

2019



WaterOne

Water District No. 1 of Johnson County

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BUDGET

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2019 Budget

Adopted December 11, 2018
by the Board of Water District No. 1 of Johnson County, Kansas

BOARD:

Robert P. Reese, Chair
Mark Parkins, Vice Chair
Brenda Cherpitel
Terrence D. Frederick
Kay Heley
Robert S. Olson
Dennis Wilson

FINANCE COMMITTEE:

Terrence D. Frederick, Committee Chair
Robert S. Olson
Mark Parkins

SENIOR STAFF:

Mike Armstrong, General Manager
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
Dan Smith, Director of Distribution
Michelle Wirth, Director of Production



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Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Water District No. 1 of Johnson County, Kansas, for its Annual Budget for the fiscal year beginning January 1, 2018. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

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

For the Fiscal Year Beginning

January 1, 2018

Christopher P. Morill

Executive Director

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EXECUTIVE SUMMARY

Looking back at 2018 ...

The weather in 2018 was unusual with most of the peak usage months considered dry or semi-dry. However, in many of those months the time intervals between rain events was short enough to have a significant impact on water sales. That, coupled with one of the wettest Octobers on record, caused total gallons sold and water sales revenue to be only slightly over projections, which is more typical in a year with an average or normal precipitation.

New customer growth for 2018 is close to the budget. Growth continues to be modest compared to pre-recession levels, but 2018 growth is ahead of the pace of growth experienced in 2017 and is expected to increase slowly over the next few years.

Investment income is higher than budget but remains low by historical standards. While short-term interest rates continue to slowly increase, they are still low compared to historical standards.

Looking ahead to 2019 ...

The rate increase is 1.9%, which is less than the 2.4% projected in last year's budget primarily because of an expected reduction in chemical costs due to the new Ozone treatment facility and lower increases in necessary capital replacements.

The 2019 rate increase will allow WaterOne to execute its strategic goals including the goal to ensure financially stable and predictable rates.

Why the increase?

The largest increase in the budget is a \$2.4M increase in the amount designated from current rates into the Master Plan Capital Fund. Increasing the amount designated to the Master Plan Capital Fund is part of a strategy to help reduce the size of a future bond issue which keeps borrowing at a reasonable and manageable level. This budget item can also be reduced to help offset revenue deficits in a wet year, if necessary.

The second largest impact to the budget is the reduction in gallons sold which is lowering revenue by 0.8%. Domestic (winter) water use continues to decline, which is reflected in the lower budgeted gallons sold for Single Family Residential (R1) and Multi-family Residential (M1) customers who are expected to use less water. This is a national trend due to the efficiency of water-saving devices like low-flow toilets, low-flow shower heads and front-loading clothes washing machines. This reduction in usage is expected to continue into the future and is an important factor in projected future water rate increases. Large Commercial (C2) is also experiencing a declining trend. WaterOne's largest customers include organizations such as governmental entities, production facilities (i.e. bottling), and golf courses. Increased efforts to conserve and more efficient operations are likely the predominant factors driving this trend.

Starting in 2019, a shift in costs of about \$2.5M will occur from expense to capital related to main breaks. Currently, main breaks repaired with a clamp are expensed. Based on cost and expected life, these types of breaks qualify as capital assets. This change will result in more accurate accounting and less administrative effort. This is the primary reason Total Annual Capital is increasing by \$2.1M and Operations and Maintenance (O&M) expense is decreasing by \$1.2M.

Notwithstanding this shift, capital spending is remaining stable and reflects WaterOne's strategic investment in aging infrastructure. This spending can be variable on a year-to-year basis. The timing of capital requests is determined by the asset management plan which is based on meeting service level goals at the lowest life cycle cost.

The primary driver in the O&M budget is an increase in payroll of 5.3%. This increase includes 3.5% for performance compensation, 3 new authorized positions, a true-up to the base related to the successful implementation of the Distribution Technician Program, and an equity adjustment related to the 2017 Compensation Study. Compensation, along with increased employee development opportunities and employee engagement efforts work together to achieve WaterOne's strategic goal to be an employer of choice.

Where the money comes from ...

2019 REVENUE PROVIDED: \$119.00M

2019 revenues are projected to increase by \$3.23M, or 2.8%, over 2018 primarily due to the 1.9% overall increase in water rates. The addition of 1,400 new customers provides increased water sales revenues which are partially offset by declining 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

Revenues	2018 Budget	2019 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$112.32	\$114.58	\$2.25	2.0%
Other Operating Revenue	1.58	1.59	0.01	0.8%
Investment Income	1.88	2.84	0.96	51.1%
Total Revenue	\$115.78	\$119.00	\$3.23	2.8%

Numbers may not total due to rounding

Where the money goes ...

2019 REVENUE REQUIREMENTS: \$119.00M

The revenue requirements for 2019 increased by \$3.23M, or 2.8%, over 2018. As shown in the following table the largest increases are in funding designated to the Master Plan Capital Fund

EXECUTIVE SUMMARY

and Total Annual Capital while Operations & Maintenance Expense and Debt Service Funding are decreasing. All of these items are discussed in more detail in the following sections.

Comparison of Revenue Requirements

In millions

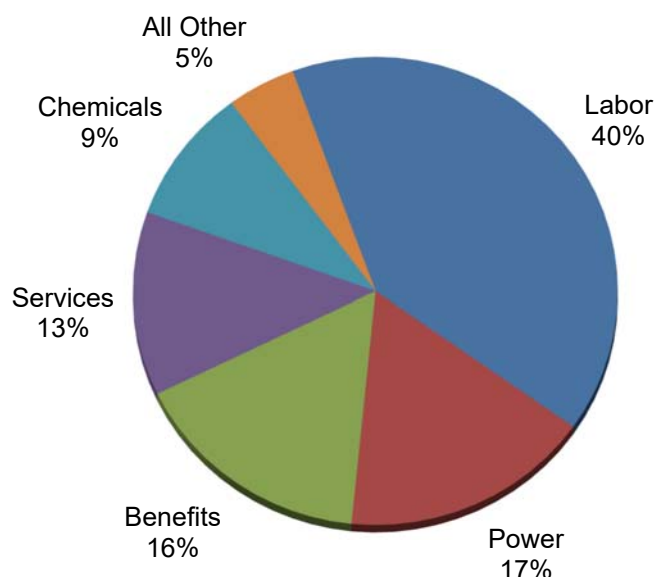
Revenue Requirements	2018 Budget	2019 Budget	\$ Inc <Dec>	% Inc <Dec>
Operations & Maintenance Expense	\$55.40	\$54.18	<\$1.22>	<2.2%>
Total Annual Capital	25.60	27.71	2.11	8.2%
Debt Service	21.27	20.50	<0.77>	<3.6%>
Designated to Master Plan	12.82	15.17	2.35	18.3%
Repayment to Master Plan	0.00	0.86	0.86	NA
Reserve Funding	0.69	0.58	<0.11>	<15.9%>
Total Revenue Requirements	\$115.78	\$119.00	\$3.23	2.8%

Numbers may not total due to rounding

OPERATIONS & MAINTENANCE EXPENSES: \$54.18M

Operations and Maintenance (O&M) expenses represent 46% of the 2019 budget, which is lower than prior years due to the conversion of main break costs to the capital budget. O&M decreased 2.2% year-over-year due to that conversion.

Total Operations & Maintenance Expense



The following table shows the breakdown of the significant O&M expenses including the difference between 2018 and 2019 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense

In millions

O&M	2018 Budget	2019 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$21.35	\$21.88	\$0.53	2.5%
Power ^(a)	8.68	9.08	0.40	4.7%
Benefits	9.01	8.77	<0.24>	<2.6%>
Services	8.02	6.87	<1.15>	<14.4%>
Chemicals	5.68	5.10	<0.58>	<10.2%>
All Other	2.67	2.48	<0.19>	<7.0%>
Total	\$55.40	\$54.18	<\$1.22>	<2.2%>

Numbers may not total due to rounding

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

Main Break Expense to Capital Conversion

Main break cost shift of \$2.5M from expense to capital includes:

- Pavement/Clean Up - \$1.1M
- Labor - \$0.5M
- Other Materials/Services - \$0.3M
- Overheads - \$0.6M

Labor

Labor costs include:

- The annual true-up to the 2018 base to reflect the actual outcome of payroll after turn-over, retirements, and vacancies
- A 3.5% performance compensation adjustment
- A 0.4% equity adjustment related to the 2017 Compensation Study
- Overtime
- Transfers of labor costs to capital projects
- A net increase of 3 Full Time Equivalent (FTE) positions

All positions are assessed based on operational needs including those related to customer growth. Three new full time positions are requested.

Requested Positions

- Assistant Manager, Maintenance - Full Time
- Developer - Full Time

- Distribution Technician - Full Time

Power

The power budget increased \$0.40M or 4.7%. Power is increasing primarily due forecasted rate increases from both power suppliers, the Board of Public Utilities (BPU) and KCPL.

Benefits

Benefits (net of transfers to capital) decreased \$0.24M or 2.6%. Other Post-Employment Benefit (OPEB) funding is the primary driver of the decrease. Total Pension expenses are decreasing 1.7% and Health Insurance expense is increasing 1.5%.

Services

Services (net of transfers) decreased \$1.15M or 14.4%. 2019 is decreasing primarily due to a planned transfer of costs associated with main breaks from expense to capital.

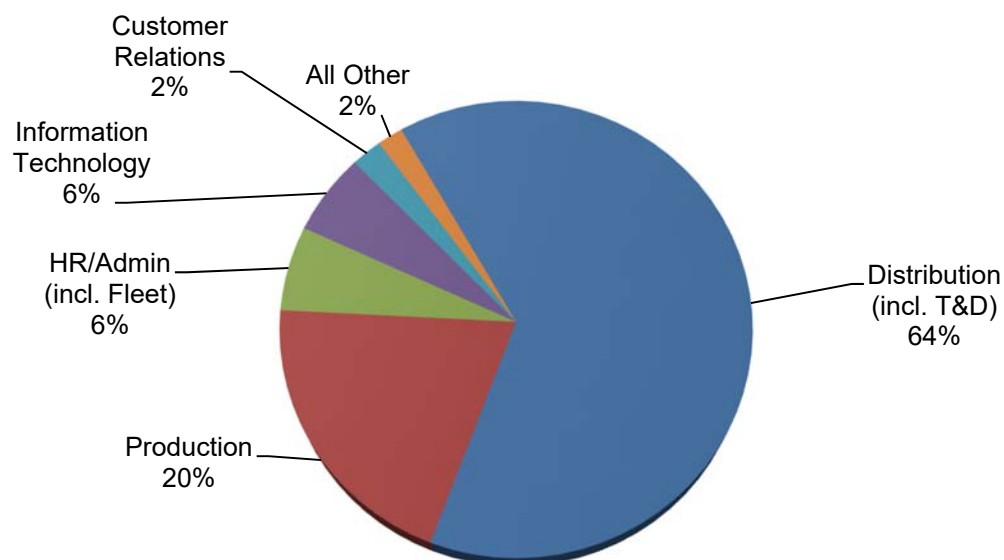
Chemicals

The chemical budget decreased \$0.58M, or 10.2%. The decrease is due to new Ozone Treatment Facility coming on line in 2019 which will reduce the need for several chemicals at the river intake facilities and the Hansen Treatment Facility.

TOTAL ANNUAL CAPITAL: \$27.71M

The Total Annual Capital budget for 2019 increased \$2.11M from 2018. 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



Total Annual Capital

In millions	2018 Budget	2019 Budget	\$ Inc <Dec>	% Inc <Dec>
Production	\$5.15	\$5.57	\$0.42	8.2%
Human Resources/Admin. (incl. Fleet)	2.08	1.67	<0.42>	<20.0%>
Information Technology	1.75	1.62	<0.13>	<7.6%>
Customer Relations	0.98	0.60	<0.38>	<38.6%>
Distribution	0.32	0.42	0.10	30.7%
All Other	0.54	0.51	<0.03>	<5.8%>
Annual Capital	\$10.82	\$10.38	<\$0.44>	<4.1%>
Transmission & Distribution	\$14.78	\$17.33	\$2.55	17.3%
Total Annual Capital	\$25.60	\$27.71	\$2.11	8.2%

Numbers may not total due to rounding

Annual Capital decreased for 2019 by \$0.44M. 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 presedimentation pump replacement and rebuilding, mechanical and electrical improvements, annual meter replacements, and upgrades and enhancements to SAP, WaterOne's main computer software system. These requests vary annually and are based on the asset management plan.

The Transmission & Distribution (T&D) budget has increased by \$2.55M to \$17.33M. The increase is due to the planned transfer of costs associated with main breaks from expense to capital. WaterOne continues to execute the asset management strategy which targets replacement of aging infrastructure at the lowest life-cycle cost.

Transmission & Distribution (T&D)

In millions	2018 Budget	2019 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$7.95	\$8.50	\$0.55	6.9%
Distribution Main Breaks	1.79	4.10	2.31	129.1%
General Improvements	2.25	2.30	0.05	2.2%
Distribution Main Relocations	1.52	1.50	<0.02>	<1.3%>
Condition Assessment	0.55	0.52	<0.04>	<6.4%>
Transmission Main Capital	0.72	0.42	<0.31>	<42.4%>
Subtotal T&D Funding	\$14.78	\$17.33	\$2.55	17.3%

DEBT SERVICE: \$20.50M

Debt Service decreased \$0.77M, or 3.6%. The reduction is due to the call of the 2009 Bonds.

DESIGNATED TO MASTER PLAN: \$15.17M

Funds designated to the Master Plan Capital Fund increased \$2.35M or 18.3%. “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 2019 budget of \$15.17 is 12.8% of total revenue. The target minimum contribution is 5.0% of total revenue.

REPAYMENT TO MASTER PLAN: \$0.86M

In July 2018, WaterOne called the outstanding 2009 Bonds. The call was funded temporarily from the OPEB reserve which is part of the Master Plan Capital Fund. The \$0.86M repayment is the second of a two year repayment schedule to the Master Plan Capital Fund.

RESERVE FUNDING: \$0.58M

Reserve funding decreased \$0.11M or 15.9%. 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 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 2019 budget provides the resources needed to deliver on WaterOne’s vision of “*Setting the Standard for Utility Excellence.*”

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OVERVIEW

Budget Review and Approval Process

The Financial Planning & Analysis (FP&A) Department 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, 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.

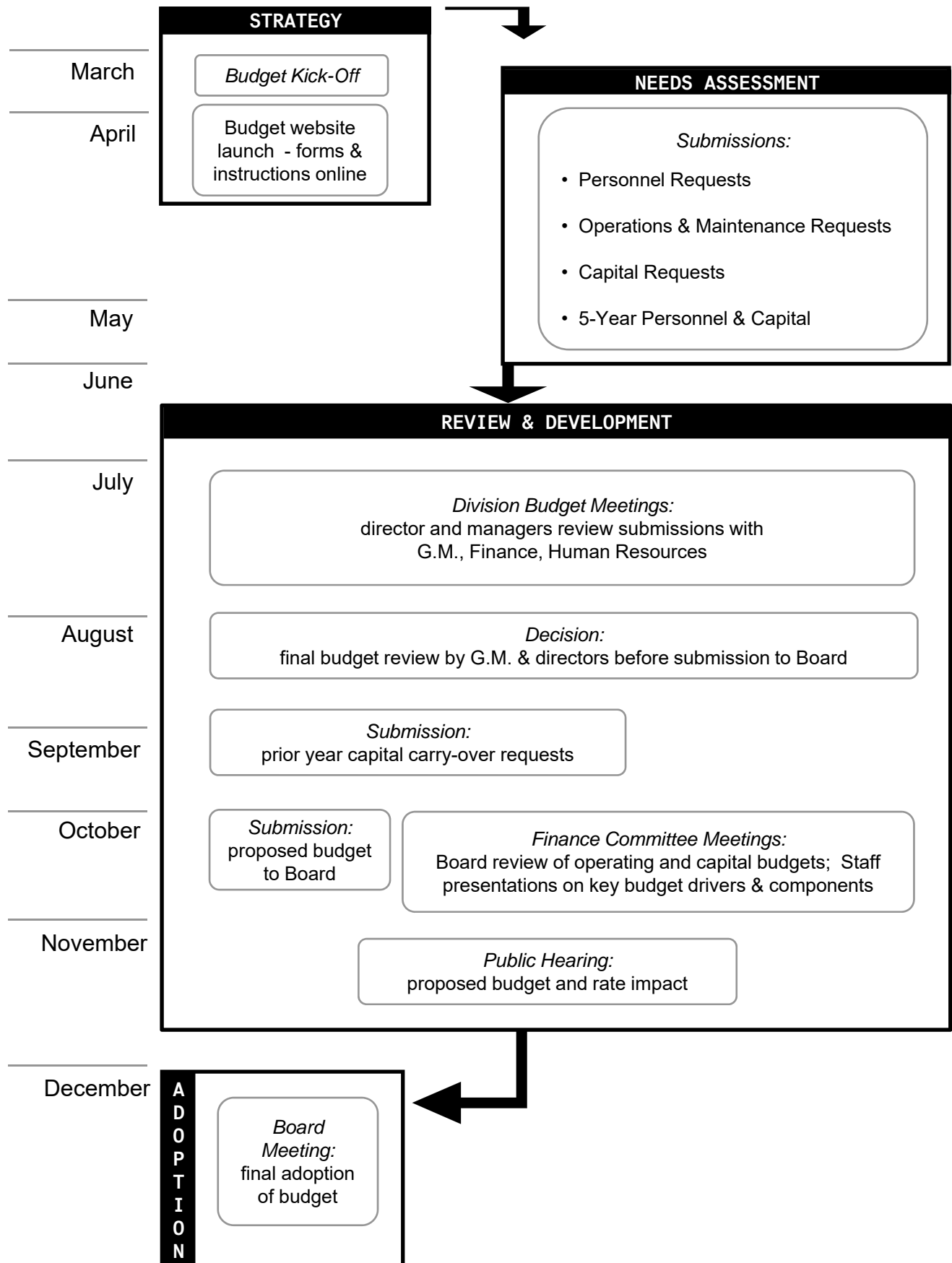
Capital projects are submitted by managers to FP&A who review amounts and justifications. For specialized requests (such as computer equipment, modifications to facilities, and fleet), the department responsible for the asset's installation and/or maintenance works closely with the requestor to ensure 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.

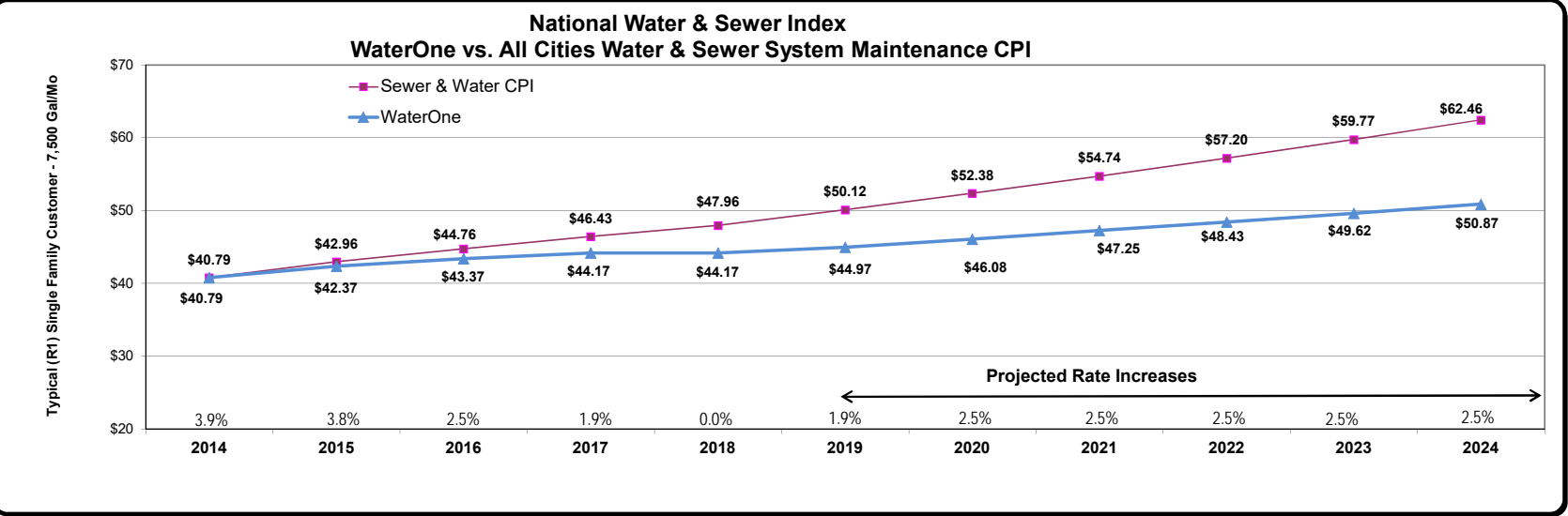
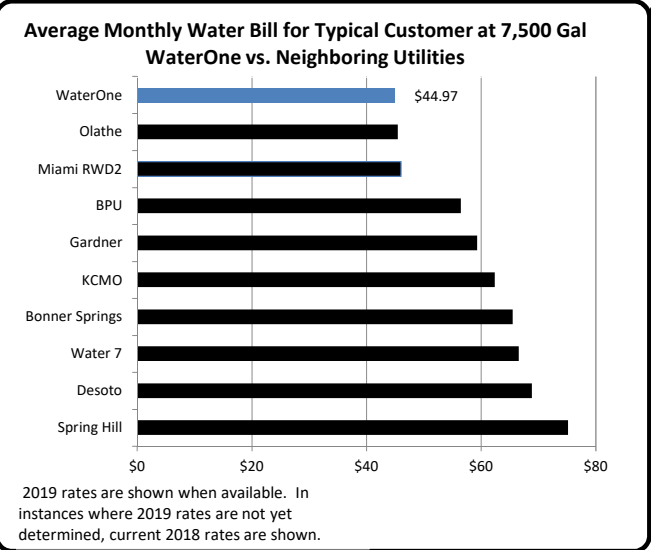
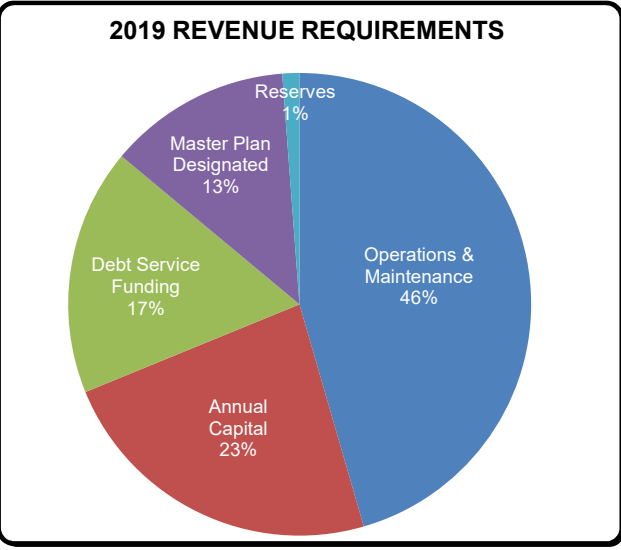
The Board reviews the recommended budget in two work sessions in the fall. Once the Board has fully reviewed the recommended budget and provided direction to management, a public hearing is held in November. Additional adjustments to the recommended budget may be made at that time. The final budget is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

2019 BUDGET PROCESS



WATERONE FINANCIAL OVERVIEW

TOTAL ANNUAL OPERATING BUDGET	3.9%	3.8%	2.5%	1.9%	0.0%	1.9%	2.5%★	2.5%★	2.5%★	2.5%★	2.5%★	WATER RATES					
	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 BUDGET	2019 PROJECTION	2020 PROJECTION	2021 PROJECTION	2022 PROJECTION	2023 PROJECTION	2024 PROJECTION	LONG TERM MODEL PROJECTION ASSUMPTIONS					
REVENUES PROVIDED: Sales Of Water Sales Of Water - Wholesale Other Operating Revenues Total Operating Revenues Investment Income (General and P&I Funds) Investment Income (Bond & SDC Fund) Total Investment Income TOTAL REVENUES PROVIDED	\$ 96,571,419	\$ 94,775,765	\$ 108,586,314	\$ 105,837,757	\$ 112,322,405	\$ 114,576,223	\$ 118,060,573	\$ 121,697,280	\$ 125,677,761	\$ 129,661,274	\$ 134,124,500	Budgeted Customer Growth per Year					
	-	-	-	-	-	-	-	-	-	-	-	2019	2020	2021	2022	2023	2024
	1,302,105	1,289,499	1,329,856	1,359,342	1,575,000	1,588,000	1,602,000	1,616,000	1,630,000	1,644,000	1,659,000	1,400	1,500	1,600	1,700	1,800	1,900
	97,873,524	96,229,765	109,916,170	107,197,099	113,897,405	116,164,223	119,662,573	123,313,280	127,307,761	131,305,274	135,783,500	Actual Customer Growth per Year					
	287,353	358,053	572,595	1,238,639	1,700,000	2,840,000	2,980,000	3,490,000	4,130,000	4,230,000	4,520,000	2013	2014	2015	2016	2017	2018
	64,193	189,725	230,189	127,894	180,000	-	-	-	-	-	-	1,349	1,581	1,224	1,367	1,289	1,500
	351,546	547,778	802,784	1,366,533	1,880,000	2,840,000	2,980,000	3,490,000	4,130,000	4,230,000	4,520,000	(Est)					
												Gallons Per Customer Per Year:					
												Residential Single Family (R1) 86,700 gallons					
												Multi-Family (M1) 442,643 gallons					
REVENUE REQUIREMENTS: Operations & Maintenance Expense Annual Capital Current Year Carryovers to be Spent in Following Year Transmission and Distribution (T&D) Funding Total Annual Capital Debt Service Funding Master Plan Designated Investment Income (Bond & SDC Fund) Repayment to Master Plan for Bond Payoff Total Transfers to Master Plan Bond Covenant Required Reserves Negative Cash Flow Reserve TOTAL REVENUE REQUIREMENTS Funds Available for Reservation	\$ 48,769,727	\$ 46,817,259	\$ 49,728,302	\$ 52,926,798	\$ 55,397,311	\$ 54,179,874	\$ 55,634,208	\$ 58,174,258	\$ 60,944,996	\$ 64,198,807	\$ 67,645,000	Small Commercial (C1) 210,000 gallons					
	2,721,823	5,736,185	4,864,318	3,889,505	10,820,000	10,380,000	12,220,000	12,700,000	13,200,000	13,720,000	14,270,000	Large Commercial (C2) 1,490,009 gallons					
	5,593,129	5,213,191	6,040,982	5,349,198	-	-	-	-	-	-	-	Interest % Yield on Investment Income					
	13,174,000	13,743,000	12,940,000	14,293,950	14,780,000	17,330,000	18,640,000	20,150,000	21,780,000	23,540,000	25,450,000	2019	2020	2021	2022	2023	2024
	21,488,952	24,692,376	23,845,300	23,532,653	25,600,000	27,710,000	30,860,000	32,850,000	34,980,000	37,260,000	39,720,000	2.25%	2.50%	2.75%	3.00%	3.00%	3.00%
	23,728,410	22,624,501	24,663,482	24,167,417	21,268,202	20,499,772	21,271,256	22,006,738	22,005,500	22,008,650	22,007,238	O&M Assumptions (2020-2024)					
	1,559,690	400,000	12,437,530	10,015,434	12,821,892	15,174,077	13,967,109	12,752,285	12,467,265	11,007,817	9,421,262	Payroll 3.75%					
	64,193	189,725	230,189	127,894	180,000	-	-	-	-	-	-	Power 5.0%					
	2,259,167	2,170,000	-	-	-	860,500	-	-	-	-	-	Chemicals 4.0%					
	3,883,050	2,759,725	12,667,719	10,143,328	13,001,892	16,034,577	13,967,109	12,752,285	12,467,265	11,007,817	9,421,262	Health Ins. 10.0%					
(145,068)	533,729	(519,505)	(1,301,653)	510,000	580,000	620,000	700,000	720,000	700,000	1,000,000	All Other O&M 3.0%						
500,000	-	-	-	-	-	-	290,000	320,000	320,000	360,000	510,000	Annual Capital Assumptions					
											Inflation rate at 4%						
Senior Parity and 2nd Lien Debt Service Coverage	2.08	2.21	2.47	2.30	2.84	3.16	3.15	3.12	3.20	3.24	3.30	Assumes all 5/8" System Development Charges ★ Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.					
Master Plan Designated as a % of Water Sales	2%	0%	11%	9%	11%	13%	11%	10%	9%	8%	7%						
MASTER PLAN CAPITAL FUND																	
Carryover Reserves Available for Future Awards	\$ 32,263,852	\$ 52,376,319	\$ 41,165,815	\$ 43,717,520	\$ 52,284,045	\$ 33,387,277	\$ 29,655,549	\$ 26,310,843	\$ 36,488,696	\$ 36,013,676	\$ 48,416,940						
Funding Sources:																	
Net Bond Proceeds	78,328,280	-	-	37,000,000	-	-	-	-	-	-	-						
Designated for Master Plan from Annual Budget	1,559,690	400,000	12,437,530	10,015,434	12,821,892	15,174,077	13,967,109	12,752,285	12,467,265	11,007,817	9,421,262						
System Development Charge (SDC) Revenue	10,500,000	7,500,000	9,900,000	9,900,000	6,575,000	6,930,000	7,740,000	8,552,000	9,435,000	10,386,000	11,286,000						
Reserve Transfers	3,450,000	1,800,000	1,500,000	-	-	343,635	-	-	-	-	-						
Investment Income (Bond & SDC Fund)	-	116,644	-	-	100,000	-	-	-	-	-	-						
Total Funding Sources	\$ 93,837,970	\$ 9,816,644	\$ 23,837,530	\$ 56,915,434	\$ 19,496,892	\$ 22,447,712	\$ 21,707,109	\$ 21,304,285	\$ 21,902,265	\$ 21,393,817	\$ 20,707,262						
TOTAL FUNDS AVAILABLE	\$ 126,101,822	\$ 62,192,963	\$ 65,003,345	\$ 100,632,954	\$ 71,780,937	\$ 55,834,989	\$ 51,362,658	\$ 47,615,128	\$ 58,390,962	\$ 57,407,493	\$ 69,124,203						
Master Plan Project Costs (Award Basis)	\$ 73,725,503	\$ 21,027,147	\$ 21,285,825	\$ 48,348,910	\$ 38,393,660	\$ 26,179,439	\$ 25,051,815	\$ 11,126,431	\$ 22,377,286	\$ 8,990,553	\$ 30,410,153						



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2019 Budget to 2018 Budget
2019 Water Rate Increase = 1.9%

	2018 ADOPTED BUDGET @ 0.0%	2019 ADOPTED BUDGET @ 1.9%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 112,322,405	\$ 112,322,405	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	973,263	973,263	0.9%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(893,018)	(893,018)	-0.8%
5 Increase Required from Rate Adjustment	na	2,173,573	2,173,573	1.9%
6 TOTAL SALES OF WATER	\$ 112,322,405	\$ 114,576,223	\$ 2,253,818	2.0%
7 Delayed Payment Charges	\$ 600,000	\$ 610,000	\$ 10,000	1.7%
8 Field Service Charges	355,000	358,000	3,000	0.8%
9 Other Operating Revenues	620,000	620,000	0	0.0%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,575,000	\$ 1,588,000	\$ 13,000	0.8%
11 Investment Income (General and P&I Funds)	\$ 1,700,000	\$ 2,840,000	\$ 1,140,000	67.1%
12 Investment Income (Bond & SDC Fund)	180,000	0	(180,000)	-100.0%
13 TOTAL INVESTMENT INCOME	\$ 1,880,000	\$ 2,840,000	\$ 960,000	51.1%
14 TOTAL REVENUES PROVIDED	\$ 115,777,405	\$ 119,004,223	\$ 3,226,818	2.8%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 55,397,311	\$ 54,179,874	\$ (1,217,437)	-2.2%
17 Annual Capital	\$ 10,820,000	\$ 10,380,000	\$ (440,000)	-4.1%
18 T&D Funding	14,780,000	17,330,000	2,550,000	17.3%
19 TOTAL ANNUAL CAPITAL	\$ 25,600,000	\$ 27,710,000	\$ 2,110,000	8.2%
20 TOTAL DEBT SERVICE FUNDING	\$ 21,268,202	\$ 20,499,772	\$ (768,430)	-3.6%
21 Master Plan Designated	\$ 12,821,892	\$ 15,174,077	\$ 2,352,185	18.3%
22 Investment Income (Bond & SDC Fund)	180,000	-	(180,000)	-100.0%
23 Repayment of Bond Payoff to Master Plan	-	860,500	860,500	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 13,001,892	\$ 16,034,577	\$ 3,032,685	23.3%
25 Bond Covenant Required Reserves	\$ 510,000	\$ 580,000	\$ 70,000	13.7%
26 Negative Cash Flow Reserve	-	-	-	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 510,000	\$ 580,000	\$ 70,000	13.7%
28 TOTAL REVENUE REQUIREMENTS	\$ 115,777,405	\$ 119,004,223	\$ 3,226,818	2.8%
29 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 60,380,094	\$ 64,824,349	\$ 4,444,255	7.4%
30 Debt Service (Line #20)	\$ 21,268,202	\$ 20,499,772	\$ (768,430)	-3.6%
31 DEBT SERVICE COVERAGE (Ln #29 / Ln #30)	2.84	3.16		
32 ADJUSTMENT TO WATER RATES	0.0%	1.9%		

Percentages may not add due to rounding

OVERVIEW

FUND STRUCTURE

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

General Fund:

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

Master Plan:

The major sources of funding are:

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

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

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

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

Transmission and Distribution:

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

Debt Service:

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

Bond Reserve:

Revenue bond covenants require 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 12/31/2018	\$ 54,992,006	\$ 100,506,150	\$ 3,211,639	\$ 145,325	\$ 14,326,676	\$ 11,000,000	\$ 184,181,796
Water Sales	114,576,223	-	-	-	-	-	114,576,223
Other Operating Revenues	1,588,000	-	-	-	-	-	1,588,000
Investment Income	2,840,000	-	-	-	-	-	2,840,000
System Development Charges	-	6,930,000	-	-	-	-	6,930,000
Bond Proceeds	-	-	-	-	-	-	-
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	16,034,577	17,330,000	20,499,772	-	-	53,864,349
Total Revenue & Transfers In	\$ 119,004,223	\$ 22,964,577	\$ 17,330,000	\$ 20,499,772	\$ -	\$ -	\$ 179,798,572
Operations & Maintenance Expense	54,179,874	-	-	-	-	-	54,179,874
Capital Spending	10,380,000	63,276,678	17,330,000	-	-	-	90,986,678
Debt Service Payments	-	-	-	20,499,772	-	-	20,499,772
Transfer to Debt Service	20,499,772	-	-	-	-	-	20,499,772
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	17,330,000	-	-	-	-	-	17,330,000
Transfers to Master Plan	16,034,577	-	-	-	-	-	16,034,577
Total Expenditures & Transfers Out	\$ 118,424,223	\$ 63,276,678	\$ 17,330,000	\$ 20,499,772	\$ -	\$ -	\$ 219,530,673
Projected Fund Balance at 12/31/2019	\$ 55,572,006	\$ 60,194,049	\$ 3,211,639	\$ 145,325	\$ 14,326,676	\$ 11,000,000	\$ 144,449,695
Increase (Decrease) in Fund Balance	\$ 580,000	\$ (40,312,101)	\$ -	\$ -	\$ -	\$ -	\$ (39,732,101)
Percent Change in Fund Balance	1.1%	-40.1%	0.0%	0.0%	0.0%	0.0%	-21.6%

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 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.

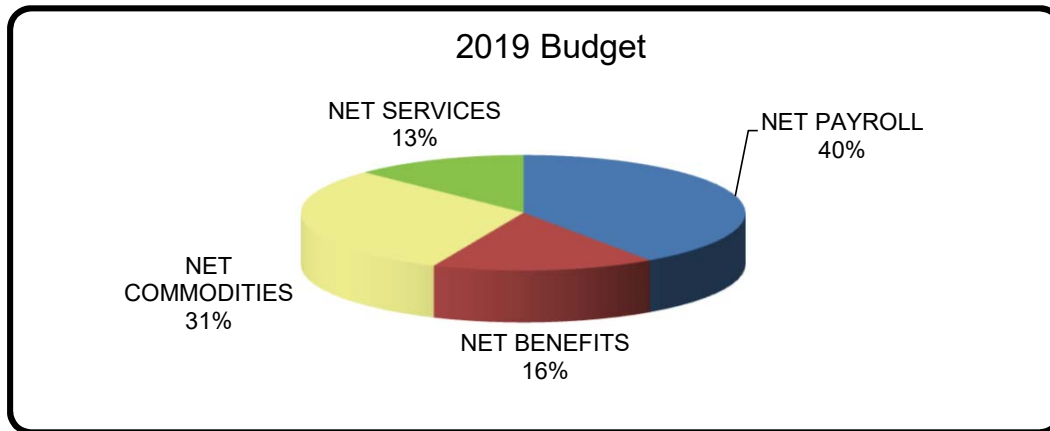
Debt Service: There is normally very little change in the fund balance.

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.

2019 O&M Budget
Compared to 2018 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.

	2018 Budget	2019 Budget	\$ Inc/(Decr)	% Inc/ (Decr)
NET PAYROLL	\$21,346,128	\$21,879,974	\$533,846	2.5%
NET BENEFITS	9,009,594	8,773,575	(236,019)	(2.6%)
NET COMMODITIES	17,024,642	16,660,806	(363,835)	(2.1%)
NET SERVICES	8,016,947	6,865,518	(1,151,428)	(14.4%)
Total	\$55,397,311	\$54,179,874	(\$1,217,437)	(2.2%)

(numbers may not add due to rounding)

**2019 Budget Compared to 2018 Budget
By Category**

ACCOUNTS - BY CATEGORY

12/19/2018

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				

Labor - Non OT	26,334,242	27,810,369	1,476,127	5.6%
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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, 2019. Budgeted salaries have a reduction of 1.0% for slippage.

The 2019 Labor Budget is increasing a total of \$1,476,127 or 5.6% over the 2018 Budget. After the annual true-up to reflect the actual outcome of payroll after turn-over, retirements, vacancies, performance compensation, and equity adjustments the beginning base is \$26,524,510.

		<u>% Chg from 2018 Budget</u>
2018 Budget Gross Payroll	\$ 26,334,242	
Annual True-Up of 2018 Base	190,268	0.7%
2019 Beginning Base	<u>\$ 26,524,510</u>	
Eliminated Positions	0	0.0%
New Authorizations	257,501	1.0%
	<u>\$ 26,782,011</u>	
Equity Adjustment (a)	100,000	0.4%
Performance Compensation (b)	928,358	3.5%

Total Projected 2019 Labor Budget	\$ 27,810,369	5.6%
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Numbers may not add due to rounding.

- (a) A 0.4% equity adjustment is budgeted related to the result of the 2017 Compensation Study.
- (b) Performance Compensation is calculated as a percent of 2019 Beginning Base Pay. A 3.5% overall Performance Compensation adjustment is budgeted.

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
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The significant budget factors in 2019 are:

1) <i>Annual True-Up of Beginning Base</i>	190,268
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The increase 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 \$102,342.
- A true-up based on the 2017 Compensation Study equity adjustments, 2018 actual performance compensation adjustments, and implementation of the Distribution Technician Program resulted in an increase of \$292,610.

2) <i>Eliminations/New Authorizations</i>	\$257,501
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- A total of 3 new full time positions are requested for a total of \$257,501.

3) <i>Equity Adjustment from 2017 Compensation Study</i>	\$100,000
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- An equity adjustment based on the Compensation Study is budgeted at \$100,000. This adjustment is related to employees that are meeting performance expectations and have remained in the lowest one-third of their salary range.

4) <i>Performance Compensation Adjustments</i>	\$928,358
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- A performance adjustment increase of 3.5% is budgeted at \$928,358.

All Other PAYROLL Accounts	1,115,913	1,103,882	(12,031)	(1.1%)
PAYROLL Transfers	(6,104,027)	(7,034,277)	(930,250)	15.2%

The increase in labor transfers is due to a planned transfer of costs associated with main breaks from expense to capital. (see detail under "Supplemental Schedules" tab)

Net PAYROLL	21,346,128	21,879,974	533,846	2.5%
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BENEFITS

Employee Insurance - Health	4,567,633	4,498,988	(68,645)	(1.5%)
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The budgeted components of health insurance include a budgeted 2.7% premium rate increase, a 3.0% increase in the slippage calculation due to more employees opting out of coverage, and changes to the employee coverage mix including additional personnel.

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
Total Pension Accounts	3,826,876	3,762,557	(64,319)	(1.7%)

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.

	<u>2019 Budget</u>	<u>% Change from 2018 Budget</u>
<i>Defined Benefit (DB) Plans</i>		
412010 - Pension DB – Final Pay Plan	2,380,384	(6.6%)
412050 - Pension DB – Cash Balance Plan	54,196	7.3%
Total DB Plans	2,434,580	
<i>Defined Contribution (DC) Plans</i>		
412020 - Pension DC – WaterOne	418,105	(2.0%)
412052 - Pension DC – (New) WaterOne	369,963	21.1%
Total DC - Base	788,068	
412030 - Pension DC – Match	294,346	(2.0%)
412051 - Pension DC – (New) Match	245,563	25.3%
Total DC - Match	539,909	
<i>Grand Total Pension</i>	<u>3,762,557</u>	<u>(1.7%)</u>

The Pension Components for 2019 are:

1) Defined Benefit

Pension DB – Final Pay Plan	2,547,775	2,380,384	(167,391)	(6.6%)
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Changes to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The 2019 budget is decreasing primarily due to a decrease in the amortized losses and a reduction in the covered payroll as a result of fewer plan participants. An additional contribution of \$3,000,000 in 2012 reduced this budgeted funding amount by \$413,360 per year for 10 years. This plan closed to new participants hired January 1, 2014 and after (see 'Pension DB – Cash Balance Plan for costs related to employees hired after that date).

Pension DB – Cash Balance Plan	50,526	54,196	3,670	7.3%
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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.

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
2) Defined Contribution - Base				
Pension DC – WaterOne	426,627	418,105	(8,522)	(2.0%)
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	305,623	369,963	64,340	21.1%
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.				
3) Defined Contribution - Match				
Pension DC – Match	300,345	294,346	(5,999)	(2.0%)
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	195,980	245,563	49,583	25.3%
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 primarily due to additional participants entering the plan.				
FICA	2,016,340	2,133,595	117,255	5.8%
The budget increase is due to the higher projected payroll and includes FICA for additional employee requests.				
Other Tangible Employee Benefits	85,800	147,630	61,830	72.1%
This budget funds various activities such as retirement events, United Way activities, Employee Day, Pancakes with Santa, and employee recognition. The budget is increasing as a true up to reflect the actual history for employee recognition. Due to regulations this budget increase also includes increases to offset the tax implication for employees.				

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
Compensation & Benefits Consulting Services	50,000	111,000	61,000	122.0%
This budget funds compensation and benefit consulting projects. It includes amortization of the 2017 Compensation Study and funding for additional consulting work to evaluate Human Resources communications tools. The increase in 2019 is for consulting services to evaluate current retirement plans, associated fees, and provide fiduciary training.				
Other Post Employment Benefits (OPEB)	120,000	-	(120,000)	(100.0%)
OPEB is for eligible employees' future covered health care after retirement. OPEB costs are recognized and booked on an accrual basis over the retiree's active working lifetime. AARP and health insurance costs for those who are under 65 years of age are based on actual premiums paid by WaterOne. The key assumptions are the cost of health care coverage which varies by age, the number of retirees, and the discount rate. There is no planned funding of the OPEB reserve in 2019 based on the projected future cash flows from the actuarial report. The first withdrawal from the reserve is currently projected in 2021.				
All Other BENEFITS Accounts	1,255,162	1,318,841	63,679	5.1%
BENEFITS Transfers	(2,912,217)	(3,199,036)	(286,819)	9.8%
Net BENEFITS	9,009,594	8,773,575	(236,019)	(2.6%)

COMMODITIES

Chemicals - Water Treatment	5,677,008	5,096,548	(580,460)	(10.2%)
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 2019 is decreasing due to the planned use of the new Ozone Treatment Facility beginning in September 2019 which will reduce the need for several chemicals at the Kansas Intake, the Missouri Intake and at the Hansen Treatment Facility.				
Power - Transmission	4,656,332	4,767,404	111,072	2.4%
This budget is for power from the Board of Public Utilities (BPU) for transmission of water to the distribution system. The budget for this account is based on an operational plan by month for the two treatment facilities. The 2019 budget is increasing due to forecasted increases to the Energy Rate Component (ERC) and Environmental Surcharge (ESC).				
Power - Source	2,052,830	2,389,199	336,369	16.4%
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 2019 budget is increasing primarily due to operational changes that shift production from the Kansas Intake to the Missouri intake while SCADA is being upgraded.				

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
Power - Distribution	1,718,130	1,753,118	34,988	2.0%
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 due to an anticipated 4.5% rate increase that is partially offset by a true up to actual usage at Wyss pump station.				
Material & Supplies	1,386,650	1,383,200	(3,450)	(0.2%)
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	948,255	879,311	(68,944)	(7.3%)
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 budgeted price per gallon for fuel increased from \$2.00 in 2018 to \$2.19 for 2019. The total number of budgeted gallons also increased by 3.4% based on historical data. The fuel-related increase is offset by a decrease due to a planned transfer of costs associated with main breaks from expense to capital. (see detail under "Supplemental Schedules" tab)				
Natural Gas	396,475	314,446	(82,029)	(20.7%)
The budget includes use of natural gas for heating of water system and administration facilities and for production of a portion of the energy needed at the Wolcott Treatment Plant (in lieu of purchased electricity from BPU) using natural gas engine generators. The decrease is due to reduced projections of both use and price.				
BPU Water Purchased In-House	75,000	163,235	88,235	117.6%
This account is for water purchased at the Missouri River presedimentation facility and intake. It is used for potable water, intake screen wash, dilution on the chlorine dioxide generator, but primarily for bearing water for the pumps. This budget was adjusted to reflect a higher utilization of the Missouri Intake facility in 2018.				
Small Tools & Equipment	192,998	162,790	(30,208)	(15.7%)
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 2019 budget decreased to reflect the average actual history.				
Crushed Rock	30,700	4,700	(26,000)	(84.7%)
The reduction is crushed rock due to a planned transfer of costs associated with main breaks from expense to capital (see detail under "Supplemental Schedules" tab). Remaining costs are primarily for maintenance to services and hydrants.				
All Other COMMODITIES Accounts	632,168	658,945	26,777	4.2%
COMMODITIES Transfers	(741,904)	(912,090)	(170,185)	22.9%
Net COMMODITIES	17,024,642	16,660,806	(363,835)	(2.1%)

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
SERVICES				
PC Software License & Maintenance	791,085	984,515	193,430	24.5%
<p>This account covers WaterOne's software licenses and maintenance on that software. It is divided into two areas. The budget increase of \$193,430 is due to account transfers for GIS software and additional changes described below.</p> <ol style="list-style-type: none"> 1. GIS software for \$73,400 transferred to PC Software License & Maintenance. <ol style="list-style-type: none"> a. Johnson County AIMS GIS license for \$37,400 moved from AIMS LIC – Gross account. b. Hydrant and Valve audit support for \$36,000 moved from IT Maintenance – SAAS account. 2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget increased \$120,030. Updates are described below. <ol style="list-style-type: none"> a. New records management software and applications for leak surveillance increased the budget by \$45,300. b. An increase of \$43,000 is due to the annual maintenance contract renewal for Microsoft. c. Applicant Tracking and Learning Management System applications for \$17,100 moved from IT Maintenance – SAAS account. d. Various maintenance contracts experienced an increase in pricing for a total of \$14,600. The most significant increases were associated with cloud and virtualization software maintenance, additional Adobe licenses, and help desk ticket tracking software. 				
Contracted Services	657,636	651,287	(6,349)	(1.0%)
<p>These are services that are not cost-effective to complete in-house. This account varies from year-to-year based on need. This account is included here because it makes up more that 5% of the 'Services' category.</p>				
Property & Liability Insurance	589,271	642,232	52,961	9.0%
<p>The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, Auto and Cyber Liability. The 2019 budget is increasing based on projected rate increases.</p>				
Clean Drinking Water Fee	597,894	599,556	1,662	0.3%
<p>The clean drinking water fee is assessed by the State of Kansas at three cents per thousand gallons sold. The fee was put in place in lieu of sales tax in 2002. Approximately 50% of the fee is transferred to capital expenditures through an overhead. The budget is based on the projected number of retail gallons sold in a normal year. This account is included here because it makes up more that 5% of the 'Services' category.</p>				

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
Water Billing Services	474,000	474,000	-	0.0%
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 remains the same as 2018 and is included here because it makes up more than 5% of the 'Services' category.				
Security and/or Security Guards	468,825	462,172	(6,653)	(1.4%)
This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. This account is included because it makes up more than 5% of the 'Services' category.				
Telecom	449,640	457,080	7,440	1.7%
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. The budget increased in 2019 due to new services located at the Kansas River horizontal collector well. This account is included here because it makes up more than 5% of the 'Services' category.				
Training	312,225	359,800	47,575	15.2%
The budget is based on a multi-year average. For 2019, the budget is increasing due to trends and new training programs which began in 2018. Training calculates to 1.3% of labor.				
Telecom - Cell Phones	236,958	205,356	(31,602)	(13.3%)
This account is for cell phones and other data devices. The decrease is due to a price reduction with a new data plan.				
Maintenance Services	246,970	203,180	(43,790)	(17.7%)
This budget is decreasing primarily due to the elimination of annual cleaning and maintenance of the all but two vertical wells on the Kansas River. The new horizontal collector wells will not require cleaning and maintenance in 2019. The decrease was partially offset by a new maintenance contract for the natural gas engine generators at the Wolcott Treatment Plant.				
Uncollectible Accounts	190,000	150,000	(40,000)	(21.1%)
This is the estimated cost for uncollected water bills. Unpaid final bills are referred to an outside agency for collection, considered uncollectible, and written off. The budget decrease is due to better account management and security deposit policies.				
Kansas River Water Assurance Dist. (KRWAD)	182,177	147,421	(34,756)	(19.1%)
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 2019 budget is primarily decreasing due to moving the budget for the Regional Conservation Partnership Program (RCPP) to the engineering account.				

	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
Clean Up	279,700	70,500	(209,200)	(74.8%)
Clean Up includes the removal of construction debris, addition of topsoil, site grading as well as reseeding or sod replacement. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital (see detail under "Supplemental Schedules" tab).				
IT Hardware Maintenance	155,506	67,400	(88,106)	(56.7%)
This account is for the recurring maintenance contracts for network hardware. The 2018 upgrade of the SAN includes Avamar, SAN and Data Domain maintenance costs for three years. Annual maintenance will begin again in 2021.				
Pavement Repair	939,350	43,500	(895,850)	(95.4%)
This account includes the restoration of pavement, curbs, and sidewalks damaged because of maintenance work related to services and fire hydrants. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital (see detail under "Supplemental Schedules" tab).				
Barricade Rental	36,650	2,500	(34,150)	(93.2%)
This budget is for rental of work zone traffic safety equipment. The reduction is due to a planned transfer of costs associated with main breaks from expense to capital (see detail under "Supplemental Schedules" tab). Remaining costs are primarily for maintenance to services and hydrants.				
IT Maint - SAAS	55,150	-	(55,150)	(100.0%)
This "Software As A Service" (SAAS) account was established when WaterOne first began using this option. As this type of software delivery has become more common, it was determined there is no need to account for it separately from installed software. Budgets for contracted GIS support, applicant tracking, and learning management were moved to 'PC Software & Maintenance'.				
AIMS License Agreement	37,109	-	(37,109)	(100.0%)
The budget for this license to Johnson County's GIS system (AIMS) was transferred to PC Software and Maintenance. This single-use account will be discontinued in the future.				
All Other SERVICES Accounts	1,817,300	1,838,909	21,608	1.2%
SERVICES Transfers	(500,500)	(493,890)	6,610	(1.3%)
Net SERVICES	8,016,947	6,865,518	(1,151,428)	(14.4%)
GRAND TOTAL	55,397,311	54,179,874	(1,217,437)	(2.2%)

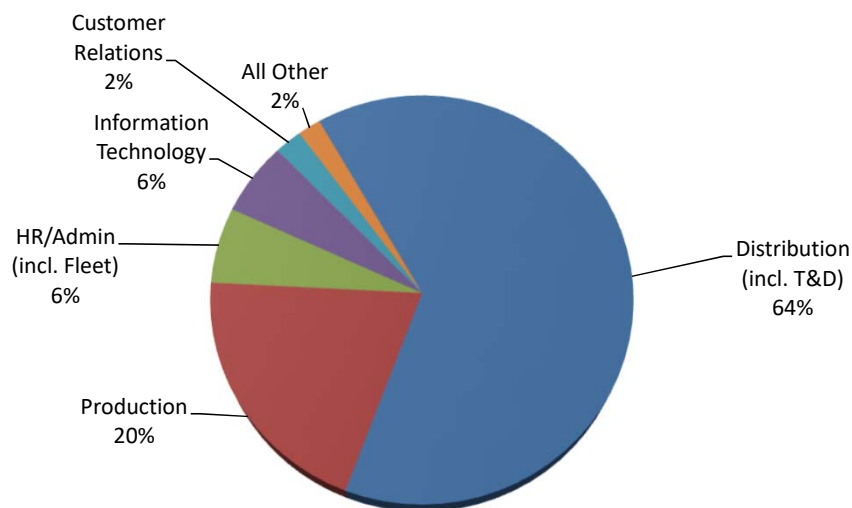
Numbers may not add due to rounding

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION

Comparison of 2018 & 2019

Division	2018 Adopted Budget	2019 Adopted Budget	Dif \$	Dif %	% of Total Capital Requests	
					2018	2019
Distribution (incl. T&D)	\$ 15,097,680	\$ 17,745,131	\$ 2,647,451	17.5%	59.0%	64.0%
Production	5,149,236	5,571,791	422,555	8.2%	20.1%	20.1%
Human Resources / Admin. (incl. Fleet)	2,081,319	1,665,898	(415,421)	(20.0%)	8.1%	6.0%
Information Technology	1,751,210	1,617,695	(133,515)	(7.6%)	6.8%	5.8%
Customer Relations	984,508	604,429	(380,079)	(38.6%)	3.8%	2.2%
Omissions and Contingencies	536,047	505,056	(30,991)	(5.8%)	2.1%	1.8%
Total Annual Capital	\$ 25,600,000	\$ 27,710,000	\$ 2,110,000	8.2%	100%	100%

PERCENT OF TOTAL ANNUAL CAPITAL BUDGET



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

	2018	2019	\$ Incr/(Decr)	% Incr/(Decr)
Distribution Main Replacements	\$ 7,950,000	\$ 8,500,000	\$ 550,000	6.9%
Distribution Main Breaks (a)	1,790,000	4,100,000	2,310,000	129.1%
General Improvements	2,250,000	2,300,000	50,000	2.2%
Distribution Main Relocations	1,520,000	1,500,000	(20,000)	(1.3%)
Condition Assessment	550,000	515,000	(35,000)	(6.4%)
Transmission Main Capital	720,000	415,000	(305,000)	-42.4%
Subtotal T&D Funding	\$ 14,780,000	\$ 17,330,000	\$ 2,550,000	17.3%

a) Starting in 2019, Distribution Main Breaks now include costs that were previously categorized as expense

STRATEGIC PLANNING AND PERFORMANCE MEASURES

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

Definitions

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

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

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

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

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

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

Strategic Plan

Vision Statement

WaterOne...Setting the standard for utility excellence.

Mission Statement

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

Values

Quality | Integrity | Safety | Accountability | Respect

Goals and Strategies

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

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

Goal 2: Provide excellent customer service

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

Goal 3: Be an employer of choice

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

Goal 4: Ensure financial stability and predictable rates

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

Strategic Plan

Goal 5: Continuously improve business processes

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

Goal 6: Proactively manage infrastructure

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

Goal 7: Be good stewards of the environment

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

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

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

2019 Operational Goals and how they relate to the Strategic Goals

2019 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
Strategic Goal:									
Production									
1	Construct ozone treatment facility	X			X	X	X	X	
2	Execute SCADA master plan	X				X	X		
3	Complete space needs study			X			X		
4	Develop data governance strategy					X			
5	Complete Johnson Drive Tank & Pipeline	X							
6	Complete design engineering for two new elevated tanks	X							
7	Complete design engineering for Nall Ave Pump Station expansion	X							
8	Participate in Partnership for Safe Water	X							
Distribution									
1	Complete Johnson Drive Tank & Pipeline	X							
2	Complete design engineering for two new elevated tanks	X							

2019 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
3	Complete design engineering for Nall Ave Pump Station expansion	X							
4	Update Hydraulic Model	X				X	X		
5	Participate in Partnership for Safe Water	X							
Customer Relations									
1	Begin implementation of Advance Meter Infrastructure		X			X			
2	Implement post contact customer survey		X			X			
3	Expand customer outreach program		X			X			
4	Call-back software RFP		X						
5	Develop data governance strategy					X			
Finance									
1	Asset management plan update						X		
2	Automate purchasing card processing					X			
3	Refund 2010 Bonds				X				

2019 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
Strategic Goal:									
4	Enhance purchasing processes					X			
5	Complete affordability analysis				X				
Human Resources									
1	Implement Learning Management System			X		X			
2	Human Resources Information System improvements			X		X			
3	Complete engagement survey			X					
4	Vulnerability assessment					X			X
5	Appraisal form update			X		X			
Legal/Audit									
1	Implementation of records information management initiative					X			
2	Complete RFP for external audit services				X				
3	Complete RFP for insurance broker services				X				

2019 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
Information Technology									
1	Execute SCADA master plan	X				X	X		
2	SAP reboot and training					X			
3	Implementation of records information management initiative					X			
4	Human Resources Information System improvements			X		X			
5	Develop data governance strategy					X			
6	Complete scheduled software and server upgrades					X			

Performance Measures

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

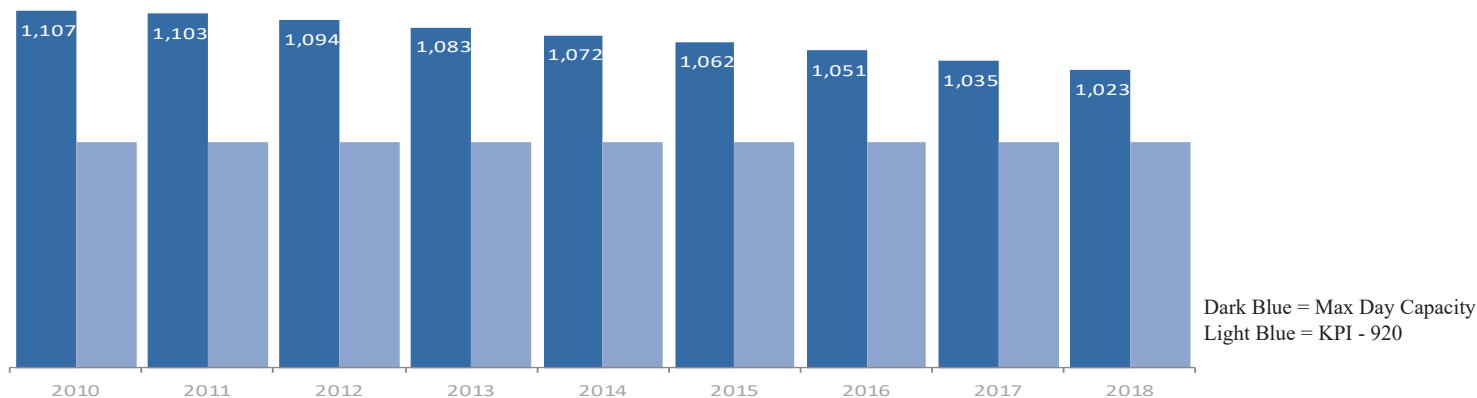
KPI STRATEGIC GOALS REPORT

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



KPI	Target	Actual	Status	Management Comment
1. Conformance with Drinking Water Internal Standards, Regulations, Monitoring, MCL/TT - (PRD) Percentage of parameter samples that comply with Safe Drinking Water Act Standards.	100%	100%	G -	
2. Conformance with Water Quality Goals - Monthly (PRD) Percentage of parameter-samples that comply with WaterOne established drinking water standards. (See Water Quality KPI table on page 8.)	100%	97.6%	B -	
3. Production Facilities' Capacity of Available Max Day Gallons Per Customer. Annual. (See graph below.)	920	1,023	B -	Asset Management Service Level Goals. (Annual)





Max Day Gallons Per Customer



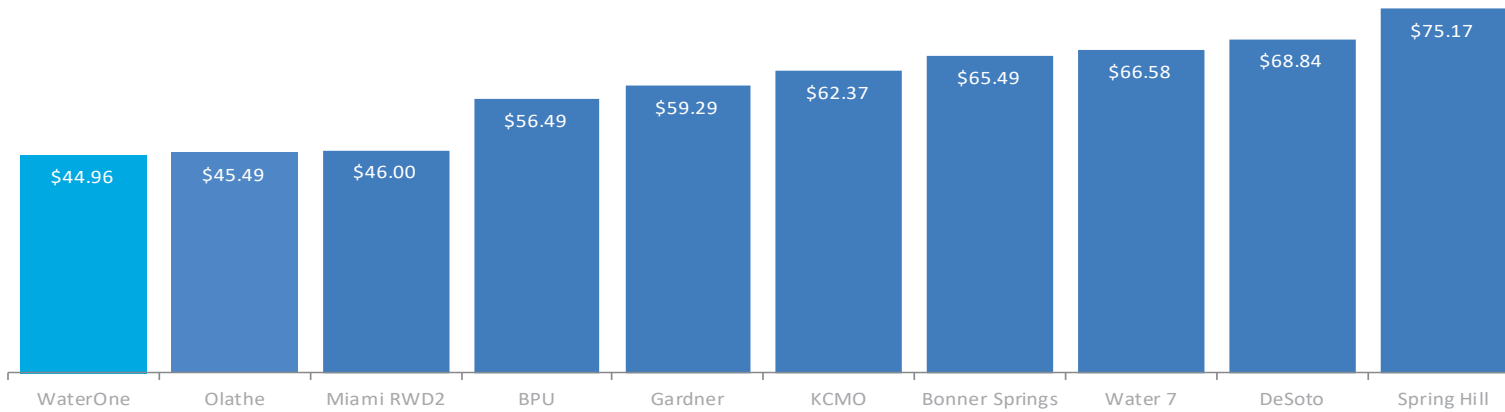
STRATEGIC GOAL 2

Provide Excellent Customer Service



KPI	Target	Actual	Status	Management Comment
4. Composite Customer Satisfaction Performance Rating - (CCR) based upon an index of various customer service and water service components common to utilities across the nation.	80.0	86.1	B - 	
5. Technical Water Quality Complaints per 1,000 Accounts - (CCR) Expression of complaints related to core utility service, T&O, Turbidity, Pressure, etc.	8.0	4.6	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.	\$44.96	\$44.96	G - 	(Annual)
7. Billing Accuracy - (CCR) 12MTD Expression of error-driven billing adjustments per 10,000 bills.	7.2	5.3	B - 	

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



STRATEGIC GOAL 3

Be An Employer Of Choice.



INCREASE
NO CHANGE
DECREASE



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.		7.6	B -	No targeted performance determined. (Annual)
9. Turnover Rate - (HR) Expression of the performance and stability of the workforce. YTD.		7.5%	G -	Voluntary - 12 Involuntary - 6 Retired - 10

STRATEGIC GOAL 4

Ensure Financial Stability and Predictable Rates.



INCREASE
NO CHANGE
DECREASE



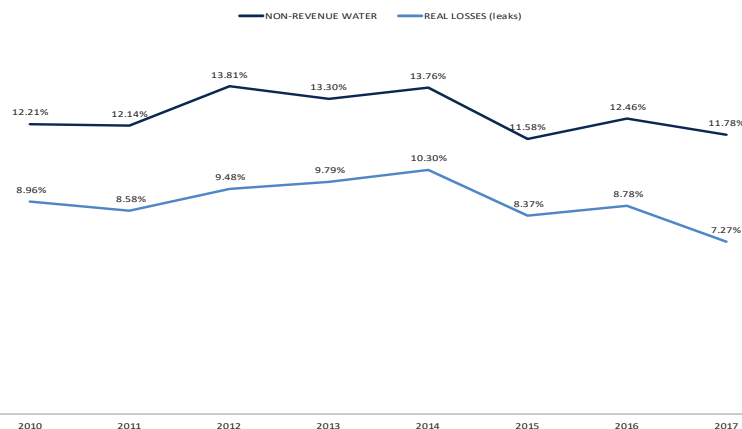
BLUE: Exceeds target > 2%
GREEN: +/- 2% < target
YELLOW: 2% - 5% < target
RED: 5% < target

KPI	Target	Actual	Status	Management Comment
10. Total Non-Revenue water percent and the subset that relates to "Real Loss" (i.e. water leaks). (See graph below.)	10%	*	B -	The number will not be available until Summer 2019,
11. O&M Cost Per Million Gallons Produced. - YTD	\$2,409	\$2,477	Y -	
12. O&M Cost per Customer Account - O&M Costs divided by number of customer accounts that were billed during the report period. YTD	\$375	\$375	G -	
13. Actual Vs. Budgeted Water Sales Revenue. - YTD	\$112,322,402	\$115,637,746	B -	
14. O&M Budget to Actual Expenditures (Post-Transfers) - YTD	\$55,397,308	\$55,356,133	G -	
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.		445	B -	No targeted performance determined. (Annual)
16. Debt Ratio - Quantifies the utilities level of indebtedness.	26.3%	21.1%	B -	(Annual)

- 37 -



NON-REVENUE WATER as a % of Budgeted Produced



STRATEGIC GOAL 5

Continuously Improve Business Processes

No KPIs developed at this time.









STRATEGIC GOAL 6

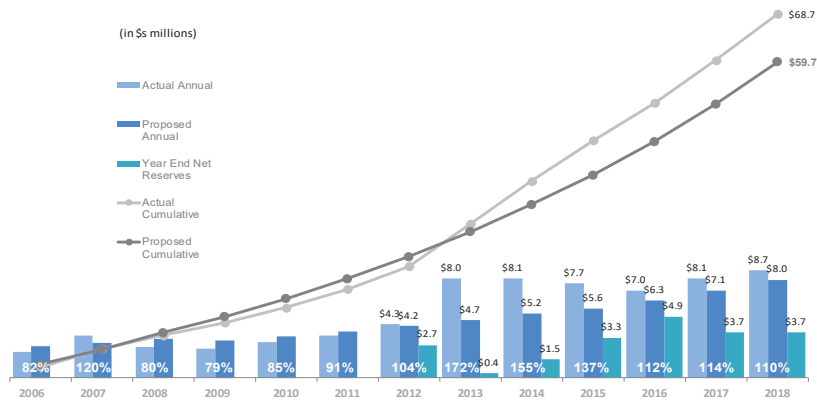
Proactively Manage Infrastructure

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 page 13 - "Piping Replacement.")		100%	110.0%	B - ↓	(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 page 13 - "Leaks Per 100 Miles of Pipe.")		37.0	*	-	This KPI is under review
19. Active Customer Accounts Vs. Projected - (FIN) Actual growth in the number of bill paying customers compared to estimated growth.		1,500	1,462	Y - ↑	
20. Of the customers that experienced a water outage, the percent of affected customers that were out of service for:	0 - 4 Hours	> = 80%	87.07%	B - ↑	There were two incidents where the customers were out of water >12 hrs. One involved a main laid greater than 10 ft deep and the other was a difficult shut-down that needed several valves. (Annual)
	4-12 Hours	< = 20%	12.44%	B - ↑	
	> 12 Hours	0%	.49%	R - ↑	
21. Total annual minutes of service outage divided by the annual weighted average number of customers will not exceed 20 minutes.		20	14	B - ↓	Asset Management Service Level Goals. (Annual)

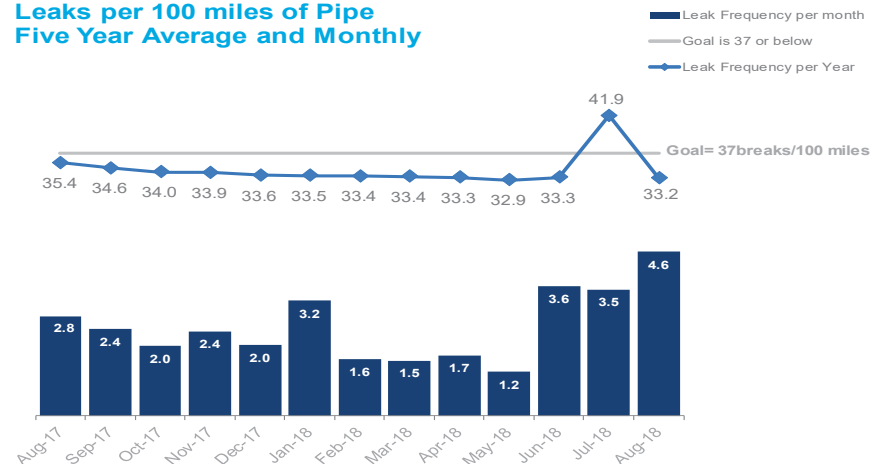
Strategic Goal 6, Cont'd

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.	\$10,820,000	\$5,191,791	G - 	
25. Master Plan Projects - (FIN) Master Plan Projects not on-time / on-budget or having excessive change orders.	\$247,920,235	\$146,723,811	G - 	
26. Facilities Maintenance - % of "Planned" Man-Hours	85.0%	90.4%	B - 	
27. Facilities Maintenance - % Man-Hours on Emergency Work Orders	5%	0.6%	B - 	

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

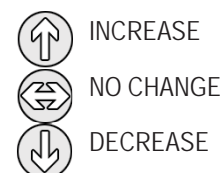
No KPIs developed at this time.

MONTHLY & QUARTERLY KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Measures	Measurement As Of 12/31/2017	2018 Goal As Of 12/31/2018	2018 Year to Date or 12 Months to Date 12/31/2018	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)	98.3%	100.0%	97.6%	-2.44%	100.0%	100.0%	B -
CCR	Composite Customer Satisfaction Performance Rating (qtrly)	86.3	80.0	86.1	7.62%			B -
CCR	Technical Water Quality Complaints/1,000 Accounts (12 MTD - Est.)	5.2	8.0	4.6	-42.50%	0.7	0.2	B -
CCR	Billing Accuracy - Bill Adj/10,000 Bills (12 MTD)	7.4	7.2	5.3	-26.39%	7.2	6.4	B -
HR	Turnover Rate (YTD)	11.0%		7.5%				G -
FIN	O&M Cost per Million Gallons Produced	\$2,469	\$2,409	\$2,477	2.82%	\$3,488	\$5,641	Y -
FIN	O&M Cost per Customer Account	\$349	\$375	\$375	0.00%	\$30	\$43	G -
FIN	Actual vs. Budgeted Water Sales Revenue	\$105,737,757	\$112,322,402	\$115,637,746	2.95%	\$6,415,146	\$5,870,179	B -
FIN	O&M Budget to Actual Expenditures	\$51,037,551	\$55,397,308	\$55,356,133	-0.07%	\$4,411,263	\$6,393,694	G -
DST	Water Distribution System Integrity - Avg leaks/100 miles (5 yr rolling)	33.6	37.0	*	N/A	3.1	*	-
FIN	Active Customer Accounts vs. Projected	1,284	1,500	1,462	-2.53%	114	133	Y -
FIN	Annual Capital Projects	\$3,863,458	\$10,820,000	\$5,191,791				G -
FIN	Master Plan Projects	\$124,891,743	\$247,920,235	\$146,723,811				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	88.0%	85.0%	90.4%	6.34%	85.0%	90.4%	B -
PRD	Facilities Maintenance - % Man-Hours of Emergency Work Orders	1.0%	5.0%	0.6%	-88.80%	5.0%	0.6%	B -

2018 Key Performance Indicators (KPI) Measured Performance As Of 12/31/2018










*This KPI is under review.



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

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ANNUAL KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Measures	2014 Final	2015 Final	2016 Final	2017 Final	2018 Final	2018 Target	Performance Rating
	Reported Annually							
PRD	Max Day Facilities per Customer (gal per customer)	1,072	1,062	1,051	1,035	1,023	920	B- 
FIN	Residential Cost of Water	\$40.79	\$42.37	\$44.17	\$44.17	\$44.96	\$44.96	G- 
HR	Employee Health & Safety Severity Rate	9.3	5.0	19.7	10.6	7.6		B- 
DST	Distribution System Real Water Loss	11.1%	8.4%	8.8%	7.3%	*	10.0%	B- 
DST	Number of Minutes of Water Outage per Total System Customers		13	11	9	14	20	B- 
DST	Of the customers that experienced a water outage in 2018, the percent of affected customers that were out of service > 12 hours.		0.1%	0.0%	1.9%	0.5%	0.0%	R- 
HR	Customers Served per Employee	454	456	454	421	445		B- 
FIN	Debt Ratio	25.1%	23.5%	21.7%	21.7%	21.1%	26.3%	B- 
DST	System Renewal Rate - Distribution	155.0%	137.4%	112.0%	114.0%	110.0%	100.0%	B- 

Final
2018 Key
Performance
Indicators
(KPI)
Measured
Performance

	INCREASE		BLUE: Exceeds target > 2%
	NO CHANGE		GREEN: +/- 2% < target
	DECREASE		YELLOW: 2% - 5% < target
			RED: 5% < target

*This amount will not be available until summer 2019.

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2019 REVENUE SUMMARY

OPERATING REVENUE ASSUMPTIONS

Comparison of Revenues

Revenue Type	2018 Budget	2019 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$112,322,405	114,576,223	\$2,253,818	2.0%
Other Operating Revenues	1,575,000	1,588,000	13,000	0.8%
Investment Income	1,880,000	2,840,000	960,000	51.1%
Total	\$115,777,405	\$119,004,223	\$3,226,818	2.8%

Sales of Water

Sales of Water in 2019 is projected to increase by \$2,253,818 or 2.0%.

- 1,400 new customers will provide additional revenue of \$973,263. 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 reduced revenue by \$430,488.
- A 1.9% rate increase provided \$2,173,573 in additional revenue.
- 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 \$462,530.

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 \$610,000 which is \$10,000 or 1.7% more than the 2018 budget.

Field Service Charges

Field Service Charges are assessed when service is restored after being shut off for non-payment or other rule violations. This category also includes charges assessed for returned checks. Field Service Charges for 2019 are budgeted to be \$358,000, a \$3,000 increase over the 2018 budget.

Miscellaneous Revenue

Miscellaneous Revenue includes revenue from interest income on WaterOne checking accounts, rental income from farm land and wireless phone antennas, sale of miscellaneous equipment, purchasing card revenue sharing, reimbursements from Johnson County Wastewater for WaterOne's IT time, and HomeServe commissions. Budgeted revenue from these sources is \$620,000, which is the same as the 2018 budget.

INVESTMENT INCOME

Investment income is earned on investments made with cash that is not needed for daily operation. Investment income in 2019 is budgeted to be \$2,840,000. This is an increase of \$960,000 or 51.1% from the 2018 budget. The increase is due to the assumed interest rate increasing from 1.25% to 2.25%.

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 2019, SDC income is budgeted at \$6,930,000 which is \$352,500 less than the 2018 budget. The decrease is due to a change in customer growth assumptions from 1,500 to 1,400. SDCs are conservatively budgeted by assuming that all of the customer growth will be 5/8" service connections. The SDC is budgeted at \$4,950, which is an increase of \$95 or 2.0% over 2018.

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	2019 Rates per 1,000 gallons	Total
1	5,930	\$4.18	\$24.79
2	1,570	\$5.56	\$8.73
Service Charge	NA	\$11.45	\$11.45
	7,500		\$44.97

There is a 1.9% rate increase for 2019 and no change to the rate structure. The typical customer's bill will increase \$0.80 to \$44.97 per month.

**Comparison of Volume Rates and Service Charges
2018 to 2019
1.9% Rate Increase**

		Meter Size	2018 Rates	2019 Rates	\$ Increase	% Increase
Retail Service Charges:						
Single Family Residential			Bi-monthly			
Monthly	\$11.45	5/8"	\$22.90	\$22.90	\$0.00	0.0%
	\$15.00	3/4"	\$30.00	\$30.00	\$0.00	0.0%
	\$22.35	1"	\$44.70	\$44.70	\$0.00	0.0%
	\$41.45	1 1/2"	\$82.90	\$82.90	\$0.00	0.0%
	\$62.10	2"	\$124.20	\$124.20	\$0.00	0.0%
	\$150.00	3"	\$300.00	\$300.00	\$0.00	0.0%
	\$235.75	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	\$4.18	\$0.10	2.5%
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Block 2 (Over 125% of AWC):

All Classes	\$5.43	\$5.56	\$0.13	2.4%
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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 %	2018 Avg Bill	2019 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
<i>AWWA Typical Customer</i>	<i>5/8"</i>	<i>7,500</i>	<i>79%</i>	<i>\$44.17</i>	<i>\$44.97</i>	<i>1.8%</i>	<i>\$ 0.80</i>

Single Family Residential

Low Usage	5/8"	3,475	99%	\$ 25.68	\$26.03	1.4%	\$ 0.35
Moderate Usage	5/8"	7,205	82%	\$ 42.58	\$43.34	1.8%	\$ 0.76
High Usage	5/8"	11,920	60%	\$ 66.55	\$67.88	2.0%	\$ 1.34
Low Usage	1"	3,629	94%	\$ 37.47	\$37.84	1.0%	\$ 0.37
Moderate Usage	1"	9,041	69%	\$ 63.06	\$64.04	1.6%	\$ 0.99
High Usage	1"	25,699	37%	\$ 149.03	\$152.08	2.0%	\$ 3.05

Multi-Family Residential

Low Usage	1"	9,448	99%	\$ 63.69	\$64.64	1.5%	\$ 0.95
Moderate Usage	1"	19,539	96%	\$ 105.81	\$107.78	1.9%	\$ 1.98
High Usage	1"	43,442	78%	\$ 215.30	\$219.93	2.2%	\$ 4.63
Low Usage	1 1/2"	20,849	99%	\$ 129.31	\$131.39	1.6%	\$ 2.09
Moderate Usage	1 1/2"	37,902	97%	\$ 200.13	\$203.95	1.9%	\$ 3.82
High Usage	1 1/2"	86,702	77%	\$ 424.66	\$433.92	2.2%	\$ 9.26
Low Usage	2"	24,423	99%	\$ 164.62	\$167.07	1.5%	\$ 2.44
Moderate Usage	2"	47,178	98%	\$ 258.36	\$263.10	1.8%	\$ 4.74
High Usage	2"	120,189	74%	\$ 597.90	\$610.86	2.2%	\$ 12.97

Small Commercial

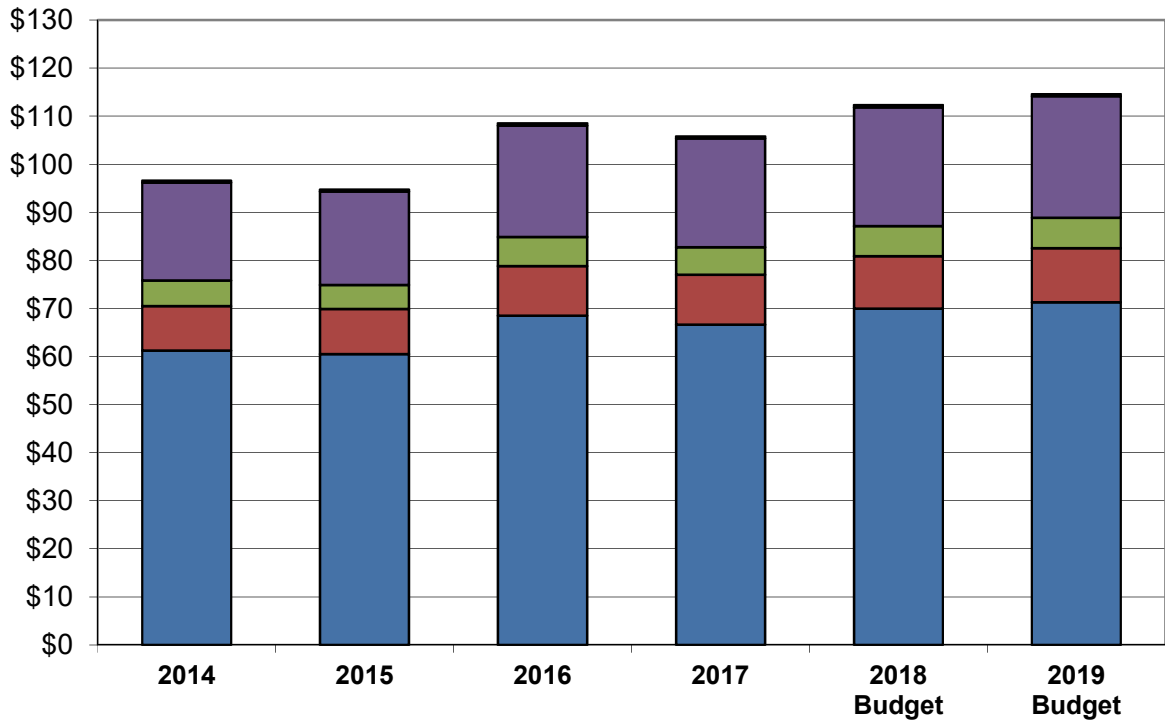
Low Usage	5/8"	587	99%	\$ 16.60	\$16.66	0.4%	\$ 0.06
Moderate Usage	5/8"	2,625	92%	\$ 25.20	\$25.47	1.1%	\$ 0.27
High Usage	5/8"	17,203	64%	\$ 92.76	\$94.66	2.1%	\$ 1.91
Low Usage	3/4"	1,344	99%	\$ 23.29	\$23.43	0.6%	\$ 0.13
Moderate Usage	3/4"	7,350	74%	\$ 50.36	\$51.15	1.6%	\$ 0.79
High Usage	3/4"	40,917	44%	\$ 215.59	\$220.37	2.2%	\$ 4.78
Low Usage	1"	2,574	98%	\$ 35.67	\$35.93	0.7%	\$ 0.26
Moderate Usage	1"	12,019	80%	\$ 77.41	\$78.69	1.6%	\$ 1.27
High Usage	1"	49,868	54%	\$ 259.42	\$265.10	2.2%	\$ 5.67

Large Commercial

Low Usage	1 1/2"	13,594	88%	\$ 101.80	\$ 103.20	1.4%	\$ 1.41
High Usage	1 1/2"	99,521	64%	\$ 498.29	\$ 509.31	2.2%	\$ 11.02
Low Usage	2"	23,017	93%	\$ 161.01	\$ 163.36	1.5%	\$ 2.35
High Usage	2"	181,346	73%	\$ 871.91	\$ 891.53	2.3%	\$ 19.63
Low Usage	3"	99,296	89%	\$572.35	\$582.60	1.8%	\$ 10.25
High Usage	3"	514,449	74%	\$2,432.32	\$2,487.78	2.3%	\$ 55.46
Low Usage	4"	173,417	97%	\$ 953.51	\$ 971.02	1.8%	\$ 17.51
High Usage	4"	941,875	76%	\$ 4,386.52	\$ 4,487.48	2.3%	\$ 100.97

HISTORY OF WATER SALES BY RATE CLASS

In millions

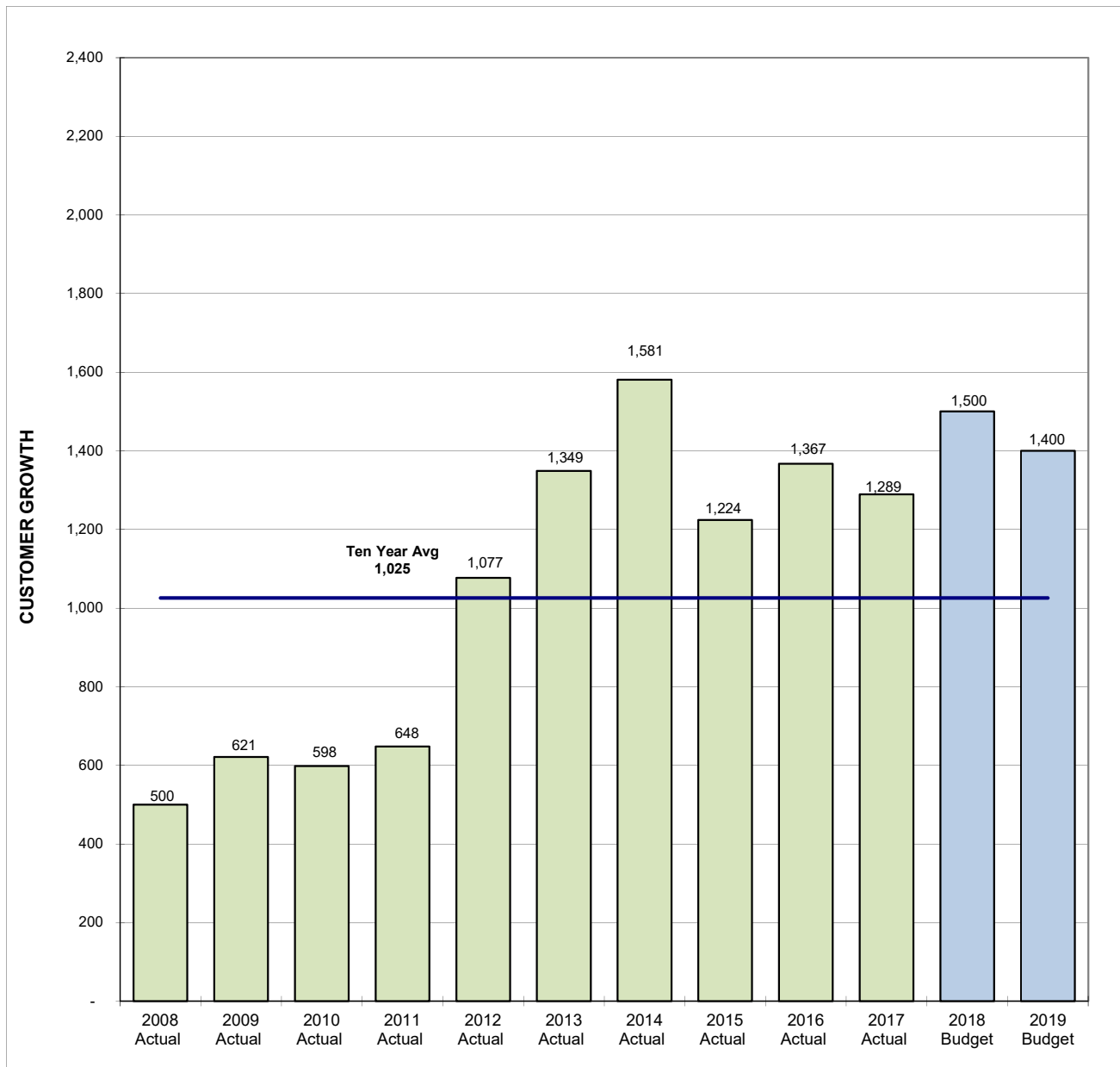


		Semi-Wet		Wet		Normal		Wet		Normal		Normal	
		2014		2015		2016		2017		2018 Budget		2019 Budget	
In Million \$'s													
R1		\$	61.2	\$	60.5	\$	68.5	\$	66.7	\$	69.9	\$	71.3
M1		\$	9.2	\$	9.4	\$	10.3	\$	10.4	\$	11.0	\$	11.2
C1		\$	5.3	\$	5.0	\$	6.0	\$	5.7	\$	6.2	\$	6.3
C2		\$	20.4	\$	19.4	\$	23.2	\$	22.6	\$	24.7	\$	25.3
C3		\$	0.4	\$	0.4	\$	0.6	\$	0.5	\$	0.5	\$	0.5
W1		\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Total		\$	97.6	\$	96.6	\$	94.7	\$	108.6	\$	112.3	\$	114.6

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

C2 = Large Commercial
C3 = Temporary Commercial
W1 = Wholesale

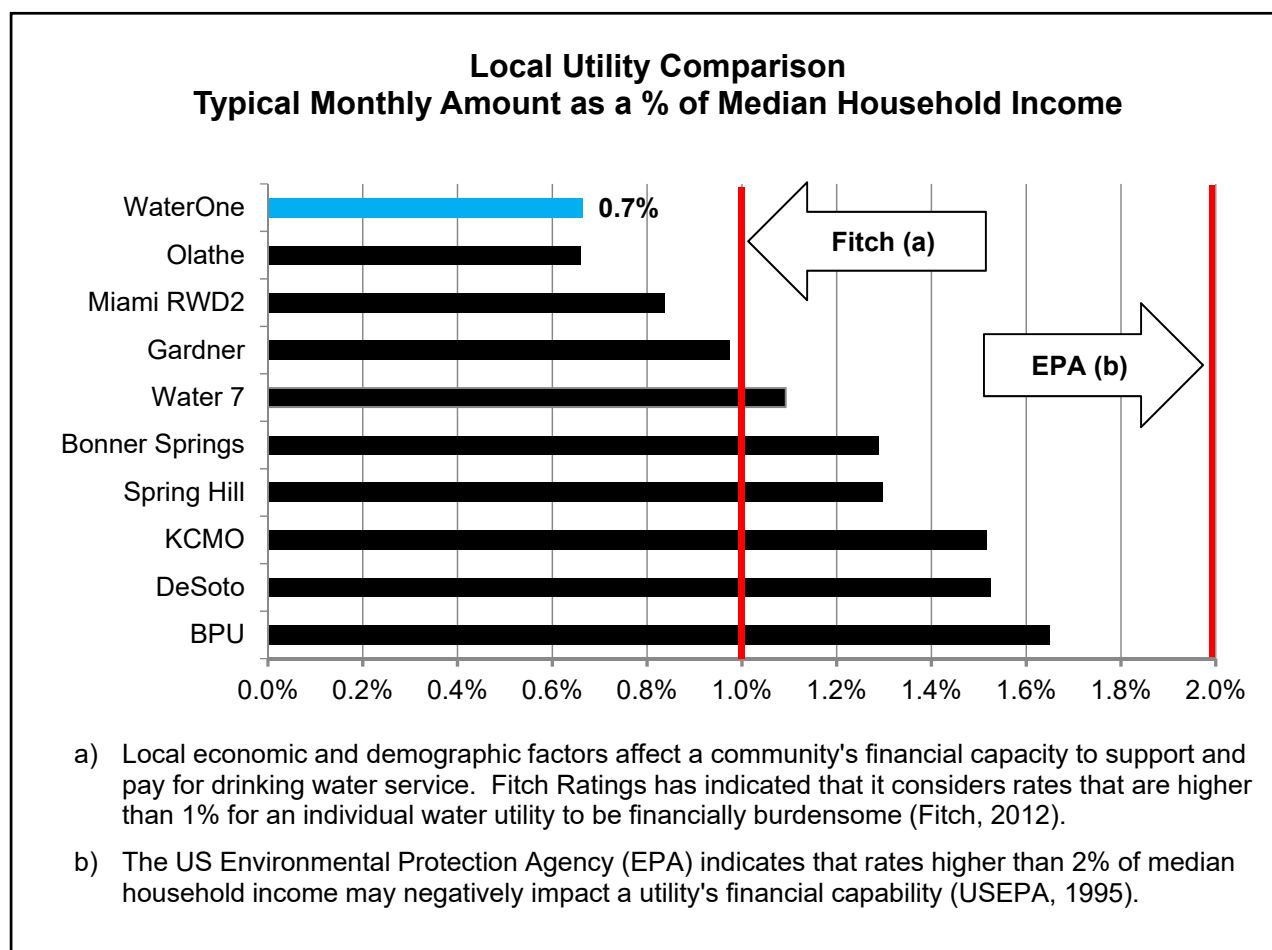
CUSTOMER GROWTH



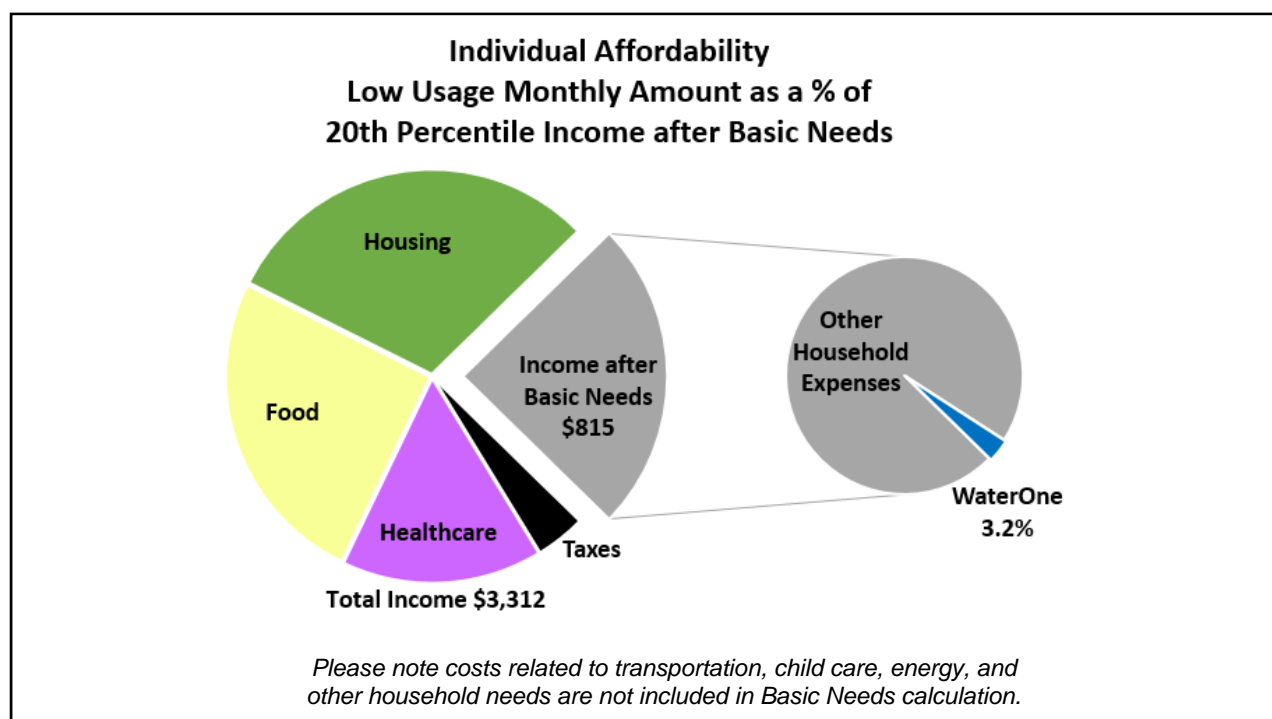
10 Year Average (2008 to 2017) of Customer Growth = 1,025

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

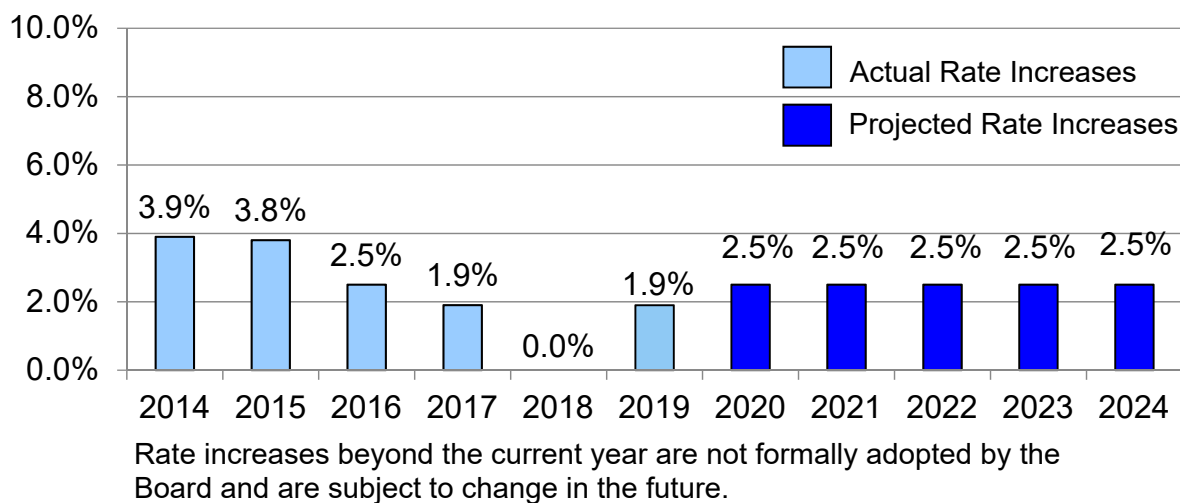
New customer growth is projected considering the long-term historical average, as well as recent trends. The budget is revised on an annual basis.



In the above graph, the typical monthly amount is compared to median household income for WaterOne. This provides a relative degree of awareness regarding community affordability. In the graph below, low usage typical monthly amount is compared to 20th percentile income, representing a comprehensive view of individual affordability for WaterOne.

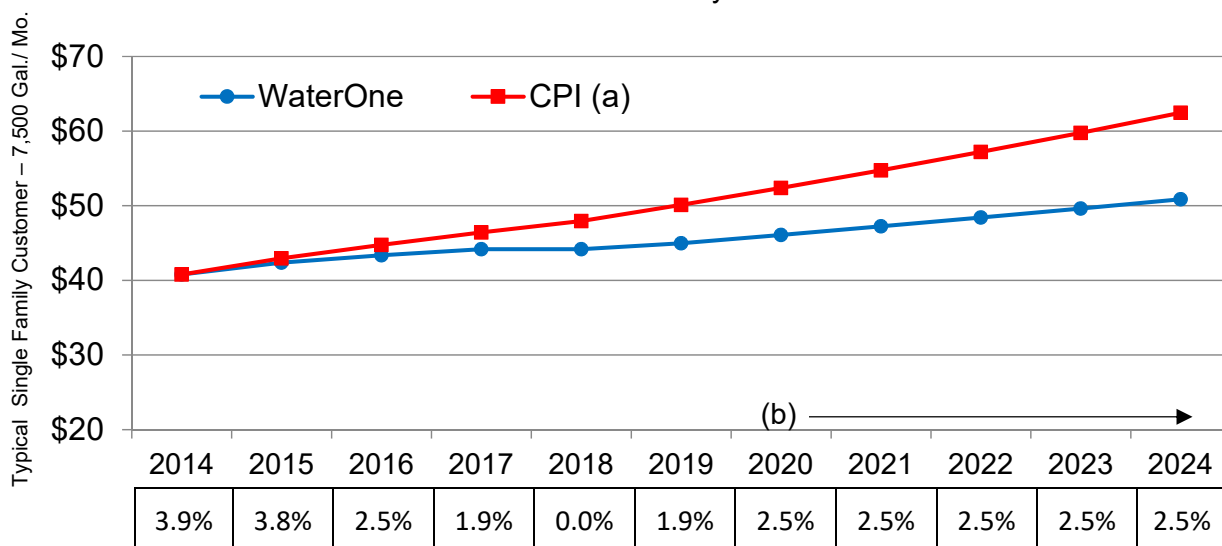


Water Rate Increases



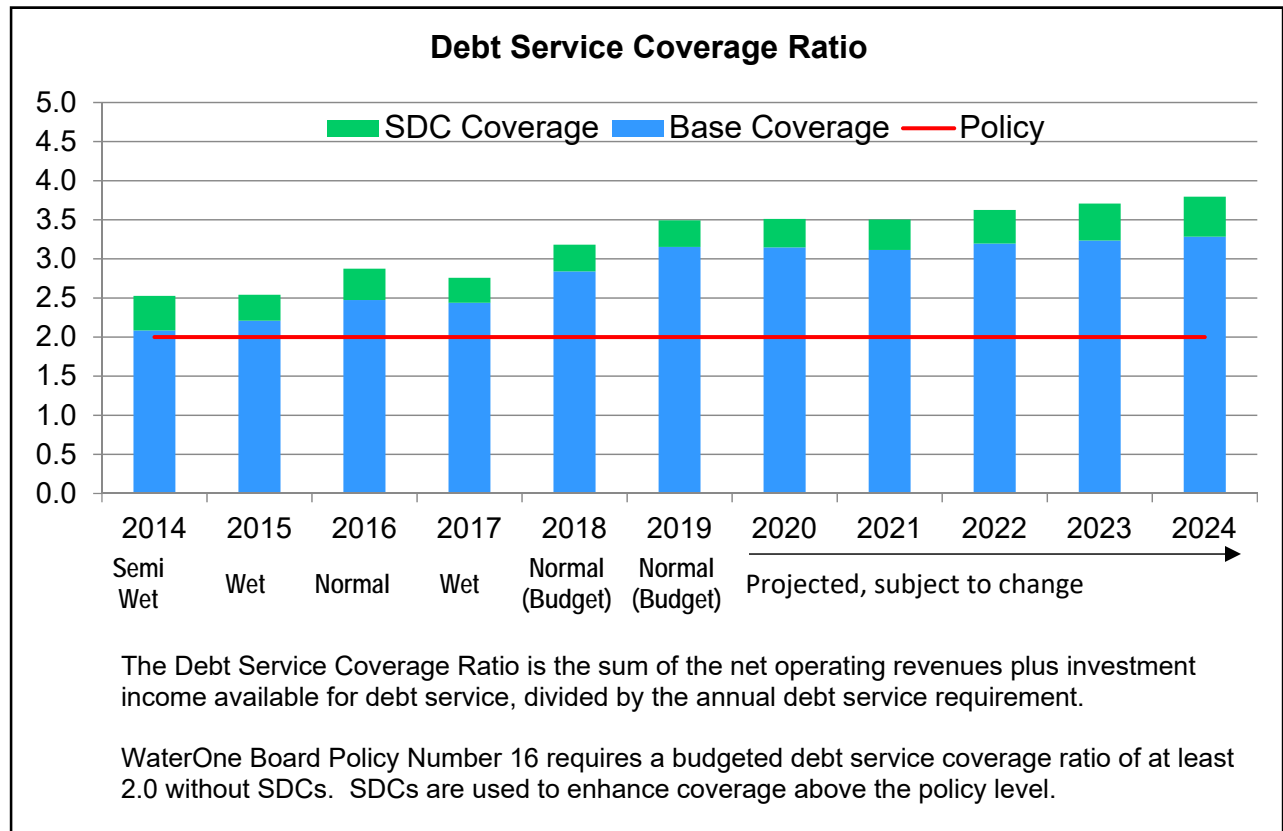
National Water & Sewer Index

WaterOne vs. All Cities Water & Sewer System Maintenance CPI



a) Actual CPI comes from the Department of Labor. CPI estimated at 3.3% in 2018 which is the one year change from June 2017 to June 2018. CPI estimated at 4.5% for 2019 through 2024 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.

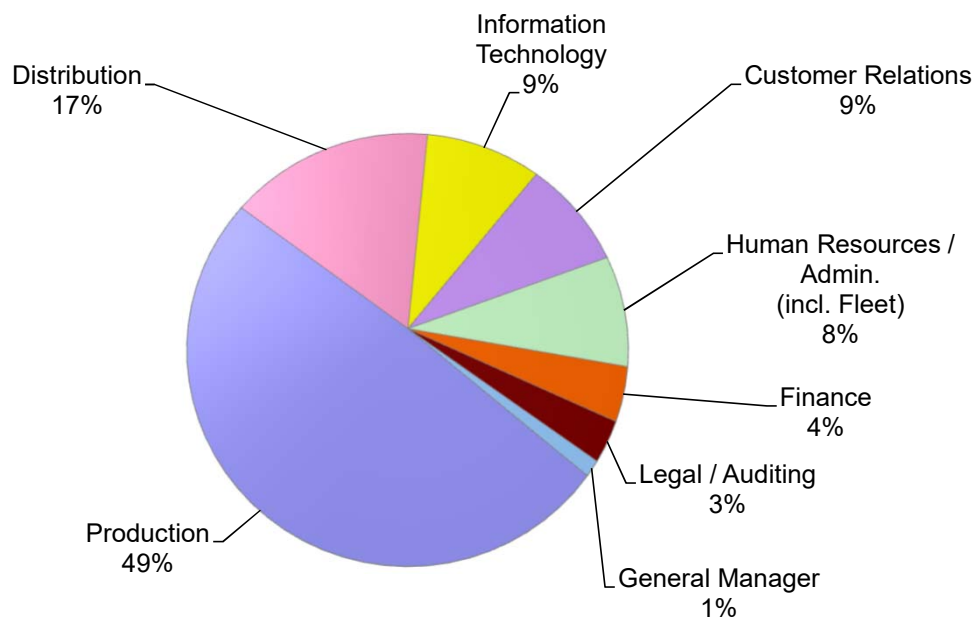


OPERATIONS & MAINTENANCE BUDGET BY DIVISION Comparison of 2018 & 2019

Division	2018 Budget	2019 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2018	2019
Production	\$ 26,563,064	\$ 26,590,886	\$ 27,822	0.1%	48.0%	49.1%
Distribution	11,082,646	8,874,506	(2,208,140)	(19.9%)	20.0%	16.4%
Information Technology	4,567,459	5,031,720	464,260	10.2%	8.2%	9.3%
Customer Relations	4,362,943	4,637,553	274,610	6.3%	7.9%	8.6%
Human Resources / Admin.	4,433,610	4,538,289	104,679	2.4%	8.0%	8.4%
Finance	2,108,868	2,181,932	73,064	3.5%	3.8%	4.0%
Legal / Auditing	1,630,354	1,669,069	38,714	2.4%	2.9%	3.1%
General Manager	648,366	655,919	7,553	1.2%	1.2%	1.2%
TOTAL	\$ 55,397,311	\$ 54,179,874	\$ (1,217,437)	(2.2%)	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



2019 Budget Compared to 2018 Budget
O&M ACCOUNTS BY CATEGORY

12/19/2018

	Account Number	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL					
Labor - Non OT	410010	26,334,242	27,810,369	1,476,127	5.6%
Labor - OT	410015	1,055,913	1,043,882	(12,031)	-1.1%
Water Board Salaries	410080	60,000	60,000	-	0.0%
TOTAL PAYROLL BEFORE TRANSFERS		27,450,155	28,914,251	1,464,096	5.3%
PAYROLL Transfers		(6,104,027)	(7,034,277)	(930,250)	15.2%
Net PAYROLL		21,346,128	21,879,974	533,846	2.5%
BENEFITS					
Employee Insurance - Health	413010	4,567,633	4,498,988	(68,645)	-1.5%
Pension DB – Final Pay Plan	412010	2,547,775	2,380,384	(167,391)	-6.6%
Pension DB – Cash Balance Plan	412050	50,526	54,196	3,670	7.3%
Pension DC – WaterOne	412020	426,627	418,105	(8,522)	-2.0%
Pension DC – (New) WaterOne	412052	305,623	369,963	64,340	21.1%
Pension DC – Match	412030	300,345	294,346	(5,999)	-2.0%
Pension DC – (New) Match	412051	195,980	245,563	49,583	25.3%
FICA	411010	2,016,340	2,133,595	117,255	5.8%
Retirees Insurance - Health	413050	358,287	370,720	12,433	3.5%
Worker's Compensation	411020	255,876	276,100	20,224	7.9%
Employee Insurance - Dental	413020	207,429	213,037	5,608	2.7%
Retirees Insurance - Health Subsidy	413052	150,000	152,798	2,798	1.9%
Employee Health - Retiree Subsidy	413015	(150,000)	(152,798)	(2,798)	1.9%
Other Tangible Employee Benefits	414030	85,800	147,630	61,830	72.1%
Employee Insurance - Life	413030	105,384	112,176	6,792	6.4%
Compensation & Benefits Consulting Services	414020	50,000	111,000	61,000	122.0%
Employee Insurance - Disability	413040	118,477	109,504	(8,973)	-7.6%
Car Allowance - Employees	426065	60,900	61,500	600	1.0%
Employee Insurance - Vision	413025	39,958	40,282	324	0.8%
Employees Association Activity	414040	24,350	33,300	8,950	36.8%
Health Related Training & Counseling	414060	32,600	32,600	-	0.0%
Unemployment Insurance	411050	26,394	27,870	1,476	5.6%
Service Awards	414070	17,000	17,000	-	0.0%
Retirees Insurance - Life	413060	7,182	16,252	9,070	126.3%
Tuition Reimbursement	414100	10,000	10,000	-	0.0%
WOW & Water Spout Awards	414090	5,000	6,000	1,000	20.0%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	2018	2019	\$ DIF	% DIF
125D Flexible Benefit Plan	414010	4,725	5,000	275	5.8%
Flowers, Cards, Memorials	414050	1,600	2,000	400	25.0%
Other Post Employment Benefits (OPEB)	412040	120,000	-	(120,000)	-100.0%
Worker's Comp - Returns Of Premium/Divid	411030	(20,000)	(14,500)	5,500	-27.5%
TOTAL BENEFITS BEFORE TRANSFERS		11,921,811	11,972,611	50,800	0.4%
BENEFITS Transfers		(2,912,217)	(3,199,036)	(286,819)	9.8%
Net BENEFITS		9,009,594	8,773,575	(236,019)	-2.6%

COMMODITIES

Chemicals - Water Treatment	424070	5,677,008	5,096,548	(580,460)	-10.2%
Power - Transmission	424030	4,656,332	4,767,404	111,072	2.4%
Power - Source	424020	2,052,830	2,389,199	336,369	16.4%
Power - Distribution	424010	1,718,130	1,753,118	34,988	2.0%
Material & Supplies	421070	1,386,650	1,383,200	(3,450)	-0.2%
Inventory Withdrawals	421070	948,255	879,311	(68,944)	-7.3%
Natural Gas	424050	396,475	314,446	(82,029)	-20.7%
Electricity	424040	222,700	234,416	11,716	5.3%
BPU Water Purchased In-House	424065	75,000	163,235	88,235	117.6%
Small Tools & Equipment	421130	192,998	162,790	(30,208)	-15.7%
Uniforms	421160	95,520	101,445	5,925	6.2%
On-Line Analyzer Supplies	421090	78,000	80,000	2,000	2.6%
Kitchen Supplies	421040	55,000	70,800	15,800	28.7%
Safety Equipment & Supplies	421110	60,240	68,800	8,560	14.2%
Office Supplies	421080	37,015	38,055	1,040	2.8%
Postage	426280	20,300	19,000	(1,300)	-6.4%
Other General Settlement	599000	29,523	16,379	(13,144)	-44.5%
Elec. Communication Device	423150	15,000	10,000	(5,000)	-33.3%
Paper & Print Supplies	421100	8,750	9,100	350	4.0%
Medical & First Aid Supplies	421060	7,500	5,500	(2,000)	-26.7%
Crushed Rock	421020	30,700	4,700	(26,000)	-84.7%
OT Meals	426230	4,850	3,350	(1,500)	-30.9%
Envelopes	421030	3,000	3,100	100	3.3%
Proactive Safety Recognition	421120	2,300	2,300	-	0.0%
Software - Misc Small Purchases	421140	2,000	2,000	-	0.0%
Topsoil	421150	2,470	400	(2,070)	-83.8%
Flowable Fill	421025	4,000	-	(4,000)	-100.0%
Cash Discount Taken	426560	(16,000)	(5,700)	10,300	-64.4%
TOTAL COMMODITIES BEFORE TRANSFERS		17,766,546	17,572,896	(193,650)	-1.1%
COMMODITIES Transfers		(741,904)	(912,090)	(170,185)	22.9%
Net COMMODITIES		17,024,642	16,660,806	(363,835)	-2.1%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	2018	2019	\$ DIF	% DIF
SERVICES					
PC Software License & Maintenance	426250	791,085	984,515	193,430	24.5%
Contracted Services	422090	657,636	651,287	(6,349)	-1.0%
Property & Liability Insurance	425010	589,271	642,232	52,961	9.0%
Clean Drinking Water Fee	426070	597,894	599,556	1,662	0.3%
Water Billing Services	422430	474,000	474,000	-	0.0%
Security and/or Security Guards	422340	468,825	462,172	(6,653)	-1.4%
Telecom	423030	449,640	457,080	7,440	1.7%
Training	426340	312,225	359,800	47,575	15.2%
Telecom - Cell Phones	423120	236,958	205,356	(31,602)	-13.3%
Maintenance Services	422240	246,970	203,180	(43,790)	-17.7%
Mowing & Landscaping	422270	182,350	182,500	150	0.1%
Uncollectible Accounts	426350	190,000	150,000	(40,000)	-21.1%
Kansas River Water Assurance Dist. (KRWAD)	426190	182,177	147,421	(34,756)	-19.1%
Cleaning & Inspecting Facilities	422080	139,213	131,175	(8,038)	-5.8%
Laboratory Services	422170	149,449	124,449	(25,000)	-16.7%
Engineering	422100	138,000	120,000	(18,000)	-13.0%
Non-Employee Overload	426210	-	113,400	113,400	NA
Dues & Local Meetings	426120	86,793	105,930	19,137	22.0%
Property Tax Assessment	426290	83,004	96,316	13,312	16.0%
Vehicle Repair Services	422420	67,450	76,870	9,420	14.0%
Clean Up	422070	279,700	70,500	(209,200)	-74.8%
Checking Account Service Fees	426040	68,000	70,000	2,000	2.9%
IT Hardware Maintenance	423022	155,506	67,400	(88,106)	-56.7%
Vehicle & Equipment Rental	426360	87,600	65,800	(21,800)	-24.9%
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%
Subscriptions & Reference Materials	426330	50,430	53,182	2,752	5.5%
Meter Reading - AMR Services	422260	71,900	50,000	(21,900)	-30.5%
Recruitment Costs	426130	45,000	50,000	5,000	11.1%
Auditing Fees	422030	46,875	48,080	1,205	2.6%
AWWA Research Foundation Fees	426030	46,821	45,836	(985)	-2.1%
Printing Services	422330	55,570	45,160	(10,410)	-18.7%
Pavement Repair	422290	939,350	43,500	(895,850)	-95.4%
Bank Lockbox Processing Fees	426060	48,000	40,000	(8,000)	-16.7%
WaterOne Memberships	426390	34,330	36,095	1,765	5.1%
Vehicle License & Registration	426370	46,525	35,000	(11,525)	-24.8%
Cathodic Protection	422060	23,925	23,727	(198)	-0.8%
Payroll Processing	422300	26,171	23,430	(2,741)	-10.5%
Equipment Repair Services	422110	12,150	21,250	9,100	74.9%
Legal Services	422180	20,000	20,000	-	0.0%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	2018	2019	\$ DIF	% DIF
Help Wanted Ads	426160	18,000	18,000	-	0.0%
General Expenses & Miscellaneous	426150	7,950	17,375	9,425	118.6%
Delivery Charges (UPS/Fed Ex/Local)	426110	18,875	17,014	(1,861)	-9.9%
Environmental & Risk Mgmt	426140	11,550	16,120	4,570	39.6%
Radio Charges	423075	15,800	15,800	-	0.0%
Financial Advisory Services	422120	14,827	14,827	-	0.0%
Answering Service	422020	14,000	14,000	-	0.0%
Maintenance - Itron System	422190	15,750	13,350	(2,400)	-15.2%
Post Offer Physicals	426270	12,400	12,400	-	0.0%
Trash Removal Services	422400	11,660	12,100	440	3.8%
IT Maint - Printers	423024	22,400	10,400	(12,000)	-53.6%
Interest On Security Deposits	426170	2,942	9,383	6,441	218.9%
Pre-Employment Services	422320	7,500	8,700	1,200	16.0%
Permit & Easement Fees	426260	26,100	7,500	(18,600)	-71.3%
Advertising	422010	9,840	7,340	(2,500)	-25.4%
Bank Account Reconciliation Fees	426020	3,200	4,100	900	28.1%
Commitment To Excellence Award	426080	2,800	3,500	700	25.0%
Arbitrage Services	422122	-	3,000	3,000	NA
Other Services Settlement	539100	4,750	2,800	(1,950)	-41.1%
Barricade Rental	422040	36,650	2,500	(34,150)	-93.2%
Storage Expenses	422380	2,500	2,500	-	0.0%
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Medical Testing Services	422250	-	1,950	1,950	NA
Reimburse Damage To Other Utilities	426300	5,800	1,000	(4,800)	-82.8%
Kansas One Call Fee	422165	500	500	-	0.0%
Spoil Removal	422075	3,200	400	(2,800)	-87.5%
Water Rights	426380	400	400	-	0.0%
IT Maint - SAAS	423021	55,150	-	(55,150)	-100.0%
AIMS License Agreement	426010	37,109	-	(37,109)	-100.0%
Job Work Revenue Credits	426180	(7,000)	(15,750)	(8,750)	125.0%
TOTAL SERVICES BEFORE TRANSFERS		8,517,447	7,359,408	(1,158,038)	-13.6%
SERVICES Transfers		(500,500)	(493,890)	6,610	-1.3%
Net SERVICES		8,016,947	6,865,518	(1,151,428)	-14.4%
GRAND TOTAL		55,397,311	54,179,874	(1,217,437)	-2.2%

Numbers may not add due to rounding

H:\Finance\FINSHARE\1BUDGET\2019 Budget\O&M\[District Level O_M Comparison-19Z.xlsx]By Category-ALL ACCTS

2019 Budget Compared to 2018 Budget
O&M ACCOUNTS BY CATEGORY

8/10/2018

	Account Number	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL					
Labor - Non OT	410010	26,334,242	27,810,369	1,476,127	5.6%
Labor - OT	410015	1,055,913	1,043,882	(12,031)	-1.1%
Water Board Salaries	410080	60,000	60,000	-	0.0%
TOTAL PAYROLL BEFORE TRANSFERS		27,450,155	28,914,251	1,464,096	5.3%
PAYROLL Transfers		(6,104,027)	(7,034,277)	(930,250)	15.2%
Net PAYROLL		21,346,128	21,879,974	533,846	2.5%
BENEFITS					
Employee Insurance - Health	413010	4,567,633	4,498,988	(68,645)	-1.5%
Pension DB – Final Pay Plan	412010	2,547,775	2,380,384	(167,391)	-6.6%
Pension DB – Cash Balance Plan	412050	50,526	54,196	3,670	7.3%
Pension DC – WaterOne	412020	426,627	418,105	(8,522)	-2.0%
Pension DC – (New) WaterOne	412052	305,623	369,963	64,340	21.1%
Pension DC – Match	412030	300,345	294,346	(5,999)	-2.0%
Pension DC – (New) Match	412051	195,980	245,563	49,583	25.3%
FICA	411010	2,016,340	2,133,595	117,255	5.8%
Retirees Insurance - Health	413050	358,287	370,720	12,433	3.5%
Worker's Compensation	411020	255,876	276,100	20,224	7.9%
Employee Insurance - Dental	413020	207,429	213,037	5,608	2.7%
Retirees Insurance - Health Subsidy	413052	150,000	152,798	2,798	1.9%
Employee Health - Retiree Subsidy	413015	(150,000)	(152,798)	(2,798)	1.9%
Other Tangible Employee Benefits	414030	85,800	147,630	61,830	72.1%
Employee Insurance - Life	413030	105,384	112,176	6,792	6.4%
Compensation & Benefits Consulting Services	414020	50,000	111,000	61,000	122.0%
Employee Insurance - Long/Short Term Disabil.	413040	118,477	109,504	(8,973)	-7.6%
Car Allowance - Employees	426065	60,900	61,500	600	1.0%
Employee Insurance - Vision	413025	39,958	40,282	324	0.8%
Employees Association Activity	414040	24,350	33,300	8,950	36.8%
Health Related Training & Counseling	414060	32,600	32,600	-	0.0%
Unemployment Insurance	411050	26,394	27,870	1,476	5.6%
Service Awards	414070	17,000	17,000	-	0.0%
Retirees Insurance - Life	413060	7,182	16,252	9,070	126.3%
Tuition Reimbursement	414100	10,000	10,000	-	0.0%
WOW & Water Spout Awards	414090	5,000	6,000	1,000	20.0%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	2018	2019	\$ DIF	% DIF
125D Flexible Benefit Plan	414010	4,725	5,000	275	5.8%
Flowers, Cards, Memorials	414050	1,600	2,000	400	25.0%
Other Post Employment Benefits (OPEB)	412040	120,000	-	(120,000)	-100.0%
Worker's Comp - Returns Of Premium/Divid	411030	(20,000)	(14,500)	5,500	-27.5%
TOTAL BENEFITS BEFORE TRANSFERS		11,921,811	11,972,611	50,800	0.4%
BENEFITS Transfers		(2,912,217)	(3,199,036)	(286,819)	9.8%
Net BENEFITS		9,009,594	8,773,575	(236,019)	-2.6%

COMMODITIES

Chemicals - Water Treatment	424070	5,677,008	5,096,548	(580,460)	-10.2%
Power - Transmission	424030	4,656,332	4,684,404	28,072	0.6%
Power - Source	424020	2,052,830	2,112,774	59,944	2.9%
Power - Distribution	424010	1,718,130	1,753,118	34,988	2.0%
Material & Supplies	421070	1,386,650	1,383,200	(3,450)	-0.2%
Inventory Withdrawals	421070	948,255	879,311	(68,944)	-7.3%
Natural Gas	424050	396,475	314,446	(82,029)	-20.7%
Electricity	424040	222,700	234,416	11,716	5.3%
BPU Water Purchased In-House	424065	75,000	163,235	88,235	117.6%
Small Tools & Equipment	421130	192,998	162,790	(30,208)	-15.7%
Uniforms	421160	95,520	101,445	5,925	6.2%
On-Line Analyzer Supplies	421090	78,000	80,000	2,000	2.6%
Kitchen Supplies	421040	55,000	70,800	15,800	28.7%
Safety Equipment & Supplies	421110	60,240	68,800	8,560	14.2%
Office Supplies	421080	37,015	38,055	1,040	2.8%
Postage	426280	20,300	19,000	(1,300)	-6.4%
Other General Settlement	599000	29,523	16,379	(13,144)	-44.5%
Elec. Communication Device	423150	15,000	10,000	(5,000)	-33.3%
Paper & Print Supplies	421100	8,750	9,100	350	4.0%
Medical & First Aid Supplies	421060	7,500	5,500	(2,000)	-26.7%
Crushed Rock	421020	30,700	4,700	(26,000)	-84.7%
OT Meals	426230	4,850	3,350	(1,500)	-30.9%
Envelopes	421030	3,000	3,100	100	3.3%
Proactive Safety Recognition	421120	2,300	2,300	-	0.0%
Software - Misc Small Purchases	421140	2,000	2,000	-	0.0%
Topsoil	421150	2,470	400	(2,070)	-83.8%
Flowable Fill	421025	4,000	-	(4,000)	-100.0%
Cash Discount Taken	426560	(16,000)	(5,700)	10,300	-64.4%
TOTAL COMMODITIES BEFORE TRANSFERS		17,766,546	17,213,471	(553,075)	-3.1%
COMMODITIES Transfers		(741,904)	(912,089)	(170,185)	22.9%
Net COMMODITIES		17,024,642	16,301,382	(723,260)	-4.2%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	<u>2018</u>	<u>2019</u>	<u>\$ DIF</u>	<u>% DIF</u>
SERVICES					
PC Software License & Maintenance	426250	791,085	984,515	193,430	24.5%
Contracted Services	422090	657,636	651,287	(6,349)	-1.0%
Property & Liability Insurance	425010	589,271	642,232	52,961	9.0%
Clean Drinking Water Fee	426070	597,894	599,556	1,662	0.3%
Water Billing Services	422430	474,000	474,000	-	0.0%
Security and/or Security Guards	422340	468,825	462,172	(6,653)	-1.4%
Telecom	423030	449,640	457,080	7,440	1.7%
Training	426340	312,225	359,800	47,575	15.2%
Telecom - Cell Phones	423120	236,958	205,356	(31,602)	-13.3%
Maintenance Services	422240	246,970	203,180	(43,790)	-17.7%
Mowing & Landscaping	422270	182,350	182,500	150	0.1%
Uncollectible Accounts	426350	190,000	150,000	(40,000)	-21.1%
Kansas River Water Assurance Dist. (KRWAD)	426190	182,177	147,421	(34,756)	-19.1%
Cleaning & Inspecting Facilities	422080	139,213	131,175	(8,038)	-5.8%
Laboratory Services	422170	149,449	124,449	(25,000)	-16.7%
Engineering	422100	138,000	120,000	(18,000)	-13.0%
Non-Employee Overload	426210	-	113,400	113,400	NA
Dues & Local Meetings	426120	86,793	105,930	19,137	22.0%
Property Tax Assessment	426290	83,004	96,316	13,312	16.0%
Vehicle Repair Services	422420	67,450	76,870	9,420	14.0%
Clean Up	422070	279,700	70,500	(209,200)	-74.8%
Checking Account Service Fees	426040	68,000	70,000	2,000	2.9%
IT Hardware Maintenance	423022	155,506	67,400	(88,106)	-56.7%
Vehicle & Equipment Rental	426360	87,600	65,800	(21,800)	-24.9%
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%
Subscriptions & Reference Materials	426330	50,430	53,182	2,752	5.5%
Meter Reading - AMR Services	422260	71,900	50,000	(21,900)	-30.5%
Recruitment Costs	426130	45,000	50,000	5,000	11.1%
Auditing Fees	422030	46,875	48,080	1,205	2.6%
AWWA Research Foundation Fees	426030	46,821	45,836	(985)	-2.1%
Printing Services	422330	55,570	45,160	(10,410)	-18.7%
Pavement Repair	422290	939,350	43,500	(895,850)	-95.4%
Bank Lockbox Processing Fees	426060	48,000	40,000	(8,000)	-16.7%
WaterOne Memberships	426390	34,330	36,095	1,765	5.1%
Vehicle License & Registration	426370	46,525	35,000	(11,525)	-24.8%
Cathodic Protection	422060	23,925	23,727	(198)	-0.8%
Payroll Processing	422300	26,171	23,430	(2,741)	-10.5%
Equipment Repair Services	422110	12,150	21,250	9,100	74.9%
Legal Services	422180	20,000	20,000	-	0.0%

WaterOne 2019 Budget

Operations and Maintenance

	Account Number	2018	2019	\$ DIF	% DIF
Help Wanted Ads	426160	18,000	18,000	-	0.0%
General Expenses & Miscellaneous	426150	7,950	17,375	9,425	118.6%
Delivery Charges (UPS/Fed Ex/Local)	426110	18,875	17,014	(1,861)	-9.9%
Environmental & Risk Mgmt	426140	11,550	16,120	4,570	39.6%
Radio Charges	423075	15,800	15,800	-	0.0%
Financial Advisory Services	422120	14,827	14,827	-	0.0%
Answering Service	422020	14,000	14,000	-	0.0%
Maintenance - Itron System	422190	15,750	13,350	(2,400)	-15.2%
Post Offer Physicals	426270	12,400	12,400	-	0.0%
Trash Removal Services	422400	11,660	12,100	440	3.8%
IT Maint - Printers	423024	22,400	10,400	(12,000)	-53.6%
Interest On Security Deposits	426170	2,942	9,383	6,441	218.9%
Pre-Employment Services	422320	7,500	8,700	1,200	16.0%
Permit & Easement Fees	426260	26,100	7,500	(18,600)	-71.3%
Advertising	422010	9,840	7,340	(2,500)	-25.4%
Bank Account Reconciliation Fees	426020	3,200	4,100	900	28.1%
Commitment To Excellence Award	426080	2,800	3,500	700	25.0%
Arbitrage Services	422122	-	3,000	3,000	NA
Other Services Settlement	539100	4,750	2,800	(1,950)	-41.1%
Barricade Rental	422040	36,650	2,500	(34,150)	-93.2%
Storage Expenses	422380	2,500	2,500	-	0.0%
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Medical Testing Services	422250	-	1,950	1,950	NA
Reimburse Damage To Other Utilities	426300	5,800	1,000	(4,800)	-82.8%
Kansas One Call Fee	422165	500	500	-	0.0%
Spoil Removal	422075	3,200	400	(2,800)	-87.5%
Water Rights	426380	400	400	-	0.0%
IT Maint - SAAS	423021	55,150	-	(55,150)	-100.0%
AIMS License Agreement	426010	37,109	-	(37,109)	-100.0%
Job Work Revenue Credits	426180	(7,000)	(15,750)	(8,750)	125.0%
TOTAL SERVICES BEFORE TRANSFERS		8,517,447	7,359,408	(1,158,038)	-13.6%
SERVICES Transfers		(500,500)	(493,890)	6,610	-1.3%
Net SERVICES		8,016,947	6,865,518	(1,151,428)	-14.4%
GRAND TOTAL		55,397,311	53,820,449	(1,576,862)	-2.8%

Numbers may not add due to rounding

H:\Finance\FINSHARE\1BUDGET\2019 Budget\O&M\[District Level O_M Comparison-19B.xlsx]By Category-ALL ACCTS

**2018 Approved and 2019 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2018**

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.			2018 APPROVED BUDGET			2019 PROPOSED BUDGET			
			2018 Estimated Actual Over <Under> 2018 Budget			2019 Budget Increase <Decrease> from 2018 Estimated Actual			
			2018 Budget	% Over <Under> Budget		2019 Budget	% Increase <Decrease>		
Cost Elements			2018 ESTIMATED ACTUAL						
PERSONNEL COSTS									
P1	410010 Labor - Gross	\$ 25,533,789	\$ 26,334,242	\$ (800,453)	-3.0%	\$ 27,810,369	\$ 2,276,580	8.9%	
	410015 Labor - OT Gross	1,246,952	1,055,913	191,039	18.1%	1,043,882	(203,070)	-16.3%	
	410020 Labor Vacation Accrual - Gross	0	0	-	100.0%	-	-	100.0%	
P2	410080 Water Board Salary	60,175	60,000	175	0.3%	60,000	(175)	-0.3%	
	413010 Employee Insurance - Health	3,847,353	4,567,633	(720,280)	-15.8%	4,498,988	651,635	16.9%	
	412010 Pension DB - Final Pay Plan	2,635,002	2,547,775	87,227	3.4%	2,380,384	(254,618)	-9.7%	
P3	412050 Pension DB - Cash Balance Plan	48,504	50,526	(2,022)	-4.0%	54,196	5,692	11.7%	
	412020 Pension DC - District	443,860	426,627	17,233	4.0%	418,105	(25,755)	-5.8%	
	412052 Pension DC - District (New)	308,780	305,623	3,157	1.0%	369,963	61,183	19.8%	
P4	412030 Pension DC - Match	315,829	300,345	15,484	5.2%	294,346	(21,483)	-6.8%	
	412051 Pension DC - Match (New)	261,125	195,980	65,145	33.2%	245,563	(15,562)	-6.0%	
	411010 FICA - Gross	1,986,799	2,016,340	(29,541)	-1.5%	2,133,595	146,796	7.4%	
P5	413050 Retiree Insurance - Health	278,554	358,287	(79,733)	-22.3%	370,720	92,166	33.1%	
	411020 Worker's Comp	263,918	255,876	8,042	3.1%	261,600	(2,318)	-0.9%	
	413020 Employee Insurance - Dental	195,126	207,429	(12,303)	-5.9%	213,037	17,911	9.2%	
P6	413052 Retiree Insurance - Health Subsidy	150,000	150,000	-	0.0%	152,798	2,798	1.9%	
	413015 Employee Insurance - Health Subsidy	(150,000)	(150,000)	-	0.0%	(152,798)	(2,798)	1.9%	
	413030 Employee Insurance - Life	120,909	105,384	15,525	14.7%	112,176	(8,733)	-7.2%	
P7	414030 Employee Benefits - Other	97,034	85,800	11,234	13.1%	147,630	50,596	52.1%	
	414020 Compensation & Benefit Consulting Svcs	95,470	50,000	45,470	90.9%	111,000	15,530	16.3%	
	413040 Employee Insurance - LT & ST Disability	105,003	118,477	(13,474)	-11.4%	109,504	4,501	4.3%	
	426065 Car Allowance	61,350	60,900	450	0.7%	61,500	150	0.2%	
	413025 Employee Insurance - Vision	36,564	39,958	(3,394)	-8.5%	40,282	3,718	10.2%	
	414040 Employee Association Activity	28,835	24,350	4,485	18.4%	33,300	4,465	15.5%	
	414060 Health Training/Counseling	27,586	32,600	(5,014)	-15.4%	32,600	5,014	18.2%	
	411050 Unemployment Insurance	26,249	26,394	(145)	-0.5%	27,870	1,621	6.2%	
	414070 Service Awards	20,679	17,000	3,679	21.6%	17,000	(3,679)	-17.8%	
	413060 Retiree Insurance - Life	25,089	7,182	17,907	249.3%	16,252	(8,837)	-35.2%	
	414100 Tuition Reimbursement	9,061	10,000	(939)	-9.4%	10,000	939	10.4%	
	414090 Wow & Spout Awards	11,286	5,000	6,286	125.7%	6,000	(5,286)	-46.8%	
	414010 125D Plan - Gross	11,534	4,725	6,809	144.1%	5,000	(6,534)	-56.7%	
	414050 Flowers, Cards, Memorials	1,215	1,600	(385)	-24.1%	2,000	785	64.6%	
	412040 OPEB - Gross	120,000	120,000	-	0.0%	0	(120,000)	-100.0%	
TOTAL PERSONNEL COSTS			\$ 38,103,628	\$ 39,271,966	\$ (1,168,338)	-3.0%	\$ 40,886,862	\$ 2,783,234	7.3%

P1 Main breaks have accounted for 88% of OT YTD.

P2 2018 is under budget due a premium holiday, vacant authorized positions, and a variance in the mix of coverage. There is no premium holiday projected in the 2019 budget.

P3 The 2019 budget increase is due to more participants entering the plan.

P4 2018 is under budget due a premium holiday and a variance in the mix of coverage. There is no premium holiday projected in the 2019 budget.

P5 The 2019 budget increase reflects the actual history for employee recognition as well as an increase to offset the tax implications of gift cards.

P6 The 2019 budget increase is for consulting services to evaluate current retirement plans, associated fees, and provide associated training.

P7 There is no planned funding of the OPEB reserve in 2019 based on the projected future cash flows from the actuarial report.

**2018 Approved and 2019 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2018**

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.

Cost Elements		2018 ESTIMATED ACTUAL	2018 APPROVED BUDGET			2019 PROPOSED BUDGET		
			2018 Budget	2018 Estimated Actual Over <Under> 2018 Budget	% Over <Under> Budget	2019 Budget Increase <Decrease> from 2018 Estimated Actual		% Increase <Decrease>
						2019 Budget		
COMMODITIES								
C1	424070 Chemicals - Water Treatment	\$ 6,023,799	\$ 5,677,008	\$ 346,791	6.1%	\$ 5,096,548	\$ (927,251)	-15.4%
	424030 Power - Transmission	4,680,741	4,656,332	24,409	0.5%	4,767,404	86,663	1.9%
C2	424020 Power - Source	2,397,772	2,052,830	344,942	16.8%	2,389,199	(8,573)	-0.4%
	424010 Power - Distribution	1,715,850	1,718,130	(2,280)	-0.1%	1,753,118	37,268	2.2%
	421070 Material & Supplies	1,420,904	1,386,650	34,254	2.5%	1,383,200	(37,704)	-2.7%
C3	421010 Inventory Withdrawals	1,116,966	948,255	168,711	17.8%	879,311	(237,655)	-21.3%
C4	424050 Natural Gas	379,610	396,475	(16,865)	-4.3%	314,446	(65,164)	-17.2%
	424040 Electricity	231,594	222,700	8,894	4.0%	234,416	2,822	1.2%
	424065 Water Purchased In House	165,053	75,000	90,053	120.1%	163,235	(1,818)	-1.1%
C5	421130 Small Tools & Equipment	119,480	192,998	(73,518)	-38.1%	162,790	43,310	36.2%
	421160 Uniforms	95,950	95,520	430	0.5%	101,445	5,495	5.7%
	421090 On-Line Analyzer Supplies	75,914	78,000	(2,086)	-2.7%	80,000	4,086	5.4%
	421040 Kitchen Supplies	64,407	55,000	9,407	17.1%	70,800	6,393	9.9%
	421110 Safety Equip & Supplies	70,213	60,240	9,973	16.6%	68,800	(1,413)	-2.0%
	421080 Office Supplies	29,914	37,015	(7,101)	-19.2%	38,055	8,141	27.2%
	426280 Postage	17,739	20,300	(2,561)	-12.6%	19,000	1,261	7.1%
C6	599000 Other General Settlement	35,996	29,523	6,473	21.9%	16,379	(19,617)	-54.5%
	423150 Electronic Communication Device	9,557	15,000	(5,443)	-36.3%	10,000	443	4.6%
	421100 Paper	8,306	8,750	(444)	-5.1%	9,100	794	9.6%
	421060 Med/1st Aid Supplies	2,767	7,500	(4,733)	-63.1%	5,500	2,733	98.8%
C6	519210 Crushed Rock	33,822	34,700	(878)	-2.5%	4,700	(29,122)	-86.1%
	426230 OT Meals	4,347	4,850	(503)	-10.4%	3,350	(997)	-22.9%
	421030 Envelopes	2,369	3,000	(631)	-21.0%	3,100	731	30.8%
	421120 Proactive Safety Recognition	3,245	2,300	945	41.1%	2,300	(945)	-29.1%
	421140 Software - Small Purchases	667	2,000	(1,333)	-66.7%	2,000	1,333	200.0%
	421150 Topsoil	3,011	2,470	541	21.9%	400	(2,611)	-86.7%
	426560 Cash Discounts Taken	(10,459)	(16,000)	5,541	-34.6%	(5,700)	4,759	-45.5%
TOTAL COMMODITIES		\$ 18,699,534	\$ 17,766,546	\$ 932,988	5.3%	\$ 17,572,896	\$ (1,126,638)	-6.0%

- C1 2018 is over budget due to increased water production and extended river conditions that required additional chemical treatment. The 2019 budget decrease is primarily due to the planned use of the Ozone Treatment Facility which will reduce the need for several treatment chemicals.
- C2 Source power is over budget in 2018 primarily due to the increased use of the MO intake facility.
- C3 2018 is over budget primarily due to rising fuel prices. The 2019 budget decrease is due to a planned transfer of costs associated with main breaks from expense to capital.
- C4 2019 is decreasing due to a decreased transportation cost associated with direct pipe delivery of Natural Gas for use in the Wolcott generators.
- C5 Small tools is under budget in 2018 and the 2019 budget is decreasing to reflect the average actual history.
- C6 The 2019 budget decrease is due to a planned transfer of costs associated with main breaks from expense to capital.

**2018 Approved and 2019 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2018**

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.

Cost Elements			2018 APPROVED BUDGET			2019 PROPOSED BUDGET			
			2018 Budget	2018 Estimated Actual Over <Under> 2018 Budget	% Over <Under> Budget	2019 Budget Increase <Decrease> from 2018 Estimated Actual			
						2019 Budget		% Increase <Decrease>	
SERVICES									
S1	426250	PC Software & Maint	\$ 786,635	\$ 791,085	\$ (4,450)	-0.6%	\$ 984,515	\$ 197,880	25.2%
	422090	Contracted Services	643,928	657,636	(13,708)	-2.1%	651,287	7,359	1.1%
S2	425010	P&L Insurance	570,363	589,271	(18,908)	-3.2%	642,232	71,869	12.6%
	426070	Clean Water Fee	615,025	597,894	17,131	2.9%	599,556	(15,468)	-2.5%
	422430	Water Billing Services	461,787	474,000	(12,213)	-2.6%	474,000	12,213	2.6%
	422340	Security	454,641	468,825	(14,184)	-3.0%	462,172	7,531	1.7%
	423030	Telecom	437,819	449,640	(11,821)	-2.6%	457,080	19,261	4.4%
	426340	Training	381,249	312,225	69,024	22.1%	359,800	(21,449)	-5.6%
	423120	Telecom - Cell Phones	199,690	236,958	(37,269)	-15.7%	205,356	5,667	2.8%
	422240	Maint Svcs	192,398	246,970	(54,572)	-22.1%	203,180	10,782	5.6%
	422270	Mowing & Landscaping	174,327	182,350	(8,023)	-4.4%	182,500	8,173	4.7%
	426350	Uncollectible Accounts	159,852	190,000	(30,148)	-15.9%	150,000	(9,852)	-6.2%
S3	426190	KS River Assurance District	177,988	182,177	(4,189)	-2.3%	147,421	(30,567)	-17.2%
S4	422080	Clean/Inspect Facilities	216,552	139,213	77,339	55.6%	131,175	(85,378)	-39.4%
S5	422170	Laboratory Services	95,011	149,449	(54,438)	-36.4%	124,449	29,438	31.0%
	422100	Engineering	127,729	138,000	(10,271)	-7.4%	120,000	(7,729)	-6.1%
S6	426210	Non-Employee Overload	82,116	0	82,116	100.0%	113,400	31,284	38.1%
	426120	Dues & Local Meetings	103,391	86,793	16,598	19.1%	105,930	2,539	2.5%
	426290	Property Tax Assessment	94,022	83,004	11,018	13.3%	96,316	2,294	2.4%
	422420	Vehicle Repair Services	84,717	67,450	17,267	25.6%	76,870	(7,847)	-9.3%
S7	422070	Clean Up	287,540	279,700	7,840	2.8%	70,500	(217,040)	-75.5%
	426040	Checking Account Service Fees	69,636	68,000	1,636	2.4%	70,000	364	0.5%
	423022	IT Maint - Contracted	64,961	155,506	(90,546)	-58.2%	67,400	2,440	3.8%
	422330	Printing Services	45,928	55,570	(9,642)	-17.4%	45,160	(768)	-1.7%

- S1 The 2019 budget increase is primarily due to account transfers and planned increases in annual software maintenance contracts.
- S2 The 2019 budget is increasing based on projected rate increases.
- S3 The 2019 budget is decreasing primarily due to moving the Regional Conservation Partnership Program budget to the engineering account.
- S4 2018 is over budget due to an earlier than expected cleaning of the Wolcott horizontal collector well.
- S5 2018 is under budget due to the expiration of required testing and a delay of portions of the UCMR project into 2019.
- S6 Non-Employee Overload was utilized to fill vacant authorized positions in 2018. An IT Security position is budgeted as contract labor for part of 2019.
- S7 The 2019 budget decrease is due to a planned transfer of costs associated with main breaks from expense to capital.

**2018 Approved and 2019 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2018**

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.

Cost Elements		2018 ESTIMATED ACTUAL	2018 APPROVED BUDGET			2019 PROPOSED BUDGET		
			2018 Budget	2018 Estimated Actual Over <Under> 2018 Budget	% Over <Under> Budget	2019 Budget	2019 Budget Increase <Decrease> from 2018 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	426360 Vehicle & Equipment Rental	\$ 67,884	\$ 87,600	\$ (19,716)	-22.5%	\$ 65,800	\$ (2,084)	-3.1%
	425030 P&L Ins - Self	52,507	60,000	(7,493)	-12.5%	60,000	7,493	14.3%
	426330 Subs & Reference Material	54,673	50,430	4,243	8.4%	53,182	(1,491)	-2.7%
S8	422260 Meter Reading - AMR Services	65,778	71,900	(6,122)	-8.5%	50,000	(15,778)	-24.0%
	426130 Recruitment Costs	45,694	45,000	694	1.5%	50,000	4,306	9.4%
	422030 Auditing Fees	46,746	46,875	(129)	-0.3%	48,080	1,334	2.9%
	426030 AWWA Research Foundation Fees	46,821	46,821	(0)	0.0%	45,836	(985)	-2.1%
S9	519270 Pavement Repair	1,029,832	939,350	90,482	9.6%	43,500	(986,332)	-95.8%
	426060 Bank Lockbox Fees	43,272	48,000	(4,728)	-9.9%	40,000	(3,272)	-7.6%
	426390 WaterOne Membership	30,691	34,330	(3,639)	-10.6%	36,095	5,404	17.6%
	426370 Vehicle License & Registration	44,413	46,525	(2,112)	-4.5%	35,000	(9,413)	-21.2%
	422060 Cathodic Protection	20,392	23,925	(3,533)	-14.8%	23,727	3,335	16.4%
	422300 Payroll Processing	23,490	26,171	(2,681)	-10.2%	23,430	(60)	-0.3%
	422110 Equip Repair Svcs	20,119	12,150	7,969	65.6%	21,250	1,131	5.6%
	422180 Legal Services	25,033	20,000	5,033	25.2%	20,000	(5,033)	-20.1%
	426160 Help Wanted Ads	14,501	18,000	(3,499)	-19.4%	18,000	3,499	24.1%
	426150 General Expense & Miscellaneous	22,972	7,950	15,022	189.0%	17,375	(5,597)	-24.4%
	426110 Delivery Charges	19,818	18,875	943	5.0%	17,014	(2,804)	-14.1%
	426140 Environ & Risk Management	21,540	11,550	9,990	86.5%	16,120	(5,420)	-25.2%
	423075 Radio Charges (Fleet)	14,484	15,800	(1,316)	-8.3%	15,800	1,316	9.1%
	422120 Financial Advisory Services	14,574	14,827	(253)	-1.7%	14,827	253	1.7%
	422020 Answering Service	15,990	14,000	1,990	14.2%	14,000	(1,990)	-12.4%

S8 The 2019 budget is decreasing due to partial AMI implementation.

S9 The 2019 budget decrease is due to a planned transfer of costs associated with main breaks from expense to capital.

**2018 Approved and 2019 Proposed O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2018**

Explanations are provided when there is a \$10,000 and 10% 2019 Budget Increase <Decrease> from the 2018 Estimated Actual.

Cost Elements		2018 ESTIMATED ACTUAL	2018 APPROVED BUDGET			2019 PROPOSED BUDGET		
			2018 Budget	2018 Estimated Actual Over <Under> 2018 Budget	% Over <Under> Budget	2019 Budget	2019 Budget Increase <Decrease> from 2018 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	422190 Maint -Itron System	\$ 13,172	\$ 15,750	\$ (2,578)	-16.4%	\$ 13,350	\$ 178	1.4%
	426270 Post Offer Physical	11,273	12,400	(1,127)	-9.1%	12,400	1,127	10.0%
	422400 Trash Removal Services	11,878	11,660	218	1.9%	12,100	222	1.9%
	423024 IT Maint - Printers	13,258	22,400	(9,142)	-40.8%	10,400	(2,858)	-21.6%
	426170 Interest On Security Deposit	5,625	2,942	2,683	91.2%	9,383	3,758	66.8%
	422320 Pre-Employment Services	11,307	7,500	3,807	50.8%	8,700	(2,607)	-23.1%
S10	426260 Permit & Easement Fees	25,276	26,100	(824)	-3.2%	7,500	(17,776)	-70.3%
	422010 Advertising	6,436	9,840	(3,404)	-34.6%	7,340	904	14.1%
	426020 Bank Account Reconciliation Fees	3,751	3,200	551	17.2%	4,100	349	9.3%
	426080 Commitment To Excellence Program	4,420	2,800	1,620	57.9%	3,500	(920)	-20.8%
	422122 Arbitrage Services	-	0	-	100.0%	3,000	3,000	100.0%
	539100 Other Serv Settlement	4,817	4,750	67	1.4%	2,800	(2,017)	-41.9%
	422380 Storage Expenses	922	2,500	(1,578)	-63.1%	2,500	1,578	171.1%
S10	519240 Barricade Rental	31,728	36,650	(4,922)	-13.4%	2,500	(29,228)	-92.1%
	422150 Indoor Plants Svcs	2,075	2,000	75	3.7%	2,000	(75)	-3.6%
	422250 Medical Testing Services	3,267	0	3,267	100.0%	1,950	(1,317)	-40.3%
	426300 Reimburse Other Utility	4,523	5,800	(1,277)	-22.0%	1,000	(3,523)	-77.9%
	422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
	519250 Spoil Removal	1,067	3,200	(2,133)	-66.7%	400	(667)	-62.5%
	426380 Water Rights	206	400	(194)	-48.5%	400	194	94.2%
S11	426010 AIMS License Agreement	37,302	37,109	193	0.5%	0	(37,302)	-100.0%
S12	423021 IT Maint - SAAS	49,208	55,150	(5,942)	-10.8%	0	(49,208)	-100.0%
	422160 KS Water Analysis	4,607	0	4,607	100.0%	0	(4,607)	-100.0%
	426180 Job Work Revenue Credit	(7,771)	(7,000)	(771)	11.0%	(15,750)	(7,979)	102.7%
TOTAL SERVICES		\$ 8,507,542	\$ 8,517,447	\$ (9,905)	-0.1%	\$ 7,359,408	\$ (1,148,133)	-13.5%

S10 The 2019 budget decrease is due to a planned transfer of costs associated with main breaks from expense to capital.

S11 The 2019 budget for this license to Johnson County's GIS system (AIMS) was transferred to PC Software and Maintenance.

S12 The 2019 budgets for contracted GIS support, applicant tracking, and learning management were moved to 'PC Software & Maintenance'.

TOTAL TRANSFERS	(\$11,058,510)	(\$10,258,648)	(\$799,862)	7.8%	(\$11,639,293)	(\$580,782)	5.3%
TOTAL O&M	\$ 54,252,194	\$ 55,297,311	\$ (1,045,117)	-1.9%	\$ 54,179,874	\$ (72,320)	-0.1%

Numbers may not total due to rounding

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 2019, a total of 390 full time, four part time, and 22 temporary/summer positions are budgeted. This includes three new full time positions. The total FTEs after all adjustments are 398.63 which is an increase of 3.0 versus the 2018 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 salary, benefits, other O&M, and capital is \$336,051.

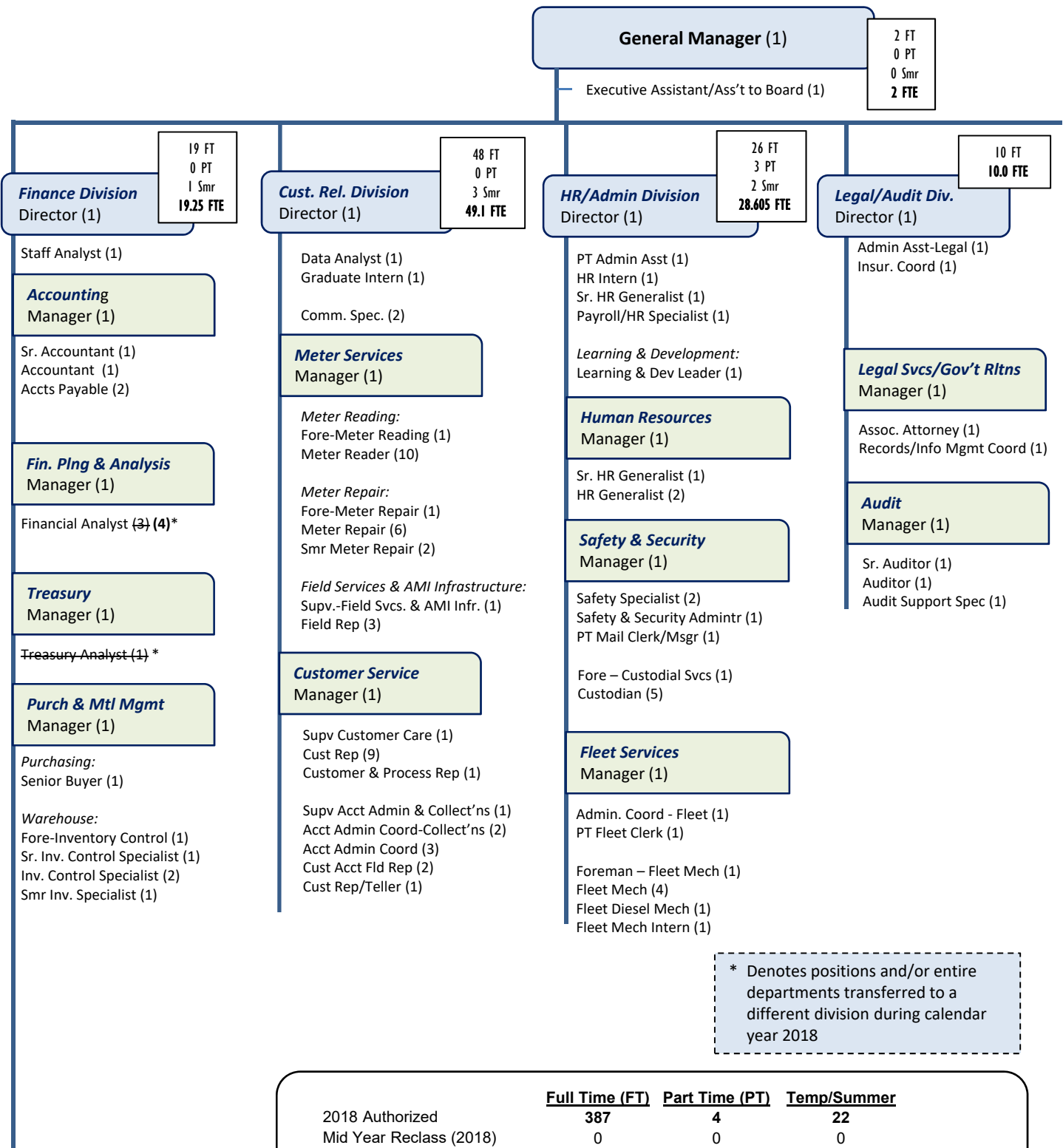
The budget includes a performance compensation adjustment of 3.50%.

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 2019, the five-year plan is from 2020 to 2024.

WATERONE ORGANIZATIONAL

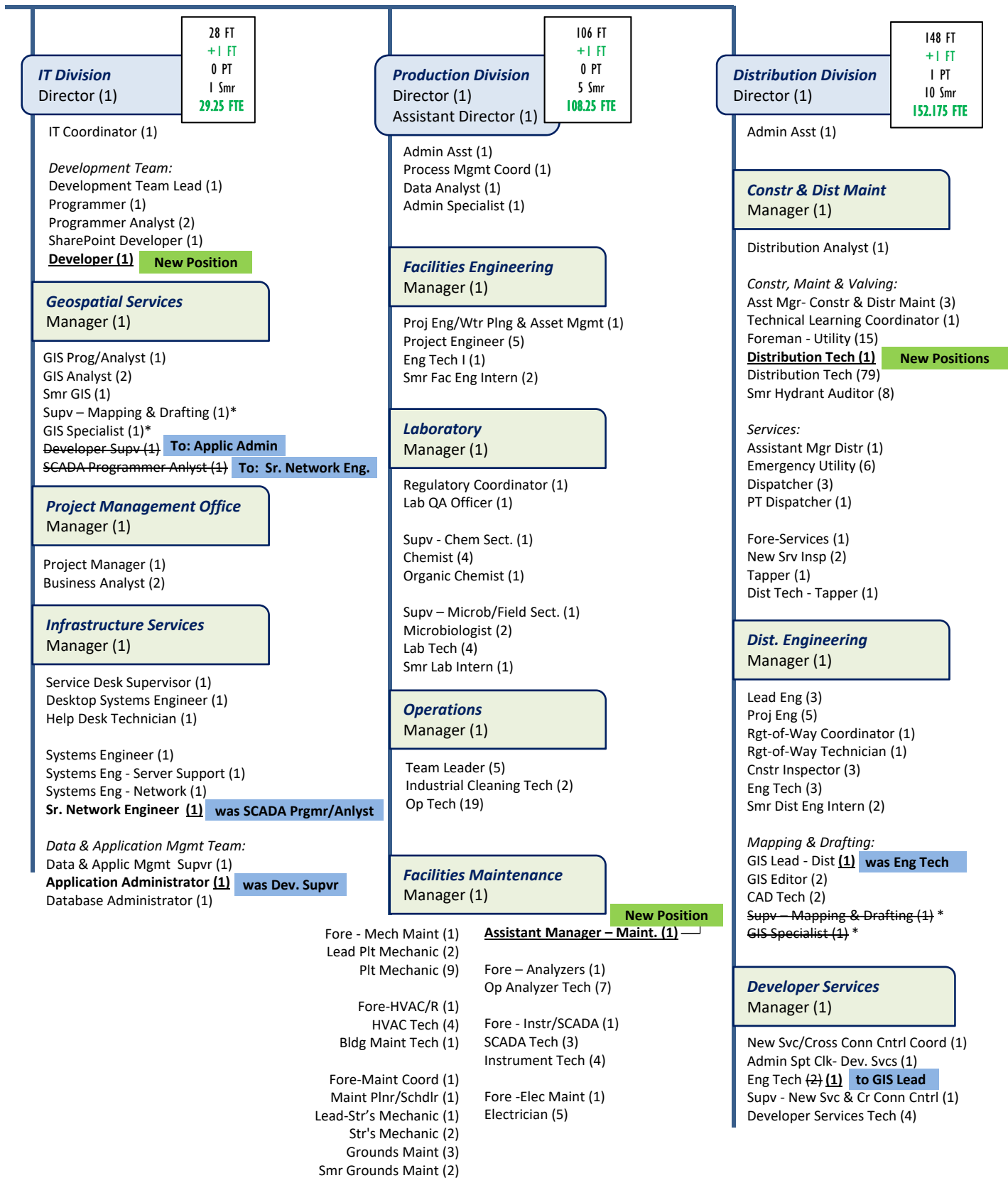


* Denotes positions and/or entire departments transferred to a different division during calendar year 2018

Color Legend:

Elimination
2018 Mid Year Reclass
New Position
2019 Reclass

	Full Time (FT)	Part Time (PT)	Temp/Summer	
2018 Authorized	387	4	22	
Mid Year Reclass (2018)	0	0	0	
New Positions	3	0	0	
Reclass (2019)	0	0	0	
Eliminated Positions	0	0	0	
Total 2019	390	4	22	
Full Time Equivalents (FTEs)				
2018 Authorized	387	2.5	6.13	395.63
2019 Authorized	390	2.5	6.13	398.63
Net FTE Increase				3.00



WaterOne 2019 Budget

Costs Related to New Personnel

		Full Year Salary	Full Year Benefits	Other O&M*	Total O&M
Production					
Facilities Maintenance					
<i>January</i> Assistant Manager	Full Time	\$105,600	\$31,680	\$650	\$137,930
PRODUCTION TOTAL		\$105,600	\$31,680	\$650	\$137,930
Distribution					
Construction Maintenance Valving Services (CMVS)					
<i>January</i> Distribution Technician	Full Time	\$46,301	\$13,890	-	\$60,191
DISTRIBUTION TOTAL		\$46,301	\$13,890	-	\$60,191
Information Technology					
Applications					
<i>January</i> Developer	Full Time	\$105,600	\$31,680	\$650	\$137,930
INFORMATION TECHNOLOGY TOTAL		\$105,600	\$31,680	\$650	\$137,930
TOTAL 2019 BUDGET for NEW EMPLOYEES		\$257,501	\$77,250	\$1,300	\$336,051

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

There are no capital cost related to these new positions.

H:\Finance\FINSHARE\1BUDGET\2019 Budget\BOARD DRAFT Budget Book\06-Personnel\[Additional Personnel Cost-2019.xlsx]O&M

WaterOne 2019 Budget

PERSONNEL

Production 2019

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2019 Costs
Assistant Manager	\$105,600	\$105,600	\$31,680	\$650	\$0	\$137,930

Department Facilities Maintenance
 Type Full Time
 Start Date January 2019

Justification The Assistant Manager will work closely with the Facilities Maintenance Manager as part of a succession planning strategy. The Manager is a vital part of many significant projects, interactions with vendors, coordination with various departments, and ensuring the vast array of physical equipment assets perform properly and for their full life.

During this transition period, the opportunity to discover and document procedures will ensure future success. This timeframe will be utilized to analyze current procedures, develop best practices, identify efficiencies, and create training and development plans for shop foremen.

When the transition period is complete, this position will be reclassified to a new position in the Production Division.

Total Production Division	\$105,600	\$105,600	\$31,680	\$650	\$0	\$137,930
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WaterOne 2019 Budget

PERSONNEL

Distribution 2019

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2019 Costs
Distribution Technician	\$46,301	\$46,301	\$13,890	\$0	\$0	\$60,191

Department Construction Maintenance Valving and Services (CMVS)

Type Full Time

Start Date January 2019

Justification The Distribution Technician will be part of a new two man vacuum crew. The additional personnel for the vacuum crew will be moved over from the current horizontal directional drill crew.

With the significant increase of fiber optic cables in WaterOne's service territory, the potential for damaged utilities has increased. The new vacuum crew will help mitigate the potential conflicts in excavation sites and improve project efficiency through site preparation.

Vacuum crews spot utilities on replacement jobs and main breaks, clean valve boxes for auditing, and work on transmission main projects. The most efficient use of a vacuum crew is to spot utilities before the construction crew arrives. This saves construction crews time because they would have to spot utilities by hand or backhoe otherwise. The manual process can cause project delays, while the backhoe could cause damage to utilities.

Total Distribution Division	\$46,301	\$46,301	\$13,890	\$0	\$0	\$60,191
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WaterOne 2019 Budget

PERSONNEL

Information Technology 2019

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2019 Costs
Developer	\$105,600	\$105,600	\$31,680	\$650	\$0	\$137,930

Department Applications
Type Full Time
Start Date January 2019

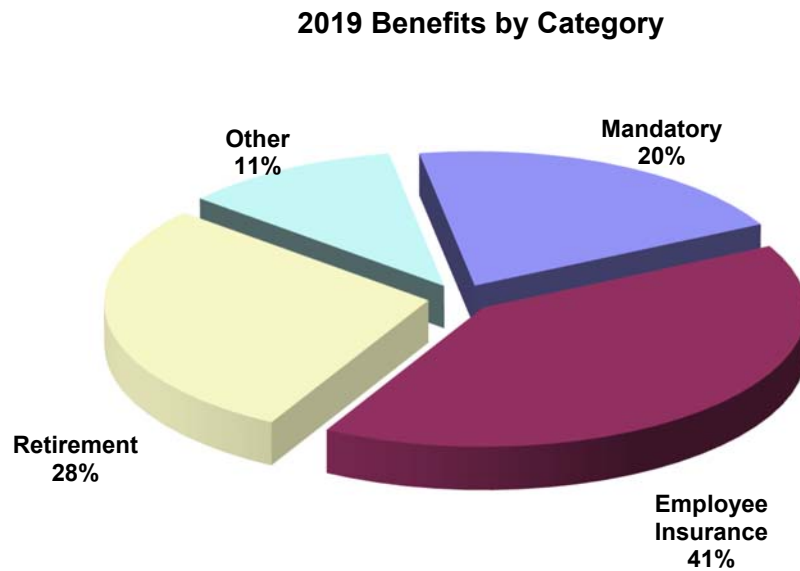
Justification The Developer's primary responsibilities include onboarding new technology, supporting existing technologies, and continuous business improvements through process and programming changes.

Project and support activity requests are continuous throughout the year and must be prioritized based on risk mitigation or payback through efficiencies. With new applications and technology, project and support requirements continue to outpace IT resources. The majority of development activity is outsourced at this time.

A new Developer will help to relieve the backlog of requests for IT and retain system knowledge within WaterOne. The Developer also provides the opportunity for the team to participate more actively on project teams, document processes, and consider multiple solutions to ensure utilization of best practices.

Total Distribution Division	\$105,600	\$105,600	\$31,680	\$650	\$0	\$137,930
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2019 BENEFITS



	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$4,364,729	\$4,888,881	\$4,821,189	<\$67,692>	<1.4%>
Retirement	5,664,788	3,946,876	3,762,557	<184,319>	<4.7%>
Mandatory	2,220,291	2,278,610	2,423,065	144,455	6.3%
Other	836,329	807,444	965,800	158,356	19.6%
Benefits - Gross	\$13,086,136	\$11,921,811	\$11,972,611	\$50,800	0.4%
Less Transfers	<\$2,909,919>	<\$2,912,217>	<\$3,199,036>	<\$286,819>	9.8%
Benefits - Net	\$10,176,217	\$9,009,594	\$8,773,575	<\$236,019>	<2.6%>

PERSONNEL

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

Benefit Expenses					
	2017	2018	2019	\$ Incr	% Incr
	Actual	Budget	Budget	<Decr>	<Decr>
Employee Insurance - Health	\$4,135,417	\$4,567,633	\$4,498,988	<\$68,645>	<1.5%>
Pension DB - Final Pay Plan	3,849,226	2,547,775	2,380,384	<167,391>	<6.6%>
FICA	1,835,171	2,016,340	2,133,595	117,255	5.8%
Pension DC - WaterOne	428,397	426,627	418,105	<8,522>	<2.0%>
Retiree Insurance - Health	287,188	358,287	370,720	12,433	3.5%
Pension DC - (New) WaterOne*	214,029	305,623	369,963	64,340	21.1%
Pension DC - Match	301,957	300,345	294,346	<5,999>	<2.0%>
Worker's Compensation	367,778	255,876	276,100	20,224	7.9%
Pension DC - (New) Match*	151,736	195,980	245,563	49,583	25.3%
Employee Insurance - Dental	195,570	207,429	213,037	5,608	2.7%
Other Employee Benefits	147,561	85,800	147,630	61,830	72.1%
Employee Insurance - Life	109,118	105,384	112,176	6,792	6.4%
Comp & Ben Consulting Serv	54,657	50,000	111,000	61,000	122.0%
Employee Ins. - LT & ST Disab	89,765	118,477	109,504	<8,973>	<7.6%>
Pension DB - Cash Balance Plan	29,567	50,526	54,196	3,670	7.3%
Employee Insurance - Vision	37,446	39,958	40,282	324	0.8%
Unemployment Insurance	24,003	26,394	27,870	1,476	5.6%
Other Post-Employment Ben.	689,876	120,000	0	<120,000>	<100.0%>
All Other	137,673	143,357	169,152	25,795	18.0%
Total Benefit Expense	\$13,086,136	\$11,921,811	\$11,972,611	\$50,800	0.4%

Numbers may not add due to rounding.

**The budgets for these accounts were switched in the 2018 Budget Book and are corrected in the table above.*

Employee Insurance – Health

The budgeted components of health insurance include a budgeted 2.7% premium rate increase, a 3.0% increase in the slippage calculation due to more employees opting out of coverage, and changes to the employee coverage mix including additional personnel.

Pension DB – Final Pay Plan

Changes to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The 2019 budget is decreasing primarily due to a decrease in the amortized losses and a reduction in the covered payroll as a result of fewer plan participants. An additional contribution of \$3,000,000 in 2012 reduced this budgeted funding amount by \$413,360 per year for 10 years. This plan closed to new participants hired January 1, 2014 and after (see 'Pension DB – Cash Balance Plan for costs related to employees hired after that date).

PERSONNEL

FICA

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

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

The budget increase is due to a budgeted 2.7% premium rate increase and new administration fees. COBRA and retiree administration has been outsourced due to the complexity and required expertise.

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 additional 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 related to employees hired after that date).

Worker's Compensation

This budget is based on actual policy renewal in July. A 3% projected rate increase is included in the budget for the second half of 2019.

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 primarily due to additional participants entering the plan.

Employee Insurance - Dental

This budget is based on a 3.0% premium rate increase, the current coverage mix, and additional employees. There is an increase due to the premium rate increase, additional employees, and true-up to actual rates. The increase is being partially offset by the change in mix of employees' coverage.

PERSONNEL

Other Employee Benefits

This budget funds various activities such as retirement events, United Way activities, Employee Day, Pancakes with Santa, and employee recognition. The budget is increasing as a true up to reflect the actual history for employee recognition. Due to regulations this budget increase also includes increases to offset the tax implication for employees.

Employee Insurance - Life

The budget increase is due to the projected payroll increase and additional personnel requests. No rate increase projected in 2019.

Compensation & Benefits Consulting Services

This budget funds compensation and benefit consulting projects. It includes amortization of the 2017 compensation study and funding for additional consulting work to evaluate Human Resources communications tools. The increase in 2019 is for consulting services to evaluate current retirement plans, associated fees, and provide fiduciary training.

Employee Insurance – LT & ST Disability

The budget decreased due to a lower than anticipated cost for the Short-Term disability administration. This was partially offset by an increase in the Long-Term disability budget which is based on payroll and additional personnel.

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.

Employee Insurance - Vision

This budget increase is due to additional employees. There is no premium increase projected for 2019.

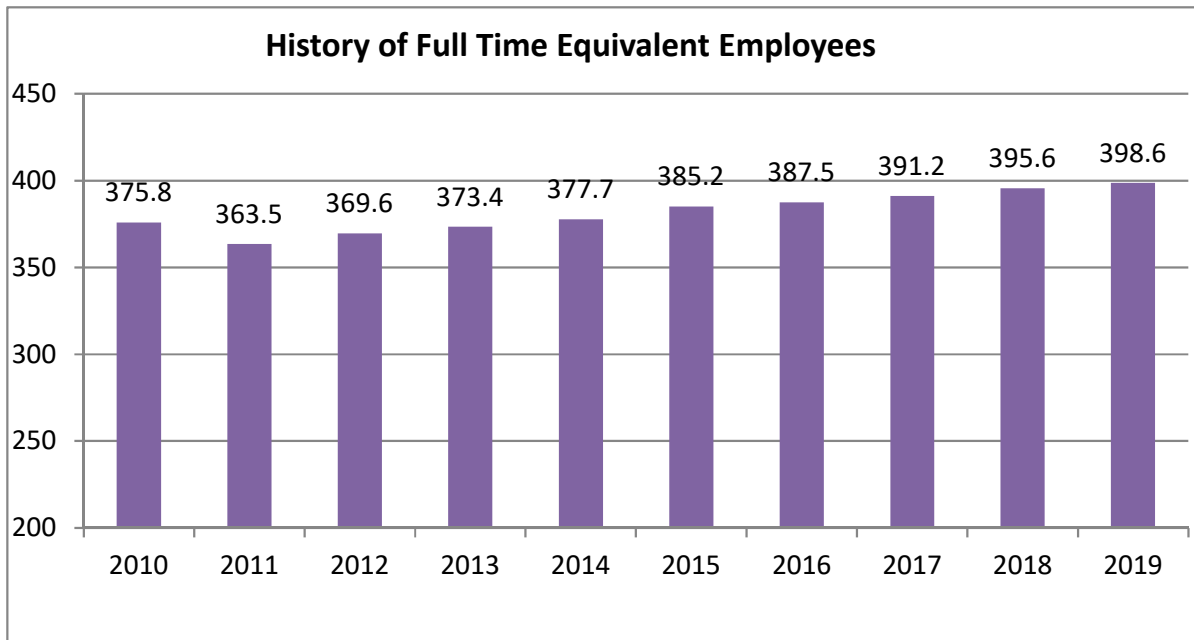
Unemployment Insurance

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

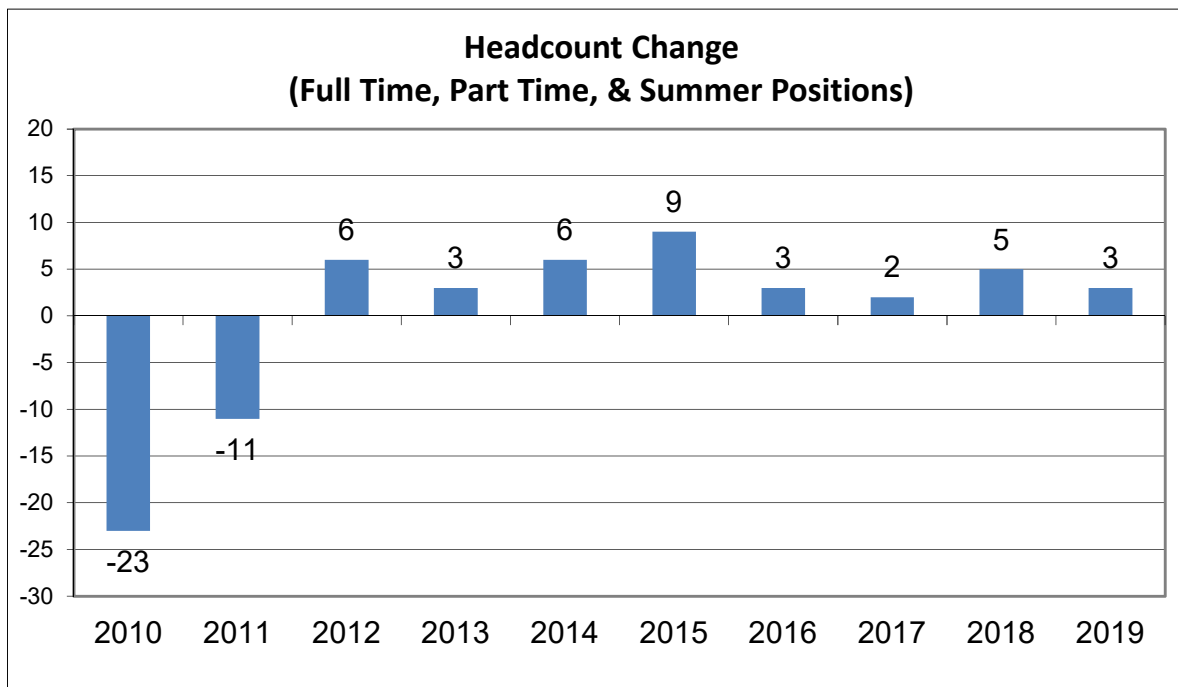
Other Post-Employment Benefits (OPEB)

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. There is no planned funding of the OPEB reserve in 2019 based on the projected future cash flows from the actuarial report. The first withdrawal from the reserve is currently projected in 2021.

Personnel

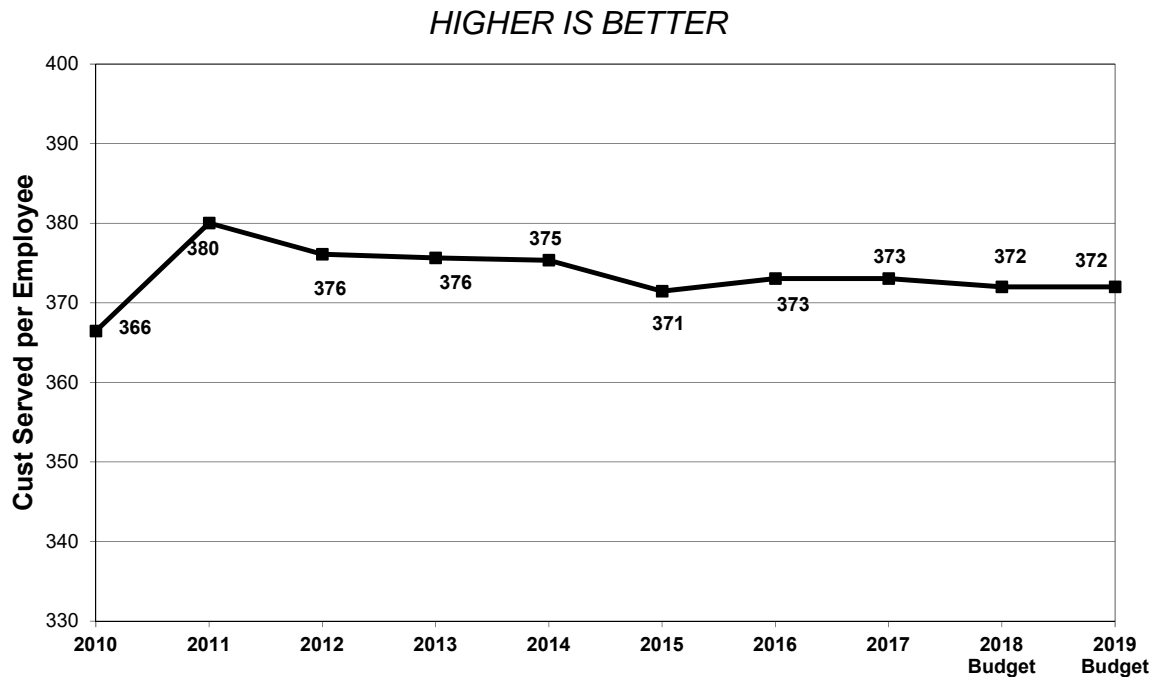


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Full Time	362	350	357	360	368	374	377	382	387	390
Part Time	15	14	13	13	8	10	8	6	4	4
Summer	13	15	15	15	18	19	21	20	22	22
Total	390	379	385	388	394	403	406	408	413	416



Average Customers Served Per Employee

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. Previous to the economic downturn, historical customer growth had averaged around 2,800 customers per year. Customer growth has been relatively stable, but has yet to reach levels seen before the recession. The 2019 projections are estimated at 1,400 customers. The result is that average customers served per employee has been relatively stable since 2012. 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 440,000 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.

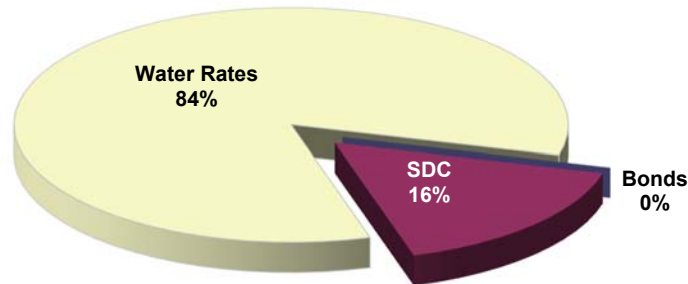
- **Master Plan** – The Master Plan includes projects to build new or replace facilities related to water treatment, pumping, storage, transmission mains, and new distribution mains. Master Plan projects are designed to increase the water supply to serve new customers and to protect existing facilities 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.

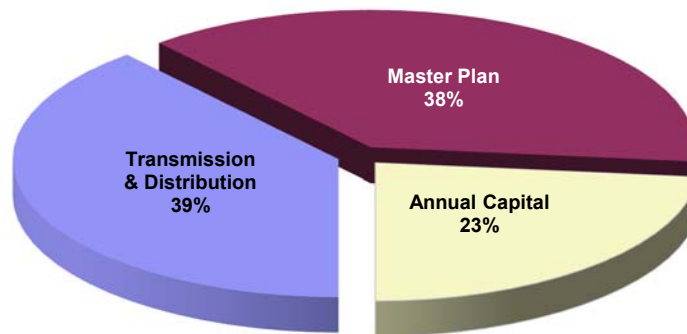
TOTAL CIP

CIP Funding



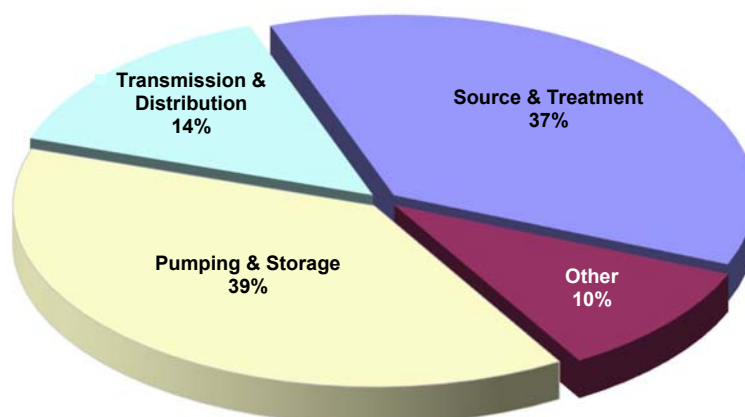
FUNDING	2019	2020	2021	2022	2023	2024	Total
Water Rates	\$42.9	\$44.9	\$45.7	\$47.5	\$48.2	\$49.3	\$278.5
SDCs	\$6.9	\$7.7	\$8.6	\$9.4	\$10.4	\$11.3	\$54.3
Bonds	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL FUNDING	\$49.8	\$52.6	\$54.3	\$56.9	\$58.6	\$60.6	\$332.8

CIP Expenditures



EXPENDITURES	2019	2020	2021	2022	2023	2024	Total
Master Plan	\$26.2	\$25.1	\$11.1	\$22.4	\$9.0	\$30.4	\$124.2
T&D	\$17.3	\$18.6	\$20.2	\$21.8	\$23.5	\$25.5	\$126.9
Annual Capital	\$10.4	\$12.2	\$12.7	\$13.2	\$13.7	\$14.3	\$76.5
TOTAL EXPENDITURES	\$53.9	\$55.9	\$44.0	\$57.4	\$46.2	\$70.2	\$327.6

2019 Master Plan

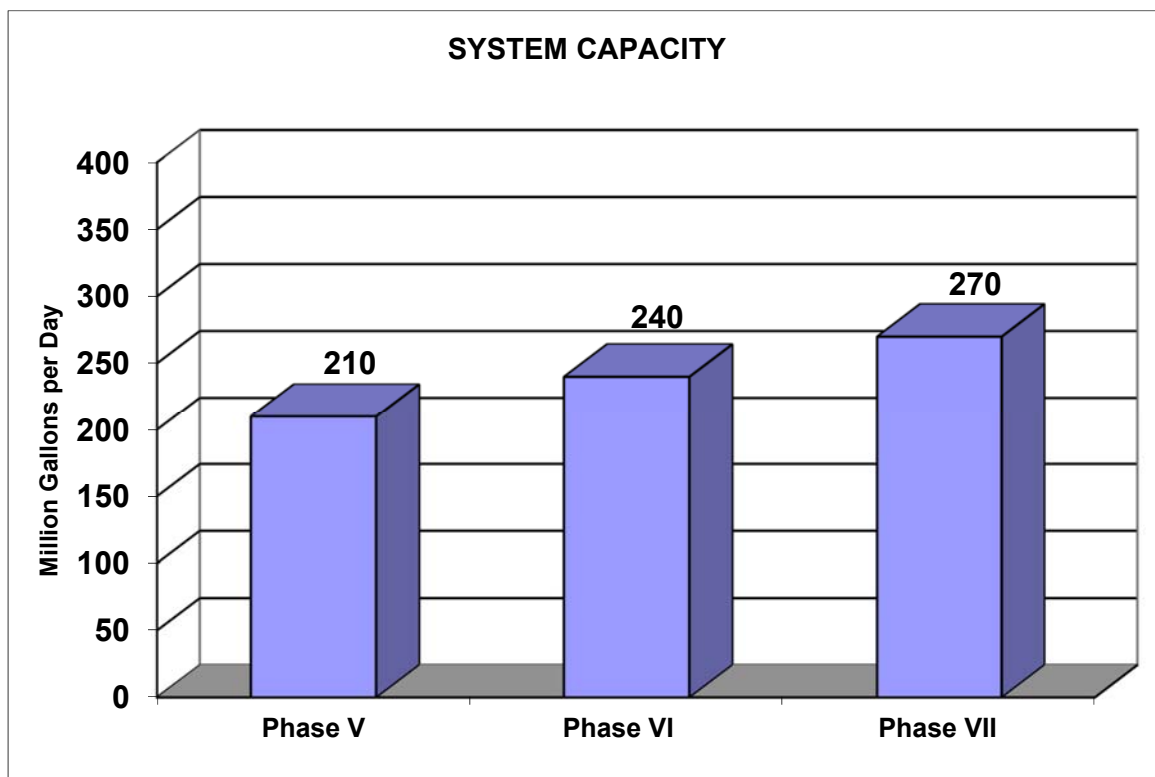


Master Plan Purpose and Funding

- **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).

TOTAL CIP

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



The largest project planned in 2019 is the Elevated Tank at K-7 & K-10 Highway for approximately \$6.1M. The construction of this 2 MG elevated storage tank will provide consistent pressure during times of heavy supply pumping into the South Booster pressure zone and redundant storage to the Renner Tank in the Crouthers pressure zone. The other large project in 2019 is the construction of an elevated tank at 199th & Lackman for approximately \$4.1M. This 1 MG elevated tank will provide additional pressure equalization and emergency storage to meet the increasing demands in the southeast portion of the service territory.

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.

2019 Master Plan Projects (Award Basis)

Pumping & Storage

MP-18002	Elevated Tank, K-7 & K-10 Hwy	\$6,065,622
MP-19003	Elevated Tank, 199 th & Lackman	4,053,324
		Pumping & Storage \$10,118,946

Source & Treatment

MP-23004	Lime Residual Treatment Facility #3A Wolcott	\$2,126,117
MP-19774	SCADA Control Panel Critical Upgrades	1,730,194
MP-21771	Process Control Network Upgrade	1,237,994
MP-19133	Facility 2 Analyzer Structures	1,219,196
MP-19772	SCADA Control Center and Server Room Upgrades	1,148,160
MP-19773	SCADA HMI Upgrade Migration	751,920
MP-19771	Asset Tagging and Critical Documentation Update	736,320
MP-20008	KS Well Units Replacement Phase II	432,640
MP-19001	Facility 1 Improvements	250,000
		Source & Treatment \$9,632,541

Distribution & Transmission

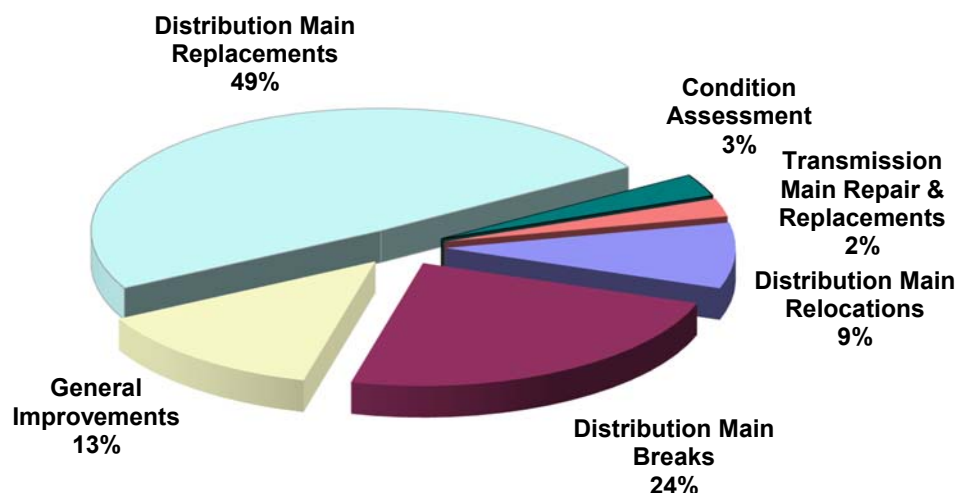
MP-19005	12" DM - High Dr/84th/Somerset/Lee/Meadow/89th	\$1,745,730
MP-10009	ROW 72" TM, PS to 105th & K7	1,238,905
MP-21501	PRV Facilities along Northwest Reduced Pressure Boundaries	654,546
MP-19000	30" TM Replc I-635 Crossing & 51st Street	112,726
		Distribution & Transmission \$3,751,908

Other Facilities

MP-20035	Remodel of P1 Building/AHQ	\$2,676,044
		Other Facilities \$2,676,044

Total Master Plan (Award Basis)	\$26,179,439
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2019 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 2018. 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.

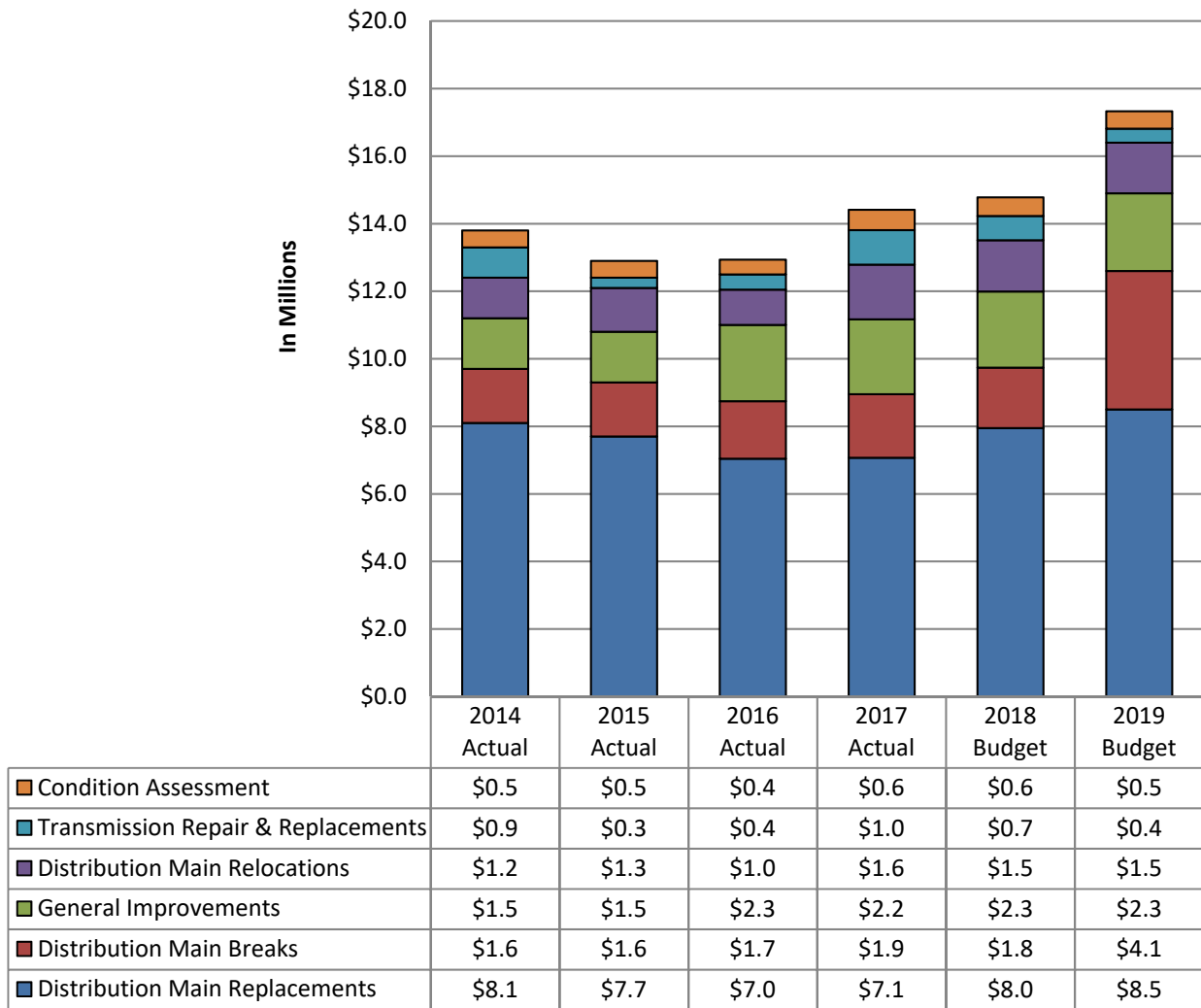
- **General Improvements** - General system improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants. WaterOne has approximately 147,000 service connections which are the pipe and related material that connect the water main to the meter. These service connections require ongoing replacement and rehabilitation in order to maintain a reliable water supply. Main upsizing occurs when a main is replaced with a larger diameter main to allow for increased capacity or water flow. Most upsizing is paid for by WaterOne and is done in conjunction with relocation projects to improve water flow throughout the system. Some upsizing is done when new housing and commercial development occurs and is paid for by

TOTAL CIP

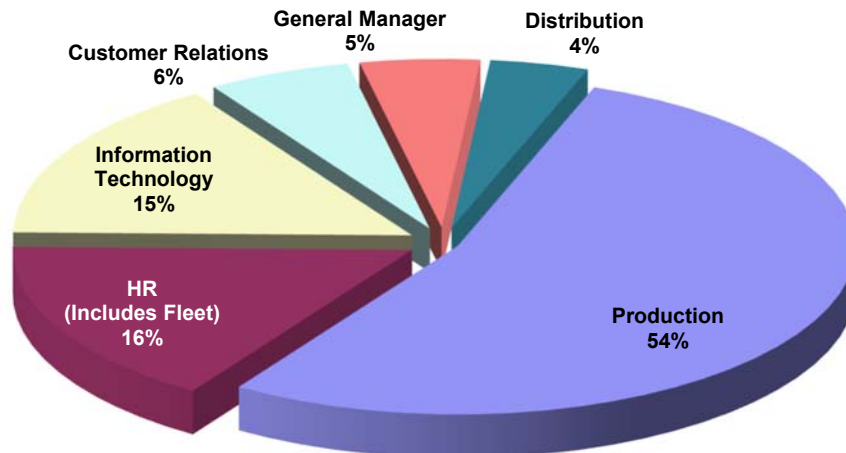
the developer. New mains are occasionally installed to extend the system but are primarily needed to provide redundant supply or improve fire protection water flow in a particular area.

- **Distribution Main Breaks** - Main breaks are unplanned construction to replace sections of a water main or an entire fire hydrant that is broken and leaking. Previous to 2019 Distribution Main Breaks had capital and expense components. Starting in 2019, all breaks will be considered capital improvements. This change will allow WaterOne to more accurately track the cost of main breaks while providing better internal and external transparency regarding the economic cost of main breaks. 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



2019 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.

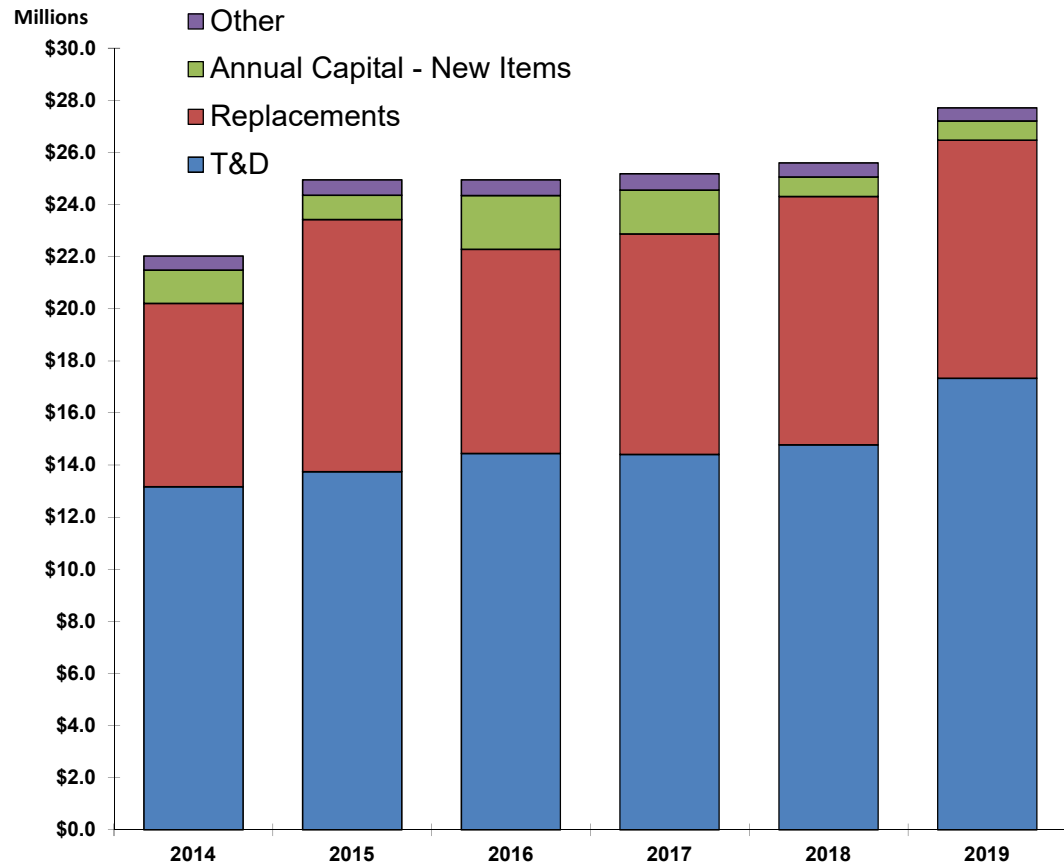
Annual Capital projects are funded entirely from water rates, investment income, and other operating revenues in accordance with a pay-as-you-go philosophy. The first year of any six-year rolling Annual Capital budget is approved as part of the annual budget process. Projects planned in the remaining 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 WaterOne's capital assets 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.

In 2019 approximately 90% of annual capital projects are replacement projects and these projects are not expected to materially change operating costs. The operating budget includes a "normal" or routine amount of labor and maintenance related to these assets.

HISTORY OF BUDGETED TOTAL ANNUAL CAPITAL



Type of Annual Project	2014 Budget	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
T&D Funding	\$ 13,174,000	\$ 13,743,000	\$ 14,440,000	\$ 14,410,000	\$ 14,780,000	\$ 17,330,000
Annual Capital - Replacements	7,032,807	9,677,261	7,838,119	8,460,779	9,532,459	9,144,512
Other (a)	541,927	589,021	601,212	623,238	536,047	505,056
Total T&D, Replacement, and Other Funding	\$ 20,748,734	\$ 24,009,281	\$ 22,879,331	\$ 23,494,017	\$ 24,848,506	\$ 26,979,568
Annual Capital - New Items	\$ 1,281,266	\$ 940,719	\$ 2,070,669	\$ 1,680,983	\$ 751,494	730,432
TOTAL ANNUAL CAPITAL	\$ 22,030,000	\$ 24,950,000	\$ 24,950,000	\$ 25,175,000	\$ 25,600,000	\$ 27,710,000
T&D, Replacement, and Other as % of Total Annual Capital	94%	96%	92%	93%	97%	97%

(a) 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	2018 CAPITAL REQUESTS	2019 CAPITAL REQUESTS	PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2019 CAPITAL REQUESTS
PRODUCTION				
Facilities Engineering	\$ 4,412,426	\$ 3,962,243	\$ 5,013,593	\$ 8,975,836
Facilities Maintenance	736,810	724,245	83,099	807,344
Operations	-	885,303	815,804	1,701,107
Water Quality Laboratory	-	-	-	-
TOTAL PRODUCTION	\$ 5,149,236	\$ 5,571,791	\$ 5,912,495	\$ 11,484,287
DISTRIBUTION				
Distribution Engineering	\$ 14,793,965	\$ 17,511,837	\$ -	\$ 17,511,837
Construction, Maintenance, Valving & Services	303,715	233,294	141,116	374,410
Developer Services	-	-	-	-
TOTAL DISTRIBUTION	\$ 15,097,680	\$ 17,745,131	\$ 141,116	\$ 17,886,247
CUSTOMER RELATIONS				
Meter Services	\$ 984,508	\$ 604,429	\$ 342,441	946,870
TOTAL CUST. RELATIONS	\$ 984,508	\$ 604,429	\$ 342,441	\$ 946,870
HUMAN RESOURCES/ADMINISTRATION				
Fleet Services	\$ 1,693,393	\$ 1,665,898	\$ 1,205,090	\$ 2,870,988
Safety & Security	387,926	-	\$ 557,981	557,981
TOTAL HUMAN RESOURCES/ADMIN	\$ 2,081,319	\$ 1,665,898	\$ 1,763,071	\$ 3,428,969
INFORMATION TECHNOLOGY				
Project Management Office	\$ -	\$ -		\$ -
Applications (Office of Director)	\$ 221,673	\$ 875,328	\$ 256,081	\$ 1,131,409
Infrastructure Services	1,474,119	631,566	188,421	819,987
Geospatial Services	55,418	110,801	150,000	260,801
TOTAL INFORMATION TECHNOLOGY	\$ 1,751,210	\$ 1,617,695	\$ 594,502	\$ 2,212,197
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 25,063,953	\$ 27,204,944	\$ 8,753,625	\$ 35,958,570
Capital Contingencies (@ 1.8% of Sub-Total Above) (a)	\$ 536,047	\$ 505,056	-	505,056
TOTAL OFFICE OF GENERAL MANAGER	\$ 536,047	\$ 505,056	\$ -	\$ 505,056
GRAND TOTAL CAPITAL REQUESTS	\$ 25,600,000	\$ 27,710,000	\$ 8,753,625	\$ 36,463,625

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 2019

		*2018 Budget	12-31-2018 Unspent	Budget Carry- Over to 2019
PRODUCTION				
AC-15037	SCADA Replacement & Upgrades	\$ 1,637,250	\$ 990,804	\$ 815,804
Operations Department Subtotal		\$ 1,637,250	\$ 990,804	\$ 815,804
AC-18041	Facility 2 Phase 3 & 4 Roof Replacement	\$ 1,072,892	\$ 1,057,059	\$ 900,000
AC-18016	Missouri River Facility Valve Replacement	831,271	831,267	831,267
AC-17023	Missouri River Intake Pump #3 Rebuild	555,310	551,059	551,059
AC-17035	Missouri River Presed Pump #6 Rebuild	555,310	545,334	545,334
AC-17024	Facility 2 High Service Pump #14 Rebuild	499,780	499,780	499,780
AC-18034	Production Facilities PLC Replacement	549,339	289,054	289,054
AC-18037	Wolcott Membrane Controls Upgrade	248,170	248,170	248,170
AC-14100	Administrative Offices Space Study & Reconfiguration	243,122	243,122	243,122
AC-18031	Mechanical-Electrical Improvements	635,922	410,961	225,000
AC-18040	Administrative Offices Kitchen Refurbishing	130,786	121,980	121,980
AC-18033	Quivira Pump Station Improvements	446,115	274,008	120,000
AC-18032	Wolcott Information Technology Room HVAC Upgrades	78,971	59,920	110,000
AC-16302	Missouri River Intake Pump #1 Rebuild	375,000	215,102	100,000
AC-18093	Kansas Presed Residual Back Flush	200,890	200,890	65,000
AC-18090	Kansas Presed East Gate Automation	26,601	26,601	60,000
OC-18011	Administrative Offices Building Waterproofing	59,735	59,735	59,735
AC-18035	Production Offices Furniture Replacement	38,793	38,793	38,793
OC-17010	Chemical Doors at Facility 2 North & Facility 2 South	55,071	4,987	4,987
AC-17048	O&M Building Elevator Replacement	190,000	311	311
Facilities Engineering Department Subtotal		\$ 6,793,079	\$ 5,678,134	\$ 5,013,593
AC-18086	Wolcott Collector Well Parking Improvements	\$ 35,467	\$ 35,467	\$ 35,467
OC-18010	Overhead Crane Grounding	23,268	22,818	22,818
OC-18014	SCADA Development Area Security	14,527	14,527	14,527
AC-18087	Hansen Treatment Plant Ammonia Detectors	33,252	10,287	10,287
Facilities Maintenance Department Subtotal		\$ 106,514	\$ 83,099	\$ 83,099
PRODUCTION TOTAL		\$ 8,536,843	\$ 6,752,037	\$ 5,912,495

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2019

	*2018 Budget	12-31-2018 Unspent	Budget Carry- Over to 2019
DISTRIBUTION			
AC-18011 Portable Dewatering Pump Replacement	\$ 72,043	\$ 72,043	\$ 72,043
AC-15180 Auger Machine	83,371	14,298	69,073
DISTRIBUTION TOTAL	\$ 155,414	\$ 86,341	\$ 141,116
CUSTOMER RELATIONS			
AC-16000 Meter Replacements	\$ 849,973	\$ 342,441	\$ 342,441
CUSTOMER RELATIONS TOTAL	\$ 849,973	\$ 342,441	\$ 342,441
HUMAN RESOURCES			
AC-18022 Radio System Replacement	\$ 387,926	\$ 387,926	\$ 387,926
OC-18008 Radio Communication Amplifying Equipment	116,369	116,369	116,369
OC-18002 Fall Protection & Retrieval Devices	70,309	40,297	40,297
OC-18013 Install Card Readers, Cameras, & Intercoms at AO Gates	13,389	13,389	13,389
Safety & Security Department Subtotal	\$ 587,993	\$ 557,981	\$ 557,981
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-18032 Service Body (Replace 5060)	177,338	177,338	177,338
AF-18065 Service Body (Replace 5100)	177,338	177,338	177,338
AF-18133 Service Body (Replace 5080)	177,338	177,338	177,338
AF-18472 Backhoe Loader (Repl 7472) CMVS	96,982	96,971	96,971
AF-14415 1 Ton Service Body (Replace 4670)	60,960	60,960	60,960
AF-18232 Backhoe Trailer (Replace 7232)	24,938	24,938	24,938
AF-18238 Backhoe Trailer (Replace 7238)	24,938	24,938	24,938
AF-18218 Trailer (Replace 7218)	19,951	19,951	19,951
AF-17090 Trailer (Replace 7223)	17,000	17,000	17,000
AF-17220 Trailer (Replace 7220)	14,500	14,500	14,500
AC-16210 Diagnostic Scan Tool	13,100	13,100	13,100
AC-16201 Floor Machine	12,000	12,000	12,000
Fleet Department Subtotal	\$ 1,205,101	\$ 1,205,090	\$ 1,205,090
HUMAN RESOURCES TOTAL	\$ 1,793,094	\$ 1,763,071	\$ 1,763,071

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2019

		*2018 Budget	12-31-2018 Unspent	Budget Carry- Over to 2019
INFORMATION TECHNOLOGY				
AC-17905	Records Information Management Implementation	\$ 382,979	\$ 173,170	\$ 173,170
AC-18004	SAP Human Resources	166,255	138,762	27,493
AC-18054	SAP Logistics Enhancements	55,418	55,418	55,418
	Applications (Office of Director) Subtotal	\$ 604,652	\$ 367,350	\$ 256,081
AC-18003	GIS Upgrades & Enhancements	\$ 55,418	\$ 55,418	\$ 150,000
	Geospatial Services Department Subtotal	\$ 55,418	\$ 55,418	\$ 150,000
AC-18050	Network Access Control	\$ 188,421	\$ 188,421	\$ 188,421
	Infrastructure Services Department Subtotal	\$ 188,421	\$ 188,421	\$ 188,421
	INFORMATION TECHNOLOGY TOTAL	\$ 848,491	\$ 611,189	\$ 594,502
<hr/>				
	GRAND TOTAL CARRY-OVERS	\$ 12,183,815	\$ 9,555,079	\$ 8,753,625

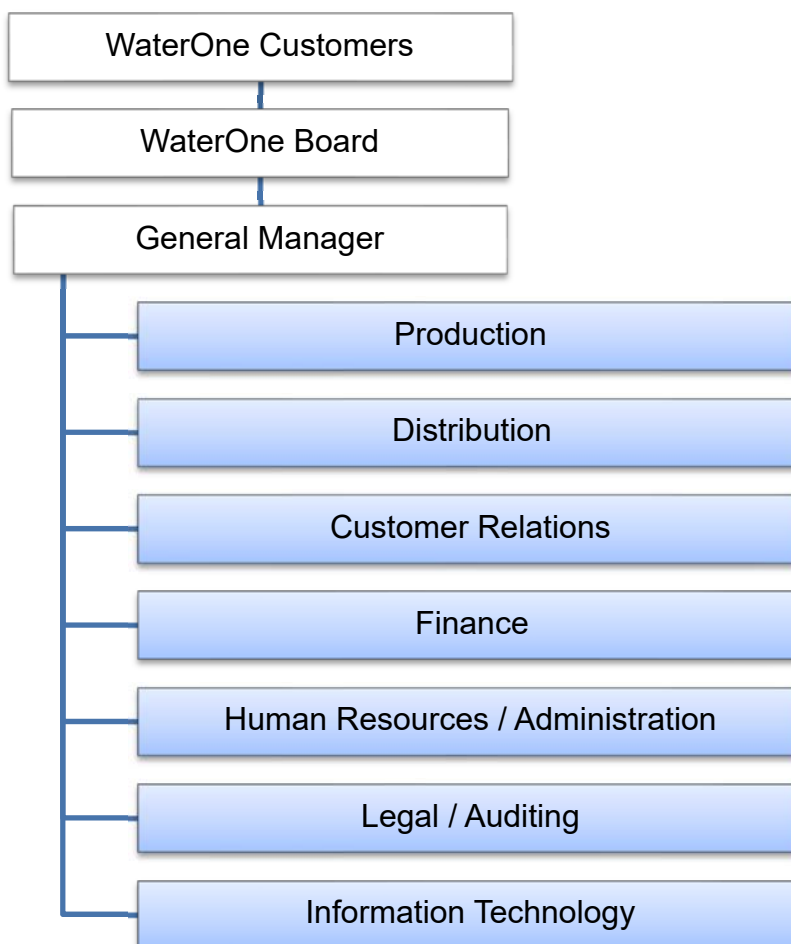
Numbers may not total due to rounding

In instances where the project carry-over amount exceeds available budget, fiscal notes were executed that approve transfer of funding from projects which were completed under budget.

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

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GENERAL MANAGER



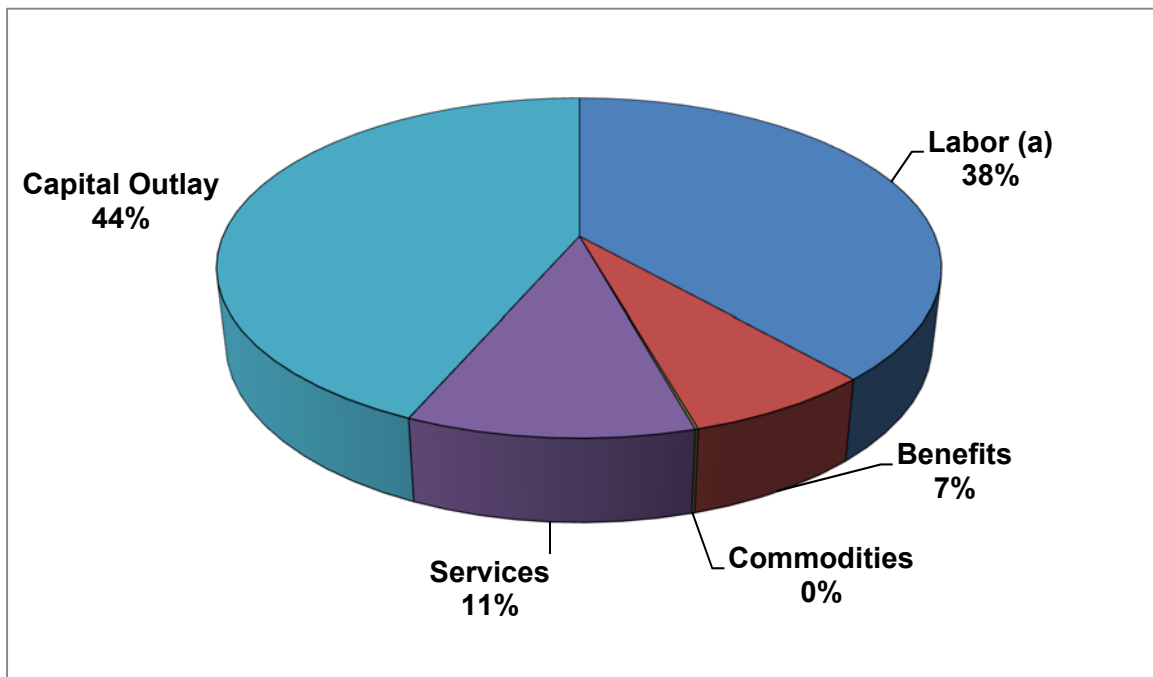
OFFICE OF THE GENERAL MANAGER

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 exceptional service and value."*

EXPENDITURES BY MAJOR CATEGORY

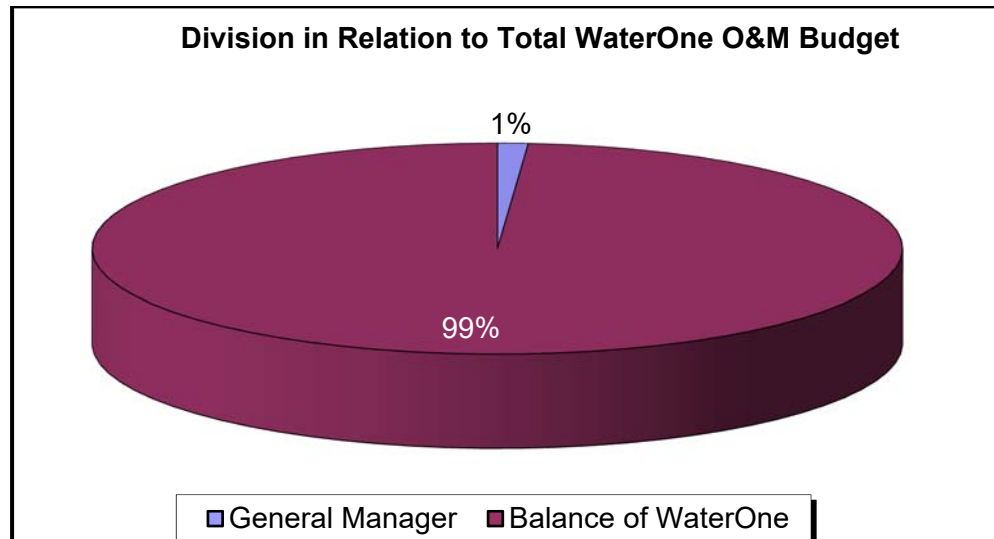
Net of Transfers

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$441,524	\$450,824	\$459,413	\$8,589	1.9%
Benefits	100,134	85,335	82,613	<2,722>	<3.2%>
<i>Personnel Costs</i>	<i>\$541,658</i>	<i>\$536,159</i>	<i>\$542,026</i>	<i>\$5,867</i>	<i>1.1%</i>
Commodities	1,979	850	1,250	400	47.1%
Services	129,065	121,003	125,287	4,284	3.5%
Transfers	<9,872>	<9,647>	<12,644>	<2,997>	31.1%
Total O&M	\$662,829	\$648,366	\$655,919	\$7,553	1.2%
Capital Outlay (b)	0	536,047	505,056	<30,991>	<5.8%>
Total	\$662,829	\$1,184,413	\$1,160,975	<\$23,438>	<2.0%>

Numbers may not add due to rounding

- a) Labor consists of wages and salaries (including overtime) and year end labor accruals.
- 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 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$375,944	\$390,824	\$399,413	\$8,589	2.2%
Benefits	100,134	85,335	82,613	<2,722>	<3.2%>
Water Board Salaries	60,000	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	48,167	46,821	45,836	<985>	<2.1%>
WaterOne Memberships	30,160	34,330	36,095	1,765	5.1%
Subtotal	\$614,405	\$617,310	\$623,957	\$6,647	1.1%
All Other Accounts	58,296	40,703	44,606	3,903	9.6%
Less Transfers	<9,872>	<9,647>	<12,644>	<2,997>	31.1%
Total O&M	\$662,829	\$648,366	\$655,919	\$7,553	1.2%

Numbers may not add due to rounding

GENERAL MANAGER

GENERAL MANAGER	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	2	-	-	2	2.0
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	-	-	-	-	-
Reclass/PT Hour Adj. (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	2	-	-	2	2.0

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study.

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.

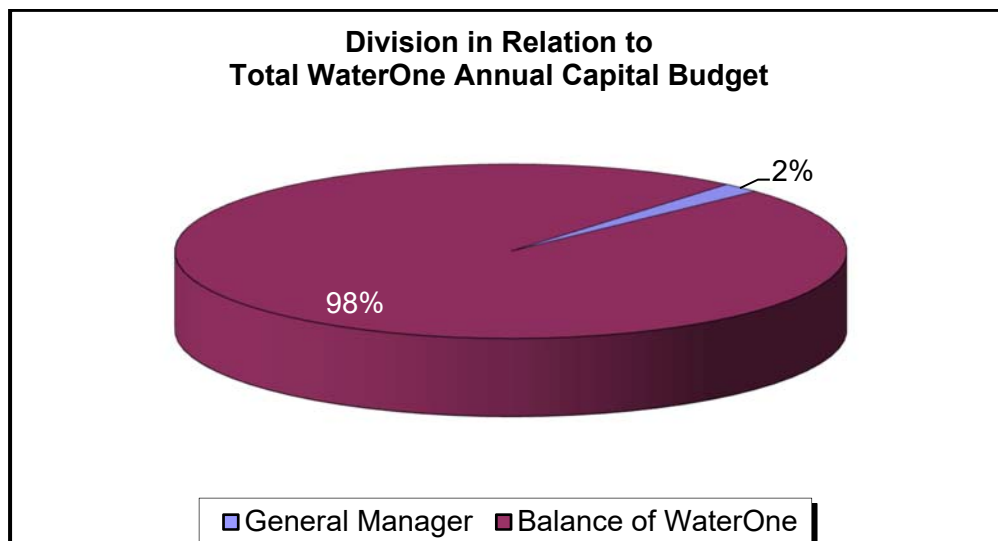
AWWA Research Foundation Fees

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 2019 budget is based on gallons produced in 2017 which were less than the gallons produced in 2016.

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. The budget increase is mostly due to increases in membership fees for the American Water Works Association and the Association of Metropolitan Water Agencies.

ANNUAL CAPITAL



OC-19001	(a) 2019 Omissions & Contingencies	\$505,056
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Total Annual Capital	\$505,056
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- a) Omissions and Contingencies budgets are not assigned to particular divisions and are therefore reported in the General Manager's budget. However, as actual expenditures occur, those are reported in the responsible division. The target for the Omissions and Contingencies is approximately 2% of the total annual capital budget.

GENERAL MANAGER

Replace

Project Description

2019 Omissions & Contingencies

Year

2019

Project #

OC-19001

Plan

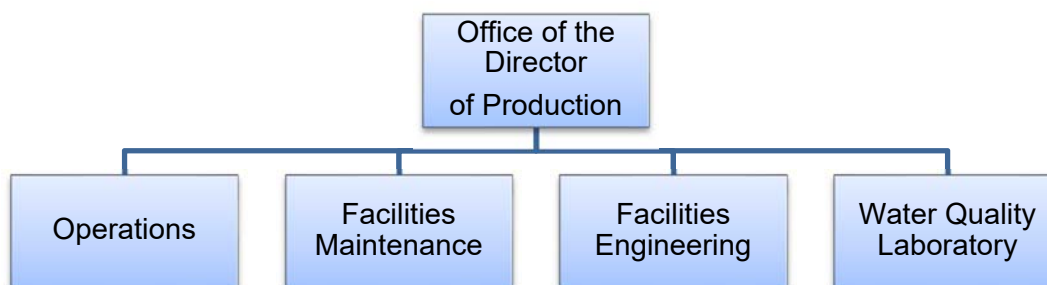
\$505,056



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

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, 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.

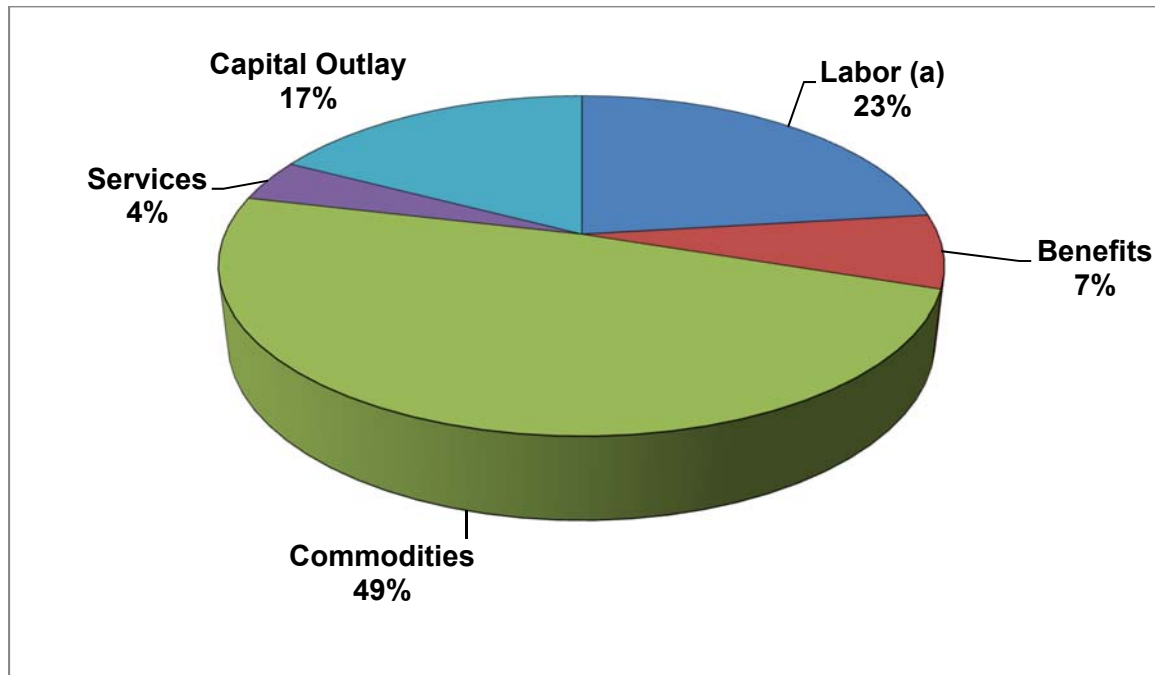
DIVISION OBJECTIVE

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 "2019 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY



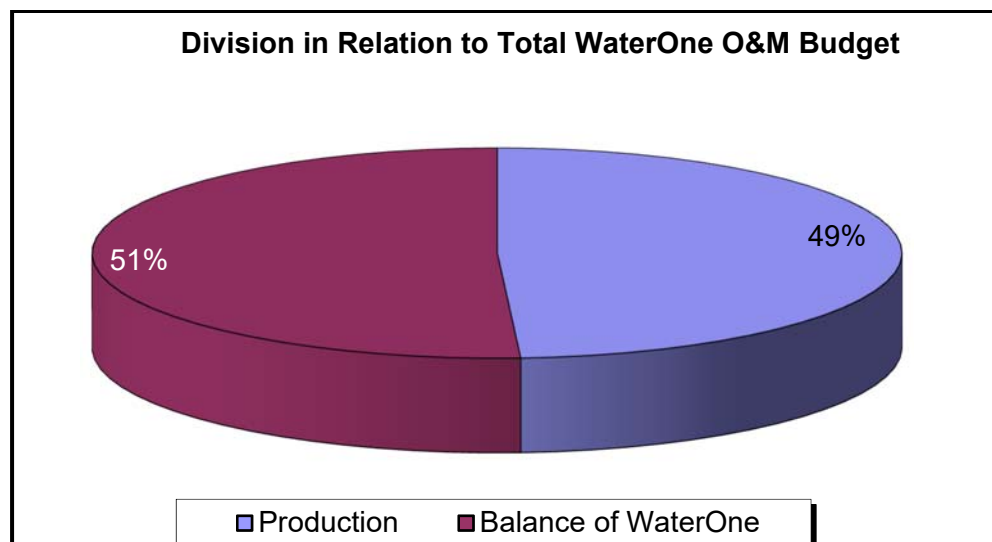
Net of Transfers

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$7,208,647	\$7,635,686	\$8,037,683	\$401,997	5.3%
Benefits	2,640,363	2,315,334	2,255,155	<60,180>	<2.6%>
Personnel Costs	\$9,849,010	\$9,951,020	\$10,292,838	\$341,817	3.4%
Commodities	14,702,987	15,742,699	15,618,102	<124,597>	<0.8%>
Services	1,338,169	1,440,005	1,287,597	<152,408>	<10.6%>
Transfers	<625,512>	<570,661>	<607,651>	<36,990>	6.5%
Total O&M	\$25,264,655	\$26,563,064	\$26,590,886	\$27,822	0.1%
Capital Outlay	5,163,693	5,149,236	5,571,791	422,555	8.2%
Total	\$30,428,348	\$31,712,300	\$32,162,677	\$450,377	1.4%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$6,854,341	\$7,359,973	\$7,774,201	\$414,228	5.6%
Labor - OT	288,012	275,713	263,482	<12,231>	<4.4%>
Benefits	2,640,363	2,315,334	2,255,155	<60,180>	<2.6%>
Chemicals - Water Treatment	5,268,903	5,677,008	5,096,548	<580,460>	<10.2%>
Power - Transmission	4,304,308	4,656,332	4,767,404	111,072	2.4%
Power - Source	1,995,779	2,052,830	2,389,199	336,369	16.4%
Power - Distribution	1,586,617	1,718,130	1,753,118	34,988	2.0%
Material & Supplies	694,994	789,900	752,700	<37,200>	<4.7%>
Natural Gas	339,321	386,416	304,443	<81,973>	<21.2%>
Mowing and Landscaping	160,720	182,350	182,500	150	0.1%
Maintenance Services	160,691	243,280	198,680	<44,600>	<18.3%>
BPU Water Purchased	132,746	75,000	163,235	88,235	117.6%
KS River Water Assurance Dist.	151,132	182,177	147,421	<34,756>	<19.1%>
Laboratory Services	88,013	149,449	124,449	<25,000>	<16.7%>
Subtotal	\$24,665,940	\$26,063,892	\$26,172,535	\$108,643	0.4%
All Other Accounts	1,224,227	1,069,833	1,026,002	<43,831>	<4.1%>
Less Transfers	<625,512>	<570,661>	<607,651>	<36,990>	6.5%
Total O&M	\$25,264,655	\$26,563,064	\$26,590,886	\$27,822	0.1%

Numbers may not add due to rounding

PRODUCTION

PRODUCTION	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	106	-	5	111	107.25
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	1	-	-	1	1.0
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	107	-	5	112	108.25

(a)

a) Budgeted New Position: Assistant Manager - Maintenance

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study. The budget includes one new position 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 increase in 2019 is based on an increase in planned OT hours and estimated OT pay rate.

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 2019 is decreasing due to the planned use of the new Ozone Treatment Facility beginning in September 2019 which will reduce the need for several chemicals at the Kansas Intake, the Missouri Intake and at the Hansen Treatment Facility.

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 2019 budget is increasing due to forecasted increases to the Energy Rate Component (ERC) and Environmental Surcharge (ESC).

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 2019 budget is increasing primarily due to operational changes that shift production from the Kansas Intake to the Missouri intake while SCADA is being upgraded.

PRODUCTION

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 due to an anticipated 4.5% rate increase and is offset by a true up to actual usage at 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 decrease is due to lower forecasted usage in 2019 of the natural gas engine generators at the Wolcott facility in addition to a decrease in the cost per unit expense.

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.

Maintenance Services

This account is for routine maintenance services and condition assessments of the Water Quality Laboratory equipment and production facilities. This budget is decreasing primarily due to the elimination of annual cleaning and maintenance of the vertical wells on the Kansas River. The new collector well will not require cleaning and maintenance in 2019. The budget decrease is partially offset by a maintenance contract for natural gas generators at Wolcott.

BPU Water Purchased

This budget is for water purchased from BPU at the Missouri Presedimentation and Intake Facilities. The water is used for bearing water for the pumps, potable water, intake wash, and usage for dilution on the chlorine dioxide generator. The 2019 budget is increasing due to the forecasted increased use of the Missouri Intake and Presedimentation Facilities.

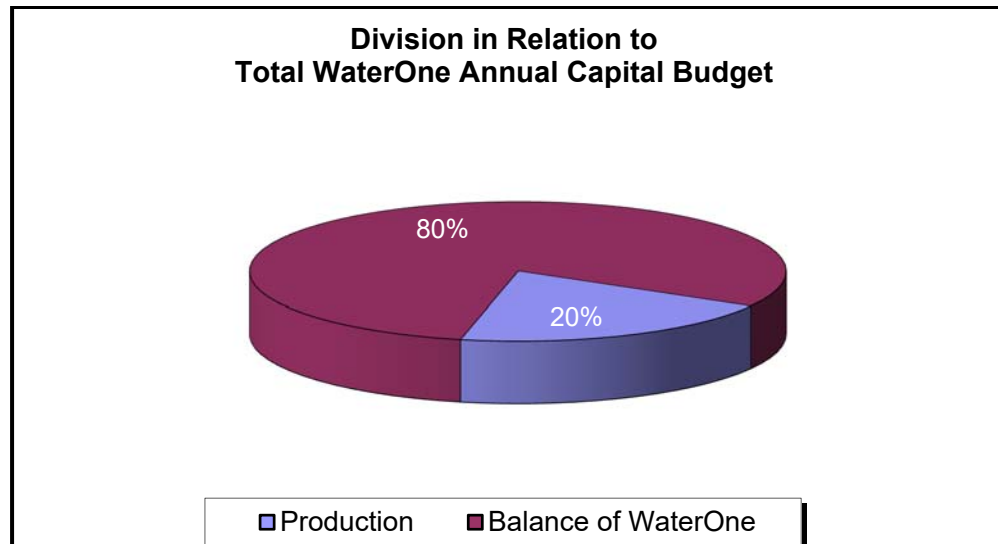
Kansas River Water Assurance District (KRWAD)

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 2019 budget is primarily decreasing due to moving the budget for the Regional Conservation Partnership Program (RCPP) to the engineering account.

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 decrease is due to completion of the UCMR IV EPA testing requirements that started in 2018.

ANNUAL CAPITAL



New

AC-19304	SCADA Org & Sup/Standard Specs/Chg Mgmt	\$332,403
AC-19302	SCADA Task Methodology and Lifecycle Mgmt	243,763
AC-19084	New Work Benches - Instrumentation Shop	12,188
Annual Capital - New		\$588,354

Replacement / Refurbish

AC-19040	2019 Mechanical Electrical Improvements	\$1,401,632
AC-19022	KS Presed Pump #6 Replacement	554,005
AC-19127	MO Presed Pump #3 Rebuild	443,204
AC-19018	Emergency Equipment Replacements	399,991
AC-19044	Hansen Lighting Improvements Phase II	387,803
AC-19031	Quivira Pump Station Roof Replacement	265,922
AC-19301	SCADA Historian ODMS#1 & Data Validation	222,711
AC-19037	Ridgway Reservoir Top Slab Sealant	221,602
AC-19020	Online Analyzers -Treatment/Distribution	178,263
AC-19047	Elevated Tank SCADA Hardware Replacement	166,203
AC-19042	Vehicle Storage Garage HVAC Improvements	138,501
AC-19046	Quivira Station Control Panel Replace	132,961
AC-19032	Quivira Pump Station Meter Replacement	110,801

PRODUCTION

AC-19080	Wolcott Turbidimeter Replacement	89,750
AC-19303	SCADA Alarm Event Rationalization/Plan	86,426
AC-19045	Facilities Concrete Repair and Sealant	66,481
AC-19043	Wolcott HVAC Controls Upgrade	55,400
AC-19041	Board Room Carpet Replacement	17,728
AC-19086	KS Presed 20" Butterfly Valve Oper Repl	16,427
AC-19085	KS Presed Basins Level Transmitters	14,071
AC-19087	Wolcott Air Comp for Filtration System	13,555
Annual Capital - Replace / Refurbish		\$4,983,437
Total Annual Capital		\$5,571,791

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-19304	(f)	Off-Road Utility Vehicle (Repl 7304) OPS	21,828
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f) Fleet listed in 'Human Resources/Administration Division'

PRODUCTION

MASTER PLAN

MP-18002	Elevated Tank, K-7 & K-10 Hwy	\$6,065,622
MP-19003	Elevated Tank, 199 th & Lackman	4,053,324
Pumping & Storage		\$10,118,946
MP-23004	Lime Residual Treatment Facility #3A Wolcott	\$2,126,117
MP-19774	SCADA Control Panel Critical Upgrades	1,730,194
MP-21771	Process Control Network Upgrade	1,237,994
MP-19133	Facility 2 Analyzer Structures	1,219,196
MP-19772	SCADA Control Center and Server Room Upgrades	1,148,160
MP-19773	SCADA HMI Upgrade Migration	751,920
MP-19771	Asset Tagging and Critical Documentation Update	736,320
MP-20008	KS Well Units Replacement Phase II	432,640
MP-19001	Facility 1 Improvements	250,000
Source & Treatment		\$9,632,541
MP-20035	Remodel of P1 Building/AHQ	\$2,676,044
Other Facilities		\$2,676,044
Total Master Plan (Award Basis)		\$22,427,531
Total Capital		\$27,999,322

WaterOne 2019 Budget

PRODUCTION DIVISION

New

Project Description

SCADA Org & Sup/Standard Specs/Chg Mgmt

Year

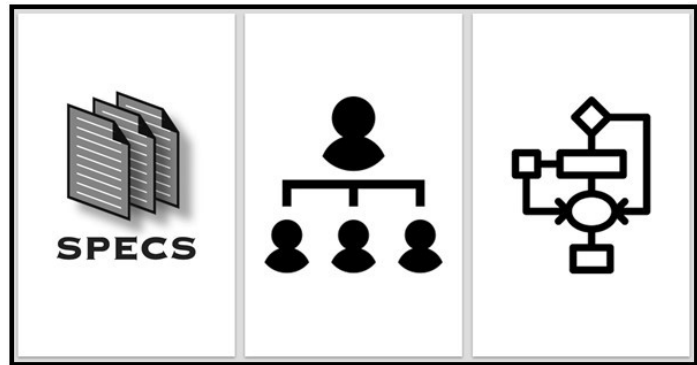
2019

Project #

AC-19304

Plan

\$332,403



Justification

Technical resources, standards and procedures are necessary to ensure the SCADA system is reliable, manageable and scalable. This project will develop an Organization and Support Plan that leverages both internal resources (SCADA, Engineering, and IT) and external resources (Consultants, Contractors, and Vendors), develop the Change Management Policy, update the current Change Management Procedure and develop a standard set of construction specifications.

Project Description

SCADA Task Methodology & Lifecycle Mgmt

Year

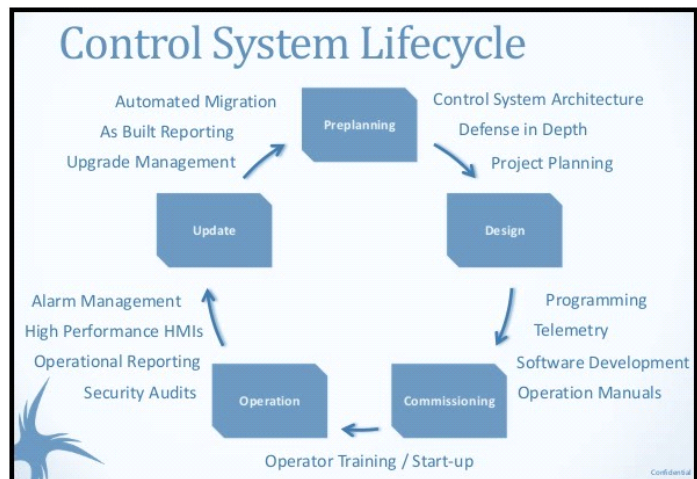
2019

Project #

AC-19302

Plan

\$243,763



Justification

Standardized methodologies for SCADA related capital tasks will ensure that all SCADA tasks follow the same approach and that the design and construction of WaterOne's SCADA systems are standards compliant. This project will define and document standard methodologies for SCADA task delivery and lifecycle management including documentation of the workflow for each methodology to graphically represent phases, deliverables, responsible parties, decision points, meetings, and workshops.

WaterOne 2019 Budget

PRODUCTION DIVISION

New

Project Description

New Work Benches - Instrumentation Shop

Year

2019

Project #

AC-19084

Plan

\$12,188



Justification

The work benches for the instrumentation shop are configuration and calibration areas. The current configuration of work benches are lacking the proper space and lighting to perform the required setup configurations and calibration testing prior to putting this instrumentation into live field use. The addition of these work benches will make a more efficient work environment.

PRODUCTION DIVISION

Replace

Project Description

2019 Mechanical Electrical Improvements

Year

2019

Project #

AC-19040

Plan

\$1,401,632



Justification

The 2019 Mechanical - Electrical Improvements combines several similar type projects that when combined will increase the efficiency of managing them through one contractor. Each of these projects are a result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule. (1) MISSOURI PRESED RAPID MIX REFURBISHMENT (\$265,000): The rapid mix area consists of four individual mixers that range from 20 to 35 years old. Each mixer is functional however in order to maintain the required reliability, each mixer should be disassembled and new bearings and seals installed. Other ancillary work in this area will include drain valve replacement, painting of structural steel and the addition of enclosures around the gearboxes to improve the sound projection from the facility. This refurbishment will extend the useful life by more than 20 years. (2) MISSOURI PRESED SUMP PUMP REPLACEMENT (\$50,000): The existing sump pump located in the western portion of the chemical building is a single pumping unit that is approaching 30 years old. This type of lower level basement location typically has a dual pump arrangement requirement to provide the needed redundancy to protect the area in the event of a pump failure. Replacement of the single pump with a dual pump arrangement will reduce the risk of equipment damage in the event a single pump would fail. (3) FACILITY 2 NORTH CHILLER REPLACEMENT (\$500,000): The two chillers and associated piping and control valves provide the necessary cooling for the Facility 2 North High Service Pumping Station. Without cooling, the pump room could reach temperatures that would cause high service pumps to be shut down and thus a loss of up to 62.5 million gallons per day of capacity. The existing chillers are original to the 1992 Phase III expansion of Facility 2 and have reached the end of their useful life. Replacement of the chillers and associated control valves will provide the necessary reliability and redundancy to the Facility 2 North pump room. (4) LIME SLURRY PUMP REPLACEMENT (\$200,000): The softening process at both Wolcott and Facility 2 rely on a series of pumps to ensure the delivery of lime slurry to the treatment process. These pumps when needed run constantly and therefore can develop high run times over a period of just a few years. Based on recent experience of rebuilding a sample set of these pumps, staff has determined that a 5-year life should be expected at Facility 2 and a 10-year life at Wolcott. Both systems are reaching these milestones and should have these pumps replaced with new units to ensure reliable lime feed which is critical to the treatment process. (5) WASH WATER RETURN PUMP REPLACEMENT (\$250,000): There are a total of 8 pumps that return filter wash water to the head of the plant. These pumps run for several hours per day in the winter time and around the clock during high plant flows. These pumps were replaced in 2004 and have an expected life of 15 years. Based on recent experience of rebuilding a sample pump, sufficient wear was observed to recommend the replacement of the pumps rather than rebuilding the pumps. By replacing these pumps, risk of reducing plant capacity due to a pump failure will be minimized.

PRODUCTION DIVISION

Replace

Project Description

KS Presed Pump #6 Replacement

Year

2019

Project #

AC-19022

Plan

\$554,005

Justification

This pumping unit was last replaced in 1984 and then rebuilt in 2004. Presedimentation pumps convey raw river water that contain sands and sediments that contribute to the accelerated wear when compared to High Service Pumps that convey potable water. The Production Facilities Pump Program recommends that all Kansas Presed pumps be rebuilt or replaced at 15-year intervals to maximize the overall life of the asset. Visual inspections combined with pump performance condition assessment data indicate that the pump will not be rebuildable and should be replaced. Replacement of this pumping unit will increase the reliability of the overall facility.



Project Description

MO Presed Pump #3 Rebuild

Year

2019

Project #

AC-19127

Plan

\$443,204

Justification

This pumping unit was last replaced in 1994 and will be 25 years old in 2019. Presedimentation pumps convey raw river water that contain sands and sediments which contributed to the accelerated wear when compared to High Service Pumps that convey potable water. This pumping unit serves as a Missouri settled water supply pump and has exceeded its anticipated useful life of 15 years. By rebuilding this pumping unit, the life of the pump can be extended for another 15 years at a lesser cost than replacing the entire pump. As a part of this project the pump motor will be disassembled, inspected and refurbished. The pump discharge valve will also be either refurbished or replaced pending an inspection after the pumping unit has been removed from service.



PRODUCTION DIVISION

Replace

Project Description

Emergency Equipment Replacements

Year

2019

Project #

AC-19018

Plan

\$399,991

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

Hansen Lighting Improvements Phase II

Year

2019

Project #

AC-19044

Plan

\$387,803

Justification

This project will compliment a comprehensive lighting replacement program that was begun in 2017. The first phase consisted of a study and preliminary design of lighting throughout the Hansen Facility as well as the Kansas and Missouri Presedimentation Facilities. Upgrades to the lighting systems at Facility 1, the Hansen O&M Building, and the KS Presed Facility were included in Phase I. The Phase II improvements will replace aging fixtures that range from 20 to 35 years old with modern high-efficiency LED fixtures. There are approximately 170 individual lighting fixtures that will be replaced that illuminate over 700,000 square feet at the Hansen Facility and 200,000 square feet at the Missouri Presedimentation Facility. These enhancements will also focus on safety by improving lighting throughout the treatment basin areas where staff must maintain and monitor equipment at all hours of the day.



WaterOne 2019 Budget

PRODUCTION DIVISION

Replace

Project Description

Quivira Pump Station Roof Replacement

Year

2019

Project #

AC-19031

Plan

\$265,922



Justification

The Quivira Pump Station roof will have reached 25 years old in 2019 and will be at the end of its useful life. Replacement of the roof will increase the life of the overall facility and will appropriately protect the equipment contained inside the pump station. This project is the result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule.

Project Description

SCADA Historian ODS#1 & Data Validation

Year

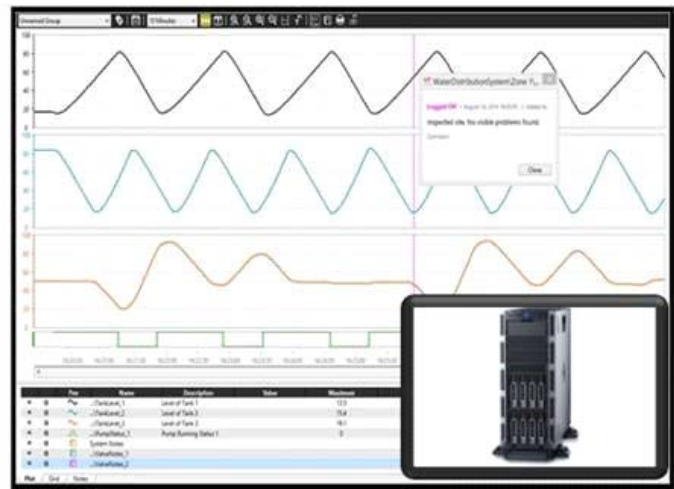
2019

Project #

AC-19301

Plan

\$222,711



Justification

WaterOne relies on historical operations data captured from SCADA for reporting (regulatory and production), analysis, decision making, and planning. The current system splits historical data between multiple databases requiring staff to manually merge data to complete comprehensive reports. This project will enable the consolidation of SCADA data into a single, high-availability database that provides an enterprise view of production data and develop the policies and procedures required to ensure data quality and accessibility, including a Master Data Dictionary.

WaterOne 2019 Budget

PRODUCTION DIVISION

Replace

Project Description

Ridgway Reservoir Top Slab Sealant

Year

2019

Project #

AC-19037

Plan

\$221,602



Justification

The Ridgway Reservoir was constructed in the late 1960s and the top slab is exposed to the elements. To ensure the concrete top slab does not deteriorate, a sealant is applied to the entire surface that will protect and extend the life of the overall structure. This sealant was last applied over 25 years ago and the new application is expected to last for 25 years at a minimum.

Project Description

Online Analyzers -Treatment/Distribution

Year

2019

Project #

AC-19020

Plan

\$178,263



Justification

The analyzer shop currently operates 12 online auto titrators that measure calcium hardness, total hardness, p alkalinity, and total alkalinity. This project will replace two units. The typical life of this piece of equipment is 10-12 years, and these units are 10 years old. 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.

PRODUCTION DIVISION

Replace

Project Description

Elevated Tank SCADA Hardware Replacement

Year

2019

Project #

AC-19047

Plan

\$166,203



Justification

This project provides for the replacement of the field SCADA equipment located at the Santa Fe, Wells, Delmar, and Monticello tanks. The existing equipment are now 15-25 years old and no longer meet standards that were recently developed as a part of the SCADA Master Plan. The replacement of this equipment is necessary to convert these remote facilities to the new SCADA platform and the replacement equipment is estimated to last 20 years.

Project Description

Vehicle Storage Garage HVAC Improvements

Year

2019

Project #

AC-19042

Plan

\$138,501



Justification

The current heaters were installed as a part of the original construction in 2001 and have a typical life of 20 years. Typical failures of these types of heaters include cracks in the burner section that can cause carbon monoxide to leak in the buildings. The vehicle exhaust ventilation systems are also in need of refurbishment due to normal wear. Other improvements to the area will include the installation of heat and smoke detectors that will improve the ability to recognize a hazard and react before a major fire event could develop. These improvements will reduce the risk to employees from harmful emissions as well as better protect the facilities through enhanced safety features. This project is the result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule.

PRODUCTION DIVISION

Replace

Project Description

Quivira Station Control Panel Replace

Year

2019

Project #

AC-19046

Plan

\$132,961



Justification

The existing cabinet enclosure that houses all the local controls and wiring for the entire pump station was installed as a part of the original 1994 construction project. The electronic equipment installed in this cabinet has reached the end of its useful life and should be replaced to increase the reliability of the facility. The new cabinet and devices will be more compatible with the modern SCADA system platform which will be implemented at the same time. This project is the result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule.

Project Description

Quivira Pump Station Meter Replacement

Year

2019

Project #

AC-19032

Plan

\$110,801



Justification

The flow metering equipment in the Quivira Pump Station will have reached 25 years old in 2019. Metering equipment has a useful life of 25 years and will need replaced to ensure reliable flow measurements from the pump station which will allow Operations staff to correctly control flows throughout the distribution system. Failure of flow metering equipment can lead to improper pump selection and potentially cause main breaks. This project is the result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule.

WaterOne 2019 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Turbidimeter Replacement

Year

2019

Project #

AC-19080

Plan

\$89,750



Justification

The analyzer shop currently operates 1 laser turbidimeter on each of the 15 filter racks at the Wolcott Water Treatment Plant. They are original installations and will be 9 years old in 2019. The manufacturer of these turbidimeters plans to stop supporting them in the next 5 years. While still functional, they periodically require expensive maintenance and calibration at the factory. Replacing these units with newer models will ensure that these units are supported by the manufacturer and avoid any future expense related to off-site equipment repair.

Project Description

SCADA Alarm Event Rationalization/Plan

Year

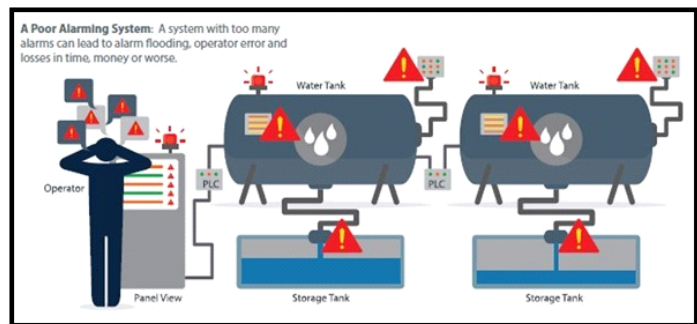
2019

Project #

AC-19303

Plan

\$86,426



Justification

The alarms and events in the existing SCADA Systems have been defined independently for each task. The lack of standardization results in inconsistencies between different facilities and alarms that may not need an operator response. This project will develop and document a standard and repeatable approach for alarm/event classification, programming, presentation, and mitigation based on industry standards (ISA-S18 and EEMUA 191) and will be employed in all SCADA upgrades and enhancements.

PRODUCTION DIVISION

Replace

Project Description

Facilities Concrete Repair and Sealant

Year

2019

Project #

AC-19045

Plan

\$66,481

Justification

This project will address portions of the concrete foundations at multiple facilities including Santa Fe, Wells, and Delmar Tanks. The top layer of concrete has been exposed to the winter freeze-thaw cycles of 50-plus years and is starting to deteriorate. The concrete will be repaired and then sealed with an appropriate coating that will extend the life of the foundations and prevent further deterioration.



Project Description

Wolcott HVAC Controls Upgrade

Year

2019

Project #

AC-19043

Plan

\$55,400

Justification

The existing controls at the Wolcott Treatment Facility will be 9 years old in 2019 and are no longer compatible with the other WaterOne facilities. They are unable to be combined into a common communications platform that has been utilized in all recent HVAC control upgrades at multiple facilities. These upgrades have an estimated useful life of 20 years and will allow staff to remotely monitor and control HVAC equipment reducing unnecessary trips to the facility to make onsite observations and minor adjustments to the system.



WaterOne 2019 Budget

PRODUCTION DIVISION

Replace

Project Description

Board Room Carpet Replacement

Year

2019

Project #

AC-19041

Plan

\$17,728



Justification

The carpet in the Board Room is original to the 2001 construction of the building. The carpet is beginning to show wear and due to the custom layout, replacement or patching of areas is not feasible. The replacement of the carpet will enhance the condition of the room.

Project Description

KS Presed 20" Butterfly Valve Oper Repl

Year

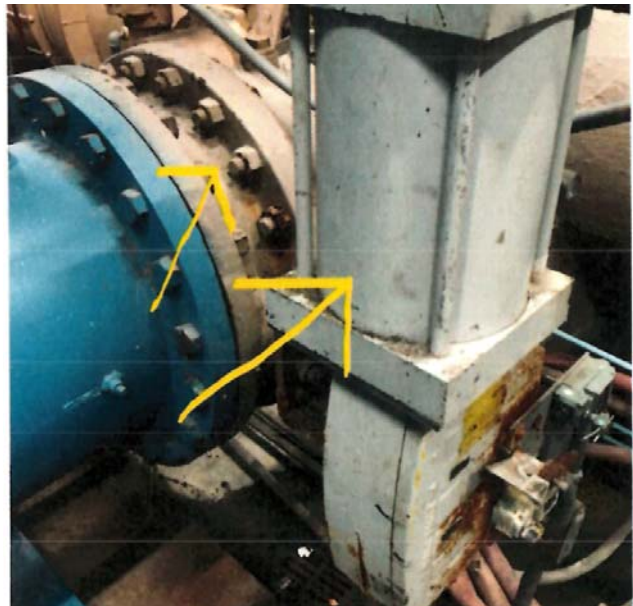
2019

Project #

AC-19086

Plan

\$16,427



Justification

This project is for the replacement of two 20" butterfly valves and operators at the Kanas River Presedimentation Facility. The valves for settled water pump #3 and #6 are 33 years old and have deteriorated due to age becoming unreliable. The estimated useful life of the replacement valves is 15 years.

PRODUCTION DIVISION

Replace

Project Description

KS Presed Basins Level Transmitters

Year

2019

Project #

AC-19085

Plan

\$14,071



Justification

This project includes installing wiring between the Kansas River Facility Basin buildings 1,2, and 3 to the main facility building PLC cabinet and replacing existing basin level transmitters. The current level transmitters are 12 years old and will be replaced with laser or ultrasonic level transmitters that are expected to last 10 years and which will improve basin level reading accuracy and control performance.

Project Description

Wolcott Air Comp for Filtration System

Year

2019

Project #

AC-19087

Plan

\$13,555



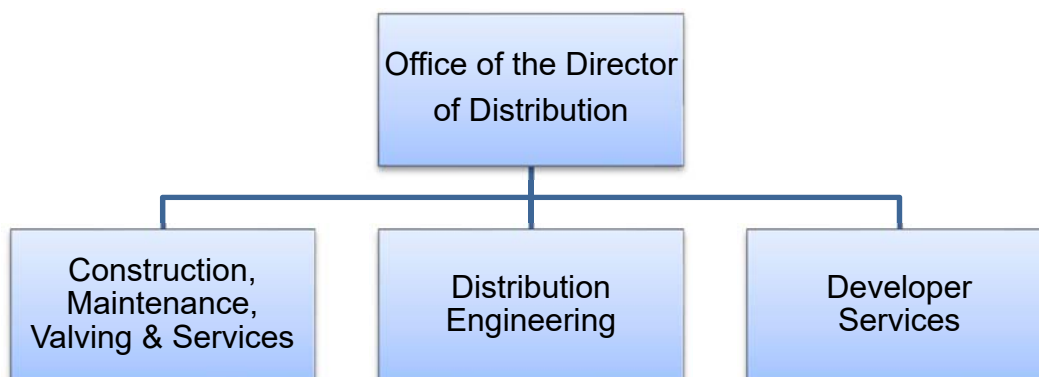
Justification

This project will replace two Wolcott Treatment Plant air compressors for the water filtration system. These compressors average around a ten year life expectancy, and the existing compressors have reached the end of that expected life. There have been an increasing number of break downs recently and the parts availability has been unreliable.

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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 pipeline, fire hydrants, valves, and 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.

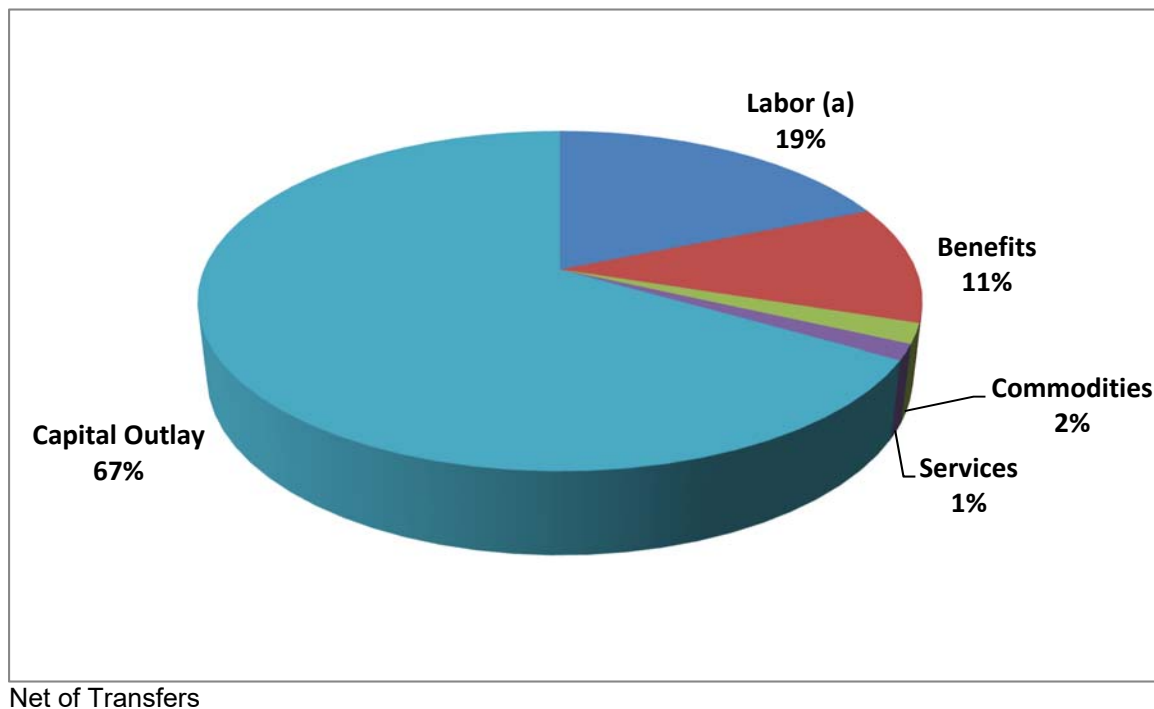
DIVISION OBJECTIVE

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 “2019 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY



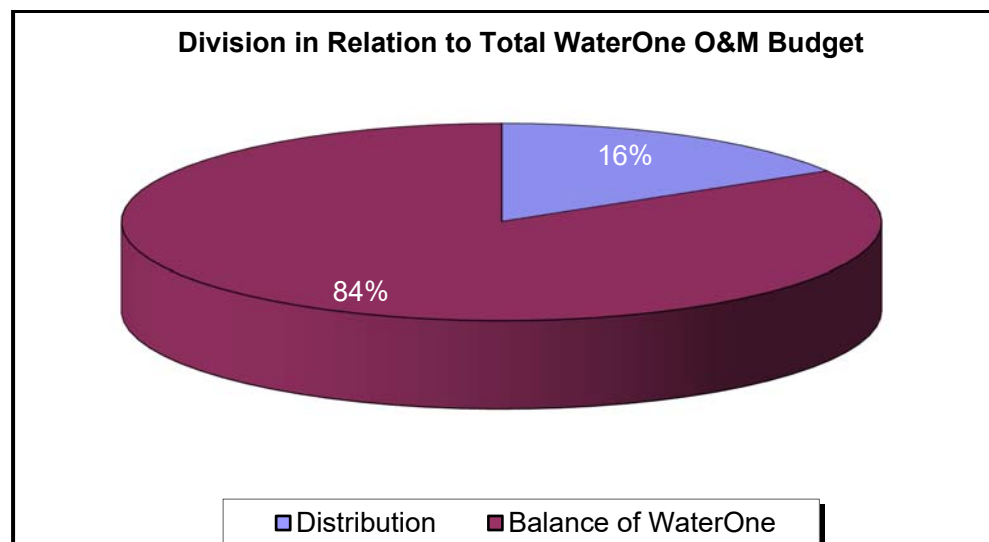
	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$9,359,857	\$10,104,465	\$10,397,321	\$292,856	2.9%
Benefits	3,587,926	3,170,393	2,979,070	<191,323>	<6.0%>
Personnel Costs	\$12,947,784	\$13,274,858	\$13,376,391	\$101,533	0.8%
Commodities	652,066	718,540	505,550	<212,990>	<29.6%>
Services	1,525,048	1,604,385	385,963	<1,218,422>	<75.9%>
Transfers	<4,570,304>	<4,515,137>	<5,393,398>	<878,261>	19.5%
Total O&M	\$10,554,593	\$11,082,646	\$8,874,506	<\$2,208,140>	<19.9%>
Capital Outlay	14,462,430	15,097,680	17,745,131	2,647,451	17.5%
Total	\$25,017,023	\$26,180,326	\$26,619,637	\$439,311	1.7%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

WATERONE 2019 BUDGET DISTRIBUTION

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget (b)	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$8,627,326	\$9,416,965	\$9,721,621	\$304,656	3.2%
Labor - OT	687,038	687,500	675,700	<11,800>	<1.7%>
Benefits	3,587,926	3,170,393	2,979,070	<191,323>	-6.0%
Inventory Withdrawals	307,581	363,700	226,700	<137,000>	<37.7%>
Contracted Services	183,305	141,900	130,800	<11,100>	<7.8%>
Small Tools & Equipment	75,482	123,800	111,100	<12,700>	<10.3%>
Materials & Supplies	114,709	99,550	83,050	<16,500>	<16.6%>
Pavement Repair	893,222	939,350	43,500	<895,850>	<95.4%>
Clean Up (a)	182,368	258,170	30,900	<227,270>	<88.0%>
Subtotal	\$14,658,957	\$15,201,328	\$14,002,441	<\$1,198,887>	-7.9%
All Other Accounts	465,940	396,455	265,463	<130,992>	<33.0%>
Less Transfers	<4,570,304>	<4,515,137>	<5,393,398>	<878,261>	19.5%
Total O&M	\$10,554,593	\$11,082,646	\$8,874,506	<\$2,208,140>	-19.9%

Numbers may not add due to rounding

- a) Clean Up is the combination of the Clean Up and Topsoil accounts.
- b) Prior to 2019, smaller main breaks were expensed. In 2019, those costs will be transferred to the Transmission & Distribution Funding annual capital project under the category 'Distribution Main Breaks'. Just under \$2.5 million (including overheads) will move from O&M Expense to Capital in 2019. The reductions are reflected across numerous account in Distribution.

DISTRIBUTION

DISTRIBUTION	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget (b)	148	1	10	159	151.175
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	1	-	-	1	1.0
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	149	1	10	160	152.175

- a) Budgeted New Position: Vacuum Excavation Crew (1 Distribution Technician/ 1 re-assigned Distribution Technician from existing construction crew)
- b) 2018 budgeted headcount is restated to include transfer of 2 Mapping & Drafting position from the Distribution Division to IT.

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study. 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 planned in CMVS is related to main breaks and will be transferred to capital.

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.

Inventory Withdrawals

Inventory consists of pipe, clamps, gaskets, and other material used in the maintenance of the transmission and distribution system. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital.

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. The budget in 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital such as street sawing and vacuum services.

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 2019 budget decreased to reflect the average actual history.

DISTRIBUTION

Material & Supplies

This account includes various items such as hardware tools, batteries, mulch bags, measuring wheels, paint, chainsaw chains, and other materials. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital.

Pavement Repair

This account includes the restoration of pavement, curbs, and sidewalks damaged because of maintenance work related to services and fire hydrants. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital.

Clean Up

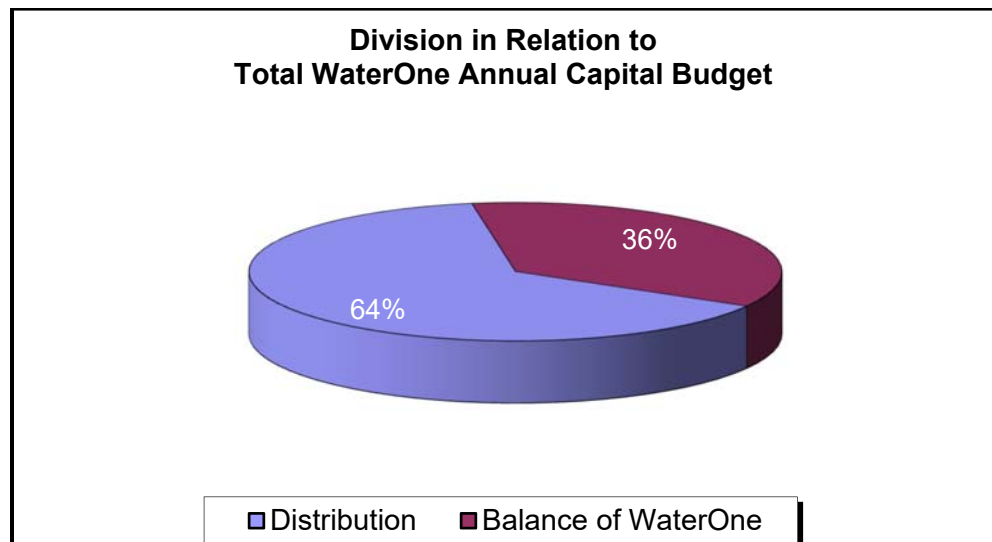
Clean Up includes the removal of construction debris, addition of topsoil, site grading as well as reseeding or sod replacement. 2019 is decreasing due to a planned transfer of costs associated with main breaks from expense to capital.

Transfers

Transfers are increasing due to the labor previously associated with maintenance main breaks being capitalized.

WATERONE 2019 BUDGET
DISTRIBUTION

ANNUAL CAPITAL



New

AC-19199	Pipeline Repl. Prioritization Software	\$94,181
AC-19008	Truck Mounted Valve Turners (4 ea.)	66,481
AC-19014	New Services Cost Standard Difference	20,000
Annual Capital - New		\$180,662

Replacement / Refurbish

RV-19001	2019 Transmission & Distribution Funding	\$17,330,000
AC-19100	Replace Pressure Dataloggers (20 ea.)	87,656
AC-19009	Replace Leak Correlator/Detection Equip	77,561
AC-19011	4" Compressor Assisted Pump Replacement	60,941
AC-19012	Lunch Room Chair Repl (150 ea.) - AHQ	8,311
Annual Capital - Replace / Refurbish		\$17,564,469
Total Annual Capital		\$17,745,131

Numbers may not add due to rounding

DISTRIBUTION

Annual Capital Listed in Other Divisions:

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

AF-19090	(f) Crane Truck (Repl 6090) CMVS	315,783
AF-19600	(f) Tandem Dump Truck (Repl 6140) CMVS	204,982
AF-19260	(f) Service Body (Repl 5260) CMVS	187,808
AF-19056	(f) Service Body (Repl 5120) CMVS	187,808
AF-19590	(f) Service Body (Repl 5090) CMVS	187,808
AF-19710	(f) Tractor (Repl 7720) CMVS	57,617
AF-19091	(f) Sign Trailer (Repl 7219) CMVS	33,240
AF-19231	(f) Backhoe Trailer (Repl 7231) CMVS	31,025
AF-19233	(f) Backhoe Trailer (Repl 7233) CMVS	31,025
AF-19240	(f) Equipment Trailer (Repl 7240) CMVS	18,836
AF-19222	(f) Trailer (Repl 7222) CMVS	6,981

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

MASTER PLAN CAPITAL

MP-19005	12" DM - High Dr/84th/Somerset/Lee/Meadow/89th	\$1,745,730
MP-10009	ROW 72" TM, PS to 105th & K7	1,238,905
MP-21501	PRV Facilities along Northwest Reduced Pressure Boundaries	654,546
MP-19000	30" TM Replc I-635 Crossing & 51st Street	112,726
Distribution & Transmission		\$3,751,908
Total Capital		\$21,497,039

WaterOne 2019 Budget

DISTRIBUTION DIVISION New

Project Description

Pipeline Repl. Prioritization Software

Year

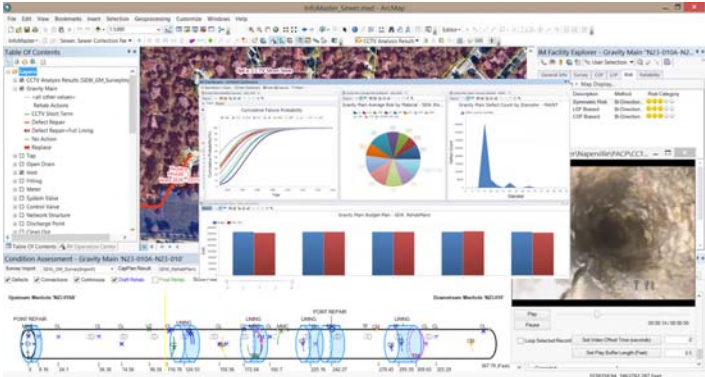
2019

Project #

AC-19199

Plan

\$94,181



Justification

A highly advanced and powerful analytical asset management tool using state-of-the-art mathematical models to predict when a water pipe will fail, helping utilities determine the most cost-effective solution for avoiding or correcting the problem. Benefits of the system include water network business intelligence, risk-based rehabilitation planning, proactive operational planning, condition assessment management, and infrastructure data validation.

Project Description

Truck Mounted Valve Turners (4 ea.)

Year

2019

Project #

AC-19008

Plan

\$66,481



Justification

This project includes four truck mounted hydraulic valve turners. The valve turners will be mounted on four Foremen's trucks. Valve turners allow valves that are stiff to be operated without placing undue stress on the valve stem or the person operating it. This should result in less breakage of valves and potential injuries to personnel. Valves that won't seat and are leaking through can be repetitively cycled quickly to get a positive shut off instead of having to shut off another valve which puts more customers out of service.

WaterOne 2019 Budget

DISTRIBUTION DIVISION

New

Project Description

New Services Cost Standard Difference

Year

2019

Project #

AC-19014

Plan

\$20,000



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 2019 Budget

DISTRIBUTION DIVISION

Replace

Project Description

2019 Transmission & Distribution Funding

Year

2019

Project #

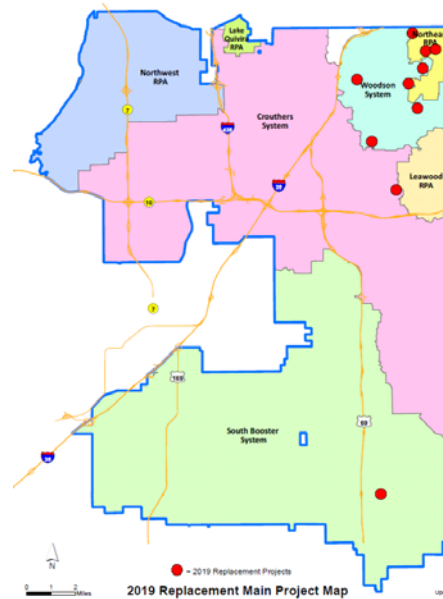
RV-19001

Plan

\$17,330,000

Justification

Replacements - \$8,500,000; Main Breaks - \$4,100,000 (Main Breaks now includes costs that were previously categorized as expense); GI - \$2,300,000; Relocations - \$1,500,000; Condition Assessment - \$515,000; TM Capital - \$415,000



Project Description

Replace Pressure Dataloggers (20 ea.)

Year

2019

Project #

AC-19100

Plan

\$87,656

Justification

The datalogger replacement program was established in 2010 to exchange worn out temporary pressure datalogger units originally purchased in 1998 and 1999 with permanent units. The permanent datalogger units enhance the current system with full year readings of flow and pressure versus the summer program monitoring, providing advanced data coverage. This project will replace all of the remaining 20 units at \$2,000 each plus installation of 20 new meter pits by WaterOne crews to permanently house each unit.



WaterOne 2019 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Replace Leak Correlator/Detection Equip

Year

2019

Project #

AC-19009

Plan

\$77,561



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 replaces equipment that is nine years-old. The useful life of the equipment is seven to nine years. The project includes 30 loggers and 1 correlator.

Project Description

4" Compressor Assisted Pump Replacement

Year

2019

Project #

AC-19011

Plan

\$60,941



Justification

This request is for a 4" dry prime compressor assisted trailer mounted pump capable of handling solids up to 2" to dewater excavations and large mains. It replaces a unit that is 13 years-old. The expected useful life is 10 years.

WaterOne 2019 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Lunch Room Chair Repl (150 ea.) - AHQ

Year

2019

Project #

AC-19012

Plan

\$8,311

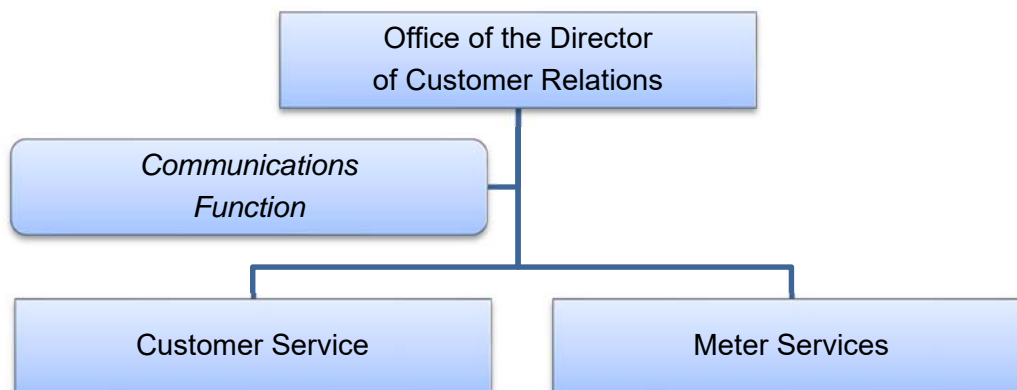
Justification

This request is for 150 stackable vinyl chairs for the upstairs lunch room at the Administrative Headquarters. Newest of the current chairs were purchased in 2001 (some are older). Despite commercial cleaning, the chairs are permanently stained and showing signs of wear.



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.

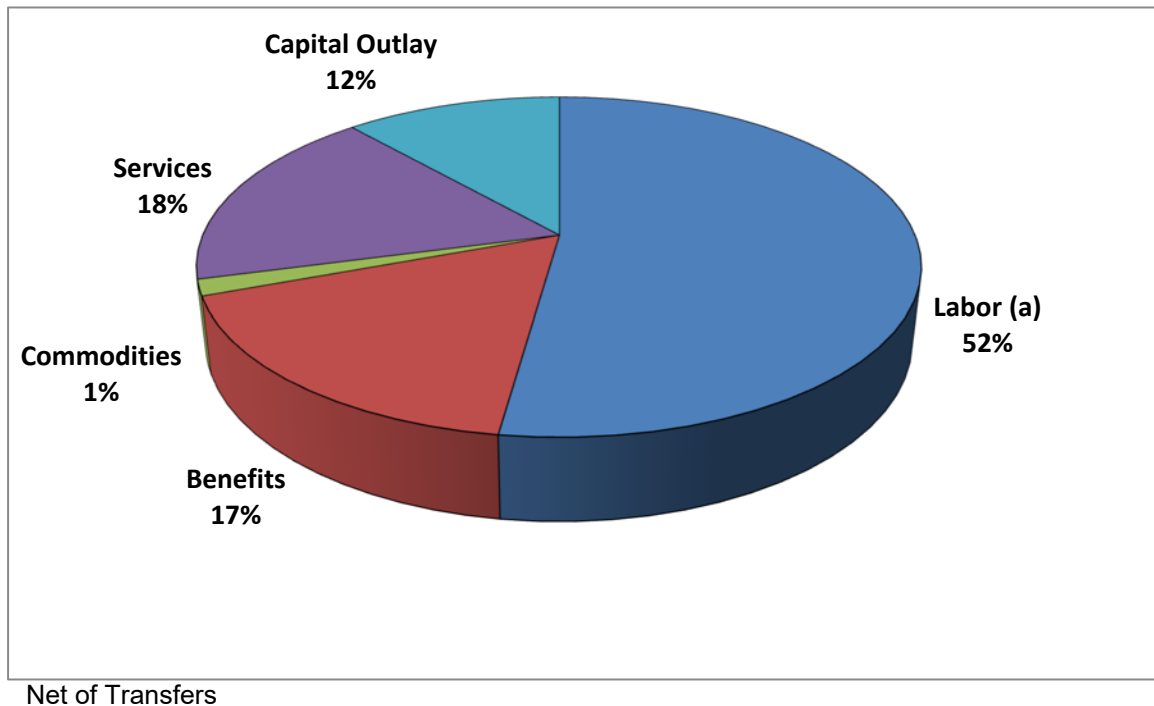
DIVISION OBJECTIVE

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

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under “2019 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

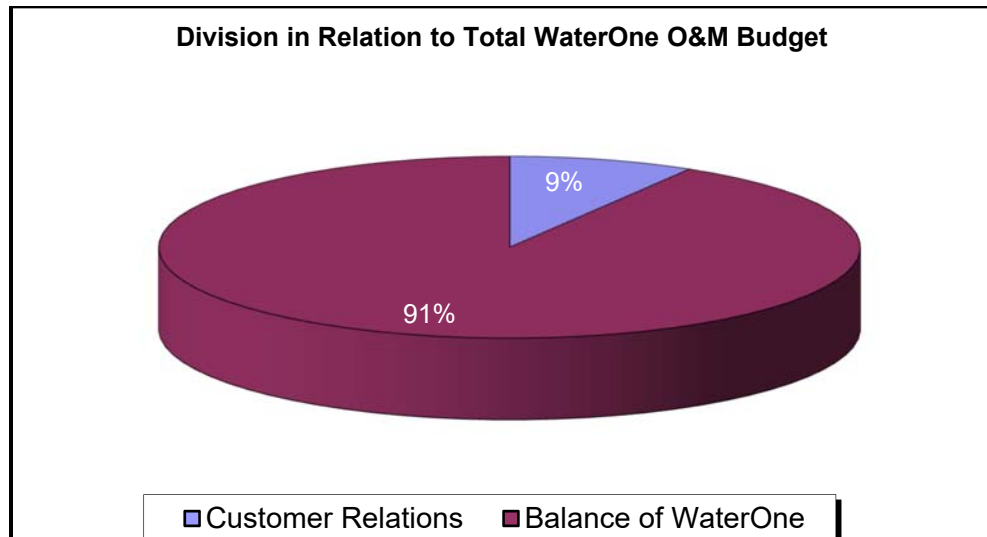


	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,341,138	\$2,549,459	\$2,812,353	\$262,894	10.3%
Benefits	988,375	900,714	896,765	<3,948>	<0.4%>
<i>Personnel Costs</i>	<i>\$3,329,513</i>	<i>\$3,450,173</i>	<i>\$3,709,118</i>	<i>\$258,946</i>	<i>7.5%</i>
Commodities	78,915	64,900	79,650	14,750	22.7%
Services	864,167	954,060	922,176	<31,884>	<3.3%>
Transfers	<61,288>	<106,190>	<73,391>	32,799	<30.9%>
Total O&M	\$4,211,307	\$4,362,943	\$4,637,553	\$274,610	6.3%
Capital Outlay	989,831	984,508	604,429	<380,079>	<38.6%>
Total	\$5,201,138	\$5,347,451	\$5,241,982	<\$105,469>	<2.0%>

Numbers may not add due to rounding.

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,295,136	\$2,535,459	\$2,801,853	\$266,394	10.5%
Benefits	988,375	900,714	896,765	<3,948>	<0.4%>
Water Billing Services	461,352	474,000	474,000	0	0.0%
Uncollectible Accounts	123,220	190,000	150,000	<40,000>	<21.1%>
Contracted Services	34,862	71,020	98,080	27,060	38.1%
Meter Reading - AMR Svcs	69,909	71,900	50,000	<21,900>	<30.5%>
Subtotal	\$3,972,854	\$4,243,093	\$4,470,698	\$227,605	5.4%
All Other Accounts	299,741	226,040	240,246	14,206	6.3%
Less Transfers	<61,288>	<106,190>	<73,391>	32,799	<30.9%>
Total O&M	\$4,211,307	\$4,362,943	\$4,637,553	\$274,610	6.3%

Numbers may not add due to rounding.

WATERONE 2019 BUDGET
CUSTOMER RELATIONS

CUSTOMER RELATIONS	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	48	-	3	51	49.1
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	-	-	-	-	-
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	48	-	3	51	49.1

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study.

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 remains the same as 2018.

Uncollectible Accounts

This is the estimated cost for uncollected water bills. Final bills that are unpaid are referred to an outside agency for collection, considered uncollectible, and written off. The budget is decreasing due to better account management and security deposit policies.

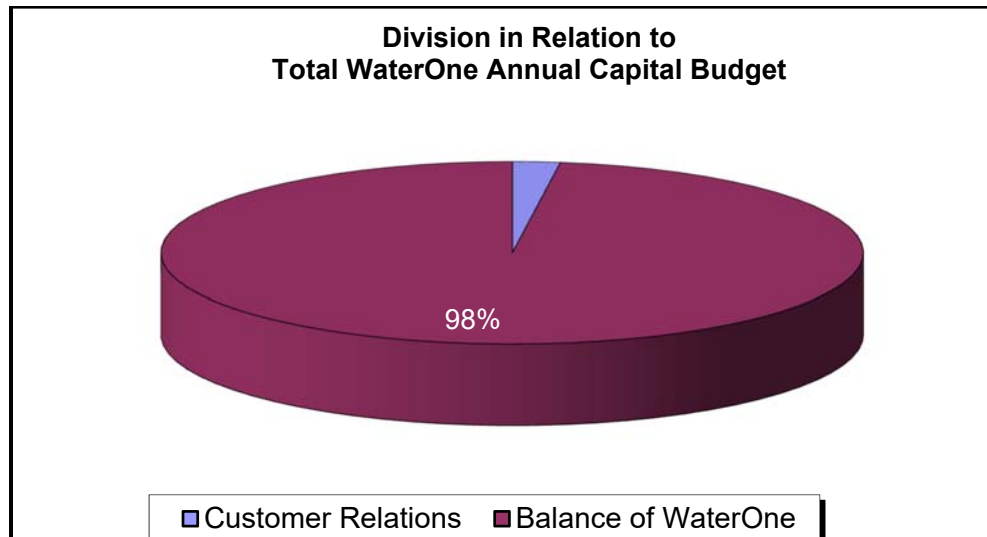
Contracted Services

Contracted Services consists of services that WaterOne does not have the resources for or are not cost effective to perform in-house. This account pays for items such as graphic design, animated videos, contract educators, and surveys. The budget increase is mostly due to the second year of a two-year phase-in for "Voice of the Customer" services, which allows customers to take a brief survey after a call in to get immediate feedback.

Meter Reading - AMR Services

This account is for outsourced automated meter reading services. This budget was reduced due to partial AMI implementation in 2019.

ANNUAL CAPITAL



New

AC-19803	Portable Vacuum Unit - Small	\$18,836
Annual Capital - New		\$18,836

Replacement / Refurbish

AC-19006	Annual Meter Replacement	\$585,593
Annual Capital - Replace / Refurbish		\$585,593

Total Annual Capital \$604,429

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-19810	(i) Appointment Scheduling Software - FS	\$27,700
AC-19801	(i) Peak Call Volume Management Solution	\$27,700
(i) project listed in the 'Information Technology Division'		

WaterOne 2019 Budget

CUSTOMER RELATIONS DIVISION

New

Project Description

Portable Vacuum Unit - Small

Year

2019

Project #

AC-19803

Plan

\$18,836



Justification

This is a new truck-mounted unit that will be used to remove mud and dirt to access valves and meter pits. Currently, Meter Services has to call CMVS to use a vacuum truck when these needs arise.

Project Description

Annual Meter Replacement

Year

2019

Project #

AC-19006

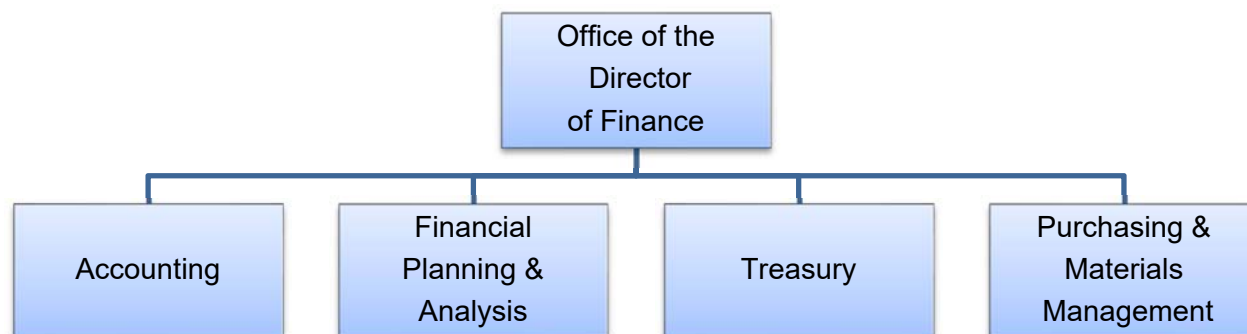
Plan

\$585,593



Justification

This project is the annual program for the replacement of defective and old meters. This project is the normal replacement plan for all meters which is approximately 4,300 meters per year.

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 department is also responsible for cash flow planning and investing available funds with the goal of ensuring the safety of principal, maintaining adequate liquidity, and maximizing yield.

The Treasury Department is responsible for maintaining WaterOne's banking relationship and for debt management including coordinating arbitrage calculations and ensuring timely debt service payments.

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.

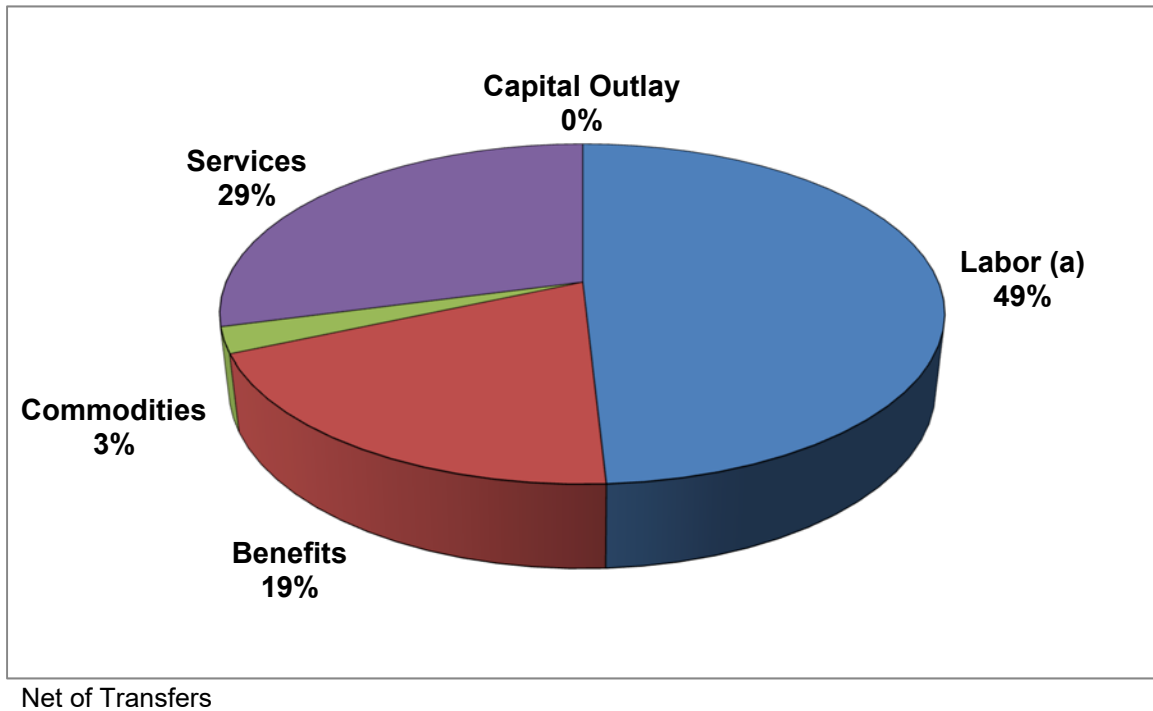
DIVISION OBJECTIVE

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 "2019 Operational Goals By Division". Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

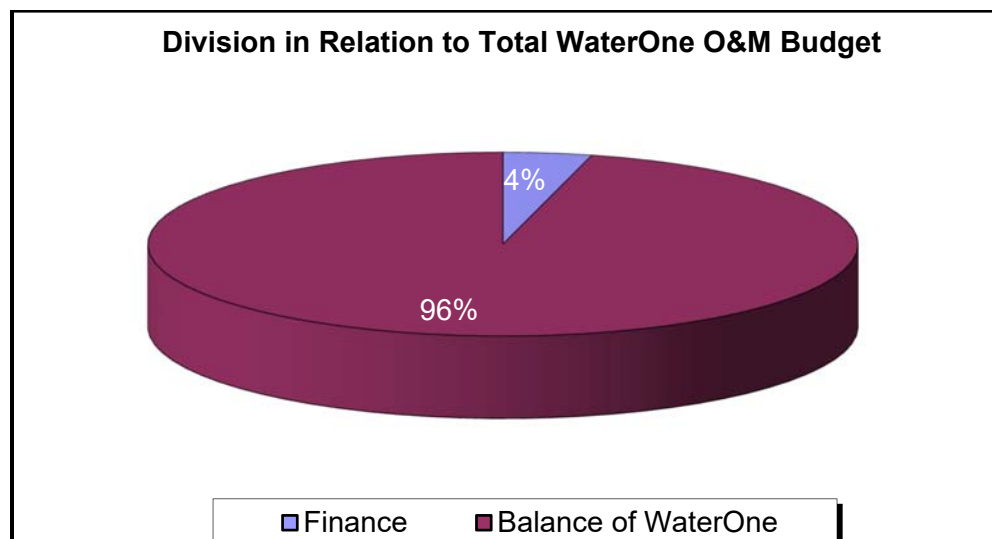


	2017 Actual (b)	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,391,322	\$1,477,039	\$1,500,528	\$23,489	1.6%
Benefits	516,286	441,314	419,402	<21,913>	<5.0%>
Personnel Costs	\$1,907,608	\$1,918,353	\$1,919,930	\$1,576	0.1%
Commodities	69,967	27,425	53,605	26,180	95.5%
Services	841,885	854,984	896,869	41,885	4.9%
Transfers	<724,483>	<691,895>	<688,472>	3,423	<0.5%>
Total O&M	\$2,094,976	\$2,108,868	\$2,181,932	\$73,064	3.5%
Capital Outlay	0	0	0	0	NA
Total	\$2,094,976	\$2,108,868	\$2,181,932	\$73,064	3.5%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

(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 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,393,345	\$1,474,039	\$1,497,528	\$23,489	1.6%
Benefits	516,286	441,314	419,402	<21,913>	<5.0%>
Clean Drinking Water Fee	540,048	597,894	599,556	1,662	0.3%
Property Tax Assessment	94,172	83,004	96,316	13,312	16.0%
Checking Acct Service Fees	72,745	68,000	70,000	2,000	2.9%
Bank Lockbox Fees	45,252	48,000	40,000	<8,000>	<16.7%>
Kitchen Supplies	64,559	24,000	37,800	13,800	57.5%
Subtotal	\$2,726,407	\$2,736,251	\$2,760,602	\$24,350	0.9%
All Other Accounts	93,052	64,512	109,802	45,291	70.2%
Less Transfers	<724,483>	<691,895>	<688,472>	3,423	<0.5%>
Total O&M	\$2,094,976	\$2,108,868	\$2,181,932	\$73,064	3.5%

Numbers may not add due to rounding

FINANCE

FINANCE	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	19	-	1	20	19.25
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	-	-	-	-	-
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	19	-	1	20	19.25

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study.

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 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 increase is based on the historical usage experienced.

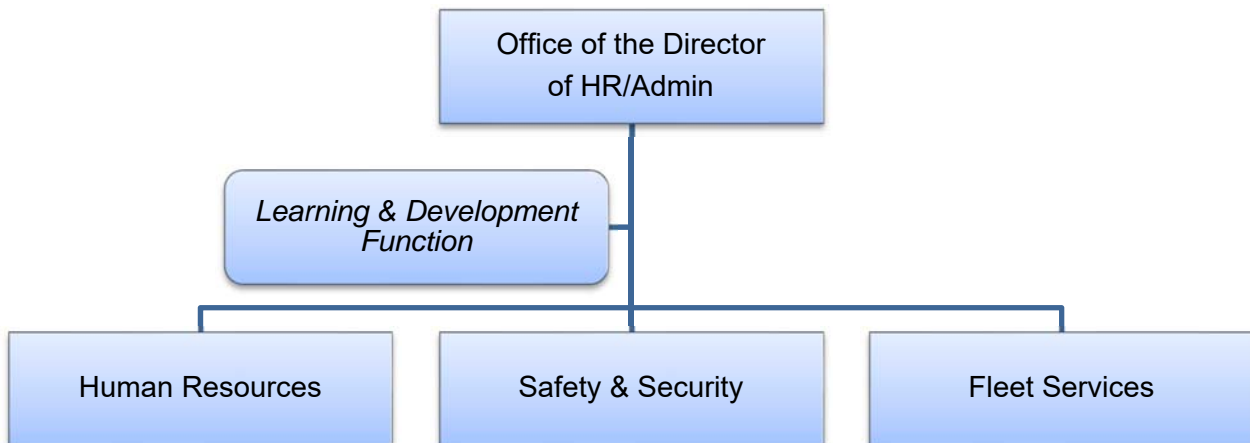
ANNUAL CAPITAL

This division has no capital requirements.

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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.

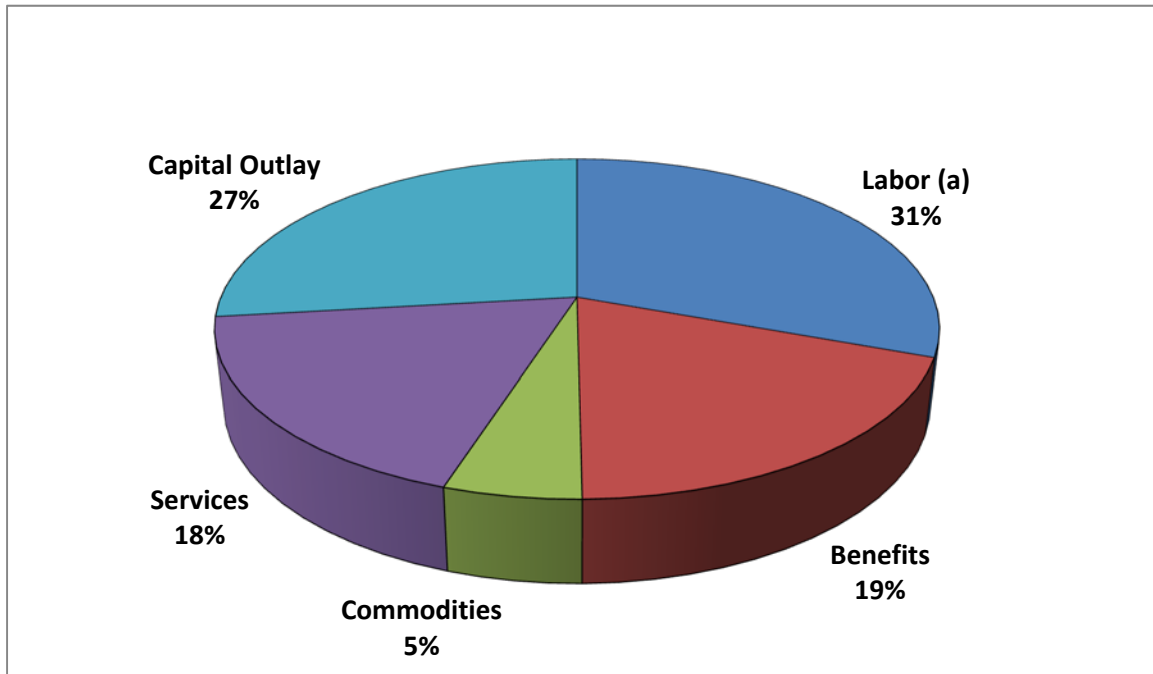
DIVISION OBJECTIVE

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.

HUMAN RESOURCES/ADMINISTRATION

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.

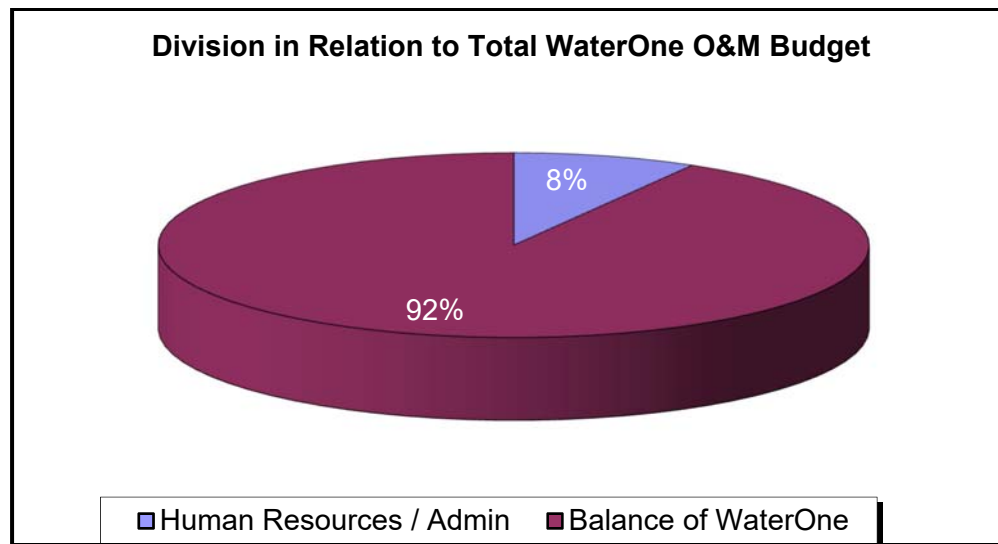
EXPENDITURES BY MAJOR CATEGORY

Net of Transfers

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,717,342	\$1,965,967	\$2,056,390	\$90,423	4.6%
Benefits	1,315,937	1,195,216	1,191,394	<3,822>	<0.3%>
Personnel Costs	\$3,033,278	\$3,161,183	\$3,247,784	\$86,601	2.7%
Commodities	1,178,428	1,130,352	1,235,429	105,077	9.3%
Services	1,134,782	1,083,283	1,129,419	46,136	4.3%
Transfers	<867,861>	<941,207>	<1,074,342>	<133,135>	14.1%
Total O&M	\$4,478,627	\$4,433,610	\$4,538,289	\$104,679	2.4%
Capital Outlay	1,545,721	2,081,319	1,665,898	<415,421>	<20.0%>
Total	\$6,024,348	\$6,514,929	\$6,204,187	<\$310,742>	<4.8%>

Numbers may not add due to rounding.

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,608,259	\$1,893,767	\$1,970,690	\$76,923	4.1%
Labor - OT	84,423	72,200	85,700	13,500	18.7%
Benefits	1,315,937	1,195,216	1,191,394	<3,822>	<0.3%>
Inventory Withdrawals	549,522	522,080	585,311	63,231	12.1%
Material & Supplies	464,793	440,250	479,640	39,390	8.9%
Security	459,908	468,825	462,172	<6,653>	<1.4%>
P&L Insurance	105,271	104,171	111,800	7,629	7.3%
Contracted Services	64,042	75,231	100,292	25,061	33.3%
Training	83,379	89,125	91,600	2,475	2.8%
Subtotal	\$4,735,534	\$4,860,865	\$5,078,599	\$217,734	4.5%
All Other Accounts	610,954	513,953	534,033	20,080	3.9%
Less Transfers	<867,861>	<941,207>	<1,074,342>	<133,135>	14.1%
Total O&M	\$4,478,627	\$4,433,610	\$4,538,289	\$104,678	2.4%

Numbers may not add due to rounding.

HUMAN RESOURCES/ADMINISTRATION

HUMAN RESOURCES/ADMIN	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	26	3	2	31	28.605
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	-	-	-	-	-
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	26	3	2	31	28.605

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of a compensation study completed in 2017.

Labor – OT

The majority of overtime is planned in Fleet related to vehicle and equipment repair after normal business 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. 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. Fuel represents a majority of the budget. The budgeted price per gallon for fuel increased from \$2.00 in 2018 to \$2.19 for 2019. The total number of budgeted gallons also increased by 3.4% based on historical data. The remaining budget is for non-fuel inventory withdrawals. It is developed based on history and is mainly used for scheduled preventative maintenance.

Material & Supplies

There are three components in this budget. The three components are Fleet non-inventory vehicle repair parts, car wash repair parts, and shop supplies; custodial supplies for maintaining facilities; and district wide training supplies. The 2019 budget increase is primarily due to planned development of a leadership program.

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 decrease is due to no rate increase in 2018 and no anticipated increase in 2019.

HUMAN RESOURCES/ADMINISTRATION

Property & Liability Insurance

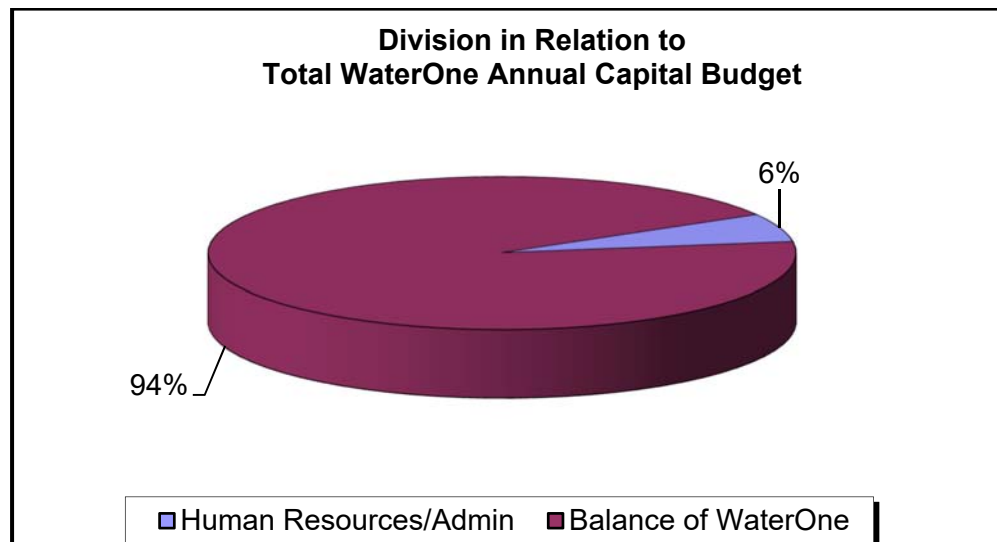
This budget is for auto insurance premiums only. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2018 will be in effect for the first half of the 2019 budget. The budget includes a 3% projected increase in premiums for the second half of the 2019 budget. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

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. The budget increase is due to a planned organizational wide physical vulnerability assessment study.

Training

This account includes training for the division and WaterOne-wide training. The budget is based on a multi-year average. For 2019, the budget is increasing due to trends and new training programs which began in 2018.

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

AC-19500	Freon Recovery Machine (New)	\$15,512
Annual Capital - New		\$15,512

Replacement / Refurbish

AF-19001	Light Duty Fleet Program	\$365,645
AF-19090	Crane Truck (Repl 6090) CMVS	315,783
AF-19600	Tandem Dump Truck (Repl 6140) CMVS	204,982
AF-19056	Service Body (Repl 5120) CMVS	187,808
AF-19260	Service Body (Repl 5260) CMVS	187,808
AF-19590	Service Body (Repl 5090) CMVS	187,808
AF-19710	Tractor (Repl 7720) CMVS	57,617
AF-19091	Sign Trailer (Repl 7219) CMVS	33,240
AF-19231	Backhoe Trailer (Repl 7231) CMVS	31,025

HUMAN RESOURCES/ADMINISTRATION

AF-19233	Backhoe Trailer (Repl 7233) CMVS	31,025
AF-19304	Off-Road Utility Vehicle (Repl 7304) OPS	21,828
AF-19240	Equipment Trailer (Repl 7240) CMVS	18,836
AF-19222	Trailer (Repl 7222) CMVS	6,981
Annual Capital - Replace / Refurbish		\$1,650,386
Total Annual Capital		\$1,665,898

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-19800	(i) Timekeeping System (New)	110,801
(i) Project is listed in the 'Information Technology Division'		

HUMAN RESOURCES & ADMINISTRATION DIV New

Project Description

Freon Recovery Machine (New)

Year

2019

Project #

AC-19500

Plan

\$15,512



Justification

Two years ago, a different type of Freon was introduced in some new vehicles. In 2019, the warranty period will be expiring for these vehicles. Acquisition of a Freon Recovery Machine will minimize out of service time during the vehicle repair process.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Light Duty Fleet Program

Year

2019

Project #

AF-19001

Plan

\$365,645



Justification

The program budget will be used to replace qualifying vehicles with unit numbers in the 2000, 3000, 8000, or 9000 series. These units are the SUVs, vans, and light trucks. WaterOne Fleet Replacement Standard for these vehicle types is 12 years and 120,000 miles. The selected units for the program will meet both the age and mileage criteria. Budget is based on a replacement of 11 units per year.

Project Description

Crane Truck (Repl 6090) CMVS

Year

2019

Project #

AF-19090

Plan

\$315,783



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 6090 is 15 years old and has 8,151 hours as of 4/2018. This unit will meet the age and hours criteria in 2019. The replacement unit will have a knuckle crane configuration instead of a stick crane for operational flexibility.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Tandem Dump Truck (Repl 6140) CMVS

Year

2019

Project #

AF-19600

Plan

\$204,982



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 6140 is 29 years old and has 14,307 hours as of 4/2018. This unit will meet the age and hours criteria in 2019. The replacement unit will be configured the same.

Project Description

Service Body (Repl 5120) CMVS

Year

2019

Project #

AF-19056

Plan

\$187,808



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5120 is 16 years old and has 8,998 hours as of 4/2018. This unit will meet the age and hours criteria in 2019. The replacement unit will be configured the same.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Service Body (Repl 5260) CMVS

Year

2019

Project #

AF-19260

Plan

\$187,808



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5260 is 13 years old and has 9,221 hours as of 4/2018. This unit will meet the hours criteria in 2019. The replacement unit will be configured the same.

Project Description

Service Body (Repl 5090) CMVS

Year

2019

Project #

AF-19590

Plan

\$187,808



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5090 is 15 years old and has 9,037 hours as of 4/2018. This unit will meet the age and hours criteria in 2019. The replacement unit will be configured the same.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Tractor (Repl 7720) CMVS

Year

2019

Project #

AF-19710

Plan

\$57,617



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7720 is 27 years old and has 857 hours as of 4/2018. The replacement unit will be similar but will also include an enclosed cab.

Project Description

Sign Trailer (Repl 7219) CMVS

Year

2019

Project #

AF-19091

Plan

\$33,240



Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7219 is 14 years old as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured to be a sign trailer.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Backhoe Trailer (Repl 7231) CMVS

Year

2019

Project #

AF-19231

Plan

\$31,025

Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7231 is 12 years old as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured the same.



Project Description

Backhoe Trailer (Repl 7233) CMVS

Year

2019

Project #

AF-19233

Plan

\$31,025

Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7233 is 12 years old as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured the same.



WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Off-Road Utility Vehicle (Repl 7304) OPS

Year

2019

Project #

AF-19304

Plan

\$21,828



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7304 is 10 years old and has 2,691 hours as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured the same.

Project Description

Equipment Trailer (Repl 7240) CMVS

Year

2019

Project #

AF-19240

Plan

\$18,836



Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7240 is 10 years old as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured the same.

WaterOne 2019 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Trailer (Repl 7222) CMVS

Year

2019

Project #

AF-19222

Plan

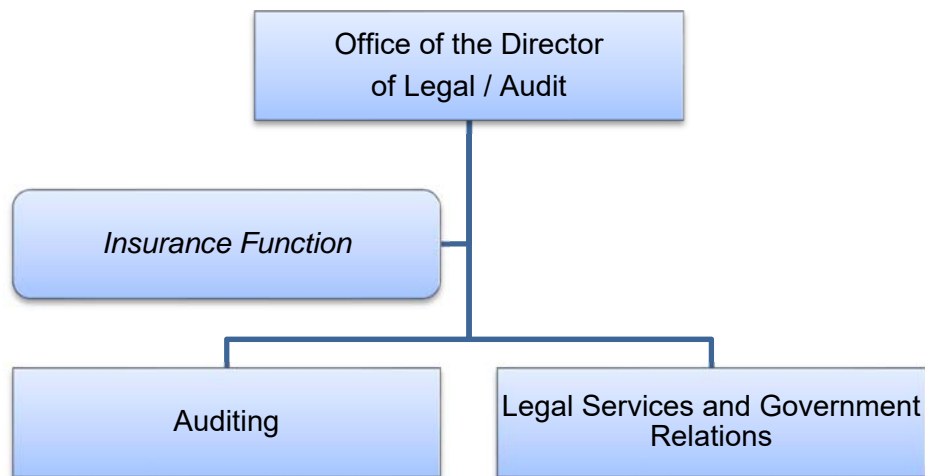
\$6,981

Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7222 is 15 years old as of 4/2018. This unit will meet the age criteria in 2019. The replacement unit will be configured the same.



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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.

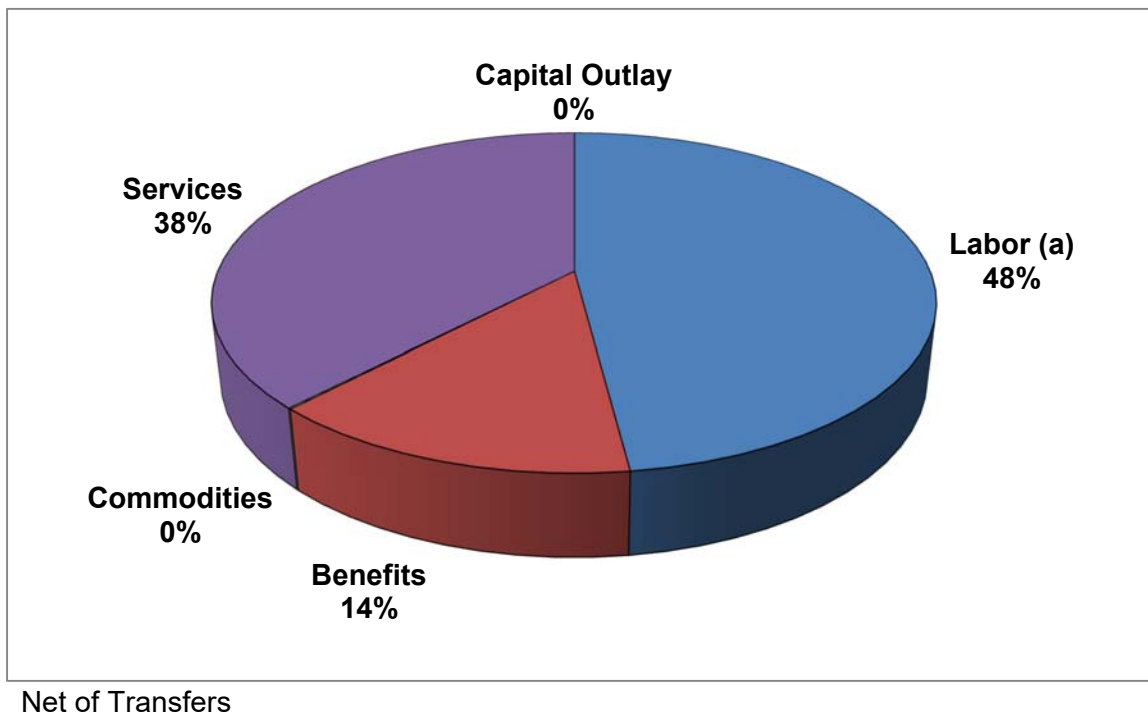
The Insurance Function is responsible for insurance coverage related to property and casualty risk management.

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

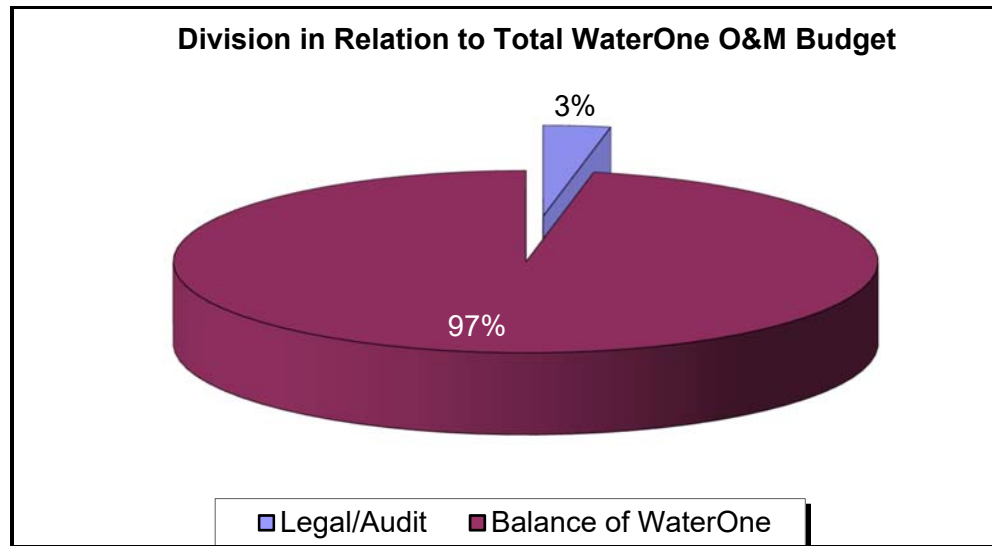
Divisional goals for the fiscal year are located in the Strategic Plan section under “2019 Operational Goals By Division”. Division level Key Performance Measures can also be found in the Strategic Plan section.

EXPENDITURES BY MAJOR CATEGORY

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$775,308	\$870,776	\$891,918	\$21,142	2.4%
Benefits	283,312	243,745	235,786	<7,959>	<3.3%>
Personnel Costs	\$1,058,620	\$1,114,521	\$1,127,704	\$13,183	1.2%
Commodities	1,541	1,750	1,650	<100>	<5.7%>
Services	638,156	671,122	723,974	52,852	7.9%
Transfers	<164,760>	<157,039>	<184,259>	<27,220>	17.3%
Total O&M	\$1,533,556	\$1,630,354	\$1,669,069	\$38,714	2.4%
Capital Outlay	0	0	0	0	NA
Total	\$1,533,556	\$1,630,354	\$1,669,069	\$38,714	2.4%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT

The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$762,145	\$870,776	\$891,918	\$21,142	2.4%
Benefits	283,312	243,745	235,786	<7,959>	<3.3%>
Property & Liability Insurance	467,508	485,100	530,432	45,332	9.3%
Property & Liability - Self Ins.	53,841	60,000	60,000	0	0.0%
Auditing Fees	46,380	46,875	48,080	1,205	2.6%
Subtotal	\$1,613,186	\$1,706,496	\$1,766,216	\$59,720	3.5%
All Other Accounts	85,130	80,897	87,112	6,215	7.7%
Less Transfers	<164,760>	<157,039>	<184,259>	<27,220>	17.3%
Total O&M	\$1,533,556	\$1,630,354	\$1,669,069	\$38,714	2.4%

Numbers may not add due to rounding

LEGAL / AUDITING

LEGAL / AUDIT	Full Time	Part Time	Summ / Temp	Headcount	FTE
2018 Budget	10	-	-	10	10.0
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	-	-	-	-	-
Reclass/PT Hour Adj. (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	10	-	-	10	10.0

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study.

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 Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2018 will be in effect for the first half of the 2019 budget. The budget includes a 3% projected increase in premiums for the second half of the 2019 budget. 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.

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. Audit 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.

Annual Capital Listed in Other Divisions:

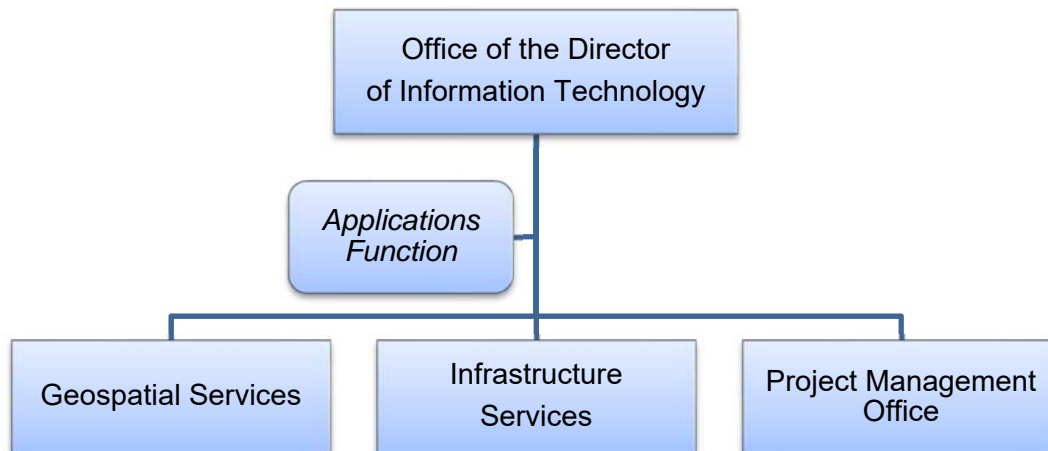
Projects are listed in the division responsible for project management and maintenance. Listed below are projects for which this division is the primary user, but the project detail can be found in the managing division.

AC-19905	(i)	Records Information Mgmt Implementation	\$221,602
AC-19700	(i)	Electronic Signature Application (New)	\$27,700
(i) project listed in the 'Information Technology Division'			

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INFORMATION TECHNOLOGY DIVISION

DIVISION ORGANIZATION



Geospatial Services 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 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.

The Project Management Office coordinates project requests, evaluation, and determination of IT resources. The department provides additional assistance such as project management expertise for Intranet/Extranet design and support services.

The Applications function is the selection, development, and 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.

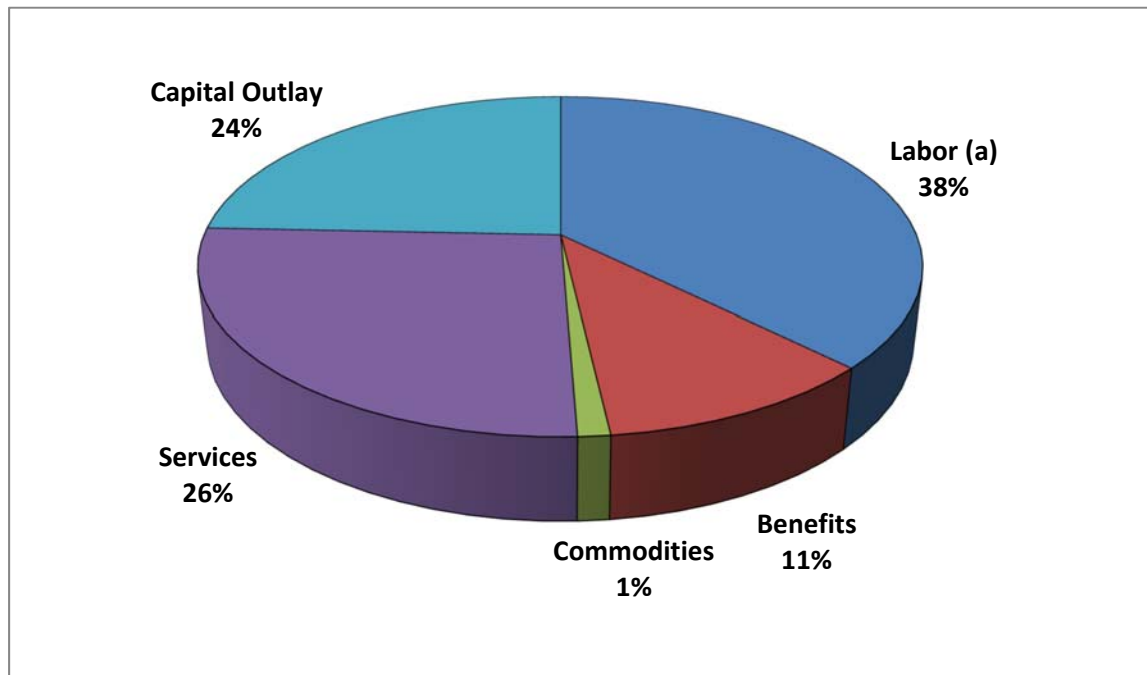
DIVISION OBJECTIVE

The Information Technology Division is committed to providing innovative, secure, reliable technology services to WaterOne's divisions and WaterOne's customers. Also, promote and foster innovation in support of WaterOne's Strategic Goals, to leverage the use of technology resources, to continuously improve business processes, and to become a technology leader in the utility industry.

ANNUAL GOALS AND KEY PERFORMANCE MEASURES

Divisional goals for the fiscal year are located in the Strategic Plan section under "2019 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

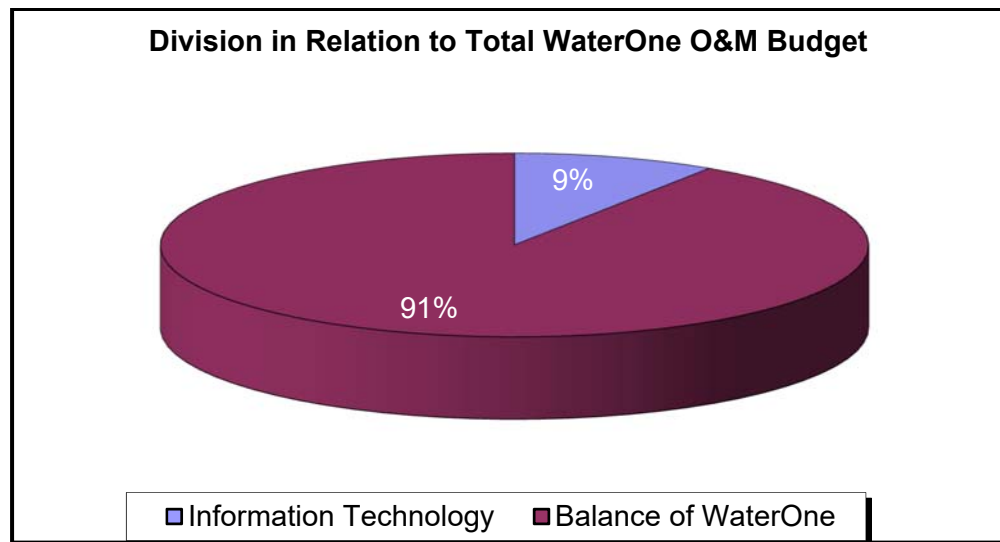
	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a,b)	\$1,913,410	\$2,395,939	\$2,758,645	\$362,706	15.1%
Benefits	743,884	657,543	713,391	55,848	8.5%
Personnel Costs	\$2,657,293	\$3,053,482	\$3,472,036	\$418,554	13.7%
Commodities	80,999	80,030	77,660	<2,370>	<3.0%>
Services	1,794,798	1,788,604	1,888,123	99,519	5.6%
Transfers	<406,836>	<354,657>	<406,099>	<51,443>	14.5%
Total O&M	\$4,126,254	\$4,567,459	\$5,031,720	\$464,260	10.2%
Capital Outlay	1,545,845	1,751,210	1,617,695	<133,515>	<7.6%>
Total	\$5,672,099	\$6,318,669	\$6,649,415	\$330,745	5.2%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime) and year end labor accruals.

(b) Labor budget reflects transfer of two headcount from Distribution Division to IT Division

SIGNIFICANT DIVISION OPERATING BUDGETS BY COST ELEMENT



The 2019 Significant Cost Elements are described below.

	2017 Actual	2018 Budget	2019 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT (a)	\$1,892,188	\$2,392,439	\$2,753,145	\$360,706	15.1%
Benefits	743,884	657,543	713,391	\$55,848	8.5%
PC Software License & Maintenance	610,791	784,285	977,715	193,430	24.7%
Telecom	399,059	449,640	457,080	7,440	1.7%
Contracted Services	154,089	176,895	148,300	<28,595>	<16.2%>
Non-Employee Overload	104,053	0	113,400	113,400	100.0%
IT Hardware Maintenance	229,411	155,506	67,400	<88,106>	<56.7%>
IT Maintenance – SAAS	95,542	55,150	0	<55,150>	<100.0%>
Subtotal	\$4,229,017	\$4,671,458	\$5,230,431	\$558,973	12.0%
All Other Accounts	304,073	250,658	207,388	<43,270>	<17.3%>
Less Transfers	<406,836>	<354,657>	<406,099>	<51,443>	14.5%
Total O&M	\$4,126,254	\$4,567,459	\$5,031,720	\$464,260	10.2%

Numbers may not add due to rounding

(a) Labor budget reflects transfer of two headcount from Distribution Division to IT Division

WATERONE 2019 BUDGET
INFORMATION TECHNOLOGY

INFORMATION TECHNOLOGY	Full Time	Part Time	Summ /Temp	Headcount	FTE
2018 Budget (b)	28	-	1	29	28.25
Mid-Year Reclass/Transfers (2018)	-	-	-	-	-
New Positions (2019)	1	-	-	1	1.0
Reclass/PT Hour Adj (2019)	-	-	-	-	-
Eliminations	-	-	-	-	-
2019 Budget	29	-	1	30	29.25

a) Budgeted New Position: Developer

b) 2018 budgeted headcount is restated to include transfer of 2 Mapping & Drafting position from the Distribution Division to IT.

Gross Labor (Non-Overtime)

A 3.5% performance compensation increase is budgeted. An additional 0.4% is budgeted for equity adjustments related to the results of the 2017 Compensation Study. 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.

PC Software License & Maintenance

This account covers WaterOne's software licenses and maintenance on that software. It is divided into two areas. The budget increase of \$193,430 is due to account transfers for GIS software and additional changes described below.

1. GIS software for \$73,400 transferred to PC Software License & Maintenance.
 - a. Johnson County AIMS GIS license for \$37,400 moved from AIMS LIC – Gross account.
 - b. Hydrant and valve audit support for \$36,000 moved from IT Maintenance – SAAS account.
2. PC and Application software: SAP, Microsoft, document management system, virus protection, and miscellaneous software. This portion of the budget increased \$120,030. Updates are described below.
 - a. New records management software and applications for leak surveillance increased the budget by \$45,330.
 - b. An increase of \$43,000 is due to the annual maintenance contract renewal for Microsoft.
 - c. Applicant Tracking and Learning Management System applications for \$17,100 transferred from IT Maintenance – SAAS account.

WATERONE 2019 BUDGET

INFORMATION TECHNOLOGY

- d. Various maintenance contracts experienced an increase in pricing for a total of \$14,600. The most significant increases were associated with cloud and virtualization software maintenance, additional Adobe licenses, and help desk ticket tracking software.

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. The budget increased in 2019 due to new services located at the Kansas River Horizontal Collector Well.

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 2019 budget decreased due to non-employee overload. A portion of these services are being handled through non-employee overload.

Non-Employee Overload

This account is for temporary personnel. The budget increase in 2019 is due to two planned positions, an Information Security professional and Help Desk Tier 1 support position.

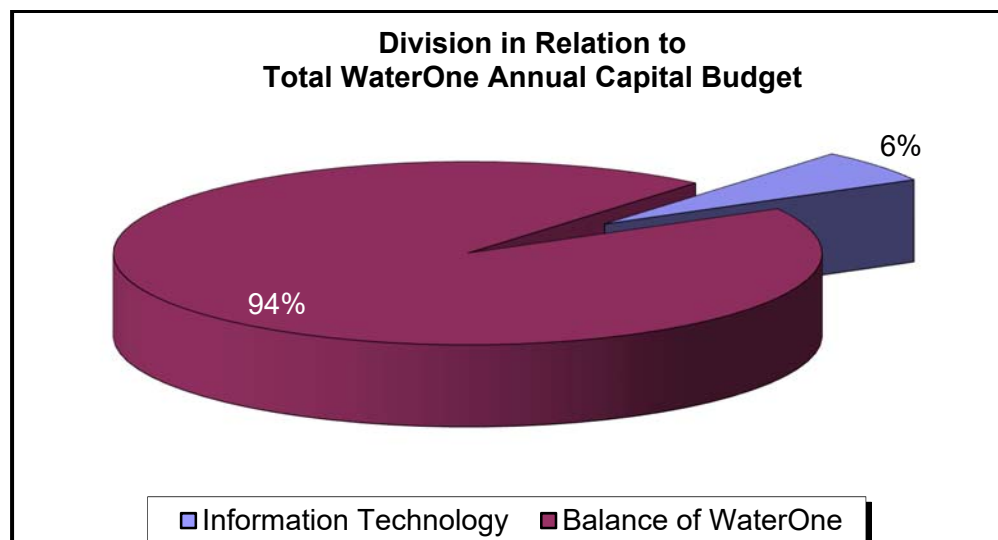
IT Hardware Maintenance

This account is for the recurring maintenance contracts for network hardware. The 2018 upgrade of the SAN includes Avamar, SAN and Data Domain maintenance costs for three years. Annual maintenance will begin again in 2021.

IT Maintenance - SAAS

This budget is for "Software As A Service" (SAAS). The reduction is due to the budget for contracted GIS support, applicant tracking, and learning management system were transferred to 'PC Software & Maintenance'. For tracking purposes, software maintenance contracts are budgeted together in one account.

ANNUAL CAPITAL



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

New

AC-19905	Records Information Mgmt Implementation	\$221,602
AC-19800	Timekeeping System (New)	110,801
AC-19801	Peak Call Volume Management Solution	44,321
AC-19700	Electronic Signature Application (New)	27,700
AC-19810	Appointment Scheduling Software - FS	27,700
Annual Capital - New		\$432,124

Replacement / Refurbish

AC-19050	System Upgrades and Enhancements	\$443,204
AC-19002	PC Replacement Program	288,082
AC-19001	Network Upgrades	177,282
AC-19039	Server Replacement Program	121,881
AC-19003	GIS Upgrades and Enhancements	110,801
AC-19005	Printer Replacement Program	44,321
Annual Capital - Replace / Refurbish		\$1,185,571
Total Annual Capital		\$1,617,695

Numbers may not add due to rounding

INFORMATION TECHNOLOGY DIVISION

New

Project Description

Records Information Mgmt Implementation

Year

2019

Project #

AC-19905

Plan

\$221,602



Justification

The records management project will increase efficiency and consistency as well as meet policy requirements for WaterOne's document management process. The initial implementation was for a pilot division/group. This implementation project will complete the implementation of the records management solution company wide.

Project Description

Timekeeping System (New)

Year

2019

Project #

AC-19800

Plan

\$110,801



Justification

This project will implement a timekeeping system. An automated timekeeping system will help streamline payroll processes, including minimizing employee manual time entry. The automated system will also ensure compliance with labor laws and business policies.

WaterOne 2019 Budget

INFORMATION TECHNOLOGY DIVISION New

Project Description

Peak Call Volume Management Solution

Year

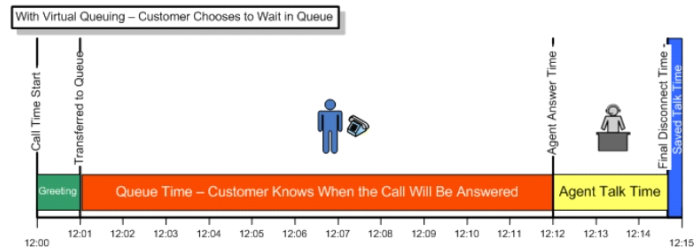
2019

Project #

AC-19801

Plan

\$44,321



Justification

This software allows customers waiting in the queue the option to opt out of waiting and receive a call back from a customer representative.

Project Description

Electronic Signature Application (New)

Year

2019

Project #

AC-19700

Plan

\$27,700



Justification

The electronic signature application will increase efficiency and consistency associated with the contract review process. This will also support the policy requirements for WaterOne's document management process.

WaterOne 2019 Budget

INFORMATION TECHNOLOGY DIVISION New

Project Description

Appointment Scheduling Software - FS

Year

2019

Project #

AC-19810

Plan

\$27,700

Justification

Large appointment windows are a gap in WaterOne's customer service expectations for Field Service calls. This project is to purchase software that will allow Field Services to more accurately schedule appointments with customers.



INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

System Upgrades and Enhancements

Year

2019

Project #

AC-19050

Plan

\$443,204



Justification

Annual program to upgrade and enhance SAP for end users. In 2019, upgrades and enhancements will include GIS integration, conversions for cloud services, and process improvements in SAP. Additional funding has been allocated for a Human Resource Information System (HRIS) conversion. The current SAP Human Resources Module is only being maintained by SAP, not enhanced. SAP is encouraging customers to convert to SAP SuccessFactors. Various HRIS solutions will be evaluated to determine the best option before any conversion occurs.

Project Description

PC Replacement Program

Year

2019

Project #

AC-19002

Plan

\$288,082



Justification

This program replaces desktop 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 2019 budget includes: 90 desktops/laptops @ \$2,000 = \$180,000 80 monitors @ \$250= \$20,000 Peripherals (keyboards, docking stations, soundbars, ports) \$25,000 Conference Room/AV Upgrades \$35,000

WaterOne 2019 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Network Upgrades

Year

2019

Project #

AC-19001

Plan

\$177,282



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

Server Replacement Program

Year

2019

Project #

AC-19039

Plan

\$121,881



Justification

This program's focus is to provide server hardware and software necessary to support continuing business operations. This program provides for servers and server components necessary to replace equipment that is no longer meeting WaterOne's needs, is out of warranty, or for normal expansion requirements that support the critical infrastructure needs of WaterOne. Additionally, this program provides for miscellaneous software used to monitor and manage the hardware components that make up the server environment. This critical program is a necessary and recurring component of providing reliable computing services. The budget includes: 4 Servers X \$20,000 = \$80,000 Server Components = \$30,000

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

GIS Upgrades and Enhancements

Year

2019

Project #

AC-19003

Plan

\$110,801



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.

Project Description

Printer Replacement Program

Year

2019

Project #

AC-19005

Plan

\$44,321



Justification

Annual program to replace printers that are technically deficient (one or more functions does not work or has a very high cost of operation due to its age), functionally obsolete (does not meet the needs of the users or applications), or failure critical (may fail at any point and would be prohibitively expensive to repair). Whenever possible, printers are consolidated which reduces the total number of printers supported, however, the new printer may be a more expensive printer to handle the increased demands and to provide greater functionality. The average cost for a printer (plotters, multi-function, and standard printers) is \$10,000. The 2019 budget includes replacement of 4 printers.

DEBT SERVICE

In 2019, WaterOne will be responsible for paying the debt service on the outstanding Parity Bonds (Series 2010, 2012, 2014 and 2017A and 2017B.)

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

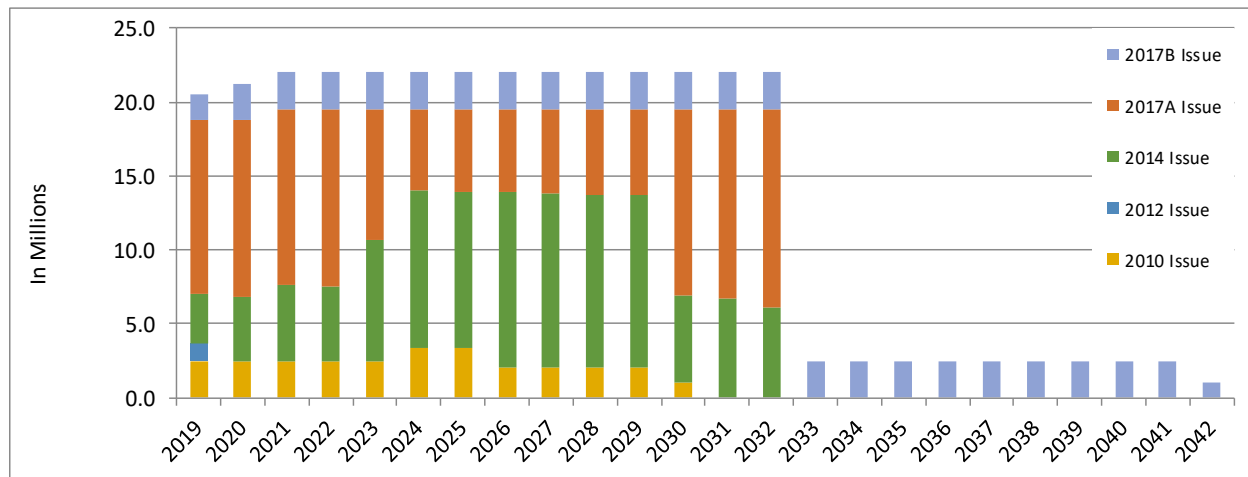


Chart excludes \$0.7M of capitalized interest in 2019 on 2017B Bonds (to be paid from bond proceeds)

DEBT FUNDING

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

**Water Revenue Refunding Bonds, Series 2009
CALLED USING AVAILABLE FUNDS**

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. The bonds maturing January 1, 2019 and later were called on July 1, 2018 and are no longer outstanding.

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, 2019	22,545,000
Debt Service Requirement for 2019	2,465,213
Funding in 2019 for Principal to be Retired	1,570,000
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, 2019	1,170,000
Debt Service Requirement for 2019	1,186,500
Funding in 2019 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, 2019	84,970,000
Debt Service Requirement for 2019	3,378,644
Funding in 2019 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, 2019	110,062,143
Debt Service Requirement for 2019	11,791,750
Funding in 2019 for Principal to be Retired	7,835,000
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, 2019	40,069,286
Debt Service Requirement for 2019 (excl. capitalized interest)	1,677,666
Funding in 2019 for Principal to be Retired	980,000
First Callable Maturity	1/1/2027
True Interest Cost (TIC) at time of original bond issue	3.0565%

Future Bond Issues

The schedules in this Debt Funding section of the budget show only outstanding bonds approved by the Board. However, WaterOne's 20-year financial model contains all projected funding sources (water rates, system development charges and projected future bond issues) for WaterOne's capital programs. See 'Total CIP' section for more information.

This budget does not include any additional bond issues in the 5-year projected timeframe. Any debt service for projected future bond issues would be included in the WaterOne Financial Overview (WFO) schedule on the Debt Service Funding line (see 'Overview' section). The WFO would also show projected Net Bond Proceeds in the Master Plan Capital Fund section.

**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
	\$	\$	\$	\$	\$	\$	\$	\$
2014	164,750,000	14,880,000	28,035,000	5,735,000	-	-	-	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	-	-	22,545,000	1,170,000	84,970,000	110,062,143	40,069,286	258,816,429
2020	-	-	20,975,000	-	84,770,000	102,565,000	39,605,000	247,915,000
2021	-	-	19,340,000	-	83,615,000	94,730,000	38,625,000	236,310,000
2022	-	-	17,640,000	-	81,600,000	86,295,000	37,510,000	223,045,000
2023	-	-	15,870,000	-	79,585,000	77,510,000	36,340,000	209,305,000
2024	-	-	14,020,000	-	74,405,000	68,220,000	35,110,000	191,755,000
2025	-	-	11,150,000	-	66,540,000	61,580,000	33,815,000	173,085,000
2026	-	-	8,185,000	-	58,385,000	57,965,000	32,455,000	156,990,000
2027	-	-	6,490,000	-	48,605,000	54,075,000	31,025,000	140,195,000
2028	-	-	4,725,000	-	38,540,000	49,995,000	29,525,000	122,785,000
2029	-	-	2,890,000	-	28,185,000	45,715,000	27,975,000	104,765,000
2030	-	-	985,000	-	17,545,000	41,255,000	26,395,000	86,180,000
2031	-	-	-	-	12,270,000	36,615,000	24,780,000	73,665,000
2032	-	-	-	-	5,945,000	25,100,000	23,120,000	54,165,000
2033	-	-	-	-	-	13,045,000	21,410,000	34,455,000
2034	-	-	-	-	-	-	19,645,000	19,645,000
2035	-	-	-	-	-	-	17,825,000	17,825,000
2036	-	-	-	-	-	-	15,950,000	15,950,000
2037	-	-	-	-	-	-	14,020,000	14,020,000
2038	-	-	-	-	-	-	12,030,000	12,030,000
2039	-	-	-	-	-	-	9,975,000	9,975,000
2040	-	-	-	-	-	-	7,845,000	7,845,000
2041	-	-	-	-	-	-	5,640,000	5,640,000
2042	-	-	-	-	-	-	3,360,000	3,360,000
2043	-	-	-	-	-	-	1,000,000	1,000,000
2044	-	-	-	-	-	-	-	-

Bond Ratings and Debt Service Coverage Ratio

The strong financial position of WaterOne is shown by the fact WaterOne's bonds are assigned ratings of AAA from Standard & Poor's and Aaa from Moody's, each representing the highest rating awarded in the nation for a water utility.

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
	\$	\$	\$	\$	\$	\$	\$	\$
2014 (a) .	16,064,573	4,732,425	1,659,788	1,071,625	200,000	-	-	23,728,411
2015 (a) .	15,753,426	3,398,563	1,648,388	1,624,125	200,000	-	-	22,624,502
2016 . . .	15,931,589	2,522,250	2,441,638	368,763	3,399,244	-	-	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) .	-	844,550	2,472,638	1,210,950	3,383,144	12,074,860	464,286	20,450,428
2019 (b) .	-	-	2,465,213	1,186,500	3,378,644	11,791,750	1,677,666	20,499,773
2020 . . .	-	-	2,481,656	-	4,329,644	12,000,000	2,459,956	21,271,256
2021 . . .	-	-	2,477,438	-	5,142,594	11,928,250	2,458,456	22,006,738
2022 . . .	-	-	2,470,150	-	5,082,144	11,994,000	2,459,206	22,005,500
2023 . . .	-	-	2,480,625	-	8,186,694	8,879,500	2,461,831	22,008,650
2024 . . .	-	-	3,405,788	-	10,617,494	5,522,500	2,461,456	22,007,238
2025 . . .	-	-	3,378,813	-	10,552,644	5,616,750	2,462,456	22,010,663
2026 . . .	-	-	2,015,450	-	11,918,669	5,612,250	2,460,081	22,006,450
2027 . . .	-	-	2,022,231	-	11,839,422	5,684,850	2,461,131	22,007,634
2028 . . .	-	-	2,016,475	-	11,750,181	5,778,625	2,459,597	22,004,878
2029 . . .	-	-	2,007,850	-	11,679,944	5,858,900	2,459,081	22,005,775
2030 . . .	-	-	1,005,931	-	5,940,825	12,598,450	2,458,463	22,003,669
2031 . . .	-	-	-	-	6,751,113	12,793,000	2,458,288	22,002,401
2032 . . .	-	-	-	-	6,125,300	13,421,350	2,461,838	22,008,488
2033 . . .	-	-	-	-	-	-	2,461,863	2,461,863
2034 . . .	-	-	-	-	-	-	2,462,263	2,462,263
2035 . . .	-	-	-	-	-	-	2,461,013	2,461,013
2036 . . .	-	-	-	-	-	-	2,461,325	2,461,325
2037 . . .	-	-	-	-	-	-	2,458,550	2,458,550
2038 . . .	-	-	-	-	-	-	2,461,625	2,461,625
2039 . . .	-	-	-	-	-	-	2,462,075	2,462,075
2040 . . .	-	-	-	-	-	-	2,459,900	2,459,900
2041 . . .	-	-	-	-	-	-	2,460,100	2,460,100
2042 . . .	-	-	-	-	-	-	1,017,500	1,017,500
2043 . . .	-	-	-	-	-	-	-	-

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
	\$	\$	\$	\$	\$	\$	\$	\$	
2014 ...	8,980,000	4,330,000	570,000	970,000	200,000	-	-	15,050,000	63.43%
2015 ...	9,090,000	3,085,000	570,000	1,545,000	200,000	-	-	14,490,000	64.05%
2016 ...	9,655,833	2,300,000	1,385,000	310,000	200,000	-	-	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)	785,000	1,520,000	1,170,000	200,000	7,497,143	464,286	11,636,429	56.90%
2019 ...	-	-	1,570,000	1,170,000	200,000	7,835,000	980,000	11,755,000	57.34%
2020 ...	-	-	1,635,000	-	1,155,000	8,435,000	1,115,000	12,340,000	58.01%
2021 ...	-	-	1,700,000	-	2,015,000	8,785,000	1,170,000	13,670,000	62.12%
2022 ...	-	-	1,770,000	-	2,015,000	9,290,000	1,230,000	14,305,000	65.01%
2023 ...	-	-	1,850,000	-	5,180,000	6,640,000	1,295,000	14,965,000	68.00%
2024 ...	-	-	2,870,000	-	7,865,000	3,615,000	1,360,000	15,710,000	71.39%
2025 ...	-	-	2,965,000	-	8,155,000	3,890,000	1,430,000	16,440,000	74.69%
2026 ...	-	-	1,695,000	-	9,780,000	4,080,000	1,500,000	17,055,000	77.50%
2027 ...	-	-	1,765,000	-	10,065,000	4,280,000	1,550,000	17,660,000	80.24%
2028 ...	-	-	1,835,000	-	10,355,000	4,460,000	1,580,000	18,230,000	82.85%
2029 ...	-	-	1,905,000	-	10,640,000	4,640,000	1,615,000	18,800,000	85.43%
2030 ...	-	-	985,000	-	5,275,000	11,515,000	1,660,000	19,435,000	88.33%
2031 ...	-	-	-	-	6,325,000	12,055,000	1,710,000	20,090,000	91.31%
2032 ...	-	-	-	-	5,945,000	13,045,000	1,765,000	20,755,000	94.30%
2033 ...	-	-	-	-	-	-	1,820,000	1,820,000	73.93%
2034 ...	-	-	-	-	-	-	1,875,000	1,875,000	76.15%
2035 ...	-	-	-	-	-	-	1,930,000	1,930,000	78.42%
2036 ...	-	-	-	-	-	-	1,990,000	1,990,000	80.85%
2037 ...	-	-	-	-	-	-	2,055,000	2,055,000	83.59%
2038 ...	-	-	-	-	-	-	2,130,000	2,130,000	86.53%
2039 ...	-	-	-	-	-	-	2,205,000	2,205,000	89.56%
2040 ...	-	-	-	-	-	-	2,280,000	2,280,000	92.69%
2041 ...	-	-	-	-	-	-	2,360,000	2,360,000	95.93%
2042 ...	-	-	-	-	-	-	1,000,000	1,000,000	98.28%
2043 ...	-	-	-	-	-	-	-	-	

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
	\$	\$	\$	\$	\$	\$	\$	\$	
2014 (a) .	7,084,573	402,425	1,089,788	101,625	-	-	-	8,678,410	36.57%
2015 (a) .	6,663,426	313,563	1,078,388	79,125	-	-	-	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	-	10,204,699	42.46%
2018 (b) .	(refunded)	59,550	952,638	40,950	3,183,144	4,577,717	-	8,813,999	43.10%
2019 (b) .	-	-	895,213	16,500	3,178,644	3,956,750	697,666	8,744,772	42.66%
2020 . . .	-	-	846,656	-	3,174,644	3,565,000	1,344,956	8,931,256	41.99%
2021 . . .	-	-	777,438	-	3,127,594	3,143,250	1,288,456	8,336,738	37.88%
2022 . . .	-	-	700,150	-	3,067,144	2,704,000	1,229,206	7,700,500	34.99%
2023 . . .	-	-	630,625	-	3,006,694	2,239,500	1,166,831	7,043,650	32.00%
2024 . . .	-	-	535,788	-	2,752,494	1,907,500	1,101,456	6,297,238	28.61%
2025 . . .	-	-	413,813	-	2,397,644	1,726,750	1,032,456	5,570,663	25.31%
2026 . . .	-	-	320,450	-	2,138,669	1,532,250	960,081	4,951,450	22.50%
2027 . . .	-	-	257,231	-	1,774,422	1,404,850	911,131	4,347,634	19.76%
2028 . . .	-	-	181,475	-	1,395,181	1,318,625	879,597	3,774,878	17.15%
2029 . . .	-	-	102,850	-	1,039,944	1,218,900	844,081	3,205,775	14.57%
2030 . . .	-	-	20,931	-	665,825	1,083,450	798,463	2,568,669	11.67%
2031 . . .	-	-	-	-	426,113	738,000	748,288	1,912,400	8.69%
2032 . . .	-	-	-	-	180,300	376,350	696,838	1,253,488	5.70%
2033 . . .	-	-	-	-	-	-	641,863	641,863	26.07%
2034 . . .	-	-	-	-	-	-	587,263	587,263	23.85%
2035 . . .	-	-	-	-	-	-	531,013	531,013	21.58%
2036 . . .	-	-	-	-	-	-	471,325	471,325	19.15%
2037 . . .	-	-	-	-	-	-	403,550	403,550	16.41%
2038 . . .	-	-	-	-	-	-	331,625	331,625	13.47%
2039 . . .	-	-	-	-	-	-	257,075	257,075	10.44%
2040 . . .	-	-	-	-	-	-	179,900	179,900	7.31%
2041 . . .	-	-	-	-	-	-	100,100	100,100	4.07%
2042 . . .	-	-	-	-	-	-	17,500	17,500	1.72%
2043 . . .	-	-	-	-	-	-	-	-	

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.

2019 Initial Forecast in 2018 Budget vs 2019 Budget
2019 Water Rate Increase = 1.9%

	2019 Initial Forecast @ 2.4%	2019 Adopted Budget @ 1.9%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 OPERATING REVENUES:				
3 Sales of Water - Retail	\$ 115,730,620	\$ 114,576,223	\$ (1,154,397)	-1.0%
4 Sales of Water - Wholesale	-	-	-	NA
5 TOTAL SALES OF WATER	\$ 115,730,620	\$ 114,576,223	\$ (1,154,397)	
6 Delayed Payment Charges	\$ 610,000	\$ 610,000	\$ -	0.0%
7 Field Service Charges	359,000	358,000	(1,000)	-0.3%
8 Other Operating Revenues	620,000	620,000	-	0.0%
9 TOTAL OTHER OPERATING REVENUES	\$ 1,589,000	\$ 1,588,000	\$ (1,000)	-0.1%
10 Investment Income (General and P&I Funds)	\$ 1,880,000	\$ 2,840,000	\$ 960,000	51.1%
11 Investment Income (Bond Fund)	-	-	-	0.0%
12 Investment Income (SDC Fund)	-	-	-	0.0%
13 TOTAL INVESTMENT INCOME	\$ 1,880,000	\$ 2,840,000	\$ 960,000	51.1%
14 TOTAL REVENUES PROVIDED	\$ 119,199,620	\$ 119,004,223	\$ (195,397)	-0.2%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 57,467,081	\$ 54,179,874	\$ (3,287,207)	-5.7%
17 Annual Capital	\$ 12,230,000	\$ 10,380,000	\$ (1,850,000)	-15.1%
18 T&D Funding	16,003,000	17,330,000	1,327,000	8.3%
19 TOTAL ANNUAL CAPITAL	\$ 28,233,000	\$ 27,710,000	\$ (523,000)	-1.9%
20 TOTAL DEBT SERVICE FUNDING	\$ 22,003,434	\$ 20,499,772	\$ (1,503,662)	-6.8%
21 Master Plan Designated	\$ 10,616,105	\$ 15,174,077	\$ 4,557,972	42.9%
22 Investment Income (Bond & SDC Fund)	-	-	-	0.0%
23 Repayment of Bond Payoff to Master Plan	-	860,500	860,500	NA
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 10,616,105	\$ 16,034,577	\$ 5,418,472	51.0%
25 Bond Covenant Required Reserves	\$ 580,000	\$ 580,000	\$ -	0.0%
26 Negative Cash Flow Reserve	300,000	-	(300,000)	-100.0%
27 TOTAL REQUIRED RESERVE FUNDING	\$ 880,000	\$ 580,000	\$ (300,000)	-34.1%
28 TOTAL REVENUE REQUIREMENTS	\$ 119,199,620	\$ 119,004,223	\$ (195,397)	-0.2%
29 NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 61,732,539	\$ 64,824,349	\$ 3,091,810	5.0%
30 REQUIRED DEBT SERVICE (Ln 20)	\$ 22,003,434	\$ 20,499,772	\$ (1,503,662)	-6.8%
31 DEBT SERVICE COVERAGE (Ln 29 / Ln 30)	2.81	3.16	0.35	
32 ADJUSTMENT TO WATER RATES	2.4%	1.9%	-0.5%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2019
Based on a 1.9% Rate Increase

			2018 ADOPTED BUDGET	2019 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:					
1	DECREASED OPERATIONS & MAINTENANCE EXPENSES:		\$ 55,397,311	\$ 54,179,874	\$ (1,217,437)
	Gross Payroll (Includes Overtime)	\$ 1,464,091 5.3%			
	Power (Includes Natural Gas Generators)	\$ 403,832 4.8%			
	Health	\$ (68,645) -1.5%			
	Pension DB & DC	\$ (64,319) -1.7%			
	Chemicals	\$ (580,460) -10.2%			
	Other (\$2.5M is from Capital Main Breaks)	\$ (2,371,936) 16.0%			
2	INCREASED CAPITAL:		\$ 25,600,000	\$ 27,710,000	\$ 2,110,000
	Annual Capital	\$ (440,000)			
	T&D Funding	\$ 2,550,000			
3	DECREASED DEBT SERVICE FUNDING:		\$ 21,268,202	\$ 20,499,772	\$ (768,430)
4	INCREASED TRANSFERS TO MASTER PLAN:		\$ 13,001,892	\$ 16,034,577	\$ 3,032,685
	Master Plan Designated	\$ 2,352,185			
	Investment Income (Bond & SDC Fund)	\$ (180,000)			
	Repayment to Master Plan for Bond Payoff	\$ 860,500			
5	INCREASED FUNDING TO REQUIRED RESERVES:		\$ 510,000	\$ 580,000	\$ 70,000
	Bond Covenant Required Reserves	\$ 70,000			
	Negative Cash Flow Reserve	\$ -			
6	TOTAL INCREASE IN REVENUE REQUIREMENTS		\$ 115,777,405	\$ 119,004,223	\$ 3,226,818
CHANGES IN REVENUES AVAILABLE:					
7	INCREASED INVESTMENT INCOME:		\$ 1,880,000	\$ 2,840,000	\$ 960,000
	Investment Income (General and P&I Funds)	\$ 1,140,000			
	Investment Income (Bond & SDC Fund)	\$ (180,000)			
8	INCREASED REVENUE FROM OTHER OPER REVENUE:		\$ 1,575,000	\$ 1,588,000	\$ 13,000
	Other Operating Revenue	\$ -			
	Field Service Charges	\$ 3,000			
	Delayed Payment Charges	\$ 10,000			
9	DECREASED REVENUE FROM REVENUE ADJUSTMENTS:		\$ -	\$ (893,018)	\$ (893,018)
	Lower R1 Gallons per Customer	\$ (430,488)			
	Lower M1 Gallons per Customer	\$ (91,268)			
	Lower C2 Gallons per Customer	\$ (212,482)			
	True-up of 2017 Actual Customers	\$ (163,551)			
	True-up of Meter Size Mix and Allocations	\$ 4,771			
10	INCREASED REVENUE FROM 2019 NEW CUSTOMERS @ 2018 RATES:		\$ -	\$ 973,263	\$ 973,263
11	TOTAL INCREASE IN REVENUES AVAILABLE		\$ 3,455,000	\$ 4,508,245	\$ 1,053,245
12	ADJUSTMENT TO WATER RATES IN 2019 (Line #6 - #11)			Rate Adjustment 1.9%	\$ 2,173,573

Budgeted Gallons and Revenue by Customer Type

(A) Customer Type		(B) Budgeted Average Customers	(C) Avg Annual Gallons Per Cust	(D) Budgeted Total 1,000 Gals	(E) Budgeted Block 1 Gallons	(F) Budgeted Block 2 Gallons	(G) Budgeted Volume Charge Revenue	(H) Budgeted Service Charge Revenue	(I) % Volume Charge Revenue	(J) % Service Charge Revenue
		(B x C)							(G/ (G+H))	(H/ (G+H))
1 Residential	(R1)	135,320	86,700	11,732,244	9,620,440	2,111,804	\$ 51,955,069	\$ 19,256,279	73%	27%
2 Multi Family	(M1)	4,812	442,643	2,129,996	1,874,397	255,600	9,256,112	1,975,419	82%	18%
3 Small Commercial	(C1)	5,057	210,000	1,061,970	530,985	530,985	5,171,795	1,176,636	81%	19%
4 Large Commercial	(C2)	3,304	1,490,009	4,922,989	3,446,093	1,476,897	22,616,212	2,704,502	89%	11%
5 Subtotal		148,493	133,657	19,847,200	15,471,914	4,375,285	\$ 88,999,188	\$ 25,112,836	78%	22%
6 Temp. Commercial	(C3)	237	133,500	31,907	13,420	18,487	\$ 177,400	\$ 286,800	38%	62%
7 Total Retail		148,730	133,659	19,879,106	15,485,334	4,393,772	\$ 89,176,592	\$ 25,399,636	78%	22%

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue \$114,576,228

Customer Growth by Customer Type with SDC Revenue

Customer Type		CUSTOMER GROWTH			SDC's	
		2018 Budget	2018 Est. Actual	2019 Budget	2019 Rate	2019 Budget
8 Residential	(R1)	1,335	1,335	1,255	\$4,950	\$6,212,250
9 Multi Family	(M1)	65	65	55	\$4,950	\$272,250
10 Small Commercial	(C1)	50	50	45	\$4,950	\$222,750
11 Large Commercial	(C2)	50	50	45	\$4,950	\$222,750
12 TOTAL		1,500	1,500	1,400		\$6,930,000

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2018 BUDGET COMPARED TO ADOPTED 2019 BUDGET

	ADOPTED 2018 BUDGET			ADOPTED 2019 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	134,215		135,320	0.8%		
3	% of Total Customers Served	90.97		90.98			
4	Thousand Gallons Sold	11,757,234	87,600	11,732,244	-0.2%		86,700
5	% of Total Gallons Sold	59.1%		59.0%			
6	Service Charge Revenue	\$ 19,103,738	\$ 1.63	\$ 19,256,279	0.8%	\$ 1.64	\$ 142.30
7	Volume Charge Revenue	50,826,523	4.32	51,955,070	2.2%	4.43	383.94
8	Total Water Sales Revenue	\$ 69,930,261	\$ 5.95	\$ 71,211,349	1.8%	\$ 6.07	\$ 526.24
9	% of Volume Water Sales	58.35%		58.26%			
10	% of Total Water Sales	62.26%		62.15%			

11 MULTI-FAMILY - RESIDENTIAL (M1):

12	Average Customers Served	4,746		4,812	1.4%		
13	% of Total Customers Served	3.22		3.24			
14	Thousand Gallons Sold	2,122,002	447,114	2,129,996	0.4%		442,643
15	% of Total Gallons Sold	10.7%		10.7%			
16	Service Charge Revenue	\$ 1,949,960	\$ 0.92	\$ 1,975,419	1.3%	\$ 0.93	\$ 410.52
17	Volume Charge Revenue	9,001,532	4.24	9,256,112	2.8%	4.35	1,923.55
18	Total Water Sales Revenue	\$ 10,951,492	\$ 5.16	\$ 11,231,531	2.6%	\$ 5.27	\$ 2,334.07
19	% of Volume Water Sales	10.3%		10.4%			
20	% of Total Water Sales	9.8%		9.8%			

21 SMALL COMMERCIAL (C1):

22	Average Customers Served	5,069		5,057	-0.2%		
23	% of Total Customers Served	3.44		3.40			
24	Thousand Gallons Sold	1,064,490	210,000	1,061,970	-0.2%		210,000
25	% of Total Gallons Sold	5.4%		5.3%			
26	Service Charge Revenue	\$ 1,178,072	\$ 1.11	\$ 1,176,636	-0.1%	\$ 1.11	\$ 232.67
27	Volume Charge Revenue	5,061,651	4.76	5,171,793	2.2%	4.87	1,022.70
28	Total Water Sales Revenue	\$ 6,239,723	\$ 5.86	\$ 6,348,429	1.7%	\$ 5.98	\$ 1,255.37
29	% of Volume Water Sales	5.8%		5.8%			
30	% of Total Water Sales	5.6%		5.5%			

31 LARGE COMMERCIAL (C2):

32	Average Customers Served	3,264		3,304	1.2%		
33	% of Total Customers Served	2.21		2.22			
34	Thousand Gallons Sold	4,914,721	1,505,735	4,922,989	0.2%		1,490,009
35	% of Total Gallons Sold	24.7%		24.8%			
36	Service Charge Revenue	\$ 2,679,106	\$ 0.55	\$ 2,704,502	1.0%	\$ 0.55	\$ 818.55
37	Volume Charge Revenue	22,042,521	4.48	22,616,213	2.6%	4.59	6,845.10
38	Total Water Sales Revenue	\$ 24,721,627	\$ 5.03	\$ 25,320,715	2.4%	\$ 5.14	\$ 7,663.65
39	% of Volume Water Sales	25.3%		25.4%			
40	% of Total Water Sales	22.0%		22.1%			

41 SUB-TOTAL RETAIL:

42	Average Customers Served	147,294		148,493	0.8%		
43	% of Total Customers Served	99.83		99.84			
44	Thousand Gallons Sold	19,858,447	134,822	19,847,200	-0.1%		133,657
45	% of Total Gallons Sold	99.8%		99.8%			
46	Service Charge Revenue	\$ 24,910,876	\$ 1.25	\$ 25,112,836	0.8%	\$ 1.27	\$ 169.12
47	Volume Charge Revenue	86,932,227	4.38	88,999,188	2.4%	4.48	599.35
48	Total Water Sales Revenue	\$ 111,843,103	\$ 5.63	\$ 114,112,024	2.0%	\$ 5.75	\$ 768.47
49	% of Volume Water Sales	99.8%		99.8%			
50	% of Total Water Sales	99.6%		99.6%			

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2018 BUDGET COMPARED TO ADOPTED 2019 BUDGET

	ADOPTED 2018 BUDGET			ADOPTED 2019 BUDGET			
	Amount	Per 1,000 Gal	Average Per Customer	Amount	% Inc	Per 1,000 Gal	Average Per Customer

51 TEMPORARY COMMERCIAL (C3):

52	Average Customers Served	249		237	-4.8%		
53	% of Total Customers Served	0.17		0.16			
54	Thousand Gallons Sold	33,242	133,500	31,907	-4.0%		134,627
55	% of Total Gallons Sold	0.2%		0.2%			
56	Service Charge Revenue	\$ 298,800	\$ 8.99	\$ 286,800	-4.0%	\$ 8.99	\$ 1,210.13
57	Volume Charge Revenue	180,502	5.43	177,399	-1.7%	5.56	748.52
58	Total Water Sales Revenue	\$ 479,302	\$ 14.42	\$ 464,199	-3.2%	\$ 14.55	\$ 1,958.65
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	147,543		148,730	0.8%		
63	% of Total Customers Served	100.00		100.00			
64	Thousand Gallons Sold	19,891,688	134,820	19,879,106	-0.1%		133,659
65	% of Total Gallons Sold	100.0%		100.0%			
66	Service Charge Revenue	\$ 25,209,676	\$ 1.27	\$ 25,399,636	0.8%	\$ 1.28	\$ 170.78
67	Volume Charge Revenue	87,112,729	4.38	89,176,587	2.4%	4.49	599.59
68	Total Water Sales Revenue	\$ 112,322,405	\$ 5.65	\$ 114,576,223	2.0%	\$ 5.76	\$ 770.36
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	147,543		148,730	0.8%		
80	Thousand Gallons Sold	19,891,688	134,820	19,879,106	-0.1%		133,659
81	Service Charge Revenue	\$ 25,209,676	\$ 1.27	\$ 25,399,636	0.8%	\$ 1.28	\$ 170.78
82	Volume Charge Revenue	87,112,729	4.38	89,176,587	2.4%	4.49	599.59
83	Total Water Sales Revenue	\$ 112,322,405	\$ 5.65	\$ 114,576,223	2.0%	\$ 5.76	\$ 770.36

Notes:

- 1 Reflects a 1.9% revenue increase due to a change in water rates to be effective 1-1-2019.
- 2 Consistent with past practice, projections are prepared on a "normal" year basis.
- 3 May not add due to rounding.

MISCELLANEOUS FEES AND CHARGES

Delayed Payment Charge (as a % of the unpaid current amount)	5%
<u>Field Service Charges</u>	
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)	\$4,950
3/4" Displacement Meter	7,425
1" Displacement Meter	12,375
1 1/2" Displacement Meter	24,750
1 1/2" Turbine	29,700
2" Displacement Meter	39,600
2" Compound Meter	39,600
2" Turbine	47,025
3" Compound Meter	86,625
3" Turbine Meter	107,665
4" Compound Meter	148,500
4" Turbine Meter	185,625

(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.

Maintenance Breaks to Capital Breaks Conversion

Cost Center 70130 - Maintenance of Distribution Mains

Cost Element Description	2018 Budget	2019 Budget	Difference to be Capitalized
Labor Settlement	\$833,005	\$350,310	<\$482,695> A
Inventory Withdrawals	143,000	13,500	<129,500>
Crushed Rock	25,500	0	<25,500>
Flowable Fill	4,000	0	<4,000>
Material & Supplies	12,000	250	<11,750>
Small Tools & Equip	200	0	<200>
Topsoil	2,100	0	<2,100>
Baricade Rental	34,000	0	<34,000>
Clean Up	225,000	0	<225,000>
Spoil Removal	3,200	0	<3,200>
Contracted Services - Other	5,500	0	<5,500>
Pavement Repair	897,000	0	<897,000>
OT Meals	1,600	0	<1,600>
Permits & Easements	20,900	0	<20,900>
Vehicle & Equip Rental	16,500	0	<16,500>
Reimburse Other Utilities	4,000	0	<4,000>
Inventory OH#7	0	945	945
Other Services Settlements	1,500	0	<1,500>
Other General Settlements	13,500	0	<13,500>
Total	\$2,242,505	\$365,005	<\$1,877,500> B

Amount Added to Capitalized Main Breaks

Labor	\$482,695 A
OH#1 \$ @ 78.387% of Labor	378,370
Labor + OH#1	\$861,065
 All Other O&M	 \$1,394,805 B - A
 All Other O&M + Labor/OH#1	 \$2,255,870
OH#3 \$ @ 10.801%	243,657
Total Capital Increase to Main Breaks	\$2,499,527
Rounded	\$2,500,000
 Capital Main Break Budget Before Addition of Maintenance Breaks	 \$1,600,000
 Capital Main Break Budget After Addition of Maintenance Breaks	 \$4,100,000

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**WATER ONE FISCAL
POLICIES AND PROCEDURES**

Introduction

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

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

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

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

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

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FISCAL POLICIES & PROCEDURES

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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.

FISCAL POLICIES & PROCEDURES

- 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
- 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

FISCAL POLICIES & PROCEDURES

- 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 reduce usage peaks. Reducing peak usage allows investment in additional capacity to be delayed. It also promotes equity among rate payers as high peak usage customers 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. SDC funds generated are used for the building or replacement of supply, treatment, transmission, and distribution facilities, or for the retirement of debt issued for that purpose.
Rules & Regulations, Rule II
- For every new retail Service Connection Application such new service connection shall be subject (in addition to the service connection charge) to a System Development Charge to compensate for the applicable costs of investment required for existing and future water supply, treatment, transmission and distribution facilities.
Rules and Regulations Rule XI. Retail System Development Charge, Purpose and Amount

FISCAL POLICIES & PROCEDURES

- 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

FISCAL POLICIES & PROCEDURES

- Long-term borrowing is used to fund major capital improvement projects and to refund outstanding debt obligations.
- 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

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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%

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- Guaranteed Investment Contracts 100%/25%*
- Kansas Municipal Investment Pool (KMIP) 25%

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

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

[60-] 1.9 Maximum Maturities

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

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

A portion of the portfolio shall be invested in an authorized investment providing readily available funds such as Time Deposit or Demand Deposit accounts, KMIP and Overnight Repurchase Agreements to 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

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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

FISCAL POLICIES & PROCEDURES

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.

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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 ensure 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 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.
- 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 ensure 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.

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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 ensure 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

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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

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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 funding to the Transmission & Distribution Capital Fund 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.

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

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.

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- 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:

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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 repair a leak in the distribution system.
- b. Capital Main breaks costs may include repair or replacement of a leaking or damaged water main, valve or hydrant.

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.

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- 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 Treasury 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;

FISCAL POLICIES & PROCEDURES

- 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

FISCAL POLICIES & PROCEDURES

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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ABOUT WATERONE

WaterOne is a quasi-municipal body corporate of the State of Kansas. It is governed by a seven-member board, elected by voters within the boundaries of WaterOne. WaterOne is an independent public water utility. It is not affiliated with Johnson County government. When WaterOne was organized in 1953, it encompassed approximately 47 square miles in the western portion of the Kansas City metropolitan area. Currently, WaterOne encompasses approximately 272 square miles, most of which is in Johnson County, with portions in Miami and Wyandotte counties. WaterOne has the exclusive right to provide treated pressurized water by pipeline within its boundaries, providing water on a retail basis to all or a portion of 17 municipalities as well as certain unincorporated areas.

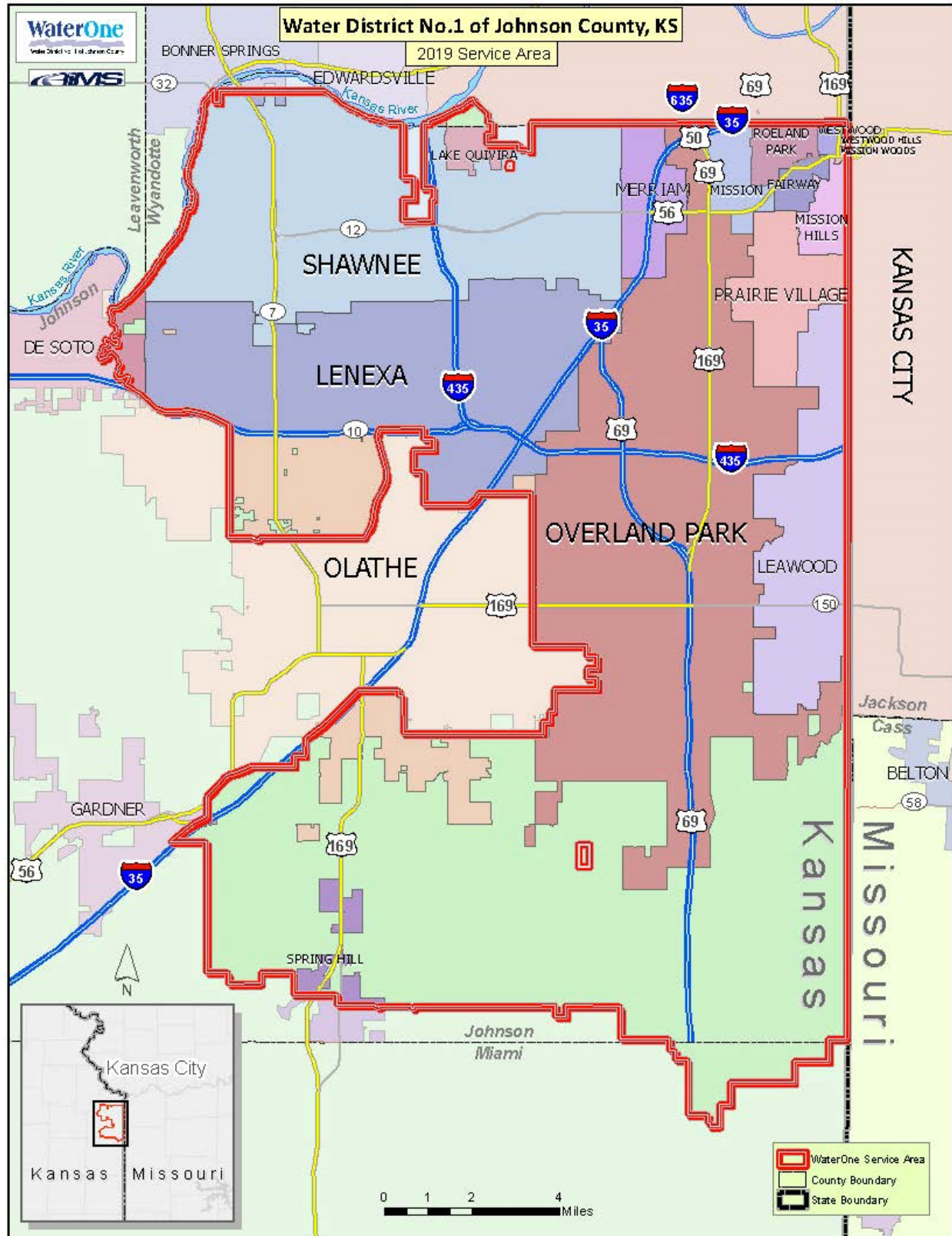
Organized in 1953, WaterOne commenced operations in 1957. Initially, WaterOne had a four million gallon per day (mgd) summer peaking treatment plant supported by wells. In addition, WaterOne purchased wholesale water from Kansas City, Missouri and Kansas City, Kansas. In the years following, WaterOne's Water System was expanded and, in 1961, a 55 mgd water intake on the Kansas River was installed as an additional water supply source.

In 1977, the governing Board of WaterOne adopted a plan (the "Master Plan") to use the Missouri River as a supplemental source of water supply and to expand treatment and distribution facilities in order to meet the projected growing demands of WaterOne's customers. The Phase I portion of the expansion plan was completed in 1984 and resulted in a production capacity of 80 million gallons per day. In subsequent years, WaterOne's Consulting Engineer periodically completed updates to the Master Plan to reflect increased water demands, updated population projections, new and expanded wholesale customer demands and increased service area due to the annexations of surrounding rural water districts. System improvements through Phase IV-B culminated with an expansion of firm production capacity to 180 mgd per day in 2005. Other improvements through Phase IV-B included treated water transmission and distribution mains and distribution system pumping and storage improvements.

In 2007, WaterOne began the Phase V-A portion of the Master Plan related to construction of a treatment plant facility and horizontal collector well along the Missouri River (the "Wolcott Treatment Plant"). The majority of Phase V-A facilities are in service and the Wolcott Treatment Plant and transmission mains added an additional 20 mgd of firm capacity to WaterOne's treatment, pumping and storage capacity. The Wolcott Treatment Plant and supply facilities are designed to be expanded for more capacity as the water demands and population served by WaterOne increase.

SERVICE AREA

In addition to 17 cities shown on the map that follows, WaterOne also serves unincorporated parts of Johnson County. Its service connections extend into parts of Wyandotte County and Miami County. WaterOne has infrastructure within the city limits of Bonner Springs and Gardner, but does not currently provide service to customers in those jurisdictions.

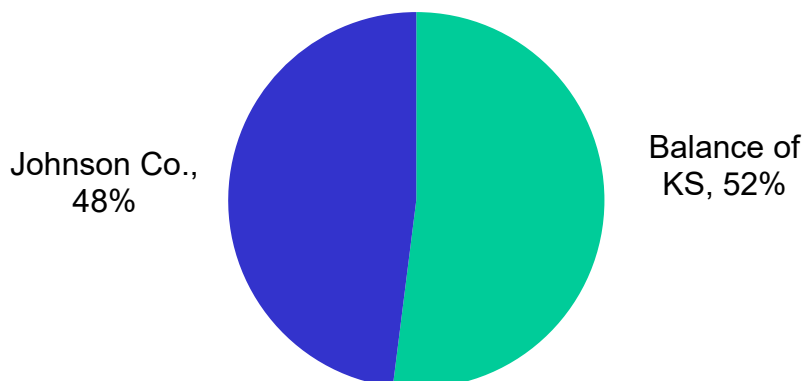


JOHNSON COUNTY DEMOGRAPHICS POPULATION

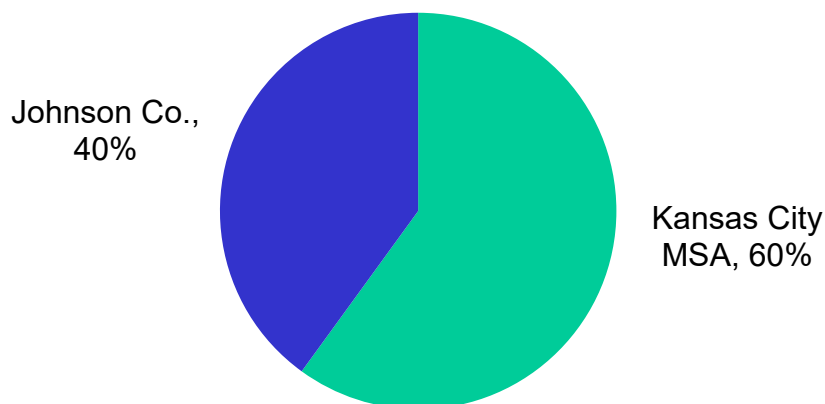
POPULATION GROWTH 2006 to 2016 ⁽¹⁾

Between 2006 and 2016, Johnson County's population grew by 69,638 (14%). Johnson County accounted for 48% of the total population growth in the entire State of Kansas and 40% of the Kansas City MSA ⁽²⁾.

Kansas Population Growth: 2006 to 2016



Kansas City MSA ⁽²⁾ Population Growth: 2006 to 2016



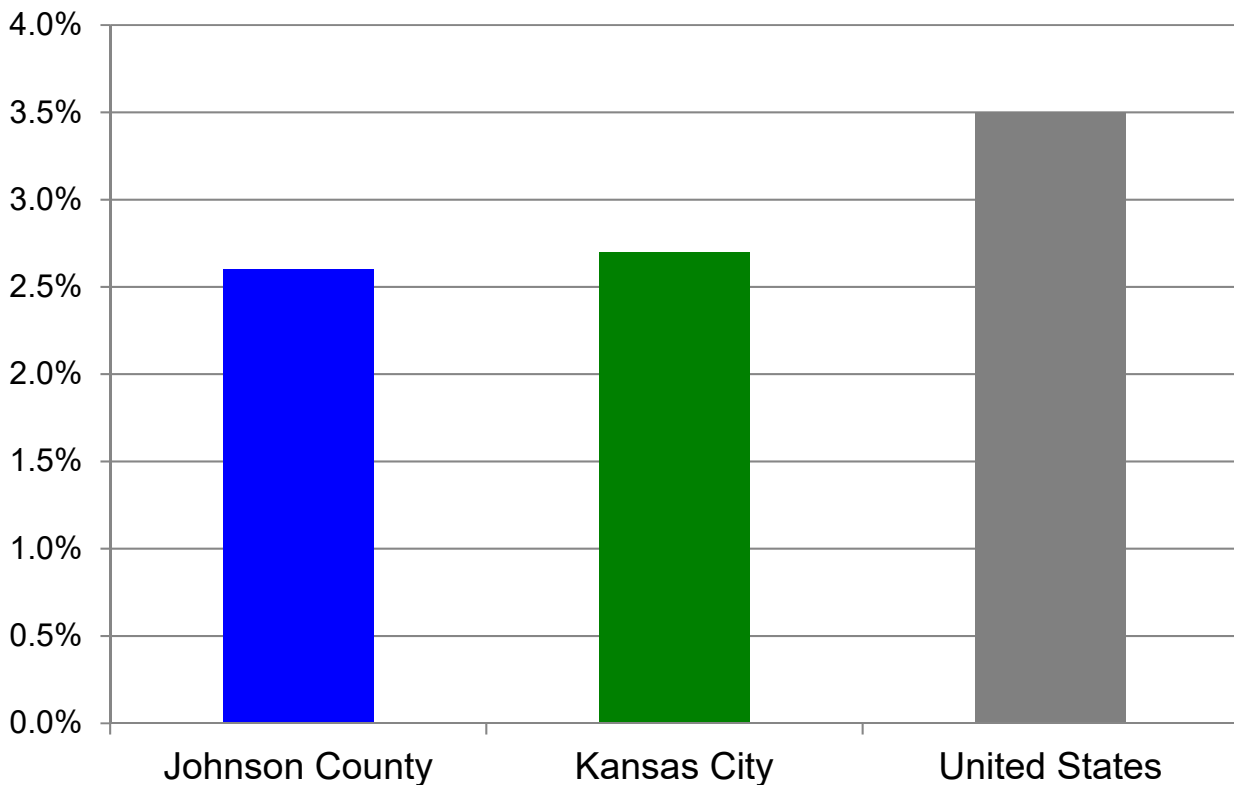
Johnson County Population

2000 (3)	451,086
2010 (3)	544,179
2017(4)	589,609

1. Source: County Economic Research Institute, 2018 Economic Primer
 2. MSA is Metropolitan Statistical Area of Kansas City.
 3. Source: U.S. Census Bureau, 2010 Census
 4. Source: 2017 Johnson County CAFR

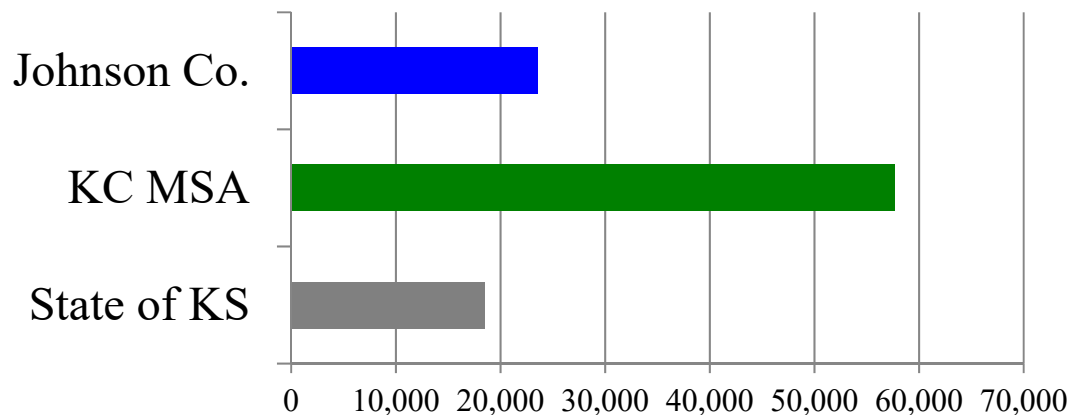
JOHNSON COUNTY DEMOGRAPHICS EMPLOYMENT AND JOB GROWTH

Unemployment Rate as of October 2018⁽¹⁾



JOB GROWTH 2007 TO 2017 ⁽²⁾

The number of jobs in Johnson County grew from 313,483 in 2007 to 337,040 in 2017, an increase of 23,557 jobs or 8%. Over the decade, Johnson County accounted for 128% of the total net increase in jobs in the State of Kansas and 41% of the job growth in the Kansas MSA⁽³⁾.

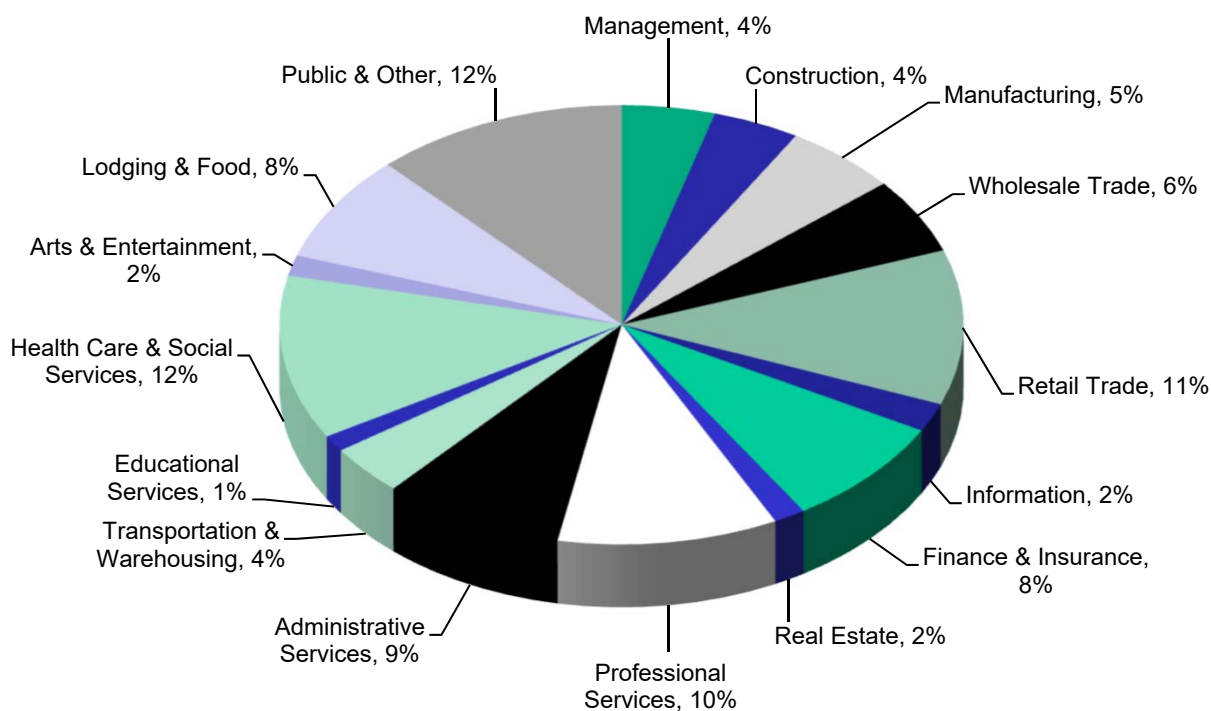


1. Source: County Economic Research Institute, December 2018 Johnson County Indicators

2. Source: County Economic Research Institute, 2018 Economic Primer

3. MSA is Metropolitan Statistical Area of Kansas City.

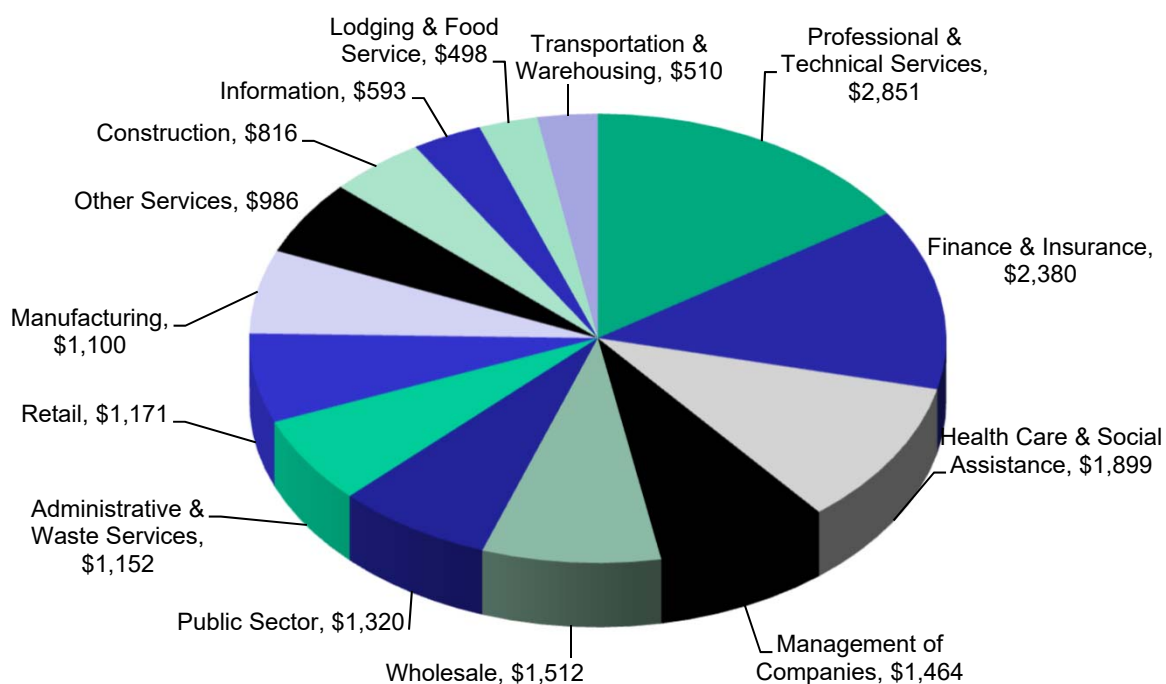
JOHNSON COUNTY DEMOGRAPHICS NON-FARM EMPLOYMENT BY INDUSTRY: 2015



Source: County Economic Research Institute, 2018 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS PAYROLL BY INDUSTRY: 2016

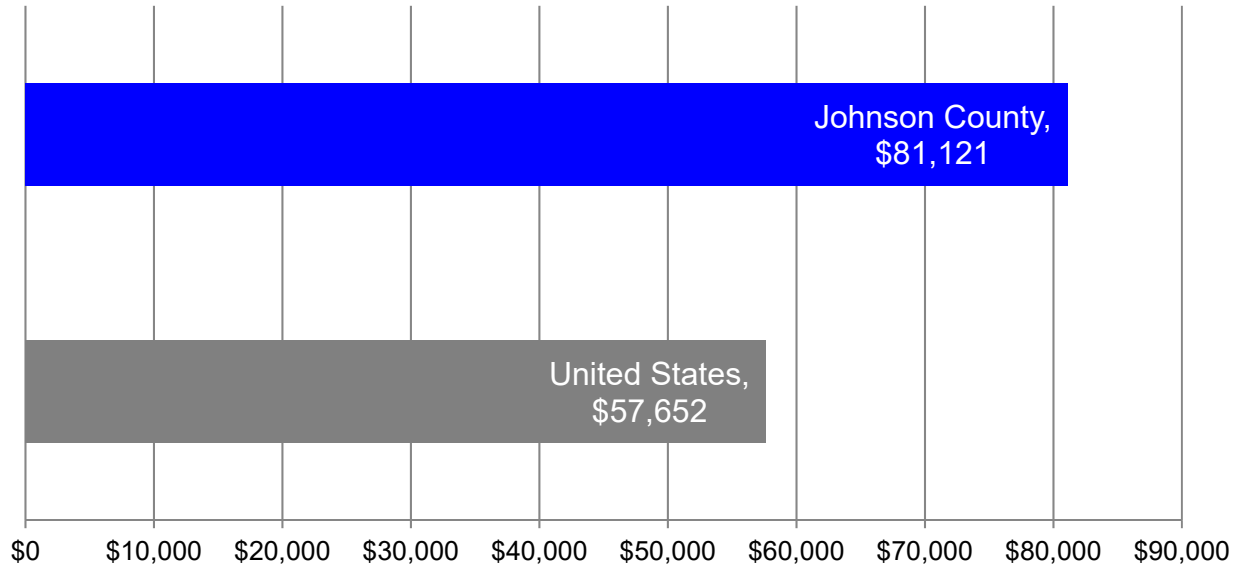
In millions



Source: County Economic Research Institute, 2017 Economic Primer

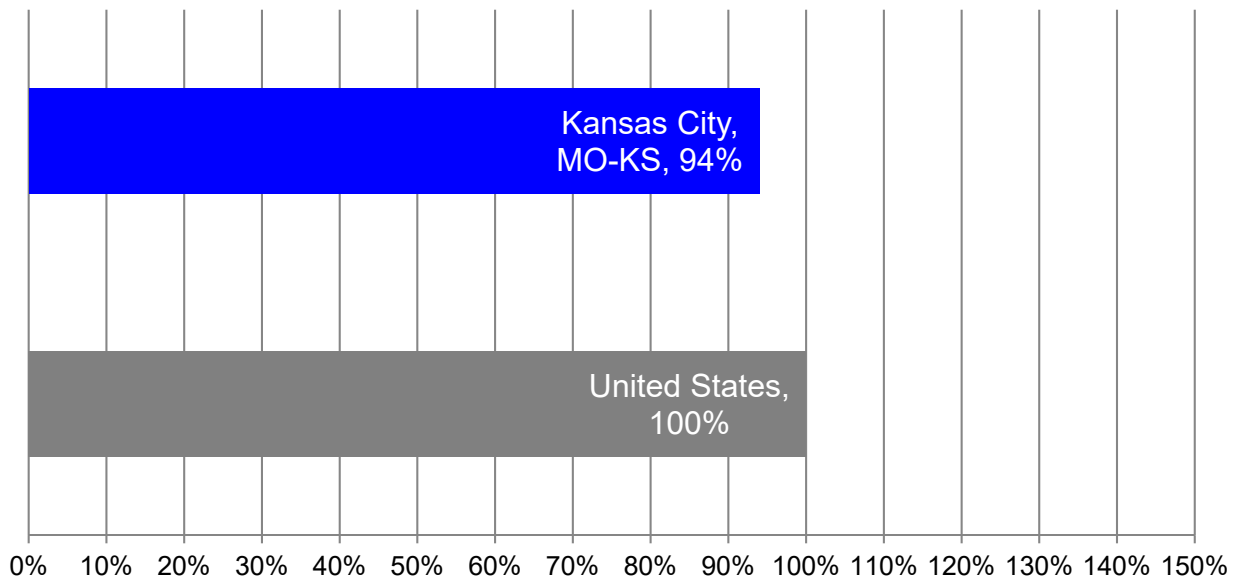
JOHNSON COUNTY DEMOGRAPHICS QUALITY OF LIFE

2017 Median Household Income



Source: United States Census Bureau

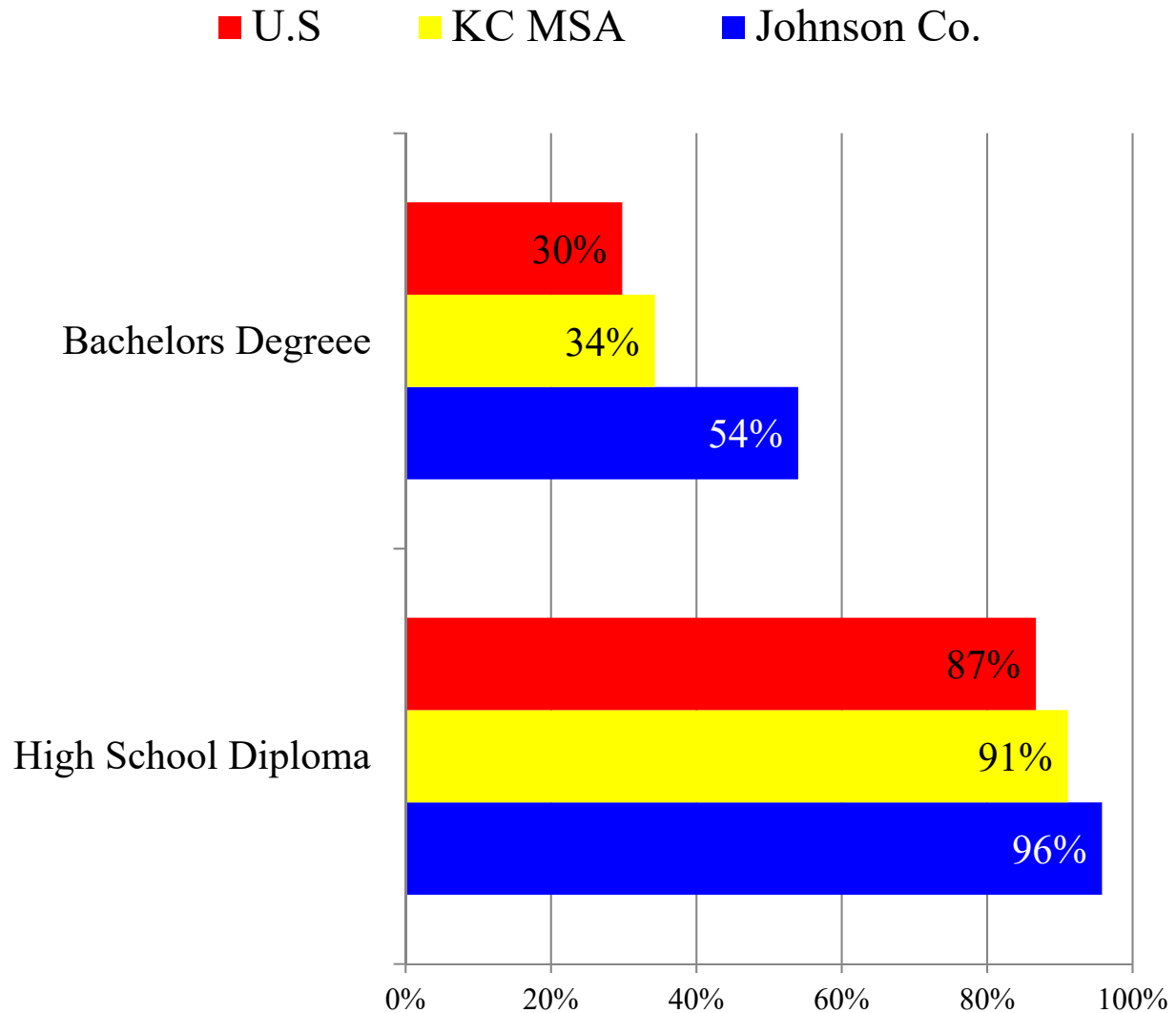
Cost of Living Index



Source: Missouri Economic Research and Information Center

JOHNSON COUNTY DEMOGRAPHICS EDUCATION

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

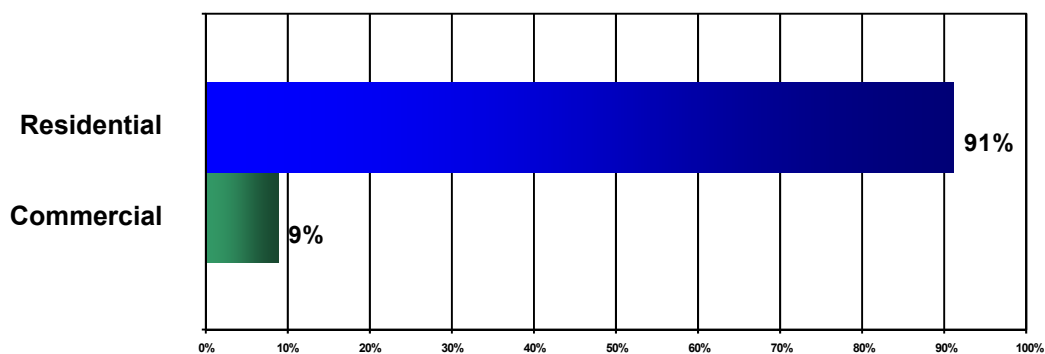


Source: County Economic Research Institute, 2018 Economic Primer

CUSTOMER BASE INFORMATION (2018)**Top 15 Customers**

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

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.

GLOSSARY

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.

Accrual

A system of accounting based on the accrual principal, 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.

GLOSSARY

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.

GLOSSARY

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.

GLOSSARY

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.

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.

GLOSSARY

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.

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).

GLOSSARY

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.

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.

GLOSSARY

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.

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.

Master Plan Designated

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

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.

GLOSSARY

MCL

EPA term “Maximum Contaminant Level” . The highest level of a contaminant that is allowed in drinking water. MCLs are enforceable standards.

MGD

Million Gallons per Day. A measurement of water flow.

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.

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.

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.

GLOSSARY

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.

GLOSSARY

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.

GLOSSARY

SAN

Storage Area Network.

SAP

An integrated enterprise application suite, using Enterprise Resource Planning software in a client-server environment.

SCADA

Supervisory Control and Data Acquisition. A large-scale, distributed measurement and management computer system used as a mechanism to monitor and control chemical, physical or transport processes.

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.

GLOSSARY

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.

TT

EPA term "Treatment Technique". A required process intended to reduce the level of a contaminant in drinking water.

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.