,000
2030		0	985,000	0	17,545,000	41,255,000	26,395,000	86,180,000
2031		0	0	0	12,270,000	36,615,000	24,780,000	73,665,000
2032		0	0	0	5,945,000	25,100,000	23,120,000	54,165,000
2033		0	0	0	0	13,045,000	21,410,000	34,455,000
2034		0	0	0	0	0	19,645,000	19,645,000
2035		0	0	0	0	0	17,825,000	17,825,000
2036		0	0	0	0	0	15,950,000	15,950,000
2037		0	0	0	0	0	14,020,000	14,020,000
2038		0	0	0	0	0	12,030,000	12,030,000
2039		0	0	0	0	0	9,975,000	9,975,000
2040		0	0	0	0	0	7,845,000	7,845,000
2041		0	0	0	0	0	5,640,000	5,640,000
2042		0	0	0	0	0	3,360,000	3,360,000
2043		0	0	0	0	0	1,000,000	1,000,000
2044		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 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 SERVICE - TOTAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(a) 2014 Bonds	2017A Bonds	(b) 2017B Bonds	Total All Bonds
2013 ...	\$ 12,997,135	3,464,825	1,672,613	\$ 935,853	\$ 0	0	0	\$ 19,070,426
2014 (a) ..	16,064,573	4,732,425	1,659,788	1,071,625	200,000	0	0	23,728,411
2015 (a) ..	15,753,426	3,398,563	1,648,388	1,624,125	200,000	0	0	22,624,502
2016 ...	15,931,589	2,522,250	2,441,638	368,763	3,399,244	0	0	24,663,484
2017 (b) ..	14,990,123	1,608,175	2,456,138	623,213	3,775,244	546,331	35,714	24,034,938
2018 (b) ..	0	1,662,325	2,472,638	1,210,950	3,383,144	12,074,860	464,286	21,268,203
2019 (b) ..	0	1,503,663	2,465,213	1,186,500	3,378,644	11,791,750	1,677,666	22,003,436
2020 ...	0	736,781	2,481,656	0	4,329,644	12,000,000	2,459,956	22,008,037
2021 ...	0	0	2,477,438	0	5,142,594	11,928,250	2,458,456	22,006,738
2022 ...	0	0	2,470,150	0	5,082,144	11,994,000	2,459,206	22,005,500
2023 ...	0	0	2,480,625	0	8,186,694	8,879,500	2,461,831	22,008,650
2024 ...	0	0	3,405,788	0	10,617,494	5,522,500	2,461,456	22,007,238
2025 ...	0	0	3,378,813	0	10,552,644	5,616,750	2,462,456	22,010,663
2026 ...	0	0	2,015,450	0	11,918,669	5,612,250	2,460,081	22,006,450
2027 ...	0	0	2,022,231	0	11,839,422	5,684,850	2,461,131	22,007,634
2028 ...	0	0	2,016,475	0	11,750,181	5,778,625	2,459,597	22,004,878
2029 ...	0	0	2,007,850	0	11,679,944	5,858,900	2,459,081	22,005,775
2030 ...	0	0	1,005,931	0	5,940,825	12,598,450	2,458,463	22,003,669
2031 ...	0	0	0	0	6,751,113	12,793,000	2,458,288	22,002,401
2032 ...	0	0	0	0	6,125,300	13,421,350	2,461,838	22,008,488
2033 ...	0	0	0	0	0	0	2,461,863	2,461,863
2034 ...	0	0	0	0	0	0	2,462,263	2,462,263
2035 ...	0	0	0	0	0	0	2,461,013	2,461,013
2036 ...	0	0	0	0	0	0	2,461,325	2,461,325
2037 ...	0	0	0	0	0	0	2,458,550	2,458,550
2038 ...	0	0	0	0	0	0	2,461,625	2,461,625
2039 ...	0	0	0	0	0	0	2,462,075	2,462,075
2040 ...	0	0	0	0	0	0	2,459,900	2,459,900
2041 ...	0	0	0	0	0	0	2,460,100	2,460,100
2042 ...	0	0	0	0	0	0	1,017,500	1,017,500
2043 ...	0	0	0	0	0	0	0	0

Sources for debt service in this schedule are from the annual budget and bond reserve funds. Capitalized interest is excluded.

a) The 2014 Bonds had capitalized interest for years 2014 and 2015. This interest was paid from bond proceeds.

b) The 2017B Bonds have capitalized interest for years 2017, 2018 and 2019. This interest is paid from bond proceeds.

DEBT SERVICE - PRINCIPAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	Total All Bonds	Principal As a % of Total Yr DS
2013 ...	\$ 5,586,667	\$ 2,950,000	\$ 570,000	\$ 809,286	\$ 0	\$ 0	\$ 0	\$ 9,915,952	52.00%
2014 ...	8,980,000	4,330,000	570,000	970,000	200,000	0	0	15,050,000	63.43%
2015 ...	9,090,000	3,085,000	570,000	1,545,000	200,000	0	0	14,490,000	64.05%
2016 ...	9,655,833	2,300,000	1,385,000	310,000	200,000	0	0	13,850,833	56.16%
2017 ...	9,616,667	1,440,000	1,445,000	570,000	580,000	142,857	35,714	13,830,238	57.54%
2018 ...	(refunded)	1,555,000	1,520,000	1,170,000	200,000	7,497,143	464,286	12,406,429	58.33%
2019 ...	0	1,445,000	1,570,000	1,170,000	200,000	7,835,000	980,000	13,200,000	59.99%
2020 ...	0	725,000	1,635,000	0	1,155,000	8,435,000	1,115,000	13,065,000	59.36%
2021 ...	0	0	1,700,000	0	2,015,000	8,785,000	1,170,000	13,670,000	62.12%
2022 ...	0	0	1,770,000	0	2,015,000	9,290,000	1,230,000	14,305,000	65.01%
2023 ...	0	0	1,850,000	0	5,180,000	6,640,000	1,295,000	14,965,000	68.00%
2024 ...	0	0	2,870,000	0	7,865,000	3,615,000	1,360,000	15,710,000	71.39%
2025 ...	0	0	2,965,000	0	8,155,000	3,890,000	1,430,000	16,440,000	74.69%
2026 ...	0	0	1,695,000	0	9,780,000	4,080,000	1,500,000	17,055,000	77.50%
2027 ...	0	0	1,765,000	0	10,065,000	4,280,000	1,550,000	17,660,000	80.24%
2028 ...	0	0	1,835,000	0	10,355,000	4,460,000	1,580,000	18,230,000	82.85%
2029 ...	0	0	1,905,000	0	10,640,000	4,640,000	1,615,000	18,800,000	85.43%
2030 ...	0	0	985,000	0	5,275,000	11,515,000	1,660,000	19,435,000	88.33%
2031 ...	0	0	0	0	6,325,000	12,055,000	1,710,000	20,090,000	91.31%
2032 ...	0	0	0	0	5,945,000	13,045,000	1,765,000	20,755,000	94.30%
2033 ...	0	0	0	0	0	0	1,820,000	1,820,000	73.93%
2034 ...	0	0	0	0	0	0	1,875,000	1,875,000	76.15%
2035 ...	0	0	0	0	0	0	1,930,000	1,930,000	78.42%
2036 ...	0	0	0	0	0	0	1,990,000	1,990,000	80.85%
2037 ...	0	0	0	0	0	0	2,055,000	2,055,000	83.59%
2038 ...	0	0	0	0	0	0	2,130,000	2,130,000	86.53%
2039 ...	0	0	0	0	0	0	2,205,000	2,205,000	89.56%
2040 ...	0	0	0	0	0	0	2,280,000	2,280,000	92.69%
2041 ...	0	0	0	0	0	0	2,360,000	2,360,000	95.93%
2042 ...	0	0	0	0	0	0	1,000,000	1,000,000	98.28%
2043 ...	0	0	0	0	0	0	0	0	

DEBT SERVICE - INTEREST

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(a) 2014 Bonds	2017A Bonds	(b) 2017B Bonds	Total All Bonds	Interest As a % of Total Yr DS
2013 ...	\$ 7,410,468	\$ 514,825	\$ 1,102,613	\$ 126,567	\$ 0			\$ 9,154,473	48.00%
2014 (a) .	7,084,573	402,425	1,089,788	101,625	0			8,678,410	36.57%
2015 (a) .	6,663,426	313,563	1,078,388	79,125	0			8,134,501	35.95%
2016 ...	6,275,755	222,250	1,056,638	58,763	3,199,244			10,812,649	43.84%
2017 (b) .	5,373,457	168,175	1,011,138	53,213	3,195,244	403,474	0	10,204,699	42.46%
2018 (b) .	(refunded)	107,325	952,638	40,950	3,183,144	4,577,717	0	8,861,774	41.67%
2019 (b) .	0	58,663	895,213	16,500	3,178,644	3,956,750	697,666	8,803,434	40.01%
2020 ...	0	11,781	846,656	0	3,174,644	3,565,000	1,344,956	8,943,038	40.64%
2021 ...	0	0	777,438	0	3,127,594	3,143,250	1,288,456	8,336,738	37.88%
2022 ...	0	0	700,150	0	3,067,144	2,704,000	1,229,206	7,700,500	34.99%
2023 ...	0	0	630,625	0	3,006,694	2,239,500	1,166,831	7,043,650	32.00%
2024 ...	0	0	535,788	0	2,752,494	1,907,500	1,101,456	6,297,238	28.61%
2025 ...	0	0	413,813	0	2,397,644	1,726,750	1,032,456	5,570,663	25.31%
2026 ...	0	0	320,450	0	2,138,669	1,532,250	960,081	4,951,450	22.50%
2027 ...	0	0	257,231	0	1,774,422	1,404,850	911,131	4,347,634	19.76%
2028 ...	0	0	181,475	0	1,395,181	1,318,625	879,597	3,774,878	17.15%
2029 ...	0	0	102,850	0	1,039,944	1,218,900	844,081	3,205,775	14.57%
2030 ...	0	0	20,931	0	665,825	1,083,450	798,463	2,568,669	11.67%
2031 ...	0	0	0	0	426,113	738,000	748,288	1,912,400	8.69%
2032 ...	0	0	0	0	180,300	376,350	696,838	1,253,488	5.70%
2033 ...	0	0	0	0	0	0	641,863	641,863	26.07%
2034 ...	0	0	0	0	0	0	587,263	587,263	23.85%
2035 ...	0	0	0	0	0	0	531,013	531,013	21.58%
2036 ...	0	0	0	0	0	0	471,325	471,325	19.15%
2037 ...	0	0	0	0	0	0	403,550	403,550	16.41%
2038 ...	0	0	0	0	0	0	331,625	331,625	13.47%
2039 ...	0	0	0	0	0	0	257,075	257,075	10.44%
2040 ...	0	0	0	0	0	0	179,900	179,900	7.31%
2041 ...	0	0	0	0	0	0	100,100	100,100	4.07%
2042 ...	0	0	0	0	0	0	17,500	17,500	1.72%
2043 ...	0	0	0	0	0	0	0	0	#DIV/0!

Sources for debt service in this schedule are from the annual budget and bond reserve funds. Capitalized interest is excluded.

a) The 2014 Bonds had capitalized interest for years 2014 and 2015. This interest was paid from bond proceeds.

b) The 2017B Bonds have capitalized interest for years 2017, 2018 and 2019. This interest is paid from bond proceeds.

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2018 Initial Forecast in 2017 Budget vs 2018 Adopted Budget
2018 Water Rate Increase = 0.0%

		2018 Initial Forecast @ 3.0%	2018 Adopted Budget @ 0.0%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:					
2	OPERATING REVENUES:				
3	Sales of Water - Retail	\$ 115,325,994	\$ 112,322,405	\$ (3,003,589)	-2.6%
4	Sales of Water - Wholesale	-	-	-	NA
5	TOTAL SALES OF WATER	<u>\$ 115,325,994</u>	<u>\$ 112,322,405</u>	<u>\$ (3,003,589)</u>	
6	Delayed Payment Charges	\$ 610,000	\$ 600,000	\$ (10,000)	-1.6%
7	Service Charges	354,000	355,000	1,000	0.3%
8	Other Operating Revenues	595,000	620,000	25,000	4.2%
9	TOTAL OTHER OPERATING REVENUES	<u>\$ 1,559,000</u>	<u>\$ 1,575,000</u>	<u>\$ 16,000</u>	<u>1.0%</u>
10	Investment Income (General and P&I Funds)	\$ 1,260,000	\$ 1,700,000	\$ 440,000	34.9%
11	Investment Income (Bond Fund)	160,000	150,000	(10,000)	-6.3%
12	Investment Income (SDC Fund)	40,000	30,000	(10,000)	-25.0%
13	TOTAL INVESTMENT INCOME	<u>\$ 1,460,000</u>	<u>\$ 1,880,000</u>	<u>\$ 420,000</u>	<u>28.8%</u>
14	TOTAL REVENUES PROVIDED	<u>\$ 118,344,994</u>	<u>\$ 115,777,405</u>	<u>\$ (2,567,589)</u>	<u>-2.2%</u>
15 REVENUE REQUIREMENTS:					
16	TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 55,851,250	\$ 55,397,311	\$ (453,939)	-0.8%
17	Annual Capital	\$ 11,760,000	\$ 10,820,000	\$ (940,000)	-8.0%
18	T&D Funding	15,574,000	14,780,000	(794,000)	-5.1%
19	TOTAL ANNUAL CAPITAL	\$ 27,334,000	\$ 25,600,000	\$ (1,734,000)	-6.3%
20	Senior Parity Bonds	\$ 16,353,650	\$ -	\$ (16,353,650)	-100.0%
21	2nd Lien Bonds / Parity Bonds (2018)	8,729,056	21,268,202	12,539,146	143.7%
22	TOTAL DEBT SERVICE FUNDING	\$ 25,082,706	\$ 21,268,202	\$ (3,814,504)	-15.2%
23	Master Plan Designated	\$ 8,687,038	\$ 12,821,892	\$ 4,134,854	47.6%
24	Investment Income (Bond & SDC Fund)	200,000	180,000	(20,000)	-10.0%
25	TOTAL TRANSFERS TO MASTER PLAN	\$ 8,887,038	\$ 13,001,892	\$ 4,114,854	46.3%
26	Bond Covenant Required Reserves	\$ 780,000	\$ 510,000	\$ (270,000)	-34.6%
27	Negative Cash Flow Reserve	410,000	-	(410,000)	-100.0%
28	TOTAL REQUIRED RESERVE FUNDING	\$ 1,190,000	\$ 510,000	\$ (680,000)	-57.1%
29	TOTAL REVENUE REQUIREMENTS	\$ 118,344,994	\$ 115,777,405	\$ (2,567,589)	-2.2%
30	NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 62,493,744	\$ 60,380,094	\$ (2,113,650)	-3.4%
31	REQUIRED DEBT SERVICE (Ln 22)	\$ 25,082,706	\$ 21,268,202	\$ (3,814,504)	-15.2%
32	DEBT SERVICE COVERAGE (Ln 30 / Ln 31)	2.49	2.84	0.35	
33	ADJUSTMENT TO WATER RATES	3.0%	0.0%	-3.0%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2018
Based on a 0.0% Rate Increase

		2017 ADOPTED BUDGET	2018 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:				
1 INCREASED OPERATIONS & MAINTENANCE EXPENSES:		\$ 53,308,419	\$ 55,397,311	\$ 2,088,892
Gross Payroll (Includes Overtime)	\$ 1,178,648	4.6%		
Power (Includes Natural Gas for Generators)	\$ 651,853	8.3%		
Health	\$ 64,379	1.4%		
Pension DB & DC	\$ 165,054	4.5%		
Chemicals	\$ (153,120)	-2.6%		
Other	\$ 182,078	1.5%		
2 INCREASED CAPITAL:		\$ 25,175,000	\$ 25,600,000	\$ 425,000
Annual Capital	\$ 55,000			
T&D Funding	\$ 370,000			
3 DECREASED DEBT SERVICE FUNDING:		\$ 24,831,043	\$ 21,268,202	\$ (3,562,841)
4 INCREASED TRANSFERS TO MASTER PLAN:		\$ 10,065,434	\$ 13,001,892	\$ 2,936,458
Master Plan Designated	\$ 2,806,458			
Investment Income (Bond & SDC Fund)	\$ 130,000			
5 INCREASED FUNDING TO REQUIRED RESERVES:		\$ 460,000	\$ 510,000	\$ 50,000
Bond Covenant Required Reserves	\$ 440,000			
Negative Cash Flow Reserve	\$ (390,000)			
6 TOTAL INCREASE IN REVENUE REQUIREMENTS		\$ 113,839,896	\$ 115,777,405	\$ 1,937,509
CHANGES IN REVENUES AVAILABLE:				
7 INCREASED INVESTMENT INCOME:		\$ 990,000	\$ 1,880,000	\$ 890,000
Investment Income (General and P&I Funds)	\$ 760,000			
Investment Income (Bond & SDC Fund)	\$ 130,000			
8 INCREASED REVENUE FROM OTHER OPER REVENUE:		\$ 1,545,000	\$ 1,575,000	\$ 30,000
Other Operating Revenue	\$ 25,000			
Service Charges	\$ 5,000			
Delayed Payment Charges	\$ -			
9 DECREASED REVENUE FROM REVENUE ADJUSTMENTS:		\$ -	\$ (275,728)	\$ (275,728)
Lower R1 Gallons per Customer	\$ (531,501)			
Lower C1 Gallons per Customer	\$ (167,285)			
Lower M1 Gallons per Customer	\$ (90,925)			
True-up of 2016 Actual Customers	\$ (36,179)			
True-up of Meter Size Mix and Allocations	\$ 30,882			
C1 Block Allocation	\$ 43,113			
R1 Block Allocation	\$ 476,167			
10 INCREASED REVENUE FROM 2018 NEW CUSTOMERS @ 2017 RATES:		\$ -	\$ 1,293,237	\$ 1,293,237
11 TOTAL INCREASE IN REVENUES AVAILABLE		\$ 2,535,000	\$ 4,472,509	\$ 1,937,509
12 ADJUSTMENT TO WATER RATES IN 2018 (Line #6 - #11)		Rate Adjustment		
		0.0%	\$ -	

Budgeted Gallons and Revenue by Customer Type

(A) Customer Type	(B)			(C)		(D)		(E)		(F)		(G)		(H)		(I)		(J)	
	Budgeted Average Customers	Avg Annual Gallons Per Cust	Budgeted Total 1,000 Gals	Budgeted Block 1 Gallons	Budgeted Block 2 Gallons	Budgeted Volume Revenue	Budgeted Service Revenue	Budgeted Volume Revenue	Budgeted Service Revenue	Volume Charge Revenue	Service Charge Revenue	% (G/ (G+H))	% (H/ (G+H))						
	(B x C)						(G+H)						(H/ (G+H))						
1 Residential	(R1)	134,215	87,600	11,757,234	9,640,932	2,116,302	\$ 50,826,521	\$ 19,103,738	73%	27%									
2 Multi Family	(M1)	4,746	447,114	2,122,002	1,867,362	254,640	9,001,532	1,949,960	82%	18%									
3 Small Commercial	(C1)	5,069	210,000	1,064,490	532,245	532,245	5,061,651	1,178,072	81%	19%									
4 Large Commercial	(C2)	3,264	1,505,735	4,914,721	3,440,304	1,474,416	22,042,520	2,679,106	89%	11%									
5 Subtotal		147,294	134,822	19,858,447	15,480,843	4,377,603	\$ 86,932,224	\$ 24,910,876	78%	22%									
6 Temp. Commercial	(C3)	249	133,500	33,242	13,982	19,260	\$ 180,501	\$ 298,800	38%	62%									
7 Total Retail		147,543	134,820	19,891,688	15,494,825	4,396,863	\$ 87,112,729	\$ 25,209,676	78%	22%									

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue \$112,322,405

Customer Growth by Customer Type with SDC Revenue

Customer Type	CUSTOMER GROWTH			SDC's	
	2017 Budget	2017 Est. Actual	2018 Budget	2018 Rate	2018 Budget
8 Residential	(R1)	1,330	1,330	1,335	\$4,855 \$6,481,425
9 Multi Family	(M1)	60	60	65	\$4,855 \$315,575
10 Small Commercial	(C1)	60	60	50	\$4,855 \$242,750
11 Large Commercial	(C2)	50	50	50	\$4,855 \$242,750
12 TOTAL		1,500	1,500	1,500	\$7,282,500

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2017 BUDGET COMPARED TO ADOPTED 2018 BUDGET

	ADOPTED 2017 BUDGET			ADOPTED 2018 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	133,008			134,215	0.9%		
3 % of Total Customers Served	90.99			90.97			
4 Thousand Gallons Sold	11,771,208		88,500	11,757,234	-0.1%		87,600
5 % of Total Gallons Sold	59.3%			59.1%			
6 Service Charge Revenue	\$ 18,938,040	\$ 1.61	\$ 142.38	\$ 19,103,738	0.9%	\$ 1.63	\$ 142.34
7 Volume Charge Revenue	50,410,198	4.28	379.00	50,826,523	0.8%	4.32	378.69
8 Total Water Sales Revenue	\$ 69,348,238	\$ 5.89	\$ 521.38	\$ 69,930,261	0.8%	\$ 5.95	\$ 521.03
9 % of Volume Water Sales	58.38%			58.35%			
10 % of Total Water Sales	62.30%			62.26%			
11 MULTI-FAMILY - RESIDENTIAL (M1):							
12 Average Customers Served	4,669			4,746	1.7%		
13 % of Total Customers Served	3.19			3.22			
14 Thousand Gallons Sold	2,108,661		451,630	2,122,002	0.6%		447,114
15 % of Total Gallons Sold	10.6%			10.7%			
16 Service Charge Revenue	\$ 1,915,063	\$ 0.91	\$ 410.17	\$ 1,949,960	1.8%	\$ 0.92	\$ 410.86
17 Volume Charge Revenue	8,944,940	4.24	1,915.81	9,001,532	0.6%	4.24	1,896.66
18 Total Water Sales Revenue	\$ 10,860,003	\$ 5.15	\$ 2,325.98	\$ 10,951,492	0.8%	\$ 5.16	\$ 2,307.52
19 % of Volume Water Sales	10.4%			10.3%			
20 % of Total Water Sales	9.8%			9.8%			
21 SMALL COMMERCIAL (C1):							
22 Average Customers Served	5,054			5,069	0.3%		
23 % of Total Customers Served	3.46			3.44			
24 Thousand Gallons Sold	1,096,718		217,000	1,064,490	-2.9%		210,000
25 % of Total Gallons Sold	5.5%			5.4%			
26 Service Charge Revenue	\$ 1,173,865	\$ 1.07	\$ 232.26	\$ 1,178,072	0.4%	\$ 1.11	\$ 232.41
27 Volume Charge Revenue	5,170,477	4.71	1,023.05	5,061,651	-2.1%	4.76	998.55
28 Total Water Sales Revenue	\$ 6,344,342	\$ 5.78	\$ 1,255.31	\$ 6,239,723	-1.7%	\$ 5.86	\$ 1,230.96
29 % of Volume Water Sales	6.0%			5.8%			
30 % of Total Water Sales	5.7%			5.6%			
31 LARGE COMMERCIAL (C2):							
32 Average Customers Served	3,208			3,264	1.8%		
33 % of Total Customers Served	2.19			2.21			
34 Thousand Gallons Sold	4,827,886		1,504,952	4,914,721	1.8%		1,505,735
35 % of Total Gallons Sold	24.3%			24.7%			
36 Service Charge Revenue	\$ 2,643,042	\$ 0.55	\$ 823.89	\$ 2,679,106	1.4%	\$ 0.55	\$ 820.80
37 Volume Charge Revenue	21,653,068	4.48	6,749.71	22,042,521	1.8%	4.48	6,753.22
38 Total Water Sales Revenue	\$ 24,296,110	\$ 5.03	\$ 7,573.60	\$ 24,721,627	1.8%	\$ 5.03	\$ 7,574.03
39 % of Volume Water Sales	25.1%			25.3%			
40 % of Total Water Sales	21.8%			22.0%			
41 SUB-TOTAL RETAIL:							
42 Average Customers Served	145,939			147,294	0.9%		
43 % of Total Customers Served	99.84			99.83			
44 Thousand Gallons Sold	19,804,473		135,704	19,858,447	0.3%		134,822
45 % of Total Gallons Sold	99.8%			99.8%			
46 Service Charge Revenue	\$ 24,670,010	\$ 1.25	\$ 169.04	\$ 24,910,876	1.0%	\$ 1.25	\$ 169.12
47 Volume Charge Revenue	86,178,683	4.35	590.51	86,932,227	0.9%	4.38	590.20
48 Total Water Sales Revenue	\$ 110,848,693	\$ 5.60	\$ 759.55	\$ 111,843,103	0.9%	\$ 5.63	\$ 759.32
49 % of Volume Water Sales	99.8%			99.8%			
50 % of Total Water Sales	99.6%			99.6%			

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2017 BUDGET COMPARED TO ADOPTED 2018 BUDGET

	ADOPTED 2017 BUDGET			ADOPTED 2018 BUDGET		
	Amount	Per 1,000 Gal	Average Per Customer	Amount	% Inc	Per 1,000 Gal

51 TEMPORARY COMMERCIAL (C3):

52 Average Customers Served	237			249	5.1%		
53 % of Total Customers Served	0.16			0.17			
54 Thousand Gallons Sold	31,640		133,500	33,242	5.1%		133,500
55 % of Total Gallons Sold	0.2%			0.2%			
56 Service Charge Revenue	\$ 284,400	\$ 8.99	\$ 1,200.00	\$ 298,800	5.1%	\$ 8.99	\$ 1,200.00
57 Volume Charge Revenue	171,803	5.43	724.91	180,502	5.1%	5.43	724.91
58 Total Water Sales Revenue	\$ 456,203	\$ 14.42	\$ 1,924.91	\$ 479,302	5.1%	\$ 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	146,176			147,543	0.9%		
63 % of Total Customers Served	100.00			100.00			
64 Thousand Gallons Sold	19,836,112		135,700	19,891,688	0.3%		134,820
65 % of Total Gallons Sold	100.0%			100.0%			
66 Service Charge Revenue	\$ 24,954,410	\$ 1.26	\$ 170.71	\$ 25,209,676	1.0%	\$ 1.27	\$ 170.86
67 Volume Charge Revenue	86,350,486	4.35	590.73	87,112,729	0.9%	4.38	590.42
68 Total Water Sales Revenue	\$ 111,304,896	\$ 5.61	\$ 761.44	\$ 112,322,405	0.9%	\$ 5.65	\$ 761.29
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	146,176			147,543	0.9%		
80 Thousand Gallons Sold	19,836,112		135,700	19,891,688	0.3%		134,820
81 Service Charge Revenue	\$ 24,954,410	\$ 1.26	\$ 170.71	\$ 25,209,676	1.0%	\$ 1.27	\$ 170.86
82 Volume Charge Revenue	86,350,486	4.35	590.73	87,112,729	0.9%	4.38	590.42
83 Total Water Sales Revenue	\$ 111,304,896	\$ 5.61	\$ 761.44	\$ 112,322,405	0.9%	\$ 5.65	\$ 761.29

Notes:

- 1 Reflects a 0.0% revenue increase due to a change in water rates to be effective 1-1-2018.
- 2 Consistent with past practice, projections are prepared on a "normal" year basis.
- 3 May not add due to rounding.

2018 Budget

Exhibit 5: Miscellaneous Fees and Charges

MISCELLANEOUS FEES AND CHARGES

Delayed Payment Charge (as a % of the unpaid current amount)	5%
--	----

Field Service Charges

Field Trip Charge	\$20
Reconnection Trip Charge	\$20
After Hours Reconnection Trip Charge	\$80
Returned Check Charge	\$25

SYSTEM DEVELOPMENT CHARGES

System Development Charges are paid on new service connections in order to compensate for the applicable costs of investment required for existing and future water supply, treatment, transmission and distribution facilities, including major improvements to existing and future facilities which contribute to system capacity.

Meter Size/Type (a)

5/8" Displacement Meter (BASE)	\$4,855
3/4" Displacement Meter	7,295
1" Displacement Meter	12,150
1 1/2" Displacement Meter	24,270
1 1/2" Turbine	29,130
2" Displacement Meter	38,835
2" Compound Meter	38,835
2" Turbine	46,125
3" Compound Meter	84,965
3" Turbine Meter	105,600
4" Compound Meter	145,650
4" Turbine Meter	182,065

(a) The meter sizes listed in the schedule are not intended to be all inclusive. Retail System Development Charges for meters not listed in the schedule will be determined based on the meter capacity ratio using the 5/8 inch displacement meter as the basis for comparison.

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, may be designated by the Board for future use.
- 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
 - Water Sales Revenues
 - Other Operating Revenues
 - Investment Income
 - b. Operating and Maintenance Expense (including Staffing Levels)
 - c. Total Annual Capital
 - d. Debt Service Funding
 - e. Transfers to Master Plan
 - f. Funding to Reserves
 - g.
- 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 reduced to offset 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

- To aid in financial planning, a 20-year financial 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 developed based on COS.
*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. The 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
 - 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

- SDCs 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 User Fees 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, commodities, and services.
- 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 parity 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

- 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 five 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 November 14, 2017)

[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:

- 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):
 - 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%

o Guaranteed Investment Contracts	100%/25%*
o 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 ensure 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 Treasury 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 Treasury 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 Treasury Manager and other staff as authorized by the Director of Finance.

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

This Policy shall be reviewed by the Treasury Manager and any revisions to the Policy must be approved by the WaterOne 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 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 who shall delegate responsibility for the operation of the investment program to staff who shall act in accordance with established written procedures and internal controls for the

operation of the investment program consistent with this Policy. 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 Treasury Manager shall prepare investment portfolio reports on a monthly basis.

[60-] 1.25.1 Report Contents

The Treasury 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

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.

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.
- 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 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.
 - 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. Additional Reserves – The establishment of a reserve for extraordinary renewal and replacement cost contingencies, Operation and Maintenance Expenses, necessary material purchase requirements and unfunded contracts and commitments in an amount equal to 1/6th of the Revenues exclusive of Water System development charges for the current Fiscal Year as shown in the adopted budget of the Board.

- 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 managers. 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
- 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**801. Total Capital Improvements**

- WaterOne differentiates between three types of capital improvements: Annual Capital, Master Plan, and Transmission & Distribution.
- The combined budgets for Master Plan, Annual Capital, and Transmission & Distribution replacement projects are at least equal to WaterOne's depreciation of all assets.

802. 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.
- WaterOne's capitalization threshold is \$5,000.
- 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.

803. 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.

- 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.

803.1 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 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.

804. 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.
- 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 transmission main breaks, minor replacements, relocations, or general improvements to a transmission main not funded in the Master Plan.
- b. New installations and extensive replacements of transmission mains are funded in Master Plan.

Condition Assessment

- a. This category includes hiring contractors to assess transmission main condition as well as assessments completed by WaterOne staff.

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

- 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-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

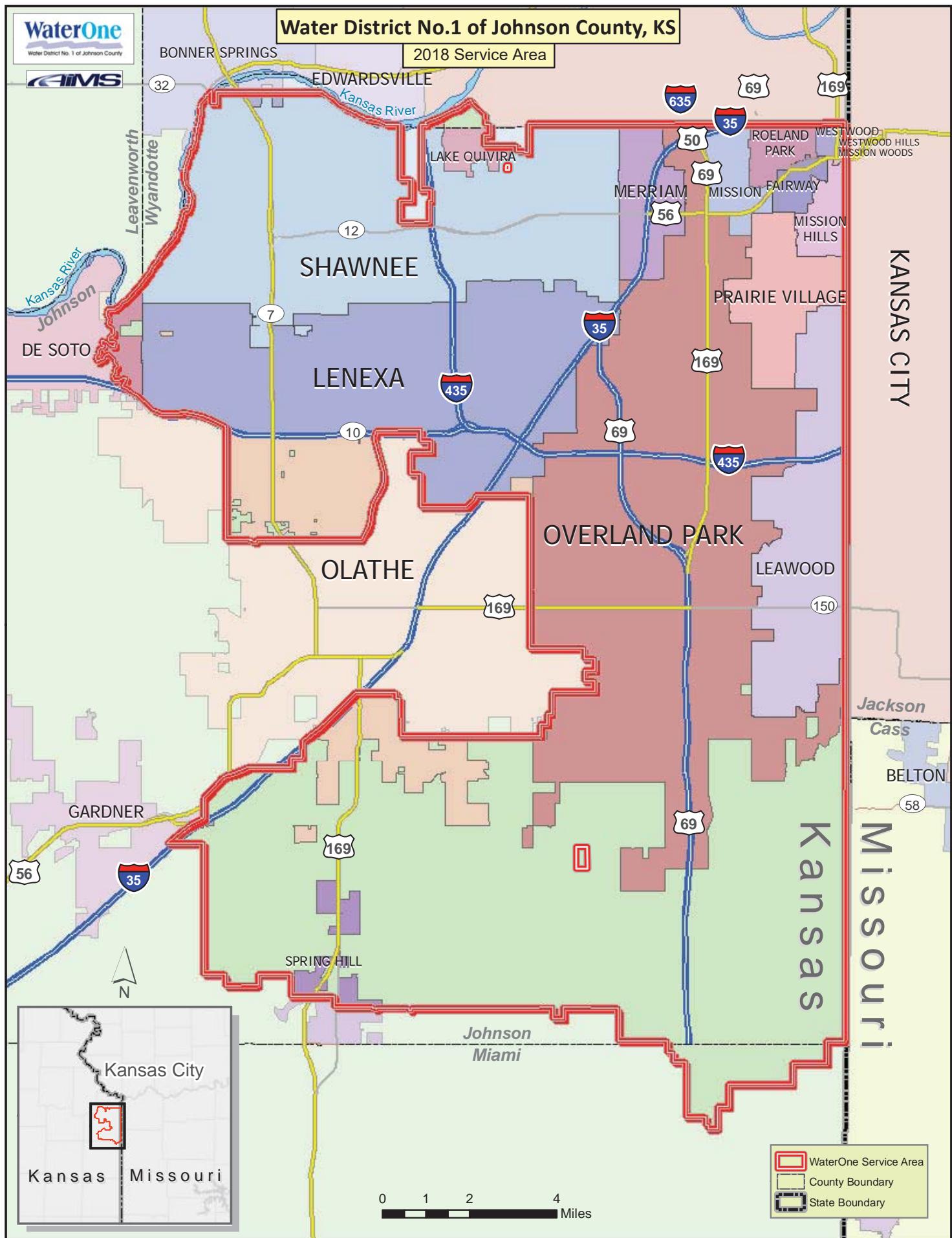
Under the provisions of SEC Rule 15c2-12 (the "Rule"), underwriters are required to obtain an agreement for ongoing disclosure in connection with the public offering of bonds. Unless WaterOne is exempt from compliance with the Rule as a result of certain permitted exemptions, the transcript for each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

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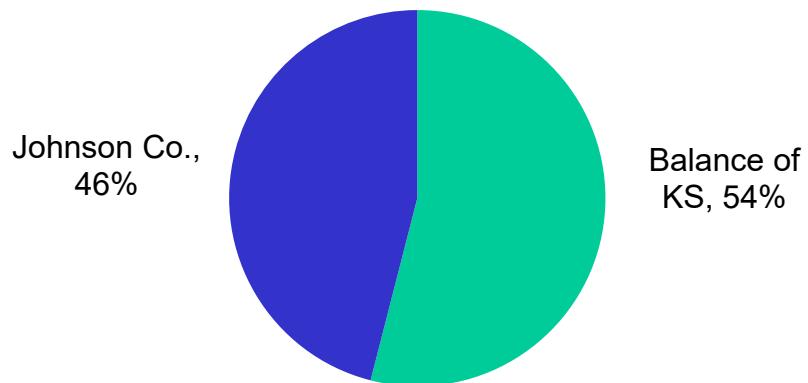


JOHNSON COUNTY DEMOGRAPHICS POPULATION

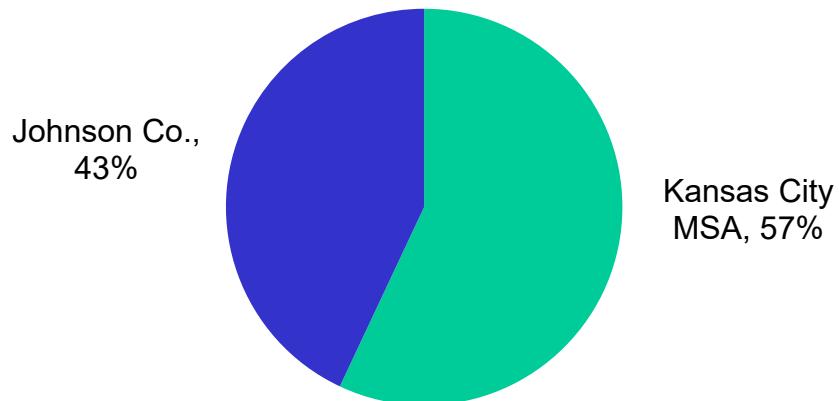
POPULATION GROWTH 2005 to 2015 (1)

Between 2005 and 2015, Johnson County's population grew by 75,718 (15%). Johnson County accounted for 46% of the total population growth in the entire State of Kansas and 43% of the Kansas City MSA (2).

Kansas Population Growth: 2005 to 2015



Kansas City MSA (2) Population Growth: 2005 to 2015



Johnson County Population

2000 (3)	451,086
2010 (3)	544,179
2016(4)	584,451

1. Source: County Economic Research Institute, 2017 Economic Primer

2. MSA is Metropolitan Statistical Area of Kansas City.

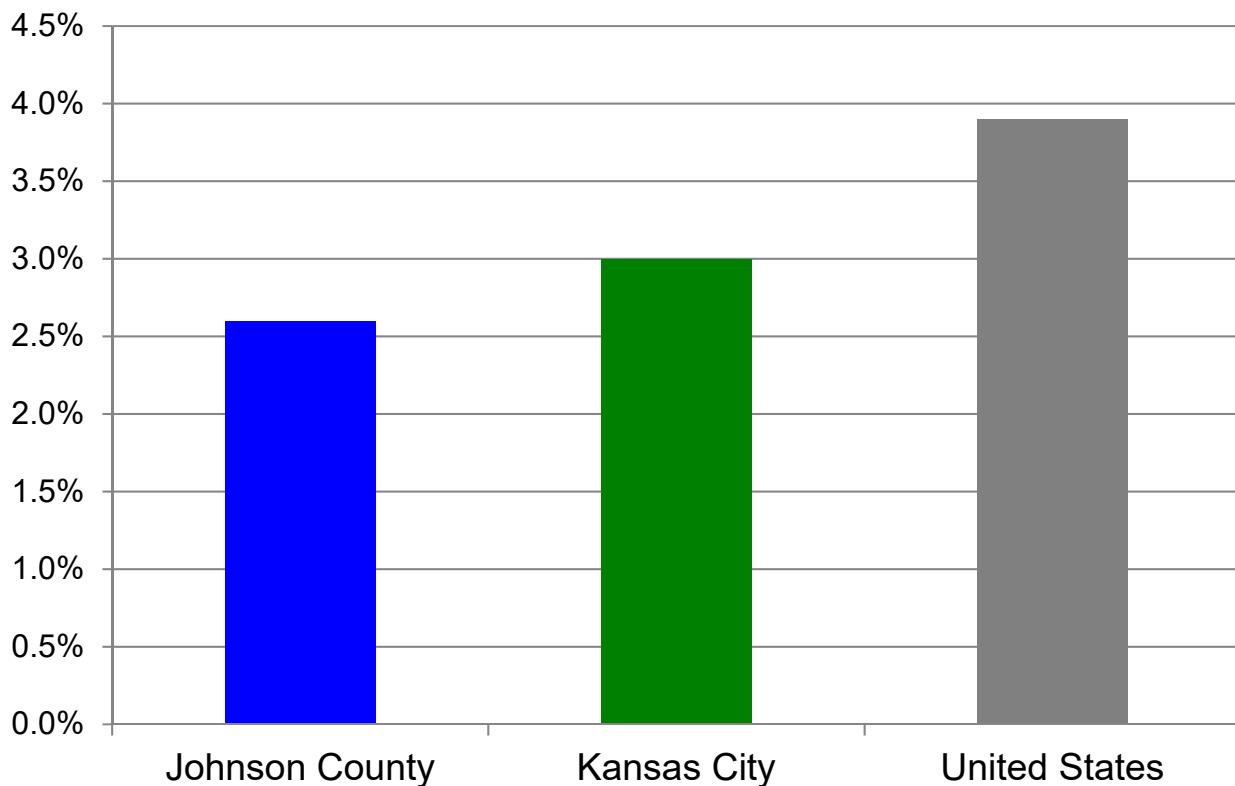
3. Source: U.S. Census Bureau, 2010 Census

4. Source: 2016 Johnson County CAFR

JOHNSON COUNTY DEMOGRAPHICS

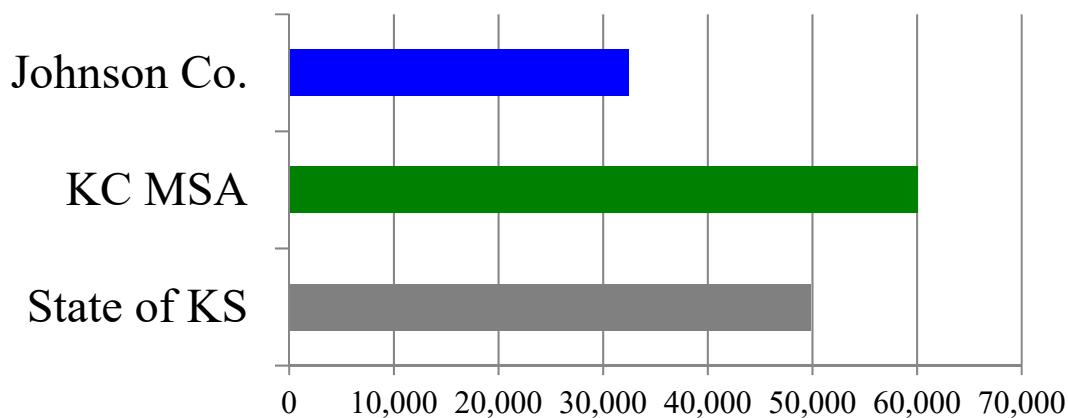
EMPLOYMENT AND JOB GROWTH

Unemployment Rate as of October 2017⁽¹⁾



JOB GROWTH 2006 TO 2016⁽²⁾

The number of jobs in Johnson County grew from 302,008 in 2006 to 334,418 in 2016, an increase of 32,410 jobs or 11%. Over the decade, Johnson County accounted for 65% of the total net increase in jobs in the State of Kansas and 54% of the job growth in the Kansas MSA⁽³⁾.



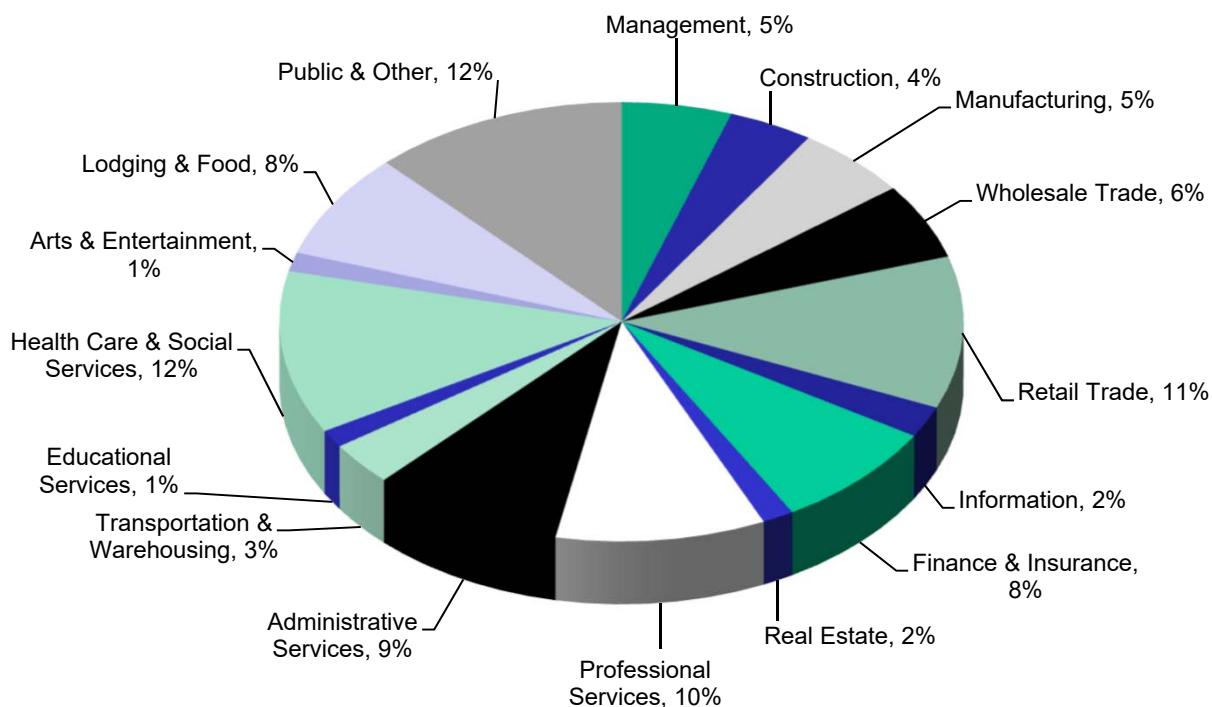
1. Source: County Economic Research Institute, December 2017 Johnson County Indicators

2. Source: County Economic Research Institute, 2017 Economic Primer

3. MSA is Metropolitan Statistical Area of Kansas City.

JOHNSON COUNTY DEMOGRAPHICS

NON-FARM EMPLOYMENT BY INDUSTRY: 2015

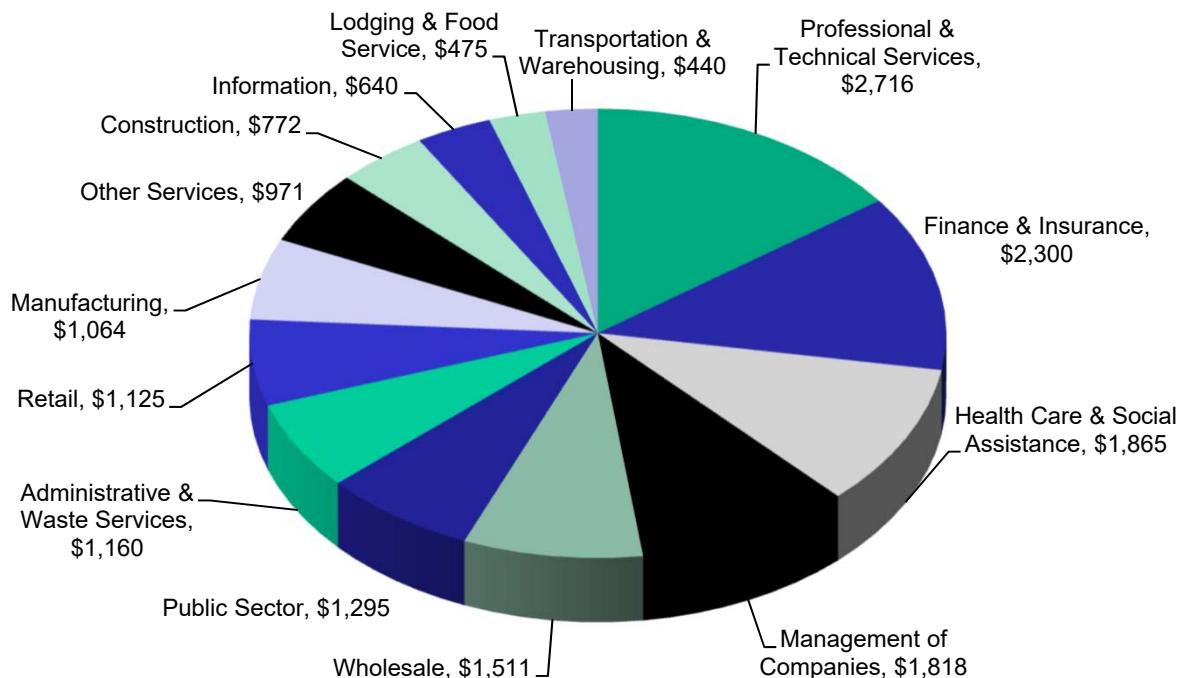


Source: County Economic Research Institute, 2017 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS

PRIVATE SECTOR PAYROLL BY INDUSTRY: 2015

In millions

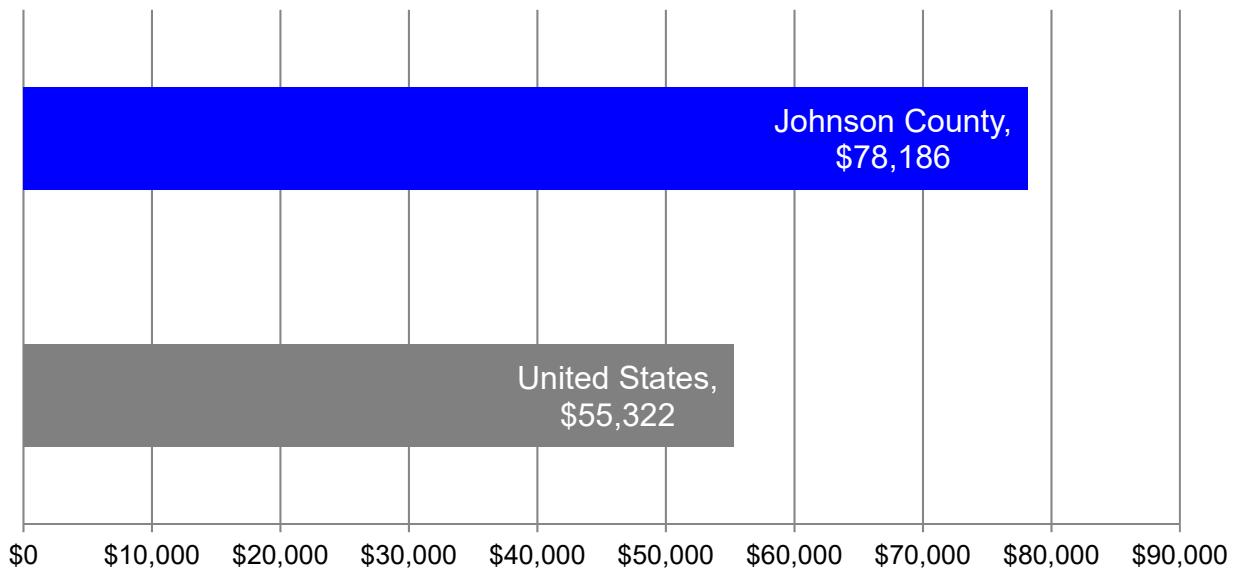


Source: County Economic Research Institute, 2017 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS

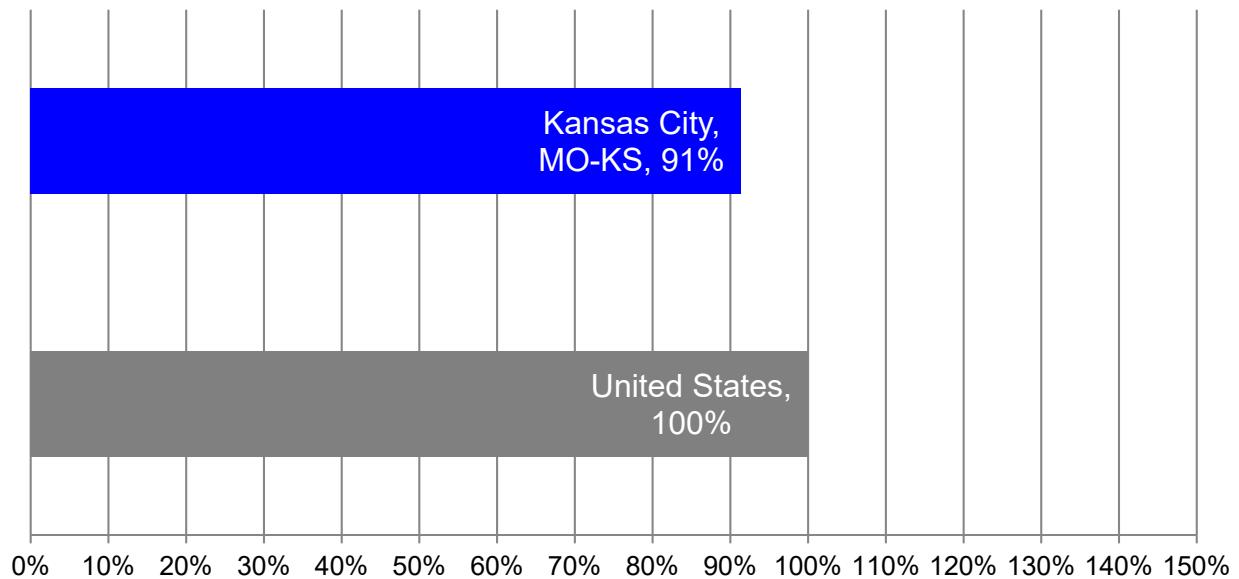
QUALITY OF LIFE

2016 Median Household Income



Source: United States Census Bureau

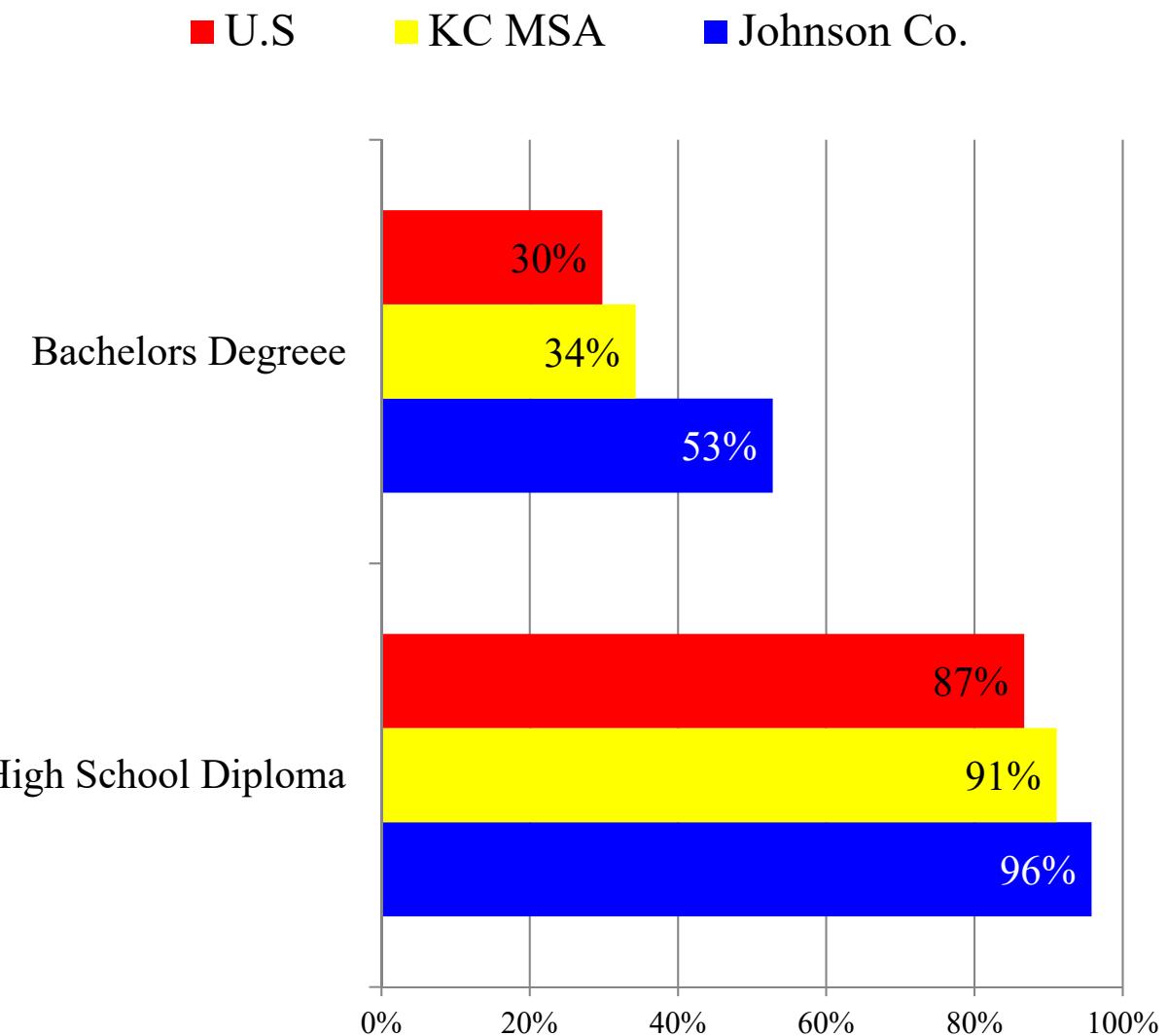
Cost of Living Index



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, 2017 Economic Primer

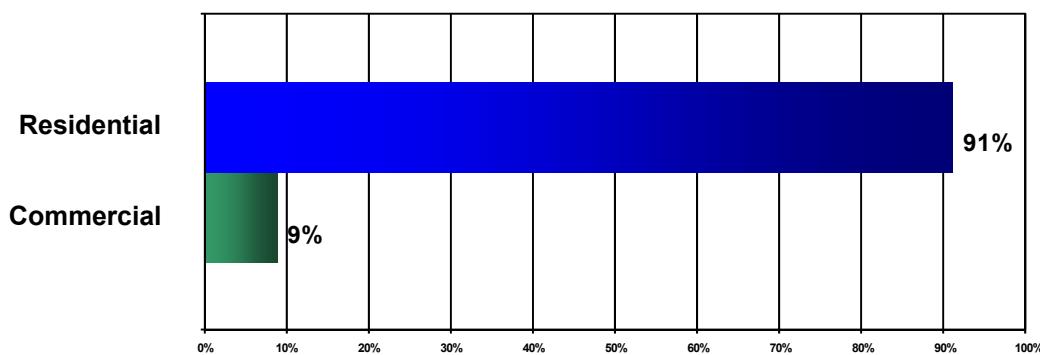
CUSTOMER BASE INFORMATION (2017)

Top 15 Customers

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

Top 15 accounts make up 3.8% 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.

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.

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 is documented, 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.

2018 Operational Goals and how they relate to the Strategic Goals

2018 Operational Goals By Division		Strategic Goal:	Strategic Goals								
			1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship		
Production											
1	Construct ozone treatment facility		X			X	X	X			
2	Construct Kansas River horizontal collector well		X					X			
3	Develop SCADA master plan		X				X	X			
4	Complete design engineering for Northwest Reduced Pressure Area tank & pipeline		X								
5	Complete materials and personnel space study								X		
6	Execute two emergency operation drills									X	
7	Develop data governance strategy						X				
8	Continue to pursue Wholesale opportunities					X					
Distribution											
1	Complete design engineering for Northwest Reduced Pressure Area tank & pipeline		X								

WATERONE 2018 BUDGET
Strategic Plan

		Strategic Goal:	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
2018 Operational Goals By Division										
2	Develop line locate application			X			X			
3	Continue implementation of Distribution Technician program				X					
4	Update confined spaces policy				X		X			X
5	Complete materials and personnel space study								X	
6	Continue to pursue Wholesale opportunities					X				
Customer Relations										
1	Advance Meter Infrastructure RFP approval and implementation			X			X			
2	Continue straight-read meter change-out						X	X		
3	Enhance customer service strategic plan		X				X			
4	Communication strategy for Northwest Reduced Pressure Area tank & pipeline	X	X							
5	Develop data governance strategy					X				
Finance										

WATERONE 2018 BUDGET
Strategic Plan

2018 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	
1	Complete cost of service study				X				
2	Enhance purchasing process					X			
3	Update distribution main asset management model (Nessie)			X			X		
4	Complete typical customer study		X		X				
5	Defease 2009 Bonds				X				
6	Complete materials and personnel space study						X		
7	Continue to pursue Wholesale opportunities				X				
Human Resources									
1	Compensation study communications & implementation			X					
2	Implement Learning Management System (LMS)			X		X			
3	Human Resources Information System improvements			X		X			
4	Implement Root Learning			X					
5	Communicate engagement survey results			X					

WATERONE 2018 BUDGET
Strategic Plan

2018 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
6	Update confined spaces policy			X		X			X
7	Supervisor engagement training			X					
8	Reintroduce Leadership Academy			X					
9	Appraisal form update, develop competencies			X					
10	Improve communication and visibility of key performance indicators					X			
Legal/Audit									
1	Implementation of records information management initiative					X			
2	Sign new contract with service line insurance provider		X						
3	Contracts for Northwest Reduced Pressure Area tank & pipeline	X	X						
4	Enhance purchasing process – contract review					X			
5	Continue to pursue Wholesale opportunities				X				
Information Technology									
1	Develop SCADA master plan	X				X	X		

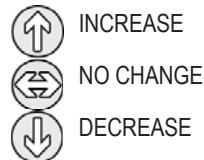
2018 Operational Goals By Division		Strategic Goals							
		1 Quality Water	2 Customer Service	3 Employer of Choice	4 Financial Stability	5 Process Improvement	6 Asset Management	7 Environmental Stewardship	8 Safety & Security
2	SAP reboot and training					X			
3	Implementation of records information management initiative					X			
4	Human Resources Information System improvements			X		X			
5	Develop line locate application		X			X			
6	Develop cybersecurity standards					X			
7	Implement SLA's and KPI's for IT functions					X			
8	Develop data governance strategy					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

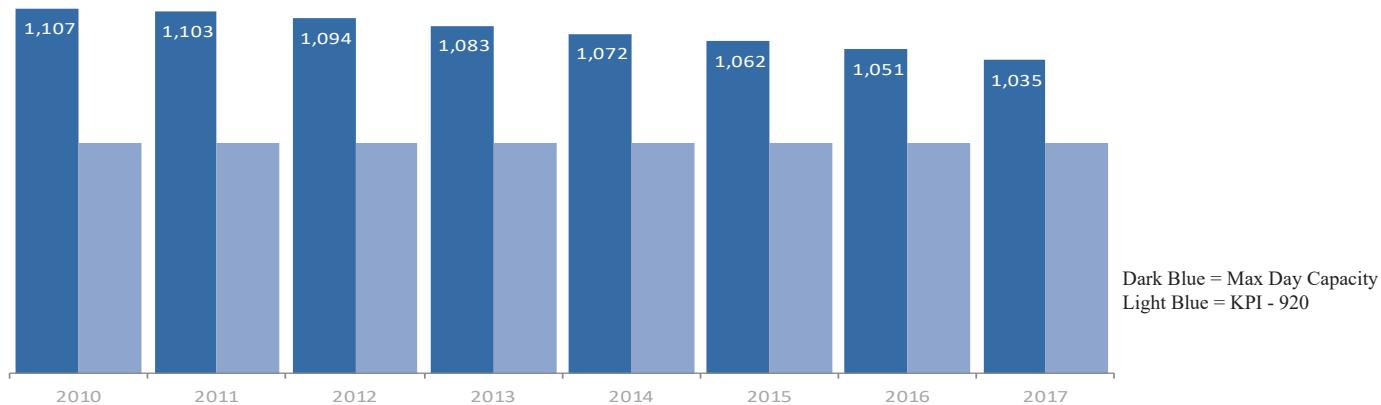
STRATEGIC GOAL 1 Ensure a Reliable, High Quality Water Supply.



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

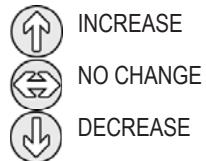
KPI	Target	Actual	Status	Management Comment
1. Conformance with Drinking Water Internal Standards, Regulations, Monitoring, MCL/TT - (PRD) Percentage of parameter samples that comply with Safe Drinking Water Act Standards.	100%	100%	G -	
2. Conformance with Water Quality Goals - Monthly (PRD) Percentage of parameter-samples that comply with WaterOne established drinking water standards.	100%	98.3%	Y -	
3. Production Facilities' Capacity of Available Max Day Gallons Per Customer. Annual. (See graph below.)	920	1,035	B -	Asset Management Service Level Goals. (Annual)

Max Day Gallons Per Customer



STRATEGIC GOAL 2

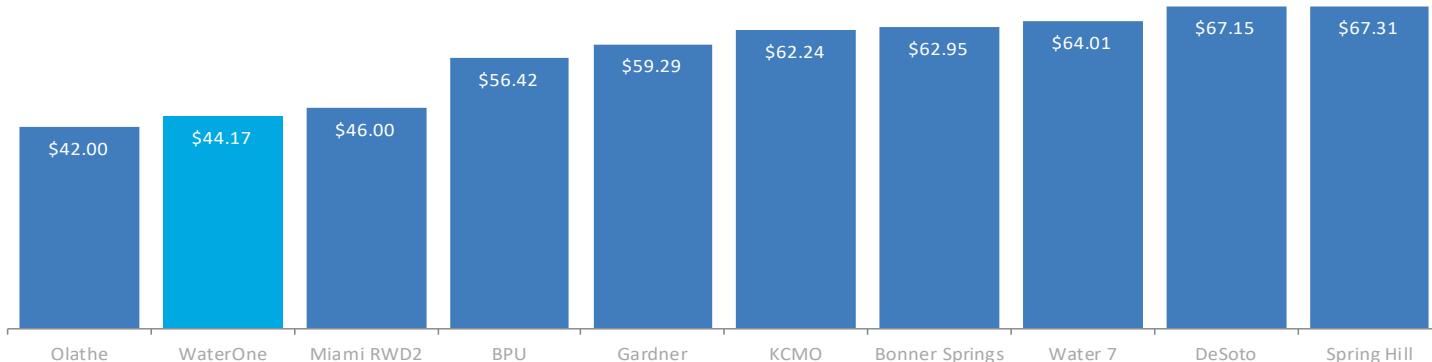
Provide Excellent Customer Service



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

KPI	Target	Actual	Status	Management Comment
4. Composite Customer Satisfaction Performance Rating - (CR) based upon an index of various customer service and water service components common to utilities across the nation.	80.0	83.6	B -	The Composite Index Rating exceeded the target of 80.
5. Technical Water Quality Complaints per 1,000 Accounts - (CR) Expression of complaints related to core utility service, T&O, Turbidity, Pressure, etc.	8.0	5.2	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 -	
7. Billing Accuracy - (CR) 12MTD Expression of error-driven billing adjustments per 10,000 bills.	7.2	7.4	Y -	

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.		10.6	B -	No targeted performance determined. (Annual)
9. Turnover Rate - (HR) Expression of the performance and stability of the workforce. YTD.		11.0%	G -	No targeted performance determined.



STRATEGIC GOAL 4

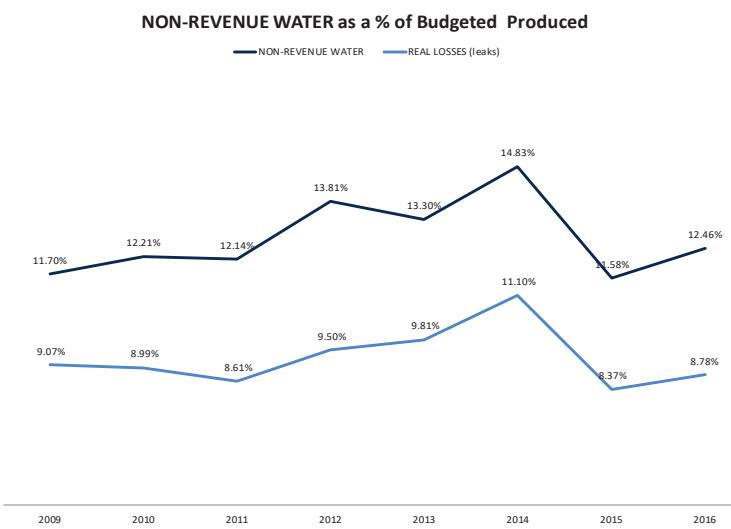
Ensure Financial Stability and Predictable Rates.



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%	8.8%	B -	The final 2017 percent will not be available until sometime in the summer of 2018. The measurement period is April 2017 - March 2018.
11. O&M Cost Per Million Gallons Produced. - YTD	\$2,296	\$2,469	R -	Gallons produced in 2017 were 11% lower than budget.
12. O&M Cost per Customer Account - O&M Costs divided by number of customer accounts that were billed during the report period. YTD	\$364	\$349	B -	
13. Actual Vs. Budgeted Water Sales Revenue. - YTD	\$111,304,896	\$105,837,757	Y -	
14. O&M Budget to Actual Expenditures (Post-Transfers) - YTD	\$53,308,419	\$51,037,551	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.		421	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 2017. (Annual)

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STRATEGIC GOAL 5

Continuously Improve Business Processes

No KPIs developed at this time.



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

STRATEGIC GOAL 6

Proactively Manage Infrastructure

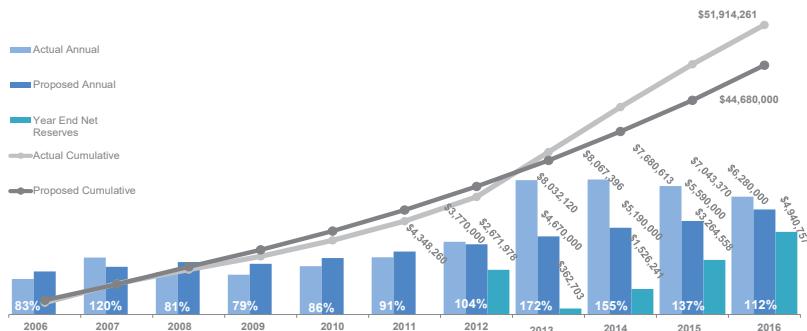
KPI	Target	Actual	Status	Management Comment
17. System Renewal Rate - (DST) Rate at which infrastructure is being renewed or replaced as compared to projected replacement needs. (See graph on next page - "Piping Replacement.")	100%	114.0%	B -	The annual goals are tied to long term asset management objectives, and unless the trend reverses may lead to increased emergency repairs. (Annual)
18. 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 next page - "Leaks Per 100 Miles of Pipe.")	37.0	33.6	B -	
19. Active Customer Accounts Vs. Projected - (FIN) Actual growth in the number of bill paying customers compared to estimated growth.	1,500	1,284	R -	Small commercial customers are negative for the year, due to the disconnects at the Metcalf South Mall redevelopment.
20. Of the customers that experienced a water outage in 2016, the percent of affected customers that were out of service for:	0 - 4 Hours 4-12 Hours > 12 Hours	> 80% <= 20% 0%	81.0% 17.2% 1.9% 	There were 9 incidents in 2017 where customers were out of service greater than 12 hours. Annual KPI
21. Total annual minutes of service outage divided by the annual weighted average number of customers will not exceed 20 minutes.	20	9	B -	Asset Management Service Level Goals. (Annual)

Strategic Goal 6, Cont'd

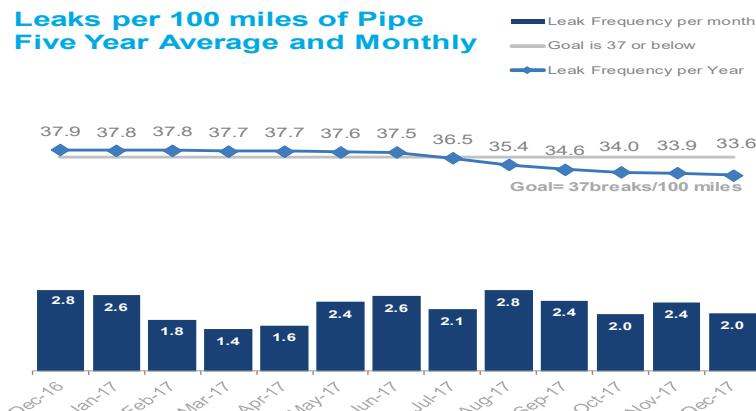
KPI	Target	Actual	Status	Management Comment
22. Conformance with Minimum Pressure Goals. Percentage of time a minimum pressure of 40 psi was supplied to 95% of the service territory.	95%	100%	B -	Asset Management Service Level Goals.
23. Conformance with Maximum Pressure Goals. Percentage of time a maximum pressure of 135 psi was supplied to 75% of the service territory.	95%	100%	B -	Asset Management Service Level Goals.
24. Annual Capital Projects - (FIN) Annual Capital Projects not on-time / on-budget.	\$10,765,000	\$3,863,458	G -	
25. Master Plan Projects - (FIN) Master Plan Projects not on-time / on-budget or having excessive change orders.	\$178,336,029	\$124,891,743	G -	
26. Facilities Maintenance - % of "Planned" Man-Hours	60%	88.0%	B -	
27. Facilities Maintenance - % Man-Hours on Emergency Work Orders	5%	1.0%	B -	

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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.

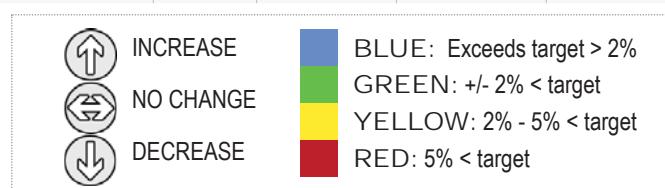
STRATEGIC GOAL 8
Promote a Safe Work Environment & Establish
a Security Conscious Culture

No KPIs developed at this time.

Performance Measures - Monthly & Quarterly

Reporting Division	WaterOne Key Performance Measures	Measurement As Of 12/31/2016	2017 Goal As Of 12/31/2017	2017 Year to Date or 12 Months to Date 12/31/2017	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)	95.8%	100.0%	98.3%	-1.66%	100.0%	95.0%	Y - 
CR	Composite Customer Satisfaction Performance Rating (qrtly)	84.6	80.0	86.3	7.88%			B - 
CR	Technical Water Quality Complaints/1,000 Accounts (12 MTD - Est.)	5.0	8.0	5.2	-35.00%	0.7	0.3	B - 
CR	Billing Accuracy - Bill Adj/10,000 Bills (12 MTD)	8.2	7.2	7.4	2.78%	7.2	6.5	Y - 
HR	Turnover Rate (YTD)	12.5%		11.0%				G - 
FIN	O&M Cost per Million Gallons Produced	\$2,288	\$2,296	\$2,469	7.53%	\$3,200	\$3,825	R - 
FIN	O&M Cost per Customer Account	\$343	\$364	\$349	-4.12%	\$28	\$31	B - 
FIN	Actual vs. Budgeted Water Sales Revenue	\$108,586,314	\$111,304,896	\$105,837,757	-4.91%	\$6,228,899	\$6,351,804	Y - 
FIN	O&M Budget to Actual Expenditures	\$49,701,802	\$53,308,419	\$51,037,551	-4.26%	\$4,080,037	\$4,498,496	B - 
DST	Water Distribution System Integrity - Avg leaks/100 miles (5 yr rolling)	37.9	37.0	33.6	-9.19%	3.1	2.0	B - 
FIN	Active Customer Accounts vs. Projected	1,394	1,500	1,284	-14.40%	107	121	R - 
FIN	Annual Capital Projects	\$4,453,896	\$10,765,000	\$3,863,458				G - 
FIN	Master Plan Projects	\$110,646,716	\$178,336,029	\$124,891,743				G - 
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 - 
PRD	Facilities Maintenance- % of "Planned" Man-Hours	*	60%	88.0%	46.62%	60%	88.0%	B - 
PRD	Facilities Maintenance - % Man-Hours of Emergency Work Orders	*	5%	1.0%	-79.20%	5%	1.0%	B - 

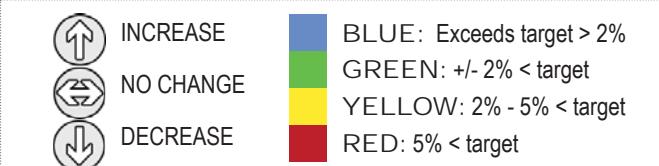
* These KPI's are new to this report effective July 2017.



2017 Key Performance Indicators (KPI)
Measured Performance As Of 12/31/2017

Performance Measures - Annual

Reporting Division	WaterOne Key Performance Measures	2013 Final	2014 Final	2015 Final	2016 Final	2017 Final	2017 Target	Performance Rating	Final 2017 Key Performance Indicators (KPI) Measured Performance
	Reported Annually								
PRD	Max Day Facilities per Customer (gal per customer)	1,083	1,072	1,062	1,051	1,035	920	B - 	
FIN	Residential Cost of Water	\$39.49	\$40.79	\$42.37	\$44.17	\$44.17	\$44.17	G - 	
HR	Employee Health & Safety Severity Rate	9.6	9.3	5.0	19.7	10.6		B - 	
DST	Distribution System Real Water Loss	9.8%	11.1%	8.4%	8.8%	*	10.0%	B - 	
DST	Number of Minutes of Water Outage per Total System Customers (New for 2016)			13	11	9	20	B - 	
DST	Of the customers that experienced a water outage in 2017, the percent of affected customers that were out of service > 12 hours.			0.1%	0.0%	1.9%	0.0%	R - 	
HR	Customers Served per Employee	426	454	456	454	421		G - 	
FIN	Debt Ratio	20.2%	25.1%	23.5%	21.7%	21.7%	26.3%	B - 	
DST	System Renewal Rate - Distribution	172.0%	155.0%	137.4%	112.0%	114.0%	100.0%	B - 	



*The final 2017 percent will not be available until sometime in the summer of 2018. The measurement period is April 2017 - March 2018.

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.

AB-3

Refers to Kansas Department of Transportation requirements for material used in certain road construction applications. AB-3 is at least 85% limestone or dolomite produced by mechanical crushing.

Accrual

A system of accounting based on the accrual principle, under which revenue is recognized (recorded) when earned, and expenses are recognized when incurred. Totals of revenues and expenses are shown in the financial statements (prepared at the end of an accounting period), whether or not cash was received or paid out in that period.

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.

AMI

Advanced Metering Infrastructure. A meter system which enables two-way communication over a fixed network between the meter and the utility, and between the meter and consumer.

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.

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.

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.

C1

Code used internally by WaterOne for Small Commercial Accounts, which are "Non-residential uses of water ... served through a meter size of one inch or less."

C2

Code used internally by WaterOne for Large Commercial Accounts, which are "Non-residential uses of water ... served through a meter size of larger than one inch."

C3

Code used internally by WaterOne for Temporary Commercial Accounts, which require a special permit and defined as "Temporary water uses supplied through a metered fire hydrant."

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.

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-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.

EPA

Environmental Protection Agency.

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.

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.

GIS

Geographic Information System. A mapping software that deals with spatial information. It links attributes and characteristics of an area to its geographic location.

Hansen

Refers to the Hansen Treatment Plant, one of WaterOne's two water treatment facility locations.

HP

Horse Power.

HVAC

Heating, Ventilation and Air Conditioning.

HVAC/R

Heating, Ventilation, Air Conditioning and Refrigeration.

Notify JoCo

A mass notification system to keep Johnson County residents and businesses informed of emergencies. Notify JoCo is a partnership among Johnson County, WaterOne, and participating cities. Registered users get custom alerts by phone, email, and/or text.

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.

LIMS

Laboratory Information Management System.

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.

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.

O&M Building

Building located at the Hansen Treatment Plant which houses the operations control center, Production Division staff offices and facility maintenance shops.

OPEB

Other Post Employment Benefits. Benefits provided to retirees other than pension, such as retiree health insurance.

OT

Overtime (Labor).

P1 Building

Designation for the warehouse and office facility located adjacent WaterOne's business offices which was purchased for expansion purposes in late 2016.

P&I

Principal and Interest. Refers to principal and interest due on WaterOne's bonds.

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.

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.

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.

psi

Pounds per Square Inch. A measure of pressure.

R1

Code used internally by WaterOne for Single-Family Residential Accounts, which are "1 residential living unit served solely by 1 water service connection."

Ralph G. Wyss Pump Station

WaterOne's newest pump station in service in 2016 to provide increased pumping and storage capacity for the southern portion of the service area.

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.

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.

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 which were 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. With the refunding of the 2007 Bonds in November 2017, all remaining Second Lien Bonds became Parity Bonds.

Senior Parity Bonds

Special obligations of the Water District which were payable solely from and secured by a pledge of and first lien on the net revenues of the Water

district. With the refunding of the 2007 Bonds in November 2017, there are no longer any Senior Parity Bonds and no further Senior Parity Bonds may be issued.

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.

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.

Wolcott Facility

The newest of WaterOne's two water treatment plant locations.

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