

10747 Renner Boulevard
Lenexa, Kansas 66219

2023

WaterOne
Water District No. 1 of Johnson County

BUDGET

2023 Proposed Budget

Adopted December 13, 2022
by the Board of Water District No. 1 of Johnson County, Kansas

BOARD:

Kay Heley, Chair
Whitney Wilson, Vice Chair
Ron Appletoft
Melanie Kraft
Mark Parkins
Bob Reese
Jill Westra

FINANCE COMMITTEE:

Ron Appletoft, Committee Chair
Melanie Kraft
Bob Reese

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
Shaun Pietig, Director of Distribution
Michelle Wirth, Director of Production

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, 2022. 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 01, 2022

Christopher P. Morill

Executive Director

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Table of Contents

EXECUTIVE SUMMARY 9

High level summary of the budget sources and uses, including highlights of major budget components and drivers

OVERVIEW 17

Explanation of the budgeting process; 5-year history/projection and budget comparison to prior year; fund balances and structure; explanation of significant O&M account budgets; and summary of Annual Capital by division

STRATEGIC PLAN 37

WaterOne's strategic plan, goals and strategies; 2021 operational goals by division; 2020 performance measures by strategic goal (compared to target); 2020 performance measures by division (compared to target and prior year)

REVENUE & RATES 59

Discussion of the revenue and rates which support the annual budget, other revenues, and the water rate structure and rate schedule; customer bill impact; and graphs and charts showing historical revenue, customer growth, rate increases, regional and national water bill comparisons, and debt service coverage ratios

O&M (OPERATIONS & MAINTENANCE) 69

O&M by division, by account and compared to current year estimated actuals

PERSONNEL 79

Overview of personnel costs including benefits; organizational chart; additions and reductions to personnel; and historical charts for full time equivalents and customers served per employee

TOTAL CIP (CAPITAL IMPROVEMENTS PROGRAM) 95

Overview of the Total CIP program and funding sources, including 5-year projections; discussion and graphs for the three components of the CIP: Master Plan, Transmission & Distribution and Annual Capital; operating impact of budgeted capital projects; and a listing of capital carry overs from prior year budgets

The following eight divisional sections show the divisions' organization and objectives, budget by category, table of O&M significant accounts and corresponding discussions; table with changes to headcount; and the divisions annual capital including photos and justifications:

GENERAL MANAGER 109

PRODUCTION 115

DISTRIBUTION 133

CUSTOMER RELATIONS 141

FINANCE 147

HUMAN RESOURCES/ADMINISTRATION.. 151

LEGAL/AUDIT 167

INFORMATION TECHNOLOGY 171

DEBT FUNDING 183

Total debt service and outstanding debt service by issue through final maturity

SUPPLEMENTAL SCHEDULES 191

Schedule comparing the budget to the prior forecast; summary of additional revenue requirements; revenue by customer type; customer and water sales statistics; schedule of miscellaneous fees and system development charges

FISCAL POLICIES 197

A compilation of fiscal policies covering financial planning, revenue, expenditure, debt management, investments, reserves, capital, and post bond issuance compliance

DEMOGRAPHICS 237

About WaterOne; service territory; demographics including population growth, employment and job growth, employment by industry and sector, quality of life, education, and WaterOne's top 15 customers

GLOSSARY 245

Glossary of terms and abbreviations used in the budget book

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EXECUTIVE SUMMARY

Looking back at 2022 ...

Water sales are very close to projections in 2022 due to weather patterns and rainfall in line with historical averages. Operation and maintenance expenses are over budget primarily due to inflationary increases in water treatment costs including the price of water treatment chemicals and fuel for the fleet.

Customer growth is increasing but continues to be modest compared to long term trends. Growth in 2022 is slightly higher than growth experienced over the past five years. Customer growth is expected to increase slowly over the next few years.

Investment income is higher than projected in 2022 due to the combination of a larger portfolio balance and higher investment yields. The year began with rates at historic lows, however rates have risen sharply throughout the year. It is projected that rates will remain flat over the five-year plan which results in a gradual increase to the portfolio investment yield over this timeframe.

Looking ahead to 2023 ...

The rate increase is 5.8%, higher than the 4.1% that was projected in last year's budget.

The largest increase in the budget is a \$4.6M or 7.5% increase in operating and maintenance expenses. This increase is driven primarily by a rise in the projected payroll, benefits, chemical expenses, and materials and supplies. The increases proposed in the budget represent the critical funding required to achieve WaterOne's mission of providing safe, reliable, high-quality water supply with exceptional service and value.

The second largest increase in the budget is a \$3.3M or 15.9% increase to Transmission & Distribution Funding. This increase reflects the rising inflationary pressure and supply chain constraints on water infrastructure materials. This increase provides the funds necessary to replace aging distribution mains, repair main breaks, and improve the reliability of the distribution system. This program and related funding directly supports WaterOne's strategic goals to ensure a reliable water supply and to proactively manage its infrastructure.

In addition to the increases in capital funding and operating expenses, the reduction in projected gallons sold impacts the budget, reducing revenue by \$0.8M or 0.6%. Indoor water use continues to decline, which is reflected in the lower budgeted gallons sold. 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 and is an important factor in projected future water rate increases.

EXECUTIVE SUMMARY

Where the money comes from ...**2023 REVENUE PROVIDED: \$135.68**

2023 revenues are projected to increase by \$9.92M, or 7.9%, over 2022 primarily due to the 5.8% overall increase in water rates. The addition of 1,400 new retail customers provides increased water sales revenues which are partially offset by declining water use. Investment income is increasing significantly due to rising interest rates which will slowly be incorporated into the overall portfolio investment income.

Comparison of Revenues

In Millions

Revenues	2022 Budget	2023 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$123.83	\$131.50	\$7.68	6.2%
Other Operating Revenue	1.62	1.70	0.08	4.6%
Investment Income	0.31	2.48	2.17	700.0%
Total Revenue	\$125.76	\$135.68	\$9.92	7.9%

Numbers may not total due to rounding

Where the money goes ...**2023 REVENUE REQUIREMENTS: \$135.68**

The revenue requirements for 2023 increased by \$9.92M, or 7.9%, over 2022. As shown in the following table the largest increase is in operations and maintenance expense while the largest decrease is to funding designated to Master Plan. All categories are discussed in more detail in the following sections.

Comparison of Revenue Requirements

In millions

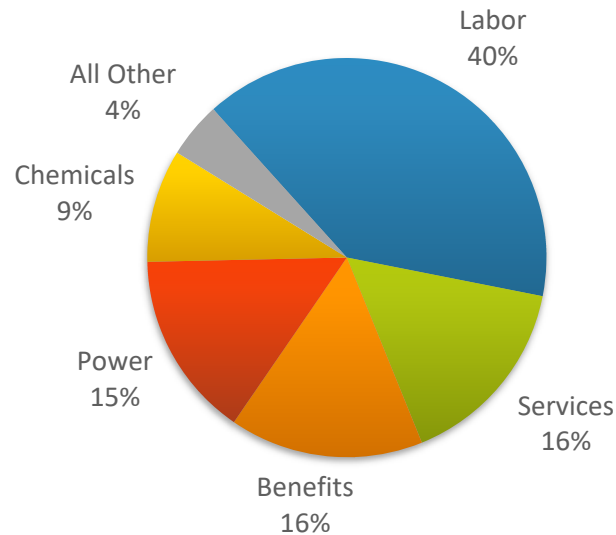
Revenue Requirements	2022 Budget	2023 Budget	\$ Inc <Dec>	% Inc <Dec>
Operations & Maintenance Expense	\$61.99	\$66.92	\$4.93	8.0%
Total Annual Capital	30.14	33.48	3.34	11.1%
Debt Service	21.37	25.86	4.49	21.0%
Designated to Master Plan	11.50	7.50	<3.99>	<34.7%>
Reserve Funding	0.76	1.92	1.16	152.6%
Total Revenue Requirements	\$125.76	\$135.68	\$9.92	7.9%

Numbers may not total due to rounding

EXECUTIVE SUMMARY

OPERATIONS & MAINTENANCE EXPENSES: \$66.92M

Operations and Maintenance (O&M) expenses represent 50% of the 2023 budget, which is similar to 2022. O&M increased 8.0 % year-over-year due to increases in projected labor, chemical expenses, services, and benefits.

Total Operations & Maintenance Expense

The following table shows the breakdown of the significant O&M expenses including the difference between 2022 and 2023 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense

In millions				
O&M	2022 Budget	2023 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$24.74	\$26.49	\$1.75	7.1%
Services	9.74	10.50	0.77	7.9%
Benefits	9.86	10.40	0.54	5.5%
Power ^(a)	9.89	10.20	0.31	3.2%
Chemicals	5.23	6.31	1.08	20.7%
All Other	2.53	3.01	0.48	18.9%
Total	\$61.99	\$66.92	\$4.93	8.0%

Numbers may not total due to rounding

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

EXECUTIVE SUMMARY

Labor

Labor costs include:

- The annual true-up to the 2022 base to reflect the actual outcome of payroll after turn-over, retirements, and vacancies
- A compensation study true-up due range adjustments implemented in November 2022
- A 3.0% equity adjustment related to the 2022 Compensation Study
- A 4.0% performance compensation adjustment, effective April 1
- Overtime
- Transfers of labor costs to capital projects
- A net increase of 4.375 Full-Time Equivalent (FTE) positions
- A 1% increase in the slippage factor

All positions are assessed based on operational needs including those related to customer growth. Four new full-time positions, and one reclass from part-time to full-time are included in this budget request.

Requested Positions

- Operator – Full-Time
- SCADA Lead Technician – Full-Time
- Applications Developer/Analyst – Full-Time
- Geospatial Application Developer Analyst – Full-Time
- Human Resources Administrative Assistant – Part-Time to Full-Time

Services

Services (net of transfers) increased \$0.77M or 7.9%. 2023 is increasing primarily due to increased cost of telecom, outsourced IT development and support services, property and liability insurance and increasing maintenance cost for hardware and software.

Benefits

Employee benefits (net of transfers) are increasing \$0.54M or 5.5%. The increase in benefits is primarily due payroll related benefits such as FICA, pension benefits and workers compensation. Employee health insurance is also increasing due to a projected 2.0% premium increase.

Power

The power budget increased \$0.31M or 3.2%. Power is increasing slightly due to an increase in the energy rate component from BPU and adjustments to the operational plan for 2023. No rate increases are proposed from WaterOne's power suppliers, BPU and Evergy. As a result of a merger in 2018, Evergy has committed to freeze rates through 2023. Discussions with BPU staff have indicated that a 2023 rate increase is not planned at this time due to previous rate increases and changes to its rate structure that have resulted in revenues adequate to fund its objectives.

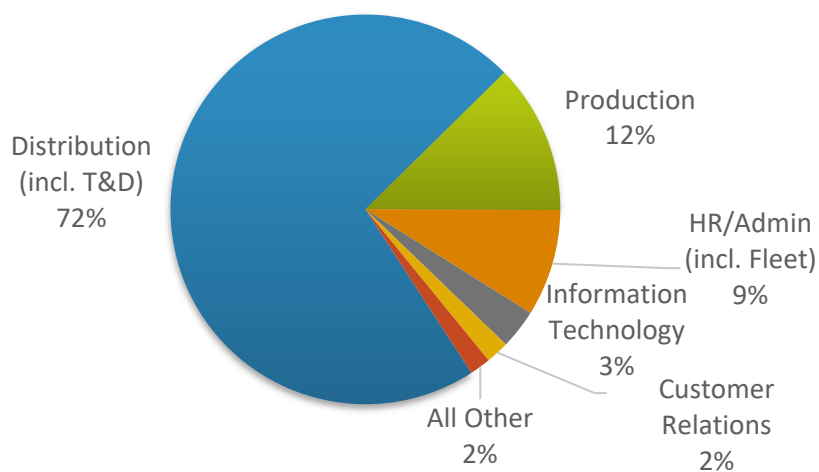
EXECUTIVE SUMMARY

Chemicals

The chemical budget increased \$1.08M, or 20.7%. The increase is primarily due to increased prices for many water treatment chemicals. Rising transportation costs and supply chain issues were cited by suppliers during the chemical bid process. The chemical budget also includes dose adjustments based on current operations.

TOTAL ANNUAL CAPITAL: \$33.48M

The Total Annual Capital budget for 2023 increased \$3.34M or 11.1% from 2022. Approximately 92% 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

	2022 Budget	2023 Budget	\$ Inc <Dec>	% Inc <Dec>
Production	\$2.79	\$4.17	\$1.38	49.5%
Information Technology	2.62	1.09	<1.53>	<58.4%>
Human Resources/Admin. (incl. Fleet)	1.75	2.97	1.22	69.8%
Customer Relations	0.59	0.64	0.05	8.3%
Distribution	0.71	0.05	<0.66>	<92.5%>
All Other	0.99	0.58	<0.41>	<41.2%>
Annual Capital	\$9.45	\$9.50	\$0.05	0.5%
Transmission & Distribution	\$20.69	\$23.98	\$3.29	15.9%
Total Annual Capital	\$30.14	\$33.48	\$3.34	11.1%

Numbers may not total due to rounding

Annual Capital increased for 2023 by \$0.05M or 0.5%. 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 a new Zebra Mussel Mitigation System at the Missouri River Intake, light duty fleet replacements, annual meter replacements, a hydro excavator replacement, a

EXECUTIVE SUMMARY

production paging system replacement and the refurbishment of a pump at the Kansas River Presed. These requests vary annually and are primarily based on the asset management plan.

The Transmission & Distribution (T&D) budget has increased by \$3.29M to \$23.98M. The increase reflects the rising inflationary pressure and supply chain constraints on water infrastructure materials. Additionally, the increased budget reflects the continued execution of WaterOne's asset management strategy which targets replacement of aging infrastructure at the lowest life-cycle cost.

Transmission & Distribution (T&D)

In millions	2022 Budget	2023 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$10.68	\$12.46	\$1.78	16.7%
Distribution Main Breaks	4.72	5.12	0.40	8.5%
General Improvements	2.70	3.60	0.90	33.3%
Distribution Main Relocations	1.35	1.50	0.16	11.5%
Transmission Main Capital	0.67	0.70	0.03	4.5%
Condition Assessment	0.58	0.60	0.03	4.3%
Subtotal T&D Funding	\$20.69	\$23.98	\$3.29	15.9%

DEBT SERVICE: \$25.86M

Debt Service increased \$4.49M, or 21.0% over 2022. Debt service was structured to increase in 2023 due to the ability to utilize the debt service reserve fund to make the final payment on the outstanding 2014 Bonds.

WaterOne plans to borrow \$33M in 2023 with repayment of the debt beginning in 2024. The debt will fund master plan capital improvements including:

- A new collector well pump and caisson on the Missouri River
- New warm water collector wells on the Kansas River
- The replacement of a 30" Transmission Main

DESIGNATED TO MASTER PLAN: \$7.50M

Funds designated to the Master Plan Capital Fund decreased \$3.99 or 34.7%. "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 2023 budget of \$7.5M is 5.5% of total revenue. The target minimum contribution is 5.0% of total revenue.

EXECUTIVE SUMMARY

RESERVE FUNDING: \$1.92M

Reserve funding increased \$1.16M or 152.6%. The 2023 reserve funding consists of two reserves. The first reserve is the Bond Covenant Required Reserve which is mandated by bond covenants requiring a reserve equal to one sixth of total annual revenue. The second is the negative cash flow reserve which is typically funded at year end to cover the rising operating expenses projected to increase the negative cash flow position in the future year.

IN SUMMARY

Despite the challenges of inflation, declining water consumption, and aging infrastructure, WaterOne's financial position continues to be strong thanks to its capital investment strategy, quality staff, and capacity 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 2023 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 resulting from workforce strategy planning. They 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, FP&A 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.

OVERVIEW

Expenditure Approval Roles & Responsibilities

Board Members

- The Board reviews and approves the annual budget, including limitations on the number of employees and establishing any new programs.
- Board approval is required for non-budgeted items exceeding \$50,000
 - With approval of the Chair, GM authority is increased to \$100,000
- Construction and repair projects for the water supply and distribution system costing over \$25,000 require public letting and award by the Board.
- Board approval is required for change orders in excess of \$25,000.
- Board approval is required for contract amendments on any contract approved by the Board.
- All contracts for professional services which aggregate \$100,000 or more for a single project or contract (whichever is greater) require Board approval.
- Board approval is required for omissions and contingencies in excess of \$100,000

General Manager

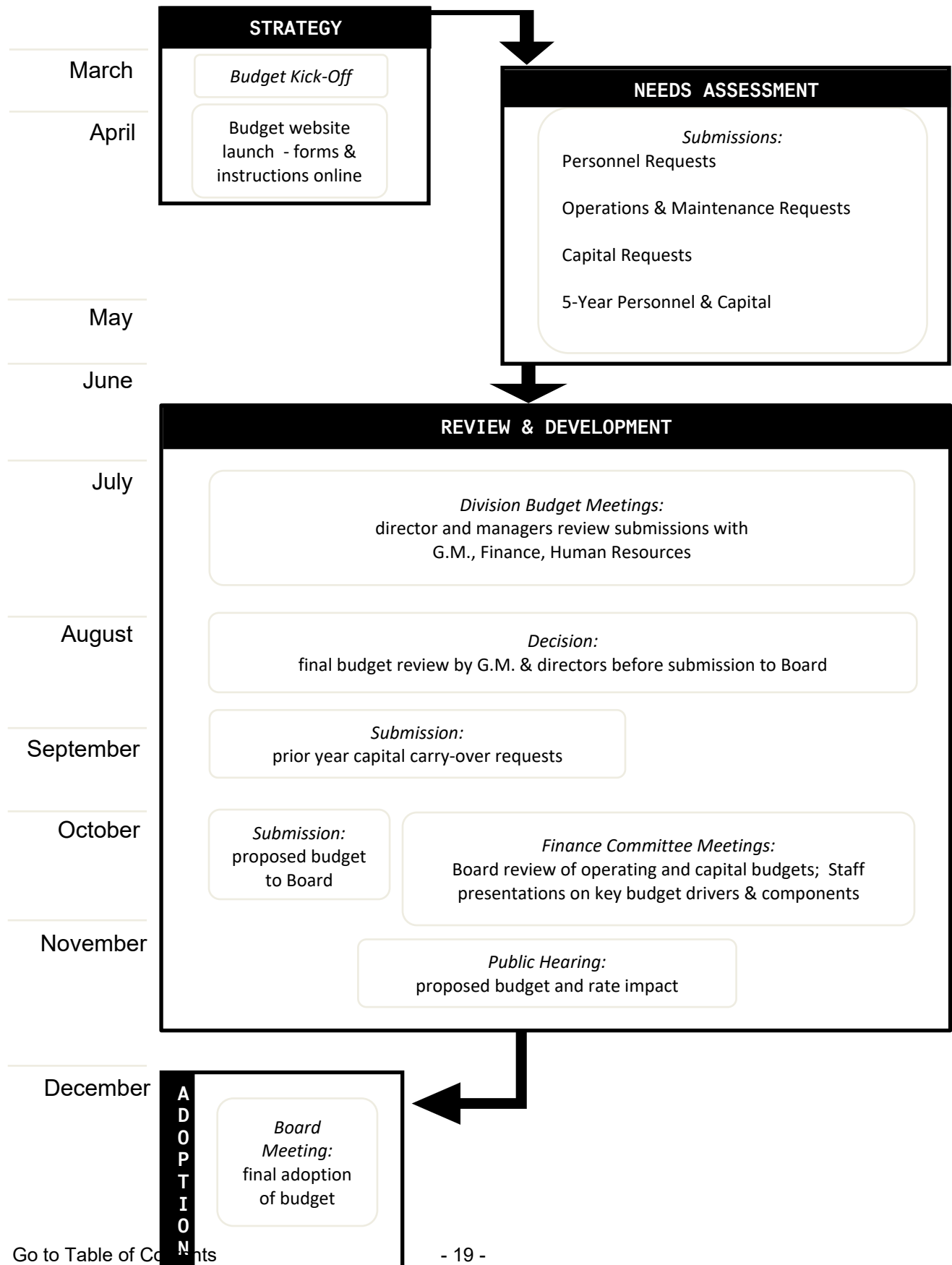
- Review and authorize expenditures exceeding \$10,000.
- Only the General Manager has the authority to bind WaterOne contractually. All contracts require the General Manager's signature.
- Contracts can only be cancelled by the General Manager.

Staff

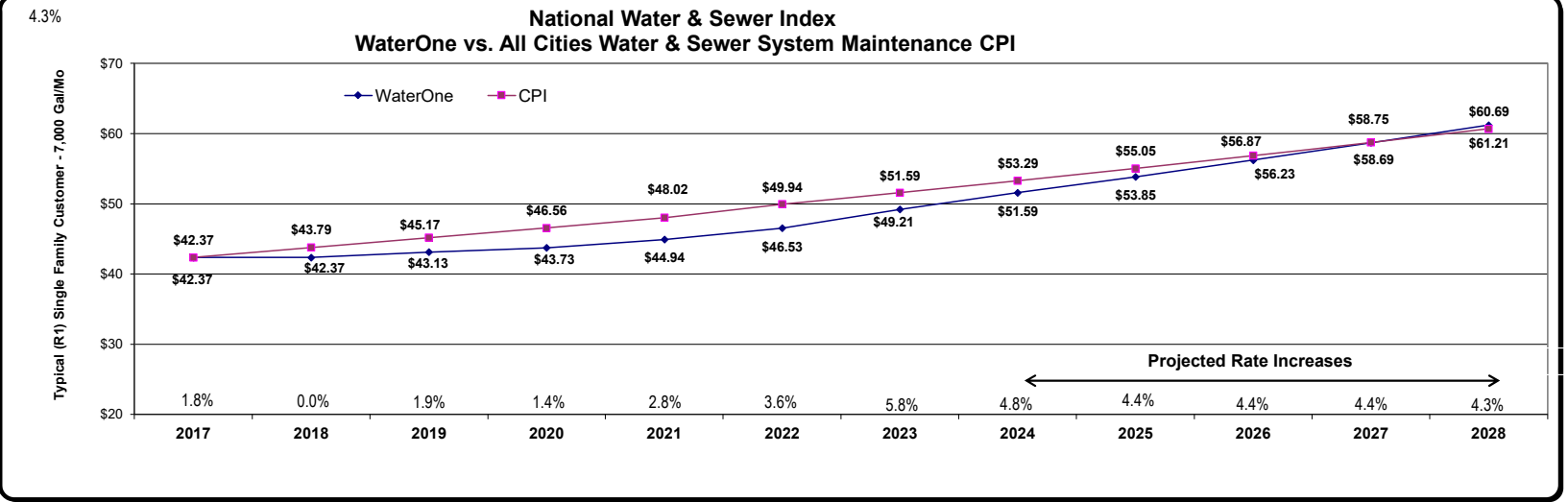
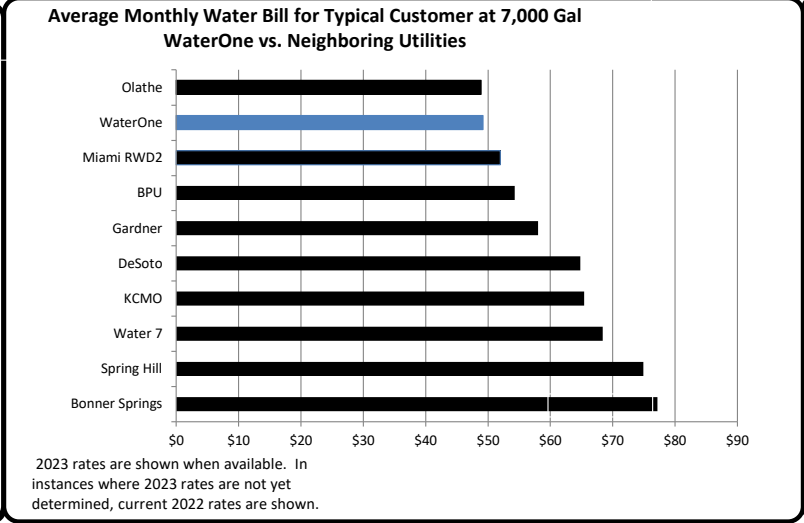
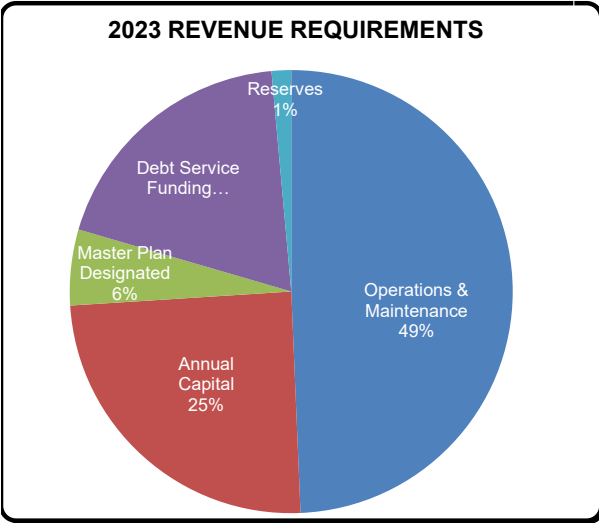
- Managers review and authorize expenditures up to \$5,000.
- Directors review and authorize expenditures up to \$10,000.
- All Employees are expected to use WaterOne funds in the most efficient manner and comply with WaterOne Purchasing Policy and Procedures.

OVERVIEW

BUDGET PROCESS



WATERONE FINANCIAL OVERVIEW																		
TOTAL ANNUAL OPERATING BUDGET	1.8%	0.0%	1.9%	1.4%	2.8%	3.6%	5.8%	4.8%★	4.4%★	4.4%★	4.4%★	4.3%★	WATER RATES					
	2017 ACTUAL	2018 ACTUAL	2019 ACTUAL	2020 ACTUAL	2021 ACTUAL	2022 BUDGET	2023 PROJECTION	2024 PROJECTION	2025 PROJECTION	2026 PROJECTION	2027 PROJECTION	2028 PROJECTION	LONG TERM MODEL PROJECTION ASSUMPTIONS					
REVENUES PROVIDED:													Budgeted Customer Growth per Year					
Sales Of Water	\$ 105,837,757	\$ 115,631,746	\$ 102,833,800	\$ 114,852,298	\$ 120,354,614	\$ 123,750,167	\$ 131,339,514	\$ 138,010,570	\$ 144,484,203	\$ 151,358,584	\$ 158,560,151	\$ 166,063,416	2023	2024	2025	2026	2027	2028
Sales Of Water - Wholesale	-	-	-	-	-	77,304	163,817	171,620	179,410	187,214	195,026	203,531	1,400	1,500	1,600	1,700	1,800	1,900
Other Operating Revenues	1,359,342	1,466,752	1,378,032	1,201,561	1,280,163	1,620,000	1,695,000	1,709,000	1,723,000	1,737,000	1,751,000	1,766,000	Actual Customer Growth per Year					
Total Operating Revenues	107,197,099	117,098,498	104,211,832	116,053,858	121,634,777	125,447,471	133,198,331	139,891,190	146,386,613	153,282,798	160,506,177	168,032,947	2017	2018	2019	2020	2021	2022
Investment Income (General and P&I Funds)	1,238,639	2,248,496	3,295,390	1,819,271	396,551	310,000	2,480,000	2,230,000	2,210,000	2,330,000	2,190,000	2,180,000	1,289	1,393	1,300	1,219	1,338	1,500
Investment Income (Construction & SDC Funds)	127,894	499,607	352,426	197,820	143,258	-	-	260,000	50,000	-	-	20,000	(Est)					
Total Investment Income	1,366,533	2,748,103	3,647,816	2,017,092	539,809	310,000	2,480,000	2,490,000	2,260,000	2,330,000	2,190,000	2,200,000	Gallons Per Customer Per Year:					
TOTAL REVENUES PROVIDED	\$ 108,563,632	\$ 119,846,601	\$ 107,859,648	\$ 118,070,950	\$ 122,174,586	\$ 125,757,471	\$ 135,678,331	\$ 142,381,190	\$ 148,646,613	\$ 155,612,798	\$ 162,696,177	\$ 170,232,947	Residential Single Family (R1) 82,009 gallons					
REVENUE REQUIREMENTS:													Multi-Family (M1) 425,000 gallons					
Operations & Maintenance Expense	\$ 52,926,798	\$ 56,680,974	\$ 54,398,113	\$ 57,932,645	\$ 58,711,452	\$ 61,988,617	\$ 66,917,073	\$ 70,176,123	\$ 73,095,105	\$ 76,806,969	\$ 80,824,848	\$ 85,124,763	Small Commercial (C1) 210,000 gallons					
Annual Capital	3,889,505	4,619,881	4,512,769	4,908,024	3,359,970	9,450,000	9,500,000	10,260,000	10,670,000	11,090,000	11,530,000	11,980,000	Large Commercial (C2) 1,370,933 gallons					
Current Year Carryovers to be Spent in Following Year	5,349,198	4,902,266	5,603,102	2,861,394	3,554,823	-	-	-	-	-	-	-	Interest % Yield on Investment Income					
Transmission and Distribution (T&D) Funding	14,410,000	14,780,000	17,330,000	18,240,000	19,145,000	20,690,000	23,980,000	26,018,800	28,220,000	30,620,000	33,210,000	35,970,000	2023	2024	2025	2026	2027	2028
Total Annual Capital	23,648,703	24,302,147	27,445,871	26,009,418	26,059,793	30,140,000	33,480,000	36,278,800	38,890,000	41,710,000	44,740,000	47,950,000	2.00%	2.40%	2.50%	3.00%	3.00%	3.00%
Debt Service Funding	24,167,417	20,450,427	20,499,772	20,961,631	21,192,738	21,371,000	25,858,236	27,147,933	27,141,116	27,145,938	27,147,686	27,139,164	O&M Assumptions (2023-2028)					
Master Plan Designated	10,015,434	12,821,892	8,361,535	15,345,849	13,244,122	11,497,854	7,503,022	6,878,334	8,060,392	8,379,891	8,373,642	8,249,020	Payroll 3.75%					
Investment Income (Construction & SDC Funds)	127,894	499,607	352,426	197,820	143,258	-	-	260,000	50,000	-	-	20,000	Power 5.0%					
Repayment to Master Plan for Bond Payoff	-	770,000	860,500	-	-	-	-	-	-	-	-	-	Chemicals 4.0%					
Total Transfers to Master Plan	10,143,328	14,091,498	9,574,461	15,543,669	13,387,380	11,497,854	7,503,022	7,138,334	8,110,392	8,379,891	8,373,642	8,269,020	Health Ins. 10.0%					
Bond Covenant Required Reserve	(1,301,653)	322,918	537,803	228,063	128,961	760,000	1,510,000	1,250,000	990,000	1,130,000	1,150,000	1,280,000	All Other O&M 3.0%					
Negative Cash Flow Reserve	-	-	-	-	-	-	410,000	390,000	420,000	440,000	460,000	470,000	Annual Capital Assumptions					
TOTAL REVENUE REQUIREMENTS	\$ 109,584,593	\$ 115,847,965	\$ 112,456,020	\$ 120,675,426	\$ 119,480,324	\$ 125,757,471	\$ 135,678,331	\$ 142,381,190	\$ 148,646,613	\$ 155,612,798	\$ 162,696,177	\$ 170,232,947	Inflation rate at 4%					
Funds Available for Reservation	\$ (1,020,961)	\$ 3,998,636	\$ (4,596,372)	\$ (2,604,476)	\$ 2,694,262	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -						
Debt Service Coverage	2.30	3.09	2.61	2.87	2.99	2.98	2.66	2.66	2.78	2.90	3.02	3.14						
Master Plan Designated as a % of Water Sales	9%	11%	13%	13%	11%	9%	6%	5%	5%	5%	5%	5%						
MASTER PLAN CAPITAL FUND																		
Carryover Reserves Available for Future Awards	\$ 43,717,520	\$ 52,284,045	\$ 38,686,647	\$ 21,679,595	\$ 49,728,808	\$ 53,016,538	\$ 23,336,678	\$ 12,573,913	\$ 47,761,940	\$ 39,649,842	\$ 18,564,732	\$ 27,142,064	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.					
Funding Sources:																		
Net Bond/SRF Proceeds	37,000,000	-	-	-	-	-	33,000,000	37,500,000	-	-	-	-						
Grant Proceeds	-	-	-	-	-	-	-	4,906,200	-	-	-	-						
Designated for Master Plan from Annual Budget	10,015,434	12,821,892	8,361,535	15,345,849	13,244,122	11,497,854	7,503,022	6,878,334	8,060,392	8,379,891	8,373,642	8,249,020						
System Development Charge (SDC) Revenue	9,900,000	9,600,000	9,100,000	8,300,000	9,700,000	7,888,800	7,000,000	7,650,000	8,440,000	9,222,500	10,125,000	10,972,500						
Reserve Transfers	-	-	555,340	6,688,251	1,100,000	600,000	4,477,836	-	-	-	-	-						
Investment Income (Construction & SDC Funds)	-	-	352,426	-	-	-	-	260,000	50,000	-	-	20,000						
Total Funding Sources	\$ 56,915,434	\$ 22,421,892	\$ 18,369,301	\$ 30,334,100	\$ 24,044,122	\$ 19,986,654	\$ 51,980,858	\$ 57,194,534	\$ 16,550,392	\$ 17,602,391	\$ 18,498,642	\$ 19,241,520						
TOTAL FUNDS AVAILABLE	\$ 100,632,954	\$ 74,705,937	\$ 57,055,948	\$ 52,013,695	\$ 73,772,930	\$ 73,003,192	\$ 75,317,536	\$ 69,768,447	\$ 64,312,332	\$ 57,252,233	\$ 37,063,374	\$ 46,383,584						
Master Plan Project Costs (Award Basis)	\$ 48,348,909	\$ 36,019,290	\$ 35,376,350	\$ 2,284,887	\$ 20,756,392	\$ 49,666,514	\$ 62,743,623	\$ 22,006,507	\$ 24,662,491	\$ 38,687,501	\$ 9,921,311	\$ 4,744,059						



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2023 Budget to 2022 Budget
2023 Water Rate Increase = 5.8%

	2022 ADOPTED BUDGET @ 3.6%	2023 ADOPTED BUDGET @ 5.8%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 123,827,471	\$ 123,827,471	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	1,303,411	1,303,411	1.1%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(793,426)	(793,426)	-0.6%
5 Increase Required from Rate Adjustment	na	7,165,875	7,165,875	5.8%
6 TOTAL SALES OF WATER	\$ 123,827,471	\$ 131,503,331	\$ 7,675,860	6.2%
7 Delayed Payment Charges	\$ 580,000	\$ 600,000	\$ 20,000	3.4%
8 Field Service Charges	365,000	370,000	5,000	1.4%
9 Other Operating Revenues	675,000	725,000	50,000	7.4%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,620,000	\$ 1,695,000	\$ 75,000	4.6%
11 Investment Income (General and P&I Funds)	\$ 310,000	\$ 2,480,000	\$ 2,170,000	700.0%
12 Investment Income (Construction & SDC Funds)	-	-	-	N/A
13 TOTAL INVESTMENT INCOME	\$ 310,000	\$ 2,480,000	\$ 2,170,000	700.0%
14 TOTAL REVENUES PROVIDED	\$ 125,757,471	\$ 135,678,331	\$ 9,920,860	7.9%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 61,988,617	\$ 66,917,073	\$ 4,928,456	8.0%
17 Annual Capital	\$ 9,450,000	\$ 9,500,000	\$ 50,000	0.5%
18 T&D Funding	20,690,000	23,980,000	3,290,000	15.9%
19 TOTAL ANNUAL CAPITAL	\$ 30,140,000	\$ 33,480,000	\$ 3,340,000	11.1%
20 TOTAL DEBT SERVICE FUNDING	\$ 21,371,000	\$ 25,858,236	\$ 4,487,236	21.0%
21 Master Plan Designated	\$ 11,497,854	\$ 7,503,022	\$ (3,994,832)	-34.7%
22 Investment Income (Construction & SDC Funds)	-	-	-	N/A
23 Repayment to Master Plan for Bond Payoff	-	-	-	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 11,497,854	\$ 7,503,022	\$ (3,994,832)	-34.7%
25 Bond Covenant Required Reserve	\$ 760,000	\$ 1,510,000	\$ 750,000	98.7%
26 Negative Cash Flow Reserve	-	410,000	410,000	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 760,000	\$ 1,920,000	\$ 1,160,000	152.6%
28 TOTAL REVENUE REQUIREMENTS	\$ 125,757,471	\$ 135,678,331	\$ 9,920,860	7.9%
29 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 63,768,855	\$ 68,761,258	\$ 4,992,404	7.8%
30 Debt Service (Line #20)	\$ 21,371,000	\$ 25,858,236	\$ 4,487,236	21.0%
31 DEBT SERVICE COVERAGE (Ln #29 / Ln #30)	2.98	2.66		
32 ADJUSTMENT TO WATER RATES	3.6%	5.8%		

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 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	Rate Stabilization	Negative Cash Flow	Total
Fund Balance at 12/31/2022	\$ 40,667,773	\$ 86,069,476	\$ 1,623,804	\$ 169,581	\$ 11,000,000	\$ 8,000,000	\$ 147,530,634
Water Sales	131,503,331	-	-	-	-	-	131,503,331
Other Operating Revenues	1,695,000	-	-	-	-	-	1,695,000
Investment Income	2,480,000	-	-	-	-	-	2,480,000
System Development Charges	-	7,000,000	-	-	-	-	7,000,000
Bond Proceeds	-	-	-	-	-	-	-
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	7,503,022	23,980,000	25,858,236	-	410,000	57,751,258
Total Revenue & Transfers In	\$ 135,678,331	\$ 14,503,022	\$ 23,980,000	\$ 25,858,236	\$ -	\$ 410,000	\$ 200,429,589
Operations & Maintenance Expense	66,917,073	-	-	-	-	-	66,917,073
Capital Spending	9,500,000	62,743,623	23,980,000	-	-	-	96,223,623
Debt Service Payments	-	-	-	25,858,236	-	-	25,858,236
Transfer to Debt Service	25,858,236	-	-	-	-	-	25,858,236
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	23,980,000	-	-	-	-	-	23,980,000
Transfers to Master Plan	7,503,022	-	-	-	-	-	7,503,022
Total Expenditures & Transfers Out	\$ 133,758,331	\$ 62,743,623	\$ 23,980,000	\$ 25,858,236	\$ -	\$ -	\$ 246,340,190
Projected Fund Balance at 12/31/2023	\$ 42,587,773	\$ 37,828,875	\$ 1,623,804	\$ 169,581	\$ 11,000,000	\$ 8,410,000	\$ 101,620,033
Increase (Decrease) in Fund Balance	\$ 1,920,000	\$ (48,240,601)	\$ -	\$ -	\$ -	\$ 410,000	\$ (45,910,601)
Percent Change in Fund Balance	4.7%	-56.0%	0.0%	0.0%	0.0%	5.1%	-31.1%

Changes in Fund Balance

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

Master Plan: The decrease in the fund balance is due to cash funding for the Well Field/Collector Wells Caisson and Pump House, Campus Improvements, Wyss Pump Station Redundant Power, Wolcott Membrane Module & Controls Replacement, and Facility 1 improvements.

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

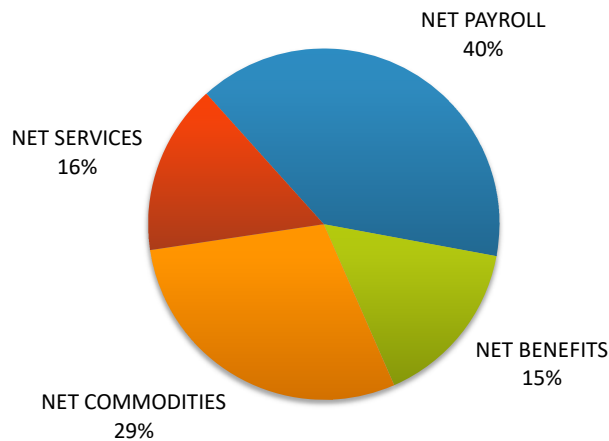
Debt Service: There is normally very little change in the fund balance.

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

Negative Cash Flow: Balance shows increase due to increases in expenditures over time. Cash is used for expenditures in low revenue months and replenished in high revenue months.

2023 O&M Budget
Compared to 2022 Budget

SIGNIFICANT ACCOUNTS



This report includes a listing of all Significant Accounts which:

- 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

	2021 Actual	2022 Budget	2023 Budget	\$ Inc/(Decr)	% Inc/ (Decr)
NET PAYROLL	\$23,337,256	\$24,736,828	\$26,487,902	\$1,751,073	7.1%
NET BENEFITS	10,392,624	9,861,940	10,399,423	537,483	5.5%
NET COMMODITIES	16,600,506	17,651,181	19,525,559	1,874,379	10.6%
NET SERVICES	8,380,940	9,738,667	10,504,189	765,521	7.9%
Total	\$58,711,325	\$61,988,617	\$66,917,073	\$4,928,456	8.0%

(numbers may not add due to rounding)

2023 Budget Compared to 2022 Budget

By Category

ACCOUNTS - BY CATEGORY

5/27/2022

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				
Labor - Non OT	32,010,983	34,216,879	2,205,896	6.9%
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, 2022. Budgeted salaries have a reduction of 1.0% for slippage.				
		% Chg from 2022 Budget		
2022 Budget Gross Payroll	\$ 32,010,983			
Annual True-Up of 2022 Base	(222,485)	-0.7%		
Compensation Study - Re-Alignment (a)	635,770	2.0%		
2023 Beginning Base	\$ 32,424,268			
Compensation Study Equity Adj (a)	972,728	3.0%		
Performance Merit Increase	1,296,971	4.0%		
April 1 Effective Date - Perf. Merit Increase	(324,243)	-1.0%		
Total Equity and Merit	\$ 1,945,456			
New Authorizations	192,780	0.6%		
Subtotal Gross Payroll	\$ 34,562,504	7.9%		
Increase Slippage Factor	(345,625)	-1.0%		
Total Projected 2023 Labor Budget	\$ 34,216,879	6.9%		

Numbers may not add due to rounding.

(a) A 2.0% 2022 Compensation Study pay grade re-alignment is budgeted for November 2022 and a 3% equity adjustment is budgeted in January 2023 for the 2022 Compensation Study.

Significant Account:

5% of category OR

change of \$25k+/- and 5%+/-

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
The significant budget factors are:				
1) <i>Annual True-Up of Beginning Base</i>	(\$222,485)			
A true-up based on the difference in pay for vacated positions, retirements, and reclassifications that are hired or reclassified at a different rate of pay.				
2) <i>Compensation Study Pay Grade Re-Alignment</i>	\$635,770			
The compensation study results will be used to re-align jobs into the proper salary range. These adjustments are implemented in November 2022.				
3) <i>Compensation Study - Equity Adjustment</i>	\$972,728			
The compensation study results will be used to make a 3.0% equity adjustment to salary ranges and employee pay to re-align with the market. This adjustment is implemented in January 2023.				
4) <i>Performance Merit Increase</i>	\$1,296,971			
Performance merit increases of 4.0% are budgeted.				
5) <i>April 1 Effective Date - Performance Merit Increases</i>	(\$324,243)			
The timing of annual merit increase is changing to April 1 to better align with the annual employee appraisal process. The 2023 Performance Merit increase will be delayed from January 1 for the first time, which reduces the payroll budget for 2023.				
6) <i>New Authorizations/Reclassification/Eliminations</i>	\$192,780			
A total of 4 new full-time positions and one reclassification from part-time to full-time are requested.				
7) <i>Increase Slippage Factor</i>	(\$345,625)			
Per Fiscal Policy 401, in 2023 the slippage factor for payroll changed from 1.0% to 2.0% to more accurately reflect the increasing time to hire new employees. This reduces the payroll budget for 2023.				

Labor - OT	1,189,019	1,258,890	69,871	5.9%
The overtime budget increase is due to the higher projected payroll. The increase was partially offset by a reduction in projected overtime hours.				

All Other PAYROLL Accounts	60,000	60,000	-	0.0%
PAYROLL Transfers	(8,523,174)	(9,047,867)	(524,693)	6.2%
Net PAYROLL	24,736,828	26,487,902	1,751,073	7.1%

BENEFITS

Employee Insurance - Health	5,095,516	5,207,006	111,490	2.2%
The budgeted components of health insurance includes a 3.5% premium rate increase, additional personnel and changes to the employee coverage mix.				

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
Total Pension Accounts	3,779,613	3,981,082	201,469	5.3%

The Total Pension budget is comprised of both Defined Benefit Plans and Defined Contribution Plans, which include plans for employees hired prior to January 1, 2014, 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>2023 Budget</u>	<u>% Change from 2022 Budget</u>
<i>Defined Benefit (DB) Plans</i>		
412010 - Pension DB – Final Pay Plan	1,910,518	(1.1%)
412050 - Pension DB – Cash Balance Plan	204,209	15.5%
Total DB Plans	2,114,727	
<i>Defined Contribution (DC) Plans</i>		
412020 - Pension DC – WaterOne	410,829	0.1%
412052 - Pension DC – (New) WaterOne	608,946	12.8%
Total DC - Base	1,019,775	
412030 - Pension DC – Match	312,230	8.1%
412051 - Pension DC – (New) Match	534,350	23.9%
Total DC - Match	846,580	
<i>Grand Total Pension</i>	<u>3,981,082</u>	5.3%

The Pension Components are:

1) Defined Benefit

Pension DB – Final Pay Plan	1,932,712	1,910,518	(22,194)	(1.1%)
Adjustments 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 budget is decreasing due to the projected recognition of investment experience gains and fewer projected participants in the plan. This plan was closed to new participants effective January 1, 2014 (see 'Pension DB – Cash Balance Plan for costs related to employees hired on or after that date).				

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
Pension DB – Cash Balance Plan	176,799	204,209	27,410	15.5%
The Cash Balance Plan is effective for employees hired on or after 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. The budget is increasing primarily due to increases in payroll and participation in the plan.				

2) Defined Contribution - Base

Pension DC – WaterOne	410,280	410,829	549	0.1%
This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive an amount equal to 2.5% of base pay in the previous calendar year into their account. The budget is based on the eligible full-time employee base salary. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) WaterOne' for costs related to employees hired after that date). The increase is due to the increase in payroll but is offset by reduced participation in the plan.				
Pension DC – (New) WaterOne	539,811	608,946	69,135	12.8%
This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account for all employees hired on or after January 1, 2014. Eligible participants receive an amount equal to 4% of base pay in the previous calendar year into their account. The budget is based on the eligible full-time employee base salary. The increase is due to increased payroll and participation in the plan.				

3) Defined Contribution - Match

Pension DC – Match	288,837	312,230	23,393	8.1%
This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive a 50% match on the first 4% of base pay the employee contributes. The budget is based on projected payroll and participation rates of eligible employees. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) Match' for costs related to employees hired after that date). The increase is due to a true-up to actual participation in the matching contributions for this plan.				

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
Pension DC – (New) Match	431,174	534,350	103,176	23.9%
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. Eligible participants receive a 100% match on the first 2% of base pay plus 50% of the next 5% of base pay the employee contributes. The budget is based on the projected payroll and participation rates of eligible full-time employees. The budget increase is due to additional participants entering the plan, payroll increases, and increased contribution rates.				
FICA	2,426,349	2,606,519	180,170	7.4%
The budget increase is due to the higher projected payroll. Budget is more than payroll % increase due to more wages subject to Social Security tax.				
Worker's Compensation	387,296	504,941	117,645	30.4%
Policy premiums are based on experience. The policy renews in July of each year. Premiums that are effective beginning in July 2022 will be in effect for the first half of the 2023 budget. A 3% projected rate increase is included in the budget for the second half of 2023. The increase is based on loss ratio and market conditions.				
Retirees Insurance - Health	303,187	355,668	52,481	17.3%
The budget is based on a 3.5% premium rate increase and a projection of the number of retirees.				
Employee Engagement	159,595	234,585	74,990	47.0%
This budget funds various activities such as retirement events, Employee Day, Pancakes with Santa, and employee recognition. The budget increase is mostly due to transferring divisional/departmental employee engagement activities from Dues & Local Meetings to Employee Engagement.				
All Other BENEFITS Accounts	827,512	910,528	83,016	10.0%
BENEFITS Transfers	(3,117,128)	(3,400,906)	(283,778)	9.1%
Net BENEFITS	9,861,940	10,399,423	537,483	5.5%

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
COMMODITIES				
Total Power (next 4 accounts)	9,886,067	10,199,308	313,241	3.2%
<i>Power costs used for the treatment and distribution of water are shown in the next 4 accounts:</i>				
Power - Transmission	5,362,628	5,470,955	108,327	2.0%
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 budget is increasing primarily due to an increase in the energy rate component and adjustments to the operational plan. No BPU rate increase is budgeted for 2023.				
Power - Source	2,437,705	2,593,865	156,160	6.4%
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 budget is increasing primarily due to an increase in the energy rate component and adjustments to the operational plan. No BPU rate increase is budgeted for 2023.				
Power - Distribution	1,733,762	1,733,762	-	0.0%
This budget is for power from Evergy 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. There is no rate increase projected for Evergy in 2023.				
Natural Gas - Generators - Wolcott	351,972	400,726	48,754	13.9%
This budget is for natural gas to produce a portion of the energy needed at the Wolcott Treatment Plant in lieu of purchased electricity. The budget has increased due to significantly higher rates for natural gas. Rate increases were mostly offset by lower projected use of the generators.				
Chemicals - Water Treatment	5,233,454	6,314,893	1,081,439	20.7%
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 the dose of chemical required. The budget is increasing primarily due to significant increases in prices. Chemical prices are impacted by rising transportation costs.				

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
Material & Supplies	1,427,245	1,746,145	318,900	22.3%
Material and supplies are non-inventory items that are necessary to operate and maintain WaterOne facilities. The budget increase is primarily due to inflationary price increases and moving the vendor managed inventory expenses to the material and supplies account which were previously charged to inventory withdrawals.				
Inventory Withdrawals	849,847	937,222	87,375	10.3%
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 \$2.27 in 2022 to \$3.17 for 2023. The increase was partially offset due to the vendor managed inventory expenses moving to material and supplies.				
Natural Gas	159,161	270,743	111,582	70.1%
This budget is for natural gas to produce a portion of the energy needed at the Administration building, Crouthers and Quivira Pump Stations, and building heat at three other facilities. The budget for natural gas has increased due to significantly higher rates.				

All Other COMMODITIES Accounts	1,009,750	1,030,700	20,950	2.1%
COMMODITIES Transfers	(914,343)	(973,451)	(59,108)	6.5%
Net COMMODITIES	17,651,181	19,525,559	1,874,379	10.6%

SERVICES

PC Software License & Maintenance	2,390,365	2,474,163	83,798	3.5%
This account covers WaterOne's software licenses and maintenance on that software. This account covers WaterOne's software licenses and maintenance on that software. The budget increase is primarily due to an expansion of the current environment for data center virtualization related to SCADA, an increase in the contract for ESRI, and the addition of Single Sign On software as a service.				
Property & Liability Insurance	960,296	1,073,322	113,026	11.8%
The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, and broker fees. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2022 will be in effect for the first half of the 2023 budget. The budget includes 3% projected premium increases for the second half of 2023. The increase is based on loss ratio and market conditions.				

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
Contracted Services	864,572	1,033,979	169,407	19.6%
These are services that are not cost-effective to complete in-house. This account varies from year-to-year based on need. The increase is primarily due to outsourced IT development, support, and security, added services for Diversity, Equity, and Inclusion education programs, and various facility repair services.				
Telecom	562,480	731,680	169,200	30.1%
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 increase is due to required circuit changes to replace old technology, and separating SCADA and business in the WAN.				
Clean Drinking Water Fee	593,675	586,952	(6,723)	(1.1%)
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 than 5% of the 'Services' category.				
Security / Security Guards	461,359	490,733	29,374	6.4%
This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. The budget increase is due to a negotiated increase in the current contracted hourly rates.				
Maintenance Services	315,386	410,614	95,228	30.2%
This budget is for contracted maintenance services. This budget is increasing primarily due to electrical switchgear and substation relay maintenance at Wolcott and extended service coverage for the Wolcott generators.				
Non-Employee Overload	63,232	320,490	257,258	406.8%
This budget is for non-employee overload or contract employees utilized to complete one-time projects. The budget is increasing primarily due to increased funds budgeted in the Office of the General Manager to be utilized as needed across all divisions.				

Significant Account:
5% of category OR
change of \$25k+/- and 5%+/-

	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
IT Hardware Maintenance	173,777	273,000	99,223	57.1%
This account is for the recurring maintenance contracts for network hardware. The budget increase is due to servers for SCADA, primary backup and immutable backup for the IT environment.				
Dues & Local Meetings	184,318	126,512	(57,806)	(31.4%)
This budget includes professional memberships and associated meeting costs as well as internal meetings. The decrease is due to budgets related to engagement and development being moved to the Employee Engagement account.				
Laboratory Services	77,400	107,400	30,000	38.8%
This account is associated with testing for water quality metrics as required by regulatory agencies. The budget is based on historical costs to perform these tests and includes any new testing that is expected to be required in the budget year. The budget increase is due to the inclusion of Unregulated Contaminant Monitoring Rule (UCMR) testing, which is performed every five years.				
Kansas River Water Assurance Dist. (KRWAD)	144,508	80,725	(63,783)	(44.1%)
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 2023 budget is primarily decreasing due the estimated decrease in the KRWAD 2023 budget, reducing WaterOne's contribution.				
Job Posting/Advertising	20,000	52,000	32,000	160.0%
Activities include job advertising through job boards, social media, Career Builder, job targeting and participation in career fairs. The increase is due to the competitive labor market which requires more job postings for longer durations.				
All Other SERVICES Accounts	3,612,054	3,481,808	(130,246)	(3.6%)
SERVICES Transfers	(684,754)	(739,189)	(54,435)	7.9%
Net SERVICES	9,738,667	10,504,189	765,521	7.9%
GRAND TOTAL	61,988,617	66,917,073	4,928,456	8.0%

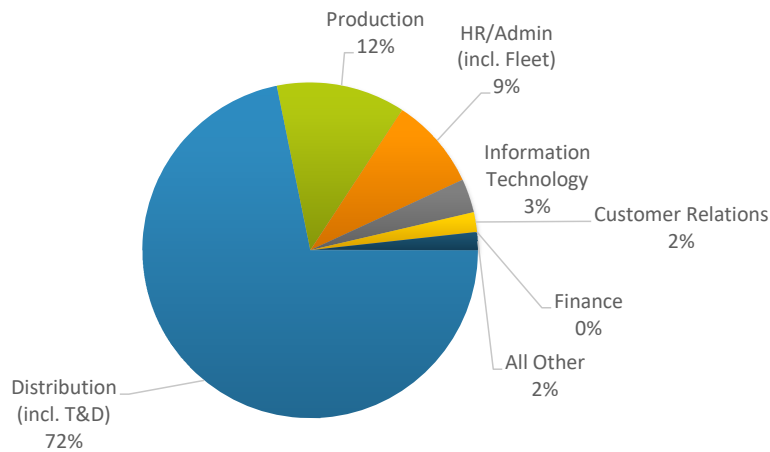
Numbers may not add due to rounding

Significant Account:
5% of category OR
change of \$25k+/- and 5%+/-

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION
Comparison of 2022 & 2023

Division	2022 Adopted Budget	2023 Proposed Budget	Dif \$	Dif %	% of Total Capital Requests	
					2022	2023
Distribution (incl. T&D)	\$ 21,404,097	\$ 24,033,507	\$ 2,629,410	12.3%	71.0%	71.8%
Production	2,786,537	4,166,972	1,380,435	49.5%	9.2%	12.4%
Human Resources / Admin. (incl. Fleet)	1,746,206	2,965,239	1,219,033	69.8%	5.8%	8.9%
Information Technology	2,624,566	1,092,829	(1,531,737)	(58.4%)	8.7%	3.3%
Customer Relations	591,481	640,641	49,160	8.3%	2.0%	1.9%
Finance	434,916	-	(434,916)	(100.0%)	1.4%	0.0%
Omissions and Contingencies	552,197	580,812	28,615	5.2%	1.8%	1.7%
Total Annual Capital	\$ 30,140,000	\$ 33,480,000	\$ 3,340,000	11.1%	100%	100%

2023 ANNUAL CAPITAL



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

	2022	2023	\$ Incr/(Decr)	% Incr/(Decr)
Distribution Main Replacements	\$ 10,680,000	\$ 12,460,000	\$ 1,780,000	16.7%
Distribution Main Breaks	4,720,000	5,120,000	400,000	8.5%
General Improvements	2,700,000	3,600,000	900,000	33.3%
Distribution Main Relocations	1,345,000	1,500,000	155,000	11.5%
Transmission Main Capital	670,000	700,000	30,000	4.5%
Condition Assessment	575,000	600,000	25,000	4.3%
Subtotal T&D Funding	\$ 20,690,000	\$ 23,980,000	\$ 3,290,000	15.9%

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STRATEGIC PLANNING AND PERFORMANCE MEASURES

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

Each year WaterOne's Board reviews, reaffirms, and develops strategic goals which support WaterOne's vision. In the first quarter of each year a strategic board retreat is organized. During the retreat the General Manager, Directors and Board Members discuss current strategic goals and review any new objectives for the coming year and future year.

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.

Goal 3: Be an employer of choice

- Attract and retain a high-quality, diverse, and engaged workforce.
- Provide a competitive total compensation package.
- Train, develop, mentor, and plan for succession of employee talent.
- Foster an equitable and inclusive culture so employees have opportunity to thrive.
- Promote open employee 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 is documented, retained and improved over time.
- Utilize effective project management concepts, including broad communication of lessons learned.
- Maintain transparency and appropriate governance practices in all business processes.

Goal 6: Proactively manage infrastructure

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

Goal 7: Be good stewards of the environment

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

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

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

2023 Operational Goals and how they relate to the Strategic Goals

		Strategic Goals							
2023 Operational Goals By Division		Quality Water	Customer Service	Employer of Choice	Financial Stability	Process Improvement	Asset Management	Environmental Stewardship	Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
Production									
1	Construction of campus improvement project			X		X	X		X
2	Lead and Copper Rule Revisions (LCRR)	X	X		X				
3	Missouri River Collector Well No. 2 design and construction	X				X	X		
4	Execute SCADA master plan	X				X	X		X
5	Construction of redundant power for Wyss Pump Station					X	X		
6	Complete hydro power generation facility design engineering				X	X		X	
7	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X
Distribution									
1	Lead and Copper Rule Revisions (LCRR)	X	X		X				
2	Review and restructure right of way agreements				X	X	X		
3	Application development and deployment for field work	X	X			X	X		

2023 Operational Goals By Division		Strategic Goals							
		Quality Water	Customer Service	Employer of Choice	Financial Stability	Process Improvement	Asset Management	Environmental Stewardship	Safety & Security
Strategic Goal:		1	2	3	4	5	6	7	8
4	Reclamation of north 90-acre property				X	X	X	X	
5	30" transmission main replacement, Quivira road						X		
6	Replace approximately 14 miles of Distribution Mains	X	X		X		X		
7	Transmission main condition assessments	X	X		X		X		
8	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X
Customer Relations									
1	Advance Meter Infrastructure – Smart Utility Network	X			X	X		X	
2	Lead and Copper Rule Revisions (LCRR)	X	X		X				
3	Upgrade customer payment platform		X			X	X		
4	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X
Finance									
1	Complete external cost of service review				X	X			
2	Relocate warehouse to new administrative warehouse building			X		X	X		X

Strategic Plan

2023 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:									
3	Complete SRF loan agreement				X		X		
2	ERP Evaluation and Replacement		X	X	X	X	X		
4	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X
Human Resources									
1	Facilitate the recruitment of new General Manager			X					
2	Evaluate and recommend enhancements to retirement benefits			X					
3	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X
Legal/Audit									
1	Implementation of records information management initiative					X			
2	Enhance contract review process					X			
3	Review and restructure right of way agreements				X	X	X		
3	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X

Strategic Plan

2023 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:									
Information Technology									
1	Execute SCADA master plan	X				X	X		X
2	Board Room technology upgrades			X		X	X		
3	Implementation of records information management initiative					X			
4	ERP Evaluation and Replacement		X	X	X	X	X		
5	Application development and deployment for field work	X	X			X	X		
6	Implement Utility Network		X	X		X			
7	Advance culture of Diversity, Equity, and Inclusion	X	X	X	X	X	X	X	X

Performance Measures

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

3. WATERONE KPIs and STRATEGIC GOALS

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

		Current Month Rating	Page	GOAL 1: Safe, reliable, high quality	GOAL 2: Excellent customer service	GOAL 3: Employer of choice	GOAL 4: Financial stability	GOAL 5: Improve processes	GOAL 6: Proactively manage infrastructure	GOAL 7: Environmental stewardship	GOAL 8: Safety and security
Key Performance Indicators	1. Drinking Water Standards	G ↔	7	●						●	
	2. Water Quality Goals	O ↓	7	●						●	
	3. Distribution System Renewal Rate	B ↑	9	●			●		●	●	
	4. Non-revenue water (Infrastructure Leakage Index)	R ↓	9	●					●	●	
	5. Water Distribution System Integrity	R ↓	10	●					●	●	
	6. Annual Water Outage Time per Customer	B ↓	11	●	●				●		
	7. Water Outage Time - Percent of Customers	G ↑	11	●	●				●		
	8. Sufficient Production Max Day Capacity	O ↓	11	●					●		
	9. Minimum Pressure Goals	B ↔	12	●	●				●		
	10. Maximum Pressure Goals	B ↔	12	●	●				●		
	11. Facilities Maintenance "Planned" Hours	B ↓	13	●				●	●		
	12. Facilities Maint Emergency Work Hours	B ↓	13	●				●	●		
	13. Customer Satisfaction Rating	B ↓	14		●						
	14. Water Quality Complaints	B ↔	14	●	●						
	15. Billing Accuracy	B ↑	14		●		●				

BLUE Favorable variance is greater than 2% from target.

GREEN Favorable or unfavorable variance from target is within 2%.

ORANGE Unfavorable variance is 2% to 5% of target.

RED Unfavorable variance is over 5% of target.

3. WATERONE KPIs and STRATEGIC GOALS

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

		Current Month Rating	Page	GOAL 1: Safe, reliable, high quality	GOAL 2: Excellent customer service	GOAL 3: Employer of choice	GOAL 4: Financial stability	GOAL 5: Improve processes	GOAL 6: Proactively manage infrastructure	GOAL 7: Environmental stewardship	GOAL 8: Safety and security
Key Performance Indicators	16. Residential Cost of Water	G ↓	15		●		●				
	17. Affordability Ratio	G ↑	15		●		●				
	18. Customers Served Per Employee	G ↓	15		●		●				
	19. O&M Cost Per Million Gallons Produced	G ↑	16				●				
	20. O&M Cost Per Customer Accounts	R ↓	16				●				
	21. Actual vs. Budgeted Water Sales Revenue	B ↑	17				●				
	22. Actual vs. Budgeted Operating Costs	R ↓	17				●		●		
	23. Debt Service Coverage Ratio	B ↑	17				●				
	24. Active Customer Accounts vs. Projected	B ↑	18				●		●		
	25. Employee Turnover	G ↓	18			●					
	26. Employee Health and Safety Severity Rate	G ↓	19			●					●
	27. Miles Per Gallon - Light Duty Vehicles	G ↑	19							●	
	28. Total Fuel Gallons Used	G ↓	19							●	
	29. Renewable Energy Ratio	G ↓	19							●	

BLUE Favorable variance is **greater than 2%** from target.

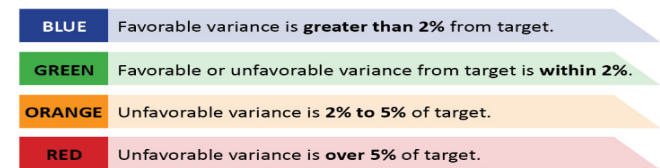
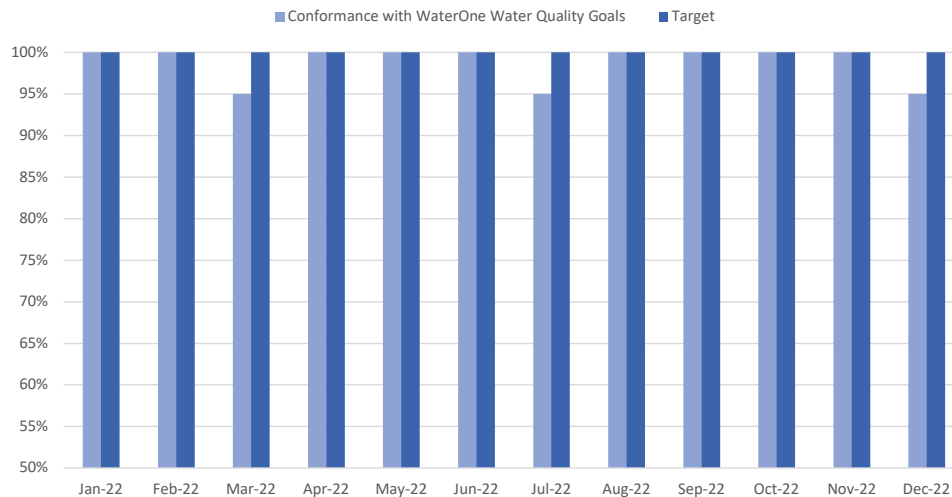
ORANGE Unfavorable variance is **2% to 5%** of target.

GREEN Favorable or unfavorable variance from target is **within 2%**.





















RED Unfavorable variance is **over 5%** of target.




4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
PRD	1. Conformance with Drinking Water Internal Standards, Regulations, Monitoring, MCL/TT Percentage of parameter samples that comply with Safe Drinking Water Act Standards. (Monthly) (S.G. 1,7)	100.0%	100.0%	0.00%	100.0%	100.0%	G ↔
PRD	2. Conformance with WaterOne Water Quality Goals Percentage of parameter-samples that comply with WaterOne Established drinking water standards. (Monthly) (S.G. 1, 7)	100.0%	95.0%	-5.00%	100.0%	95.0%	O ↓



WATER QUALITY KPI's

Process	Parameter	December 2022 Range	Performance Rating	Target Range	Frequency	Comments
Influent	Odor (MIB & Geosmin)	0.1 - 0.7		< 10 ng/l	Weekly	
Membrane Combined Effluent	Turbidity	100.0%		96% < 0.2 ntu	5 Minute	
Filter (Start Up)	Turbidity	100.0%		99% < 0.8 ntu	15 Minute	
Filter (After Seat In)	Turbidity	78.0%		99% < 0.3 ntu	15 Minute	Met regulation of less than .5 ntu at all times. Filters exceeded .3 ntu due to extreme weather conditions.
Tap	Turbidity	100.0%		96% < 0.2 ntu	5 Minute	
Tap	Calcium Hardness	92.0%		90% > 60 mg/L	Daily	
Tap	Total Hardness	131 - 137		100 - 145 mg/L	Running Annual Average	
Tap	Total Alkalinity	100.0%		90% > 45 mg/L	Daily Avg	
Tap	pH	98.0%		90 % Between 9.3 - 9.7	Daily Avg	
Tap	Total Chlorine	99.0%		90% Between 2.5 - 3.8 mg/L	Daily Avg	
Tap	Bromate	0.1%		100% < 0.006 mg/L	Monthly	
Tap	Odor (MIB & Geosmin)	0 - 3.2		< 5 ng/l	Weekly	
Tap	Total Coliforms	100.0%		100% Negative	Weekly	
Tap	E. Coliforms	0.0%		0 positive	Weekly	
Tap	Fluoride	94.0%		90% Between 0.5 - 0.8 mg/L	Daily Avg	
Distribution	Total Chlorine	96.0%		90% Between 2.25 - 3.8 mg/L	Daily	
Distribution	Total Coliforms	100.0%		98% Negative	>200/Month	
Distribution	E. Coliforms	0.0%		0 positive	>200/Month	
Distribution	pH	99.0%		90% Between 9.3 - 9.7	Daily	
Distribution	Lead	Not Measured		95% < 0.01 mg/L	Annual Percentile	

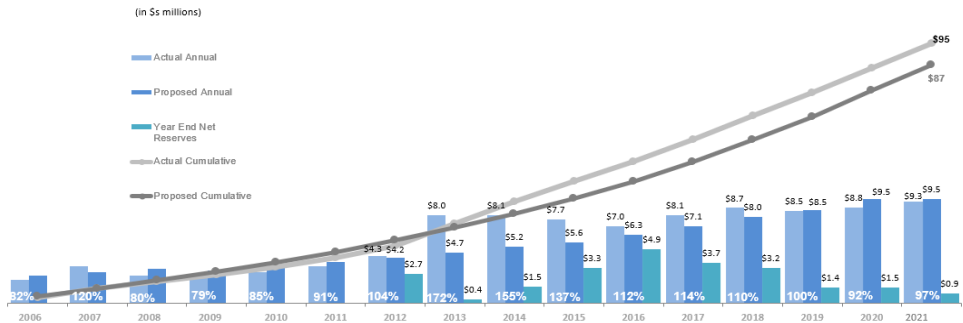
-  GREEN: All Parameters Meet Goals
-  YELLOW: 1 to 3 Parameters do not meet goals
-  RED: 4 or more Parameters do not meet goals



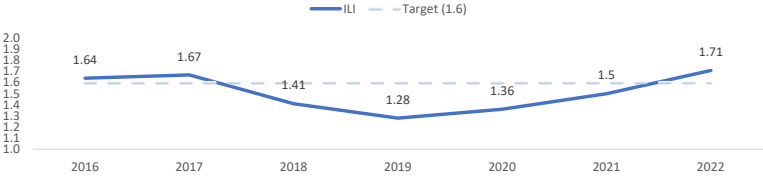
4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2019 Final	2020 Final	2021 Target	2021 Final	2022 Final	2022 Target	2022 Performance Rating
	Reported Annually							
DST	3. System Renewal Rate Rate at which infrastructure is being renewed or replaced as compared to projected replacement needs. (S.G. 1, 4, 6, 7)	100.0%	92.0%	90.0%	97.0%		90.0%	B ↑
DST	4. Non-revenue water (Infrastructure Leak Index) Ratio of actual losses to expected losses. The ILI is an effective KPI for comparing utilities' operational management of real water losses. (S.G. 6, 7)	1.28	1.36	1.60	1.50	1.71	1.60	R ↓

Piping Replacement - Proposed vs. Actual



Non-Revenue Water as Measured by the Infrastructure Leakage Index (ILI) Water Year (March-February)



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GREEN	Favorable or unfavorable variance from target is within 2% .
ORANGE	Unfavorable variance is 2% to 5% of target.
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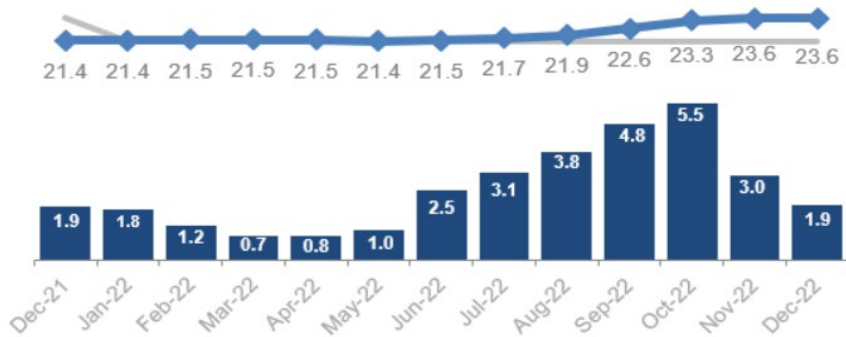
4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
DST	5. Water Distribution System Integrity Quantification of the condition of the water distribution system by considering the number of main breaks and leaks per 100 miles of pipeline. (5 yr rolling) (S.G. 1, 6, 7)	21.3	23.6	10.80%	2.0	3.0	R ↓

Leaks per 100 miles of Pipe Five Year Average and Monthly

■ Leak Frequency per month
 — Goal is 21.3 based on 2022 budgeted main breaks of 593 and 2,785 miles of main as of January 1, 2022
 ◆ Leak Frequency per Year

Goal= 21.3 breaks/100 miles



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4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2019 Final	2020 Final	2021 Target	2021 Final	2022 Final	2022 Target	2022 Performance Rating
	Reported Annually							
DST	6. Number of Minutes of Water Outage per Total System Customers Total annual minutes of service outage divided by the annual weighted average of number of customers will not exceed 20 minutes. (S.G. ,1 2, 6)	11	12	20	10.73	13.12	20	B ↓
DST	7. Of the customers that experienced a water outage for the year, the percent of affected customers that were out of service > 12 hours. (S.G. 1, 2, 6)	0.3%	1.9%	0.0%	0.90%	0.01%	0.0%	G ↑
PRD	8. Production Facilities' Capacity of Available Max Day Gallons per Customer. (S.G. 1, 6)	1,015	1,009	920	1,000	894	920	O ↓



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4. KPI DETAIL REPORT

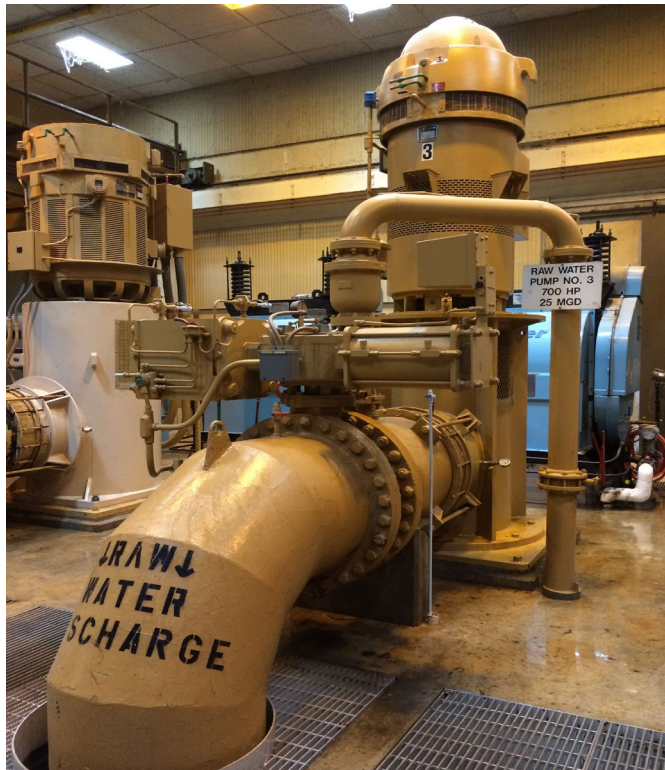
Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
PRD	9. Conformance with WaterOne Minimum Pressure Goals Percentage of time a minimum pressure of 40 psi was supplied to 95% of the service territory. (Monthly) (S.G. 1, 2, 6)	95.0%	100.0%	5.26%	95.0%	100.0%	B ↔
PRD	10. Conformance with WaterOne Maximum Pressure Goals Percentage of time a maximum pressure of 135 psi was supplied to 75% of the service territory. (Monthly) (S.G. 1, 2, 6)	95.0%	100.0%	5.26%	95.0%	100.0%	B ↔



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4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
PRD	11. Facilities Maintenance - % of "Planned" Man-hours (Monthly) (S.G. 5, 6)	85.0%	93.0%	9.36%	85.0%	93.0%	B ↓
PRD	12. Facilities Maintenance - % Man-hours on Emergency Workorders (Monthly) (S.G. 5, 6)	5.0%	1.2%	76.38%	5.0%	1.2%	B ↓



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RED	Unfavorable variance is over 5% of target.

4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly/Quarterly						
CCR	13. Composite Customer Satisfaction Performance Rating Based upon an index of various customer service and water service components common to utilities. (Quarterly) (S.G. 2)	80.0%	84.6%	5.75%	80.0%	84.6%	B ↓
CCR	14. Technical Water Quality Complaints/1,000 Accounts Express of complaints related to core utility service, T&O, Turbidity, Pressure, etc. (YTD) (S.G. 1, 2)	8.0	5.0	37.50%	0.7	0.3	B ↔
CCR	15. Billing Accuracy Expression of error-driven billing adjustments per 10,000 bills. (12 MTD) (S.G. 2, 4)	7.2	0.6	91.67%	7.2	1.2	B ↑

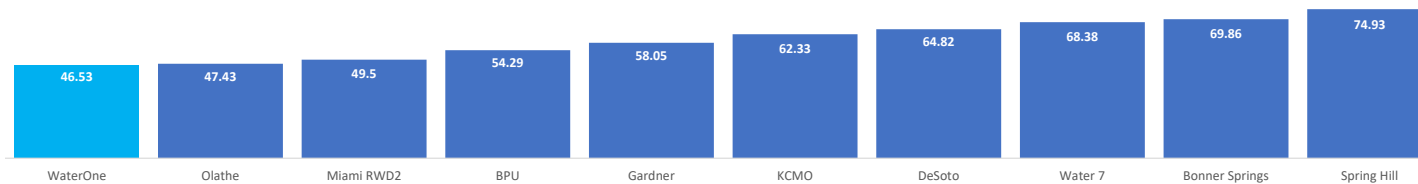


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4. KPI DETAIL REPORT

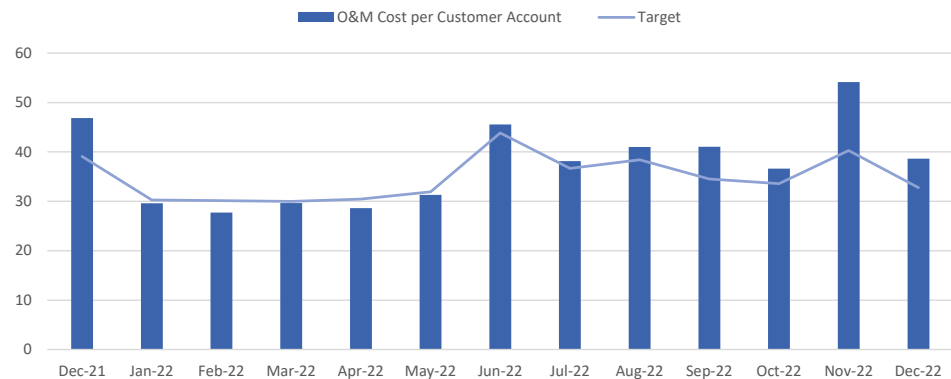
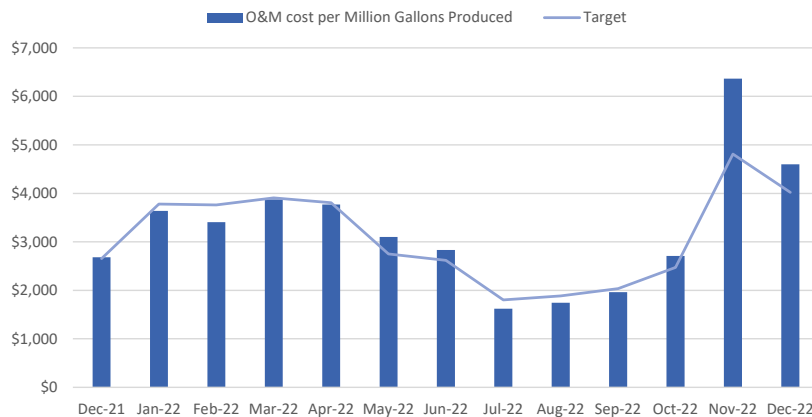
Reporting Division	WaterOne Key Performance Indicators	2019 Final	2020 Final	2021 Target	2021 Final	2022 Final	2022 Target	2022 Performance Rating
	Reported Annually							
FIN	16. Residential Cost of Water Comparison of residential cost of water service based on both a defined quantity of water use and the average residential bill amounts for these services. (see note below) (S.G. 2, 4)	\$ 44.97	\$ 45.59	\$ 44.94	\$ 44.94	\$ 46.53	\$ 46.53	G ↓
FIN	17. Affordability Ratio The cost of low water usage for a low income resident divided by income after basic needs (housing, food, taxes, healthcare). Target income is 20th percentile. (S.G. 2, 4)	3.4%	3.5%	No target	3.7%	2.5%	No target	G ↑
HR	18. Customers Served per Employee Number of customer accounts that were billed for some or all of the reporting period divided by the number of full-time equivalent employees. (S.G. 2, 4)	373	376	No target established	379	377	No target established	G ↓

Average Monthly Water Bill for Typical Customers at 7,000 Gal.
WaterOne Vs. Neighboring Utilities



4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
FIN	19. O&M Cost per Million Gallons Produced (YTD) (S.G. 4)	\$ 2,810	\$ 2,811	-0.02%	\$ 4,022	\$ 4,600	G ↑
FIN	20. O&M Cost per Customer Account O&M costs divided by number of customer accounts that were billed during the reporting period. (YTD) (S.G. 4)	\$ 409	\$ 438	6.96%	\$ 33	\$ 39	R ↓



BLUE Favorable variance is greater than 2% from target.

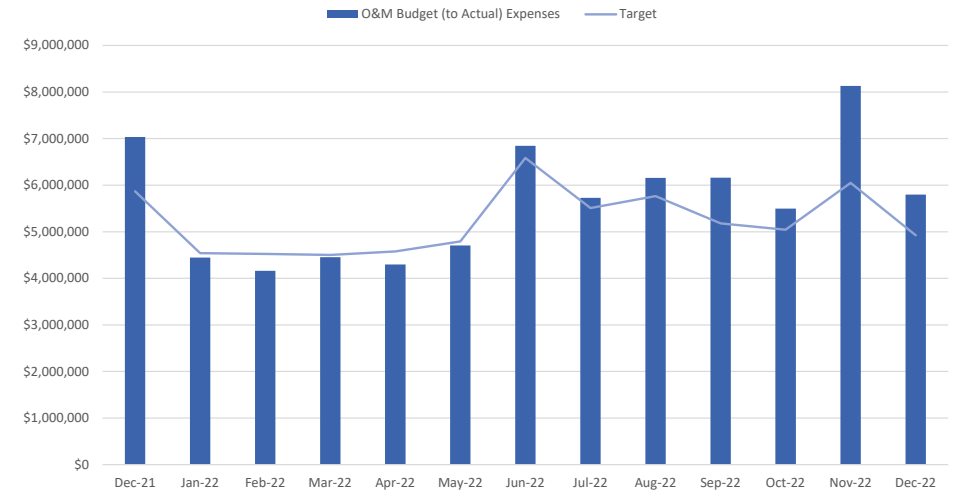
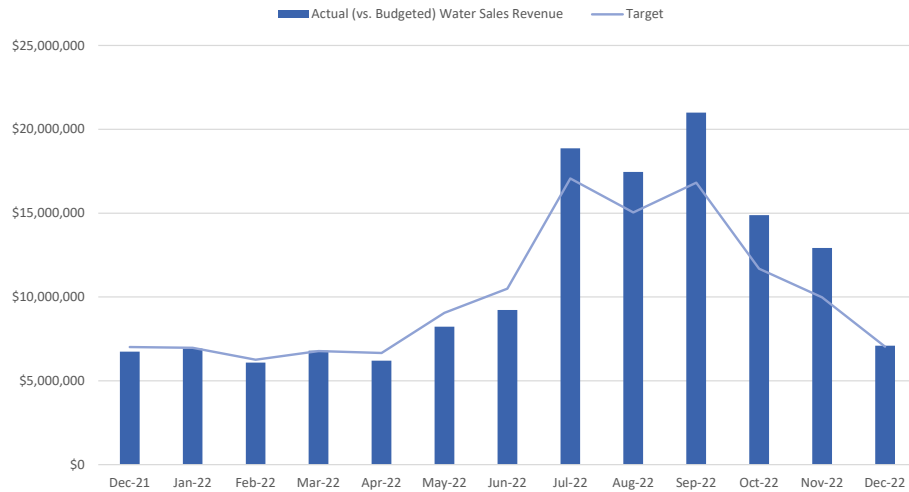
GREEN Favorable or unfavorable variance from target is within 2%.

ORANGE Unfavorable variance is 2% to 5% of target.

RED Unfavorable variance is over 5% of target.

4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
FIN	21. Actual vs. Budgeted Water Sales Revenue (YTD) (S.G. 4)	\$ 123,827,471	\$ 135,681,456	9.57%	\$ 7,041,544	\$ 7,090,251	B ↑
FIN	22. O&M Budget to Actual Expenses (YTD) (S.G. 4, 6)	\$ 61,988,617	\$ 66,385,383	7.09%	\$ 4,923,446	\$ 5,798,188	R ↓
FIN	23. Debt Service Coverage Ratio Ratio of Net Operating Income to Required Debt Service. Board policy is to budget for 2.0. (12 MTD) (S.G. 4)	2.00	3.32	66.02%	2.00	3.32	B ↑



I

BLUE	Favorable variance is greater than 2% from target.	ORANGE	Unfavorable variance is 2% to 5% of target.
GREEN	Favorable or unfavorable variance from target is within 2% .	RED	Unfavorable variance is over 5% of target.

4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2022 Target As Of Dec 31	2022 Actual	Variance	Current Month Target	Current Month Actual	Performance Rating
	Reported Monthly						
FIN	24. Active Customer Accounts vs. Projected Actual growth in the number of bill paying customers compared to estimated growth. (YTD) (S.G. 4, 6)	1,300	1,493	14.85%	100	201	B ↑
HR	25. Turnover Rate YTD expression of the performance and stability of the workforce. (YTD) (S.G. 3)	No target established	13.3%	No target established	Not calculated	Not calculated	G ↓



BLUE Favorable variance is **greater than 2%** from target.

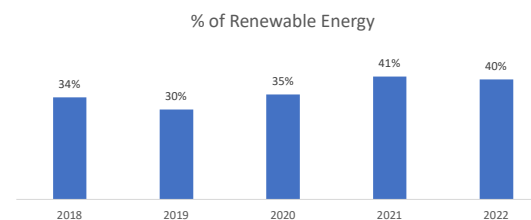
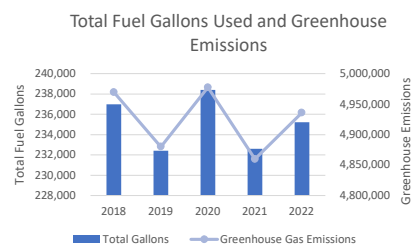
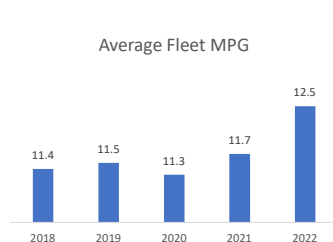
ORANGE Unfavorable variance is **2% to 5%** of target.

GREEN Favorable or unfavorable variance from target is **within 2%**.

RED Unfavorable variance is **over 5%** of target.

4. KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Indicators	2019 Final	2020 Final	2021 Target	2021 Final	2022 Target	2022 Final	2022 Performance Rating
	Reported Annually							
HR	26. Employee Health & Safety Severity Rate Employees dates lost due to injury. Rate per 100 employees. (S.G. 3, 8)	94.9	7.5	No target established	0.8	No target established	12.3	G ↓
HR	27. Miles Per Gallon-Light Duty Vehicles Includes MPG for fleet units with consumption measured in miles. (S.G. 7)	11.5	11.3	No target established	11.7	No target established	12.5	G ↑
HR	28. Total Fuel Gallons Used (S.G. 7)	232,408	238,401	No target	232,613	No target	235,235	G ↓
FIN	29. Renewable Energy Ratio Percent of electricity generated from wind, nuclear, hydro, and solar. (S.G. 7)	30.0%	35.0%	No target established	41.0%	No target established	40.0%	G ↓



BLUE	Favorable variance is greater than 2% from target.	ORANGE	Unfavorable variance is 2% to 5% of target.
GREEN	Favorable or unfavorable variance from target is within 2%.	RED	Unfavorable variance is over 5% of target.

2023 REVENUE SUMMARY

OPERATING REVENUE ASSUMPTIONS

Comparison of Revenues

Revenue Type	2022 Budget	2023 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$123,827,471	\$131,503,331	\$7,675,860	6.2%
Other Operating Revenues	1,620,000	1,695,000	75,000	4.6%
Investment Income	310,000	2,480,000	2,170,000	700.0%
Total	\$125,757,471	\$135,678,331	\$9,920,860	7.9%

Sales of Water

Sales of Water in 2023 are projected to increase by \$7,675,860 or 6.2%.

- A 5.8% rate increase will provide \$7,165,875 in additional revenue.
- 1,400 new retail customers will provide additional revenue of \$1,303,411. WaterOne projects new customer growth by analyzing the long term historical average as well as the recent growth trends.
- A 3.6% budgeted reduction in Large Commercial Customers (C2) gallons per customer caused revenues to decrease by \$896,339.
- A true-up to actual customer growth and meter size mixes increased revenue by \$102,913.

Volume Charge vs. Service Charge

- Volume charges are 77% of revenue
- Service charges are 23% of revenue

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

Other Operating Revenues**Delayed Payment Charges**

Delayed Payment Charges are applied to water bills paid after the due date. Budgeted revenues from this source are \$600,000 which is \$20,000 or 3.4% more than the 2022 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 2023 are budgeted to be \$370,000 which is a \$5,000 or 1.4% increase from the 2022 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 \$725,000, which is \$50,000 or 7.4% more than the 2022 budget.

Investment Income

Investment income is earned on investments made with cash that is not needed for daily operation. Investment income in 2023 is budgeted to be \$1,590,000. This is an increase of \$1,280,000 or 412.9% more than the 2022 budget. The large increase is due to the rise in interest rates.

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, and they could be utilized to retire debt. For 2023, SDC income is budgeted at \$7,000,000 which is \$500,000 or 7.1% more than the 2022 budget. The increase is due to an increase in new customer growth. SDCs are conservatively budgeted by assuming that all of the customer growth will be 5/8" service connections. The SDC is budgeted at \$5,000, remaining flat.

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.

WaterOne projects its average residential customer consumption to be approximately 7,000 gallons per month. The average bill is calculated as follows:

Block	Gallons	2023 Rates per 1,000 gallons	Total
1	5,250	\$4.59	\$24.10
2	1,750	\$6.89	\$12.06
Service Charge	NA	\$13.05	\$13.05
	7,000		\$49.21

There is a 5.8% rate increase for 2023. The typical customer's bill will increase \$2.69 to \$49.21 per month.

**Comparison of Volume Rates and Service Charges
2022 to 2023
5.8% Rate Increase**

	Actual	Proposed		
Meter	2022	2023	\$	%
Size	Rates	Rates	Increase	Increase

Retail Service Charges:

Single Family Residential

Monthly		Bi-monthly		Quarterly	

All Other

	Monthly			
5/8"	\$15.30	\$16.20	\$0.90	5.9%
3/4"	\$19.20	\$20.30	\$1.10	5.7%
1"	\$27.10	\$28.70	\$1.60	5.9%
1 1/2"	\$47.70	\$50.50	\$2.80	5.9%
2"	\$69.90	\$74.00	\$4.10	5.9%
3"	\$164.60	\$174.10	\$9.50	5.8%
4"	\$257.10	\$272.00	\$14.90	5.8%
6"	\$544.40	\$576.00	\$31.60	5.8%

Temporary Commercial (All Meter Sizes)	\$94.30	\$94.30	\$0.00	0.0%
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Retail Volume Charges per 1,000 Gallons:

Block 1 (0 to 125% of AWC):

All Classes	\$4.34	\$4.59	\$0.25	5.8%
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Block 2 (Over 125% of AWC):

All Classes	\$6.51	\$6.89	\$0.38	5.8%
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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	Annual Consumption	Monthly Consumption (In Gallons)	Block 1 Gallon %	2022 Avg Bill	2023 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
<i>Average Residential</i>	5/8"	84,000	7,000	75%	\$ 46.53	\$ 49.21	5.8%	\$ 2.68

Single Family Residential

Low Usage	5/8"	24,580	2,048	98%	\$ 21.33	\$ 22.54	5.7%	\$ 1.21
Moderate Usage	5/8"	53,374	4,448	70%	\$ 34.56	\$ 36.55	5.8%	\$ 1.99
High Usage	5/8"	108,105	9,009	57%	\$ 59.86	\$ 63.32	5.8%	\$ 3.46
Low Usage	1"	40,699	3,392	91%	\$ 39.46	\$ 41.75	5.8%	\$ 2.29
Moderate Usage	1"	100,466	8,372	63%	\$ 67.20	\$ 71.09	5.8%	\$ 3.89
High Usage	1"	201,637	16,803	52%	\$ 114.57	\$ 121.22	5.8%	\$ 6.65

Multi-Family Residential

Low Usage	1"	102,185	8,515	100%	\$ 64.12	\$ 67.85	5.8%	\$ 3.73
Moderate Usage	1"	216,049	18,004	97%	\$ 106.33	\$ 112.49	5.8%	\$ 6.16
High Usage	1"	484,879	40,407	83%	\$ 217.48	\$ 230.08	5.8%	\$ 12.60
Low Usage	1 1/2"	232,646	19,387	100%	\$ 131.96	\$ 139.62	5.8%	\$ 7.66
Moderate Usage	1 1/2"	420,053	35,004	97%	\$ 201.53	\$ 213.20	5.8%	\$ 11.67
High Usage	1 1/2"	1,108,925	92,410	86%	\$ 477.67	\$ 505.31	5.8%	\$ 27.64
Low Usage	2"	320,115	26,676	99%	\$ 186.30	\$ 197.11	5.8%	\$ 10.81
Moderate Usage	2"	637,046	53,087	96%	\$ 304.48	\$ 322.11	5.8%	\$ 17.63
High Usage	2"	2,464,334	205,361	89%	\$ 1,008.80	\$ 1,067.10	5.8%	\$ 58.30

Small Commercial

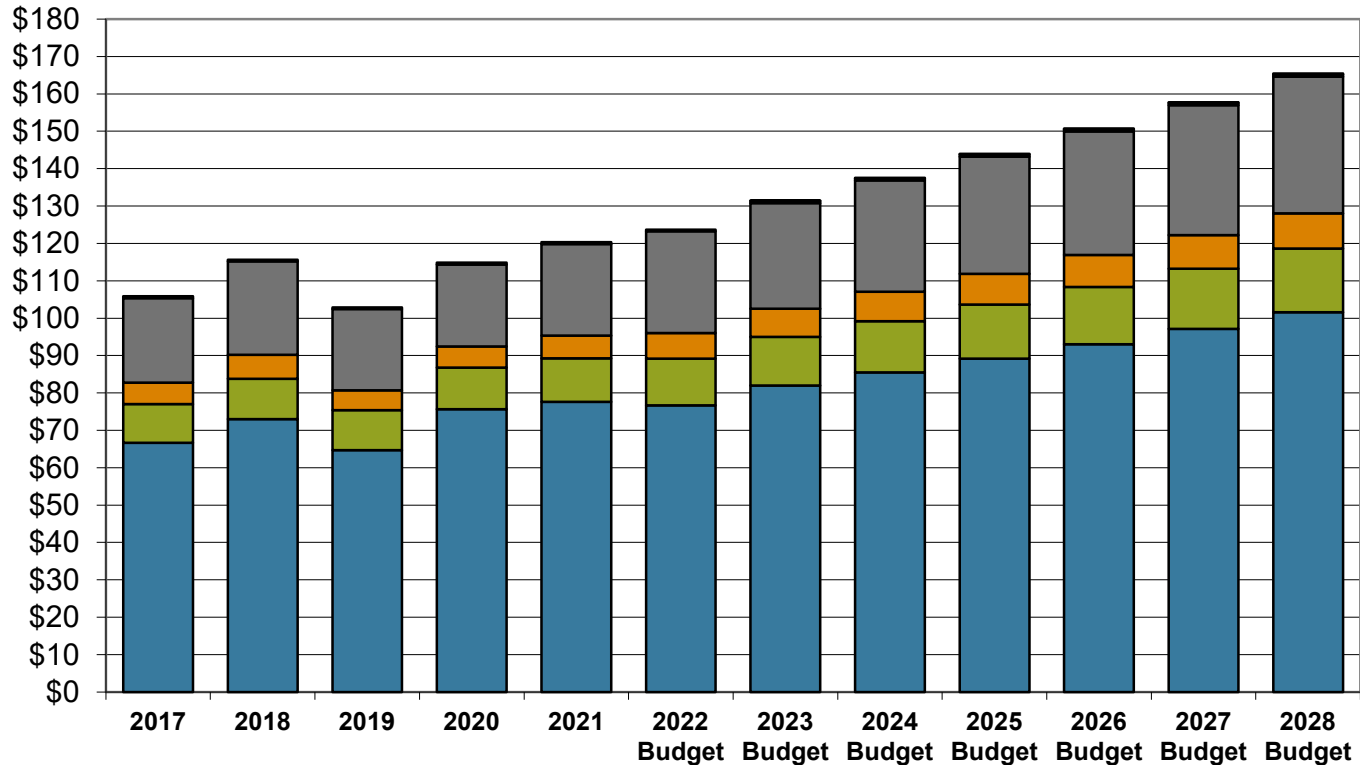
Low Usage	5/8"	5,598	467	100%	\$ 17.33	\$ 18.35	5.9%	\$ 1.02
Moderate Usage	5/8"	25,799	2,150	91%	\$ 25.05	\$ 26.51	5.8%	\$ 1.46
High Usage	5/8"	150,542	12,545	75%	\$ 76.56	\$ 81.01	5.8%	\$ 4.45
Low Usage	3/4"	13,918	1,160	98%	\$ 24.29	\$ 25.68	5.7%	\$ 1.39
Moderate Usage	3/4"	71,434	5,953	77%	\$ 48.00	\$ 50.76	5.8%	\$ 2.76
High Usage	3/4"	354,086	29,507	69%	\$ 167.05	\$ 176.71	5.8%	\$ 9.66
Low Usage	1"	22,091	1,841	97%	\$ 35.20	\$ 37.26	5.9%	\$ 2.06
Moderate Usage	1"	113,053	9,421	79%	\$ 72.36	\$ 76.58	5.8%	\$ 4.22
High Usage	1"	419,710	34,976	71%	\$ 200.54	\$ 212.18	5.8%	\$ 11.64

Large Commercial

Low Usage	1 1/2"	133,525	11,127	90%	\$ 98.42	\$ 104.15	5.8%	\$ 5.73
High Usage	1 1/2"	895,812	74,651	74%	\$ 414.19	\$ 438.20	5.8%	\$ 24.01
Low Usage	2"	216,857	18,071	94%	\$ 150.75	\$ 159.52	5.8%	\$ 8.77
High Usage	2"	1,819,363	151,614	77%	\$ 803.63	\$ 850.17	5.8%	\$ 46.54
Low Usage	3"	781,507	65,126	92%	\$ 458.48	\$ 484.94	5.8%	\$ 26.46
High Usage	3"	5,025,672	418,806	81%	\$ 2,155.17	\$ 2,279.74	5.8%	\$ 124.57
Low Usage	4"	1,912,747	159,396	92%	\$ 976.18	\$ 1,032.56	5.8%	\$ 56.38
High Usage	4"	16,952,350	1,412,696	82%	\$ 6,925.52	\$ 7,325.79	5.8%	\$ 400.27

HISTORY OF WATER SALES BY RATE CLASS

In millions



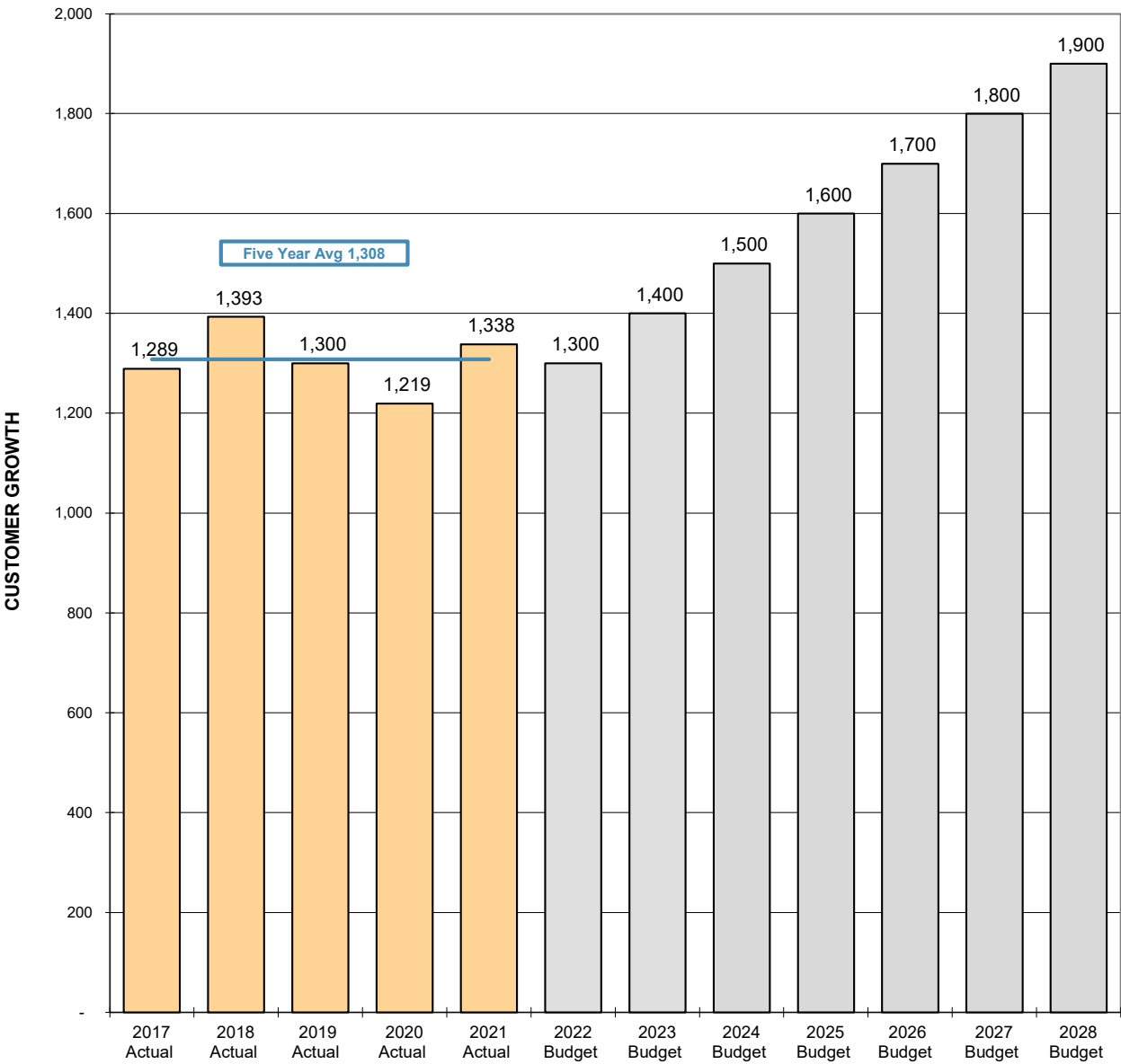
In Million \$'s		Wet 2017	Semi-Dry 2018	Wet 2019	Semi-Dry 2020	Normal 2021	Normal 2022	Normal 2023	Normal 2024	Normal 2025	Normal 2026	Normal 2027	Normal 2028
R1		\$ 66.7	\$ 73.0	\$ 64.7	\$ 75.7	\$ 77.6	\$ 76.7	\$ 82.0	\$ 85.5	\$ 89.2	\$ 93.0	\$ 97.1	\$ 101.6
M1		\$ 10.4	\$ 10.8	\$ 10.7	\$ 11.1	\$ 11.6	\$ 12.5	\$ 13.0	\$ 13.7	\$ 14.5	\$ 15.3	\$ 16.1	\$ 17.0
C1		\$ 5.7	\$ 6.4	\$ 5.3	\$ 5.7	\$ 6.1	\$ 6.9	\$ 7.5	\$ 7.8	\$ 8.2	\$ 8.6	\$ 9.0	\$ 9.4
C2		\$ 22.6	\$ 25.0	\$ 21.7	\$ 21.9	\$ 24.4	\$ 27.2	\$ 28.3	\$ 29.8	\$ 31.4	\$ 33.0	\$ 34.7	\$ 36.5
C3		\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.6	\$ 0.5	\$ 0.5	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.6	\$ 0.7
W1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2
Total		\$ 105.8	\$ 115.6	\$ 102.8	\$ 114.9	\$ 120.4	\$ 123.8	\$ 131.5	\$ 137.5	\$ 144.0	\$ 150.7	\$ 157.8	\$ 165.4

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

C2 = Large Commercial
C3 = Temporary Commercial
W1 = Wholesale

Actual Water Sales are weather dependent. Budgets are based on a normal year.

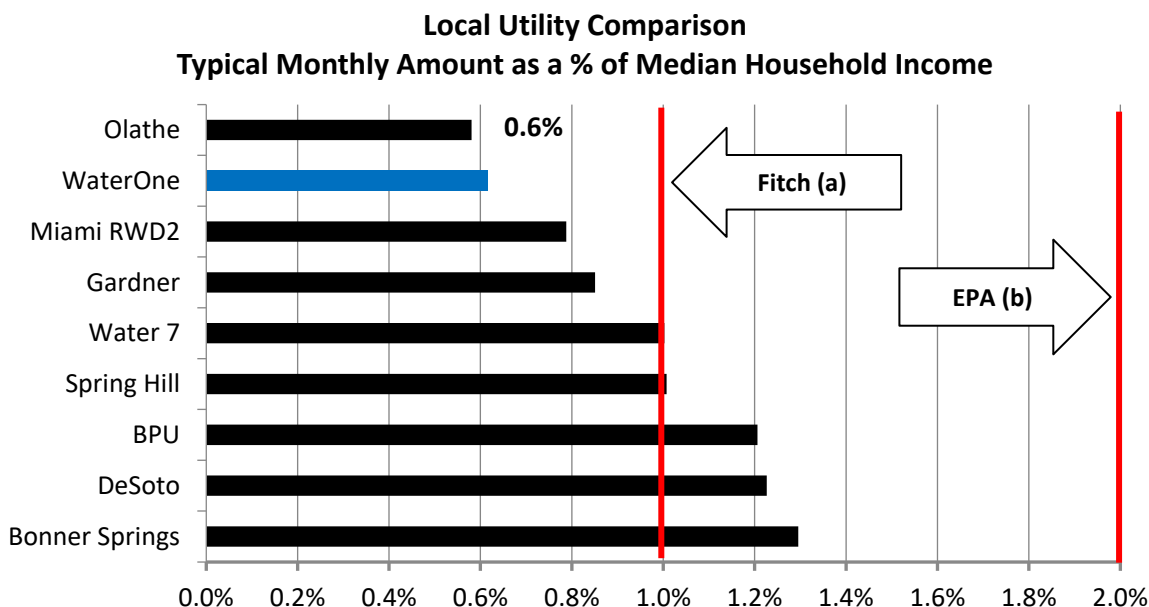
CUSTOMER GROWTH



5 Year Average (2017 to 2021) of Customer Growth = 1,308

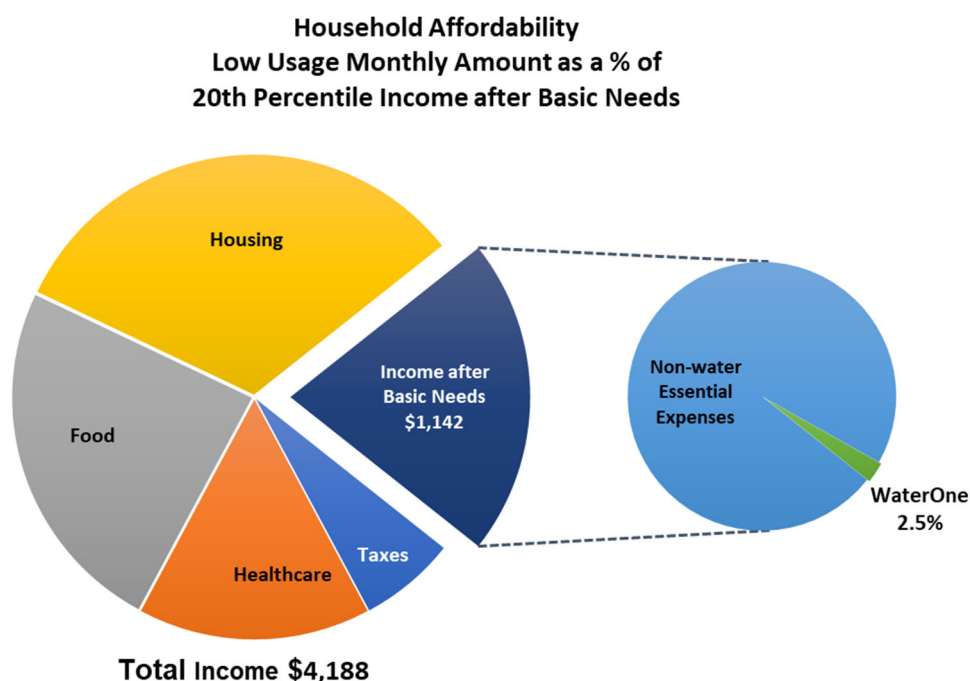
Commercial Temporary (C3) customers are excluded from the annual customer growth amounts.

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



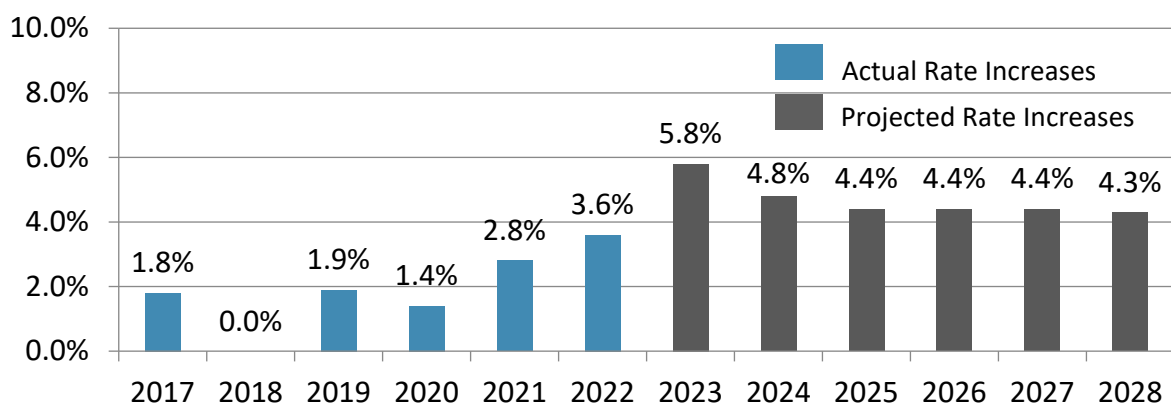
- a) Local economic and demographic factors affect a community's financial capacity to support and pay for drinking water service. Fitch Ratings has indicated that it considers rates that are higher than 1% for an individual water utility to be financially burdensome (Fitch, 2012).
- b) The US Environmental Protection Agency (EPA) indicates that rates higher than 2% of median household income may negatively impact a utility's financial capability (USEPA, 1995).

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



Please note costs related to transportation, childcare, energy, and other household needs are not included in Basic Needs calculation.

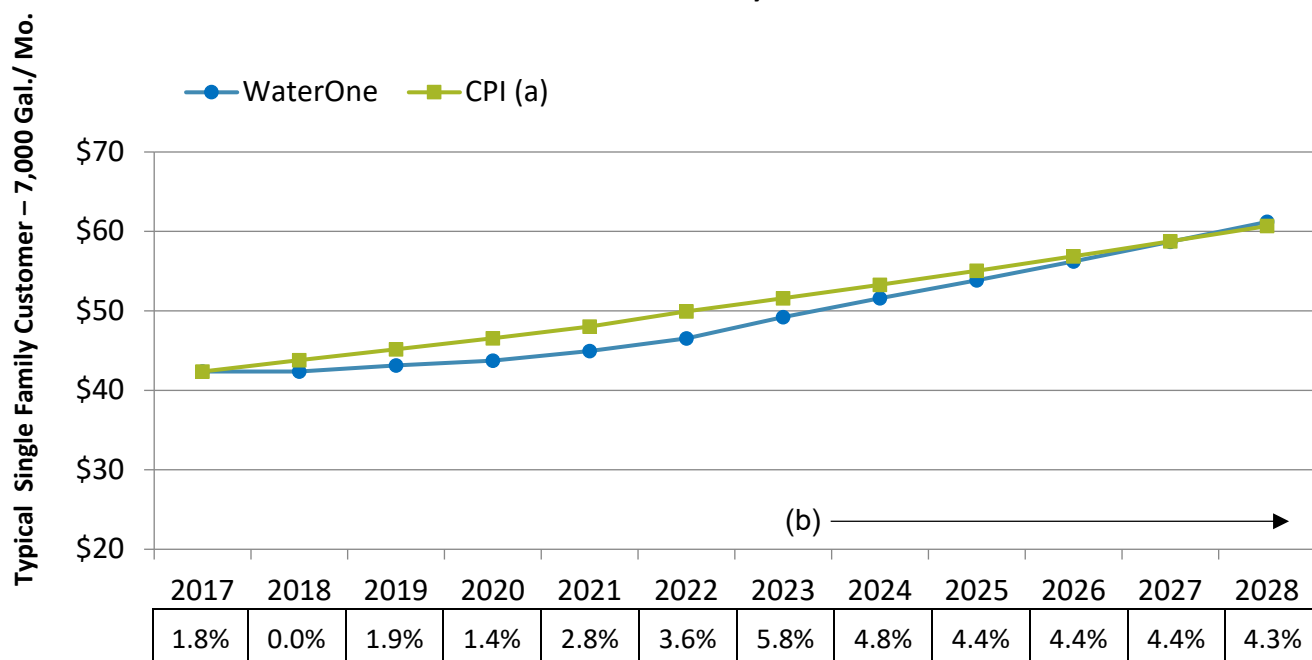
Water Rate Increases



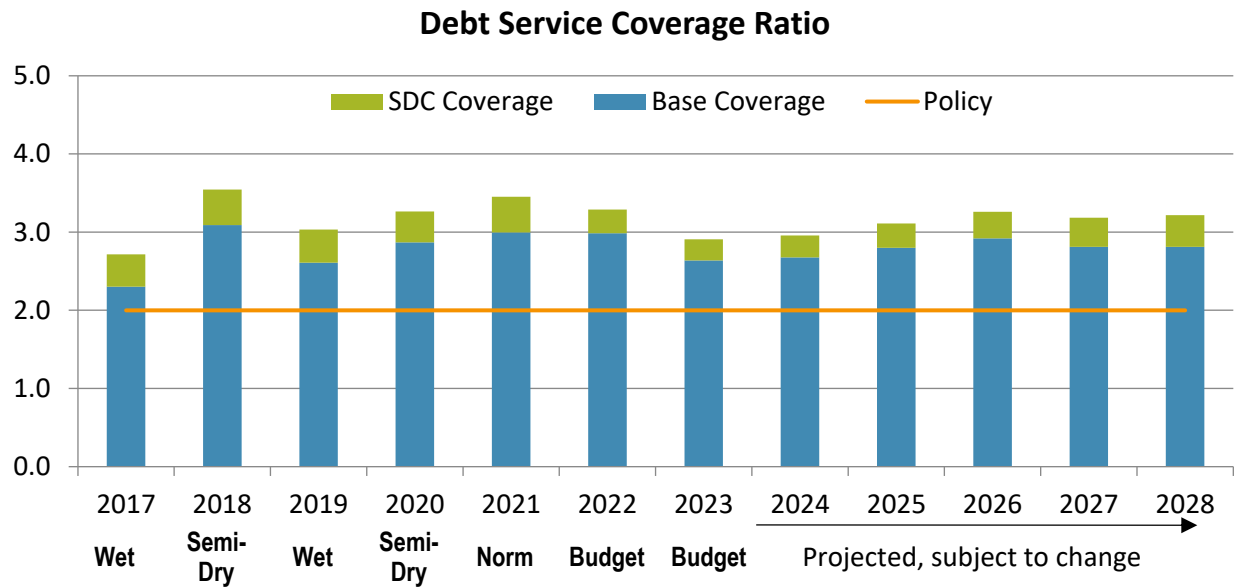
Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.

National Water & Sewer Index

WaterOne vs. All Cities Water & Sewer System Maintenance CPI



- a) Actual CPI comes from the Department of Labor. CPI estimated at 4.0% in 2022 which is the one year change from July 2021 to July 2022. CPI estimated at 3.3% for 2023 through 2028 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.



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

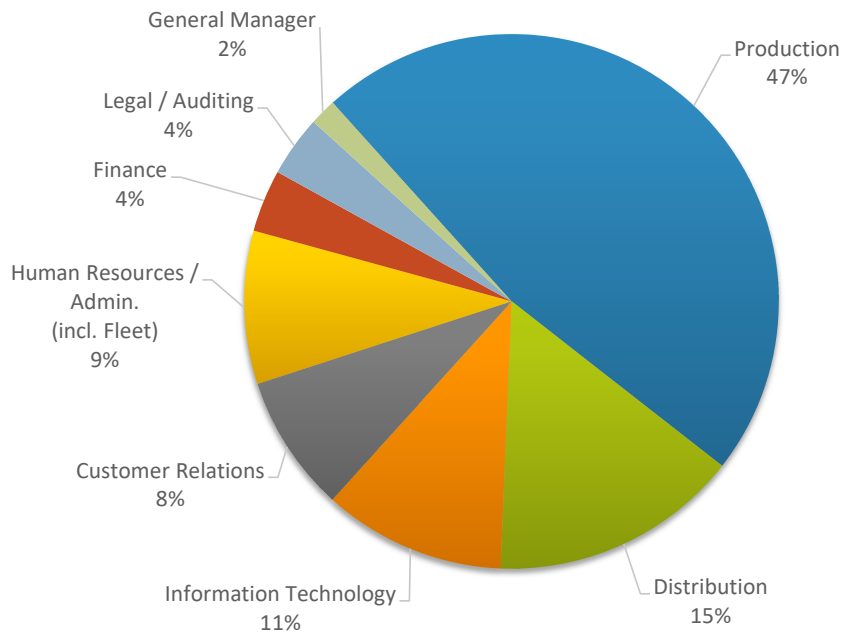
WaterOne Board Policy Number 16 requires a budgeted debt service coverage ratio of at least 2.0 without SDCs. SDCs are used to enhance coverage above the policy level.

OPERATIONS & MAINTENANCE BUDGET BY DIVISION
Comparison of 2022 & 2023

Division	2022 Budget	2023 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2022	2023
Production	\$ 29,510,209	\$ 31,598,016	\$ 2,087,807	7.1%	47.6%	47.2%
Distribution	9,748,349	10,105,355	357,006	3.7%	15.7%	15.1%
Information Technology	6,794,515	7,383,769	589,254	8.7%	11.0%	11.0%
Customer Relations	5,417,639	5,560,070	142,431	2.6%	8.7%	8.3%
Human Resources / Admin.	5,247,527	6,197,691	950,164	18.1%	8.5%	9.3%
Finance	2,353,018	2,527,755	174,737	7.4%	3.8%	3.8%
Legal / Auditing	2,165,153	2,469,615	304,463	14.1%	3.5%	3.7%
General Manager	752,207	1,074,801	322,594	42.9%	1.2%	1.6%
TOTAL	\$ 61,988,617	\$ 66,917,073	\$ 4,928,456	8.0%	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



2023 Budget Compared to 2022 Budget

O&M ACCOUNTS BY CATEGORY

5/20/2022

	Account Number	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL					
Labor - Non OT	410010	32,010,983	34,216,879	2,205,896	6.9%
Labor - OT	410015	1,189,019	1,258,890	69,871	5.9%
Water Board Salaries	410080	60,000	60,000	-	0.0%
TOTAL PAYROLL BEFORE TRANSFERS		33,260,002	35,535,769	2,275,767	6.8%
PAYROLL Transfers		(8,523,174)	(9,047,867)	(524,693)	6.2%
Net PAYROLL		24,736,828	26,487,902	1,751,073	7.1%
BENEFITS					
Employee Insurance - Health	413010	5,095,516	5,207,006	111,490	2.2%
Pension DB – Final Pay Plan	412010	1,932,712	1,910,518	(22,194)	-1.1%
Pension DB – Cash Balance Plan	412050	176,799	204,209	27,410	15.5%
Pension DC – WaterOne	412020	410,280	410,829	549	0.1%
Pension DC – (New) WaterOne	412052	539,811	608,946	69,135	12.8%
Pension DC – Match	412030	288,837	312,230	23,393	8.1%
Pension DC – (New) Match	412051	431,174	534,350	103,176	23.9%
FICA	411010	2,426,349	2,606,519	180,170	7.4%
Worker's Compensation	411020	387,296	504,941	117,645	30.4%
Retirees Insurance - Health	413050	303,187	355,668	52,481	17.3%
Retirees Insurance - Health Subsidy	413052	200,000	275,000	75,000	37.5%
Employee Health - Retiree Subsidy	413015	(200,000)	(275,000)	(75,000)	37.5%
Employee Engagement	414030	159,595	234,585	74,990	47.0%
Employee Insurance - Dental	413020	211,155	218,084	6,929	3.3%
Employee Insurance - Disability	413040	121,616	130,894	9,278	7.6%
Employee Insurance - Life	413030	117,672	126,948	9,276	7.9%
Car Allowance - Employees	426065	102,300	102,300	-	0.0%
Compensation & Benefits Consulting Services	414020	68,000	84,000	16,000	23.5%
Employees Association Activity	414040	41,800	43,000	1,200	2.9%
Employee Insurance - Vision	413025	40,351	40,461	110	0.3%
Unemployment Insurance	411050	32,071	34,277	2,206	6.9%
Tuition Reimbursement	414100	17,000	30,000	13,000	76.5%
WOW & Water Spout Awards	414090	14,000	30,000	16,000	114.3%
Service Awards	414070	23,000	23,000	-	0.0%
Health Related Training & Counseling	414060	22,000	22,650	650	3.0%
Retirees Insurance - Life	413060	16,387	18,138	1,751	10.7%

WATERONE 2023 BUDGET

O&M OVERVIEW

	Account Number	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
125D Flexible Benefit Plan	414010	5,760	5,376	(384)	-6.7%
Flowers, Cards, Memorials	414050	1,400	1,400	-	0.0%
Worker's Comp - Returns Of Premium/Divid	411030	(7,000)	-	7,000	-100.0%
BENEFITS Transfers		(3,117,128)	(3,400,906)	(283,778)	9.1%
Net BENEFITS		9,861,940	10,399,423	537,483	5.5%

COMMODITIES

Power - Transmission	424030	5,362,628	5,470,955	108,327	2.0%
Power - Source	424020	2,437,705	2,593,865	156,160	6.4%
Power - Distribution	424010	1,733,762	1,733,762	-	0.0%
Natural Gas - Generators - Wolcott	424045	351,972	400,726	48,754	13.9%
Chemicals - Water Treatment	424070	5,233,454	6,314,893	1,081,439	20.7%
Material & Supplies	421070	1,427,245	1,746,145	318,900	22.3%
Inventory Withdrawals	421010	849,847	937,222	87,375	10.3%
Natural Gas	424050	159,161	270,743	111,582	70.1%
Electricity	424040	227,000	228,000	1,000	0.4%
BPU Water Purchased In-House	424065	212,929	215,000	2,071	1.0%
Uniforms	421160	132,958	134,941	1,983	1.5%
Small Tools & Equipment	421130	110,850	103,750	(7,100)	-6.4%
On-Line Analyzer Supplies	421090	70,000	80,000	10,000	14.3%
Safety Equipment & Supplies	421110	67,900	76,682	8,782	12.9%
Kitchen Supplies	421040	65,000	65,000	-	0.0%
Office Supplies	421080	33,145	31,900	(1,245)	-3.8%
OT Meals	426230	26,680	29,200	2,520	9.4%
Other General Settlement	599000	23,938	23,277	(661)	-2.8%
Postage	426280	16,100	23,000	6,900	42.9%
Elec. Communication Device	423150	7,000	7,000	-	0.0%
Medical & First Aid Supplies	421060	5,500	6,000	500	9.1%
Paper & Print Supplies	421100	5,850	4,000	(1,850)	-31.6%
Envelopes	421030	3,000	3,500	500	16.7%
Crushed Rock	421020	4,400	2,600	(1,800)	-40.9%
Proactive Safety Recognition	421120	2,100	2,100	-	0.0%
Topsoil	421150	400	250	(150)	-37.5%
Cash Discount Taken	426560	(5,000)	(5,500)	(500)	10.0%
COMMODITIES Transfers		(914,343)	(973,451)	(59,108)	6.5%
Net COMMODITIES		17,651,181	19,525,559	1,874,379	10.6%

Bold = See 'Overview' for more

O&M OVERVIEW

	Account Number	<u>2022</u>	<u>2023</u>	<u>\$ DIF</u>	<u>% DIF</u>
SERVICES					
PC Software License & Maintenance	426250	2,390,365	2,474,163	83,798	3.5%
Property & Liability Insurance	425010	960,296	1,073,322	113,026	11.8%
Contracted Services	422090	864,572	1,033,979	169,407	19.6%
Telecom	423030	562,480	731,680	169,200	30.1%
Clean Drinking Water Fee	426070	593,675	586,952	(6,723)	-1.1%
AMI Services	422260	537,432	549,674	12,242	2.3%
Security / Security Guards	422340	461,359	490,733	29,374	6.4%
Water Billing Services	422430	459,327	472,120	12,793	2.8%
Maintenance Services	422240	315,386	410,614	95,228	30.2%
Non-Employee Overload	426210	63,232	320,490	257,258	406.8%
Training	426340	423,000	317,250	(105,750)	-25.0%
Telecom - Cell Phones	423120	276,890	284,719	7,829	2.8%
IT Hardware Maintenance	423022	173,777	273,000	99,223	57.1%
Mowing & Landscaping	422270	212,100	213,200	1,100	0.5%
Cleaning & Inspecting Facilities	422080	312,243	198,312	(113,931)	-36.5%
Dues & Local Meetings	426120	184,318	126,512	(57,806)	-31.4%
Uncollectible Accounts	426350	123,950	119,678	(4,272)	-3.4%
Communication Services	422085	104,107	115,333	11,226	10.8%
Laboratory Services	422170	77,400	107,400	30,000	38.8%
Engineering	422100	75,000	95,000	20,000	26.7%
Vehicle Repair Services	422420	81,500	94,469	12,969	15.9%
Special Assessment & Fees	426290	96,882	85,666	(11,216)	-11.6%
Kansas River Water Assurance Dist. (KRWAD)	426190	144,508	80,725	(63,783)	-44.1%
Printing Services	422330	52,505	58,850	6,345	12.1%
Checking Account Service Fees	426040	47,000	58,150	11,150	23.7%
Subscriptions & Reference Materials	426330	80,251	53,562	(26,689)	-33.3%
Job Posting/Advertising	426160	20,000	52,000	32,000	160.0%
Property & Liability Insurance - Self Ins.	425030	60,000	50,000	(10,000)	-16.7%
Auditing Fees	422030	47,657	49,807	2,150	4.5%
AWWA Research Foundation Fees	426030	47,715	48,943	1,228	2.6%
Vehicle & Equipment Rental	426360	47,750	46,300	(1,450)	-3.0%
Recruitment Costs	426130	46,000	46,000	-	0.0%
Payroll Processing	422300	24,000	43,200	19,200	80.0%
WaterOne Memberships	426390	33,823	42,378	8,555	25.3%
KS State Water Analysis	422160	47,060	36,000	(11,060)	-23.5%
Environmental & Risk Mgmt	426140	44,800	34,730	(10,070)	-22.5%
Trash Removal Services	422400	24,300	33,700	9,400	38.7%
IT Maint - Printers	423024	30,000	30,000	-	0.0%
Financial Advisory Services	422120	14,600	22,784	8,184	56.1%

Bold = See 'Overview' for more

WATERONE 2023 BUDGET

O&M OVERVIEW

	Account Number	2022	2023	\$ DIF	% DIF
Answering Service	422020	22,957	21,888	(1,069)	-4.7%
Pavement Repair	422290	26,650	21,125	(5,525)	-20.7%
Bank Lockbox Processing Fees	426060	36,500	21,000	(15,500)	-42.5%
Pre-Employment Services	422320	16,000	21,000	5,000	31.3%
Legal Services	422180	20,000	20,000	-	0.0%
Security System Repairs Locks & Keys	422350	-	20,000	20,000	NA
Delivery Charges (UPS/Fed Ex/Local)	426110	12,320	16,555	4,235	34.4%
Radio Charges	423075	15,800	15,800	-	0.0%
Equipment Repair Services	422110	12,600	15,300	2,700	21.4%
Interest On Security Deposits	426170	1,300	15,000	13,700	1053.8%
Cathodic Protection	422060	12,100	14,300	2,200	18.2%
Clean Up	422070	25,500	13,500	(12,000)	-47.1%
Medical Testing Services	422250	8,900	12,500	3,600	40.4%
Post Offer Physicals	426270	10,000	10,000	-	0.0%
General Expenses & Miscellaneous	426150	8,775	9,325	550	6.3%
Advertising	422010	8,340	8,540	200	2.4%
Commitment To Excellence Award	426080	12,000	8,000	(4,000)	-33.3%
Permit & Easement Fees	426260	5,750	5,100	(650)	-11.3%
Access Control & Security Circuits	423130	3,120	3,300	180	5.8%
Storage Expenses	422380	2,500	2,600	100	4.0%
Indoor Plants Services	422150	2,000	2,200	200	10.0%
Other Services Settlement	539100	2,100	1,900	(200)	-9.5%
Bank Account Reconciliation Fees	426020	1,900	1,500	(400)	-21.1%
Barricade Rental	422040	1,300	1,250	(50)	-3.8%
Kansas One Call Fee	422165	500	500	-	0.0%
Spoil Removal	422075	-	300	300	NA
Water Rights	426380	200	200	-	0.0%
Job Work Revenue Credits	426180	(6,950)	(700)	6,250	-89.9%
SERVICES Transfers		(684,754)	(739,189)	(54,435)	7.9%
Net SERVICES		9,738,667	10,504,189	765,521	7.9%
GRAND TOTAL		61,988,617	66,917,073	4,928,456	8.0%

Numbers may not add due to rounding

Bold = See 'Overview' for more

2023 O&M Budget compared to 2022 Estimated Actual
ESTIMATED ACTUAL AS OF 8/31/2022

Explanations are provided when there is a \$10,000 and 10% 2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

Cost Elements		2022 ESTIMATED ACTUAL	2022 APPROVED BUDGET			2023 BUDGET		
			2022 Budget	2022 Estimated Actual Over <Under> 2022 Budget	% Over <Under> Budget	2023 Budget	2023 Budget Increase <Decrease> from 2022 Estimated Actual	% Increase <Decrease>
PERSONNEL COSTS								
P1	410010 Labor - Gross	\$ 30,472,861	\$ 32,010,983	\$ (1,538,122)	-4.8%	\$ 34,216,879	\$ 3,744,018	12.3%
	410015 Labor - OT Gross	1,302,059	1,189,019	113,040	9.5%	1,258,890	(43,170)	-3.3%
	410080 Water Board Salary	60,000	60,000	0	0.0%	60,000	(0)	0.0%
	413010 Employee Insurance - Health	4,970,395	5,095,516	(125,121)	-2.5%	5,207,006	236,611	4.8%
P1	411010 FICA - Gross	2,360,122	2,426,349	(66,227)	-2.7%	2,606,519	246,397	10.4%
P2	412010 Pension DB - Final Pay Plan	2,072,474	1,932,712	139,762	7.2%	1,910,518	(161,956)	-7.8%
P2	412050 Pension DB - Cash Balance Plan	179,074	176,799	2,275	1.3%	204,209	25,135	14.0%
P2	412052 Pension DC - District (New)	549,211	539,811	9,400	1.7%	608,946	59,735	10.9%
	412020 Pension DC - District	401,085	410,280	(9,195)	-2.2%	410,829	9,744	2.4%
P2	412051 Pension DC - Match (New)	456,041	431,174	24,867	5.8%	534,350	78,309	17.2%
	412030 Pension DC - Match	305,428	288,837	16,591	5.7%	312,230	6,802	2.2%
	411020 Worker's Comp	485,072	380,296	104,776	27.6%	504,941	19,869	4.1%
	413050 Retiree Insurance - Health	335,909	303,187	32,722	10.8%	355,668	19,759	5.9%
	413052 Retiree Insurance - Health Subsidy	200,000	200,000	0	0.0%	275,000	75,000	37.5%
	413015 Employee Insurance - Health Subsidy	(200,000)	(200,000)	(0)	0.0%	(275,000)	(75,000)	37.5%
	414030 Employee Engagement	224,827	159,595	65,232	40.9%	234,585	9,758	4.3%
	413020 Employee Insurance - Dental	228,517	211,155	17,362	8.2%	218,084	(10,433)	-4.6%
	413040 Employee Insurance - LT & ST Disability	119,318	121,616	(2,298)	-1.9%	130,894	11,576	9.7%
	413030 Employee Insurance - Life	116,002	117,672	(1,670)	-1.4%	126,948	10,946	9.4%
	426065 Car Allowance	96,325	102,300	(5,975)	-5.8%	102,300	5,975	6.2%
P3	414020 Compensation & Benefit Consulting Svcs	65,164	68,000	(2,836)	-4.2%	84,000	18,836	28.9%
P4	414040 Employee Association Activity	32,885	41,800	(8,915)	-21.3%	43,000	10,115	30.8%
	413025 Employee Insurance - Vision	39,507	40,351	(844)	-2.1%	40,461	954	2.4%
	411050 Unemployment Insurance	31,523	32,071	(548)	-1.7%	34,277	2,754	8.7%
P5	414100 Tuition Reimbursement	10,180	17,000	(6,820)	-40.1%	30,000	19,820	194.7%
P6	414090 Wow & Spout Awards	170,390	14,000	156,390	1117.1%	30,000	(140,390)	-82.4%
	414070 Service Awards	25,452	23,000	2,452	10.7%	23,000	(2,452)	-9.6%
	414060 Health Training/Counseling	22,112	22,000	112	0.5%	22,650	538	2.4%
	413060 Retiree Insurance - Life	17,273	16,387	886	5.4%	18,138	865	5.0%
	414010 125D Plan - Gross	5,676	5,760	(84)	-1.5%	5,376	(300)	-5.3%
	414050 Flowers, Cards, Memorials	1,751	1,400	351	25.0%	1,400	(351)	-20.0%
TOTAL PERSONNEL COSTS		\$ 45,156,631	\$ 46,239,070	\$ (1,082,439)	-2.3%	\$ 49,336,098	\$ 4,179,466	9.3%

P1 The 2023 budget increase to Labor is primarily due to a performance compensation increase and new personnel requests.

P1 The 2023 budget increase for FICA is tied to the increased budget for payroll.

P2 Changes to the pension budget accounts reflect changes in payroll and participation rates.

P3 The 2023 budget increase is due to the first year amortization of the 2022 Compensation Study.

P4 The 2022 actuals were under budget due to fewer events held.

P5 The 2023 budget increase reflects a plan to increase WaterOne's tuition reimbursement based on the results of the 2022 Compensation Study.

P6 The 2022 actuals were over budget due to gifts given for the "Best of the Best" water awards earned.

2023 O&M Budget compared to 2022 Estimated Actual
ESTIMATED ACTUAL AS OF 8/31/2022

Explanations are provided when there is a \$10,000 and 10% 2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

Cost Elements	2022 ESTIMATED ACTUAL	2022 APPROVED BUDGET			2023 BUDGET			
		2022 Budget	2022 Estimated Actual Over <Under> 2022 Budget	% Over <Under> Budget	2023 Budget	2023 Budget Increase <Decrease> from 2022 Estimated Actual	% Increase <Decrease>	
COMMODITIES								
C1	424070 Chemicals - Water Treatment	\$ 5,923,522	\$ 5,233,454	\$ 690,068	13.2%	\$ 6,314,893	\$ 391,371	6.6%
	424030 Power - Transmission	6,013,717	5,362,628	651,089	12.1%	5,470,955	(542,762)	-9.0%
	424020 Power - Source	2,865,847	2,437,705	428,142	17.6%	2,593,865	(271,982)	-9.5%
	424010 Power - Distribution	1,637,339	1,733,762	(96,423)	-5.6%	1,733,762	96,423	5.9%
C2	424046 Gen Nat'l Gas Trans	148,766	211,183	(62,417)	-29.6%	240,436	91,670	61.6%
C2	424045 Gen Nat'l Gas Source	99,176	140,789	(41,613)	-29.6%	160,290	61,114	61.6%
	421070 Material & Supplies	1,853,213	1,427,245	425,968	29.8%	1,746,145	(107,068)	-5.8%
	421010 Inventory Withdrawals	1,034,469	849,847	184,622	21.7%	937,222	(97,247)	-9.4%
	424050 Natural Gas	364,895	159,161	205,734	129.3%	270,743	(94,152)	-25.8%
	424040 Electricity	185,741	227,000	(41,259)	-18.2%	228,000	42,259	22.8%
	424065 Water Purchased In House	232,150	212,929	19,221	9.0%	215,000	(17,150)	-7.4%
C5	421160 Uniforms	99,790	132,958	(33,168)	-24.9%	134,941	35,150	35.2%
C6	421130 Small Tools & Equipment	121,242	110,850	10,392	9.4%	103,750	(17,492)	-14.4%
C7	421090 On-Line Analyzer Supplies	75,673	70,000	5,673	8.1%	80,000	4,327	5.7%
	421110 Safety Equip & Supplies	62,878	67,900	(5,022)	-7.4%	76,682	13,804	22.0%
	421040 Kitchen Supplies	56,587	65,000	(8,413)	-12.9%	65,000	8,413	14.9%
	421080 Office Supplies	39,425	33,145	6,280	18.9%	31,900	(7,525)	-19.1%
	426230 OT Meals	30,477	26,680	3,797	14.2%	29,200	(1,277)	-4.2%
	599000 Other General Settlement	27,908	23,938	3,970	16.6%	23,277	(4,631)	-16.6%
	426280 Postage	19,372	16,100	3,272	20.3%	23,000	3,628	18.7%
	423150 Electronic Communication Device	9,571	7,000	2,571	36.7%	7,000	(2,571)	-26.9%
	421060 Med/1st Aid Supplies	2,774	5,500	(2,726)	-49.6%	6,000	3,226	116.3%
	421100 Paper	7,685	5,850	1,835	31.4%	4,000	(3,685)	-48.0%
	421030 Envelopes	3,070	3,000	70	2.3%	3,500	430	14.0%
	519210 Crushed Rock	1,467	4,400	(2,933)	-66.7%	2,600	1,133	77.3%
	421120 Proactive Safety Recognition	800	2,100	(1,300)	-61.9%	2,100	1,300	162.5%
	421150 Topsoil	133	400	(267)	-66.7%	250	117	87.5%
	426560 Cash Discounts Taken	(12,716)	(5,000)	(7,716)	154.3%	(5,500)	7,216	-56.7%
TOTAL COMMODITIES		\$ 20,947,487	\$ 18,565,524	\$ 2,381,963	12.8%	\$ 20,499,011	\$ (448,477)	-2.1%

- C1 Actuals in 2022 are over budget due to higher than budgeted use of the Missouri River Intake while Wolcott was offline for cleaning.
- C2 Actuals in 2022 were under budget due to a strategic reduction in the usage of the Wolcott generators caused by high natural gas prices.
- C3 Actuals in 2022 were over budget due to higher than anticipated prices in the natural gas market.
- C4 Actuals in 2022 were under budget due to a onetime credit applied to correct a billing error in the prior year.
- C5 Actuals in 2022 were under budget due to temporary delays in purchasing during a reorganization in the Distribution Division.
- C6 The 2022 budget is based on historical actuals and individual years can vary based on current needs.
- C7 The 2023 budget increase is primarily due to an added subscription service for continuous license status monitoring of employees with license requirements.

2023 O&M Budget compared to 2022 Estimated Actual
ESTIMATED ACTUAL AS OF 8/31/2022

Explanations are provided when there is a \$10,000 and 10% 2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

Cost Elements		2022 ESTIMATED ACTUAL	2022 APPROVED BUDGET			2023 BUDGET		
			2022 Budget	2022 Estimated Actual Over <Under> 2022 Budget	% Over <Under> Budget	2023 Budget	2023 Budget Increase <Decrease> from 2022 Estimated Actual	% Increase <Decrease>
SERVICES								
S1	426250 PC Software & Maint	\$ 1,860,904	\$ 2,390,365	\$ (529,461)	-22.1%	\$ 2,474,163	\$ 613,259	33.0%
	425010 P&L Insurance	1,043,354	960,296	83,058	8.6%	1,073,322	29,968	2.9%
S2	422090 Contracted Services	756,559	864,572	(108,013)	-12.5%	1,033,979	277,420	36.7%
S3	423030 Telecom	519,095	562,480	(43,385)	-7.7%	731,680	212,585	41.0%
	426070 Clean Water Fee	593,106	593,675	(569)	-0.1%	586,952	(6,154)	-1.0%
	422260 AMI Services	537,432	537,432	0	0.0%	549,674	12,242	2.3%
S4	422340 Security	424,811	461,359	(36,548)	-7.9%	510,733	85,922	20.2%
	422430 Water Billing Services	452,723	459,327	(6,604)	-1.4%	472,120	19,397	4.3%
S5	422240 Maint Svcs	305,835	315,386	(9,551)	-3.0%	410,614	104,779	34.3%
	426210 Non-Employee Overload	301,678	63,232	238,446	377.1%	320,490	18,812	6.2%
S6	426340 Training	396,605	423,000	(26,395)	-6.2%	317,250	(79,355)	-20.0%
	423120 Telecom - Cell Phones	280,851	276,890	3,961	1.4%	284,719	3,868	1.4%
S7	423022 IT Hardware Maintenance	242,412	173,777	68,635	39.5%	273,000	30,588	12.6%
	422270 Mowing & Landscaping	220,079	212,100	7,979	3.8%	213,200	(6,879)	-3.1%
S8	422080 Clean/Inspect Facilities	283,607	312,243	(28,636)	-9.2%	198,312	(85,295)	-30.1%
	426120 Dues & Local Meetings	127,512	184,318	(56,806)	-30.8%	126,512	(1,000)	-0.8%
	426350 Uncollectible Accounts	122,366	123,950	(1,584)	-1.3%	119,678	(2,688)	-2.2%
S9	422085 Communication Services	93,997	104,107	(10,110)	-9.7%	115,333	21,336	22.7%
S10	422170 Laboratory Services	65,417	77,400	(11,983)	-15.5%	107,400	41,983	64.2%
S11	422100 Engineering	35,000	75,000	(40,000)	-53.3%	95,000	60,000	171.4%

- S1 The actuals in 2022 were under budget primarily due to Microsoft subscription needs being less than budgeted and storage and backup needs less than budgeted.
- S2 The 2023 budget increase is primarily due to the increase of consultation services of an Information Security Officer to an entire year and for DEI event and training needs.
- S3 The 2023 budget increase is due to increased hardware and software needs separating SCADA and business in the WAN.
- S4 The 2023 budget increase is primarily due to security cameras falling out of warranty and needing repair or replacement.
- S5 The 2023 budget increase is primarily due to increased switchgear maintenance in 2023 and an increased maintenance service agreement for the Wolcott generators.
- S6 The 2023 budget decreased due to less travel for training experienced during the pandemic.
- S7 The 2023 budget increase is for additional backup for SCADA and the IT environment.
- S8 The 2023 budget decrease is primarily due to delaying the cleaning of the Wolcott raw water pipeline until 2024.
- S9 The 2023 budget increase is due to the increased cost for website support services.
- S10 The 2023 budget increase is due to UCMR testing which is scheduled for this year.
- S11 The 2023 budget increase is due to the anticipation of increased hydraulic modeling needs.

2023 O&M Budget compared to 2022 Estimated Actual
ESTIMATED ACTUAL AS OF 8/31/2022

Explanations are provided when there is a \$10,000 and 10% 2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

Cost Elements		2022 ESTIMATED ACTUAL	2022 APPROVED BUDGET			2023 BUDGET		
			2022 Budget	2022 Estimated Actual Over <Under> 2022 Budget	% Over <Under> Budget	2023 Budget	2023 Budget Increase <Decrease> from 2022 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	422420 Vehicle Repair Services	\$ 87,289	\$ 81,500	\$ 5,789	7.1%	\$ 94,469	\$ 7,180	8.2%
	426290 Spec. Assessment & Fees	95,638	96,882	(1,244)	-1.3%	85,666	(9,972)	-10.4%
S12	426190 KS River Assurance District	143,584	144,508	(924)	-0.6%	80,725	(62,859)	-43.8%
	422330 Printing Services	55,411	52,505	2,906	5.5%	58,850	3,439	6.2%
	426040 Checking Account Service Fees	53,434	47,000	6,434	13.7%	58,150	4,716	8.8%
	426330 Subs & Reference Material	51,422	80,251	(28,829)	-35.9%	53,562	2,140	4.2%
	426160 Help Wanted Ads	42,992	20,000	22,992	115.0%	52,000	9,008	21.0%
	425030 P&L Ins - Self	52,117	60,000	(7,883)	-13.1%	50,000	(2,117)	-4.1%
	422030 Auditing Fees	47,477	47,657	(180)	-0.4%	49,807	2,330	4.9%
	426030 AWWA Research Foundation Fees	47,625	47,715	(90)	-0.2%	48,943	1,318	2.8%
S13	426360 Vehicle & Equipment Rental	129,309	47,750	81,559	170.8%	46,300	(83,009)	-64.2%
S14	426130 Recruitment Costs	22,881	46,000	(23,119)	-50.3%	46,000	23,119	101.0%
	422300 Payroll Processing	44,041	24,000	20,041	83.5%	43,200	(841)	-1.9%
	426390 WaterOne Membership	39,121	33,823	5,298	15.7%	42,378	3,257	8.3%
	422160 KS Water Analysis	36,115	47,060	(10,945)	-23.3%	36,000	(115)	-0.3%
	426140 Environ & Risk Management	28,930	44,800	(15,870)	-35.4%	34,730	5,800	20.0%
	422400 Trash Removal Services	24,054	24,300	(246)	-1.0%	33,700	9,646	40.1%
	423024 IT Maint - Printers	23,925	30,000	(6,075)	-20.2%	30,000	6,075	25.4%
	422120 Financial Services	14,326	14,600	(274)	-1.9%	22,784	8,458	59.0%
	422020 Answering Service	20,544	22,957	(2,413)	-10.5%	21,888	1,344	6.5%

- S12 The 2023 budget decrease is due to the projected decrease in the KRWAD budget, reducing WaterOne's contribution.
- S13 The actuals in 2022 were over budget due to the rental of a Vacuum Truck in the summer.
- S14 This budget consists of recruitment agency fees for the placement of approximately four positions annually.
Actuals vary depending on need and 2022 actual did not include utilization for any positions, charges are related to preparing and sending recruitment information boxes.

2023 O&M Budget compared to 2022 Estimated Actual
ESTIMATED ACTUAL AS OF 8/31/2022

Explanations are provided when there is a \$10,000 and 10% 2023 Budget Increase <Decrease> from the 2022 Estimated Actual.

Cost Elements		2022 ESTIMATED ACTUAL	2022 APPROVED BUDGET			2023 BUDGET		
			2022 Budget	2022 Estimated Actual Over <Under> 2022 Budget	% Over <Under> Budget	2023 Budget	2023 Budget Increase <Decrease> from 2022 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	422320 Pre-Employment Services	19,066	16,000	3,066	19.2%	21,000	1,934	10.1%
	426060 Bank Lockbox Fees	19,219	36,500	(17,281)	-47.3%	21,000	1,781	9.3%
S15	519270 Pavement Repair	63,816	26,650	37,166	139.5%	21,125	(42,691)	-66.9%
	422180 Legal Services	23,962	20,000	3,962	19.8%	20,000	(3,962)	-16.5%
	426110 Delivery Charges	15,794	12,320	3,474	28.2%	16,555	761	4.8%
	423075 Radio Charges (Fleet)	17,117	15,800	1,317	8.3%	15,800	(1,317)	-7.7%
	422110 Equip Repair Svcs	8,488	12,600	(4,112)	-32.6%	15,300	6,812	80.3%
S16	426170 Interest On Security Deposit	1,563	1,300	263	20.2%	15,000	13,437	859.8%
	422060 Cathodic Protection	14,900	12,100	2,800	23.1%	14,300	(600)	-4.0%
	422070 Clean Up	22,703	25,500	(2,797)	-11.0%	13,500	(9,203)	-40.5%
	422250 Medical Testing Services	16,967	8,900	8,067	90.6%	12,500	(4,467)	-26.3%
	426270 Post Offer Physical	11,307	10,000	1,307	13.1%	10,000	(1,307)	-11.6%
	426150 General Expense & Miscellaneous	5,877	8,775	(2,898)	-33.0%	9,325	3,448	58.7%
	422010 Advertising	7,521	8,340	(819)	-9.8%	8,540	1,019	13.5%
	426080 Commitment To Excellence Program	7,084	12,000	(4,916)	-41.0%	8,000	916	12.9%
	426260 Permit & Easement Fees	8,792	5,750	3,042	52.9%	5,100	(3,692)	-42.0%
	423130 Access Control & Security	2,678	3,120	(442)	-14.2%	3,300	622	23.2%
	422380 Storage Expenses	833	2,500	(1,667)	-66.7%	2,600	1,767	212.0%
	422150 Indoor Plants Svcs	2,309	2,000	309	15.4%	2,200	(109)	-4.7%
	539100 Other Serv Settlement	8,682	2,100	6,582	313.4%	1,900	(6,782)	-78.1%
	426020 Bank Account Reconciliation Fees	1,612	1,900	(288)	-15.2%	1,500	(112)	-6.9%
	519240 Barricade Rental	433	1,300	(867)	-66.7%	1,250	817	188.5%
	422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
	519250 Spoil Removal	0	0	-	100.0%	300	300	100.0%
	426380 Water Rights	67	200	(133)	-66.7%	200	133	200.0%
	426180 Job Work Revenue Credit	(3,271)	(6,950)	3,679	-52.9%	(700)	2,571	-78.6%
TOTAL SERVICES		\$ 10,006,376	\$ 10,423,422	\$ (417,046)	-4.0%	\$ 11,243,378	\$ 1,237,002	12.4%

S15 The budget is based off of a 5-year average and actuals can vary greatly year to year.

S16 The 2023 budget increase is due to an estimated interest rate increase from 0.13% to 2.00%

TOTAL TRANSFERS	(\$13,290,630)	(\$13,239,399)	(\$51,231)	0.4%	(\$14,161,421)	(\$870,790)	6.6%
TOTAL O&M	\$ 62,819,864	\$ 61,988,617	\$ 831,247	1.3%	\$ 66,917,065	\$ 4,097,201	6.5%

Numbers may not total due to rounding

Personnel

INTRODUCTION

This section contains:

- organizational chart
- costs related to new positions
- overtime schedule
- authorized part-time and summer positions
- explanation of benefit expenditures by major category
- 5-year employee matrix

In 2023, a total of 400 full-time, three part-time, and 22 temporary/summer positions are budgeted. This includes 4 new full-time positions and one reclass from part-time to full-time. The total FTEs after all adjustments are 408.51 which is an increase of 4.38 versus the 2022 budgeted authorized personnel. The organizational chart is color-coded to show the reclassifications, eliminations and additional personnel requests.

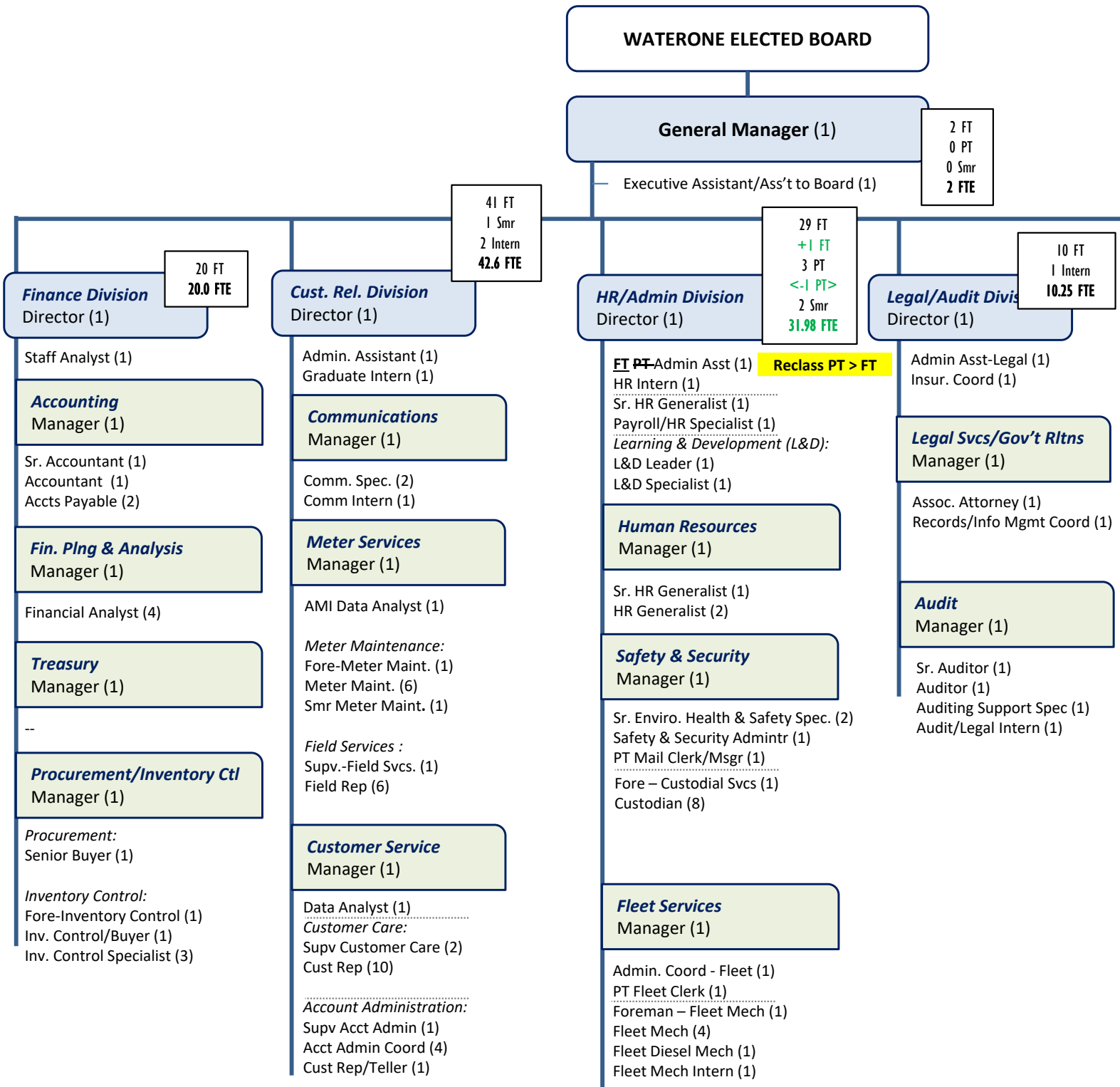
Following the organizational chart, are justifications, first-year salary, benefits, and capital costs for the new personnel requests. The total first-year cost for new personnel is \$273,188.

The budget includes a performance compensation adjustment of 4.00% effective in April.

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 2023, the five-year plan is from 2024 to 2028.



Color Legend:

Elimination

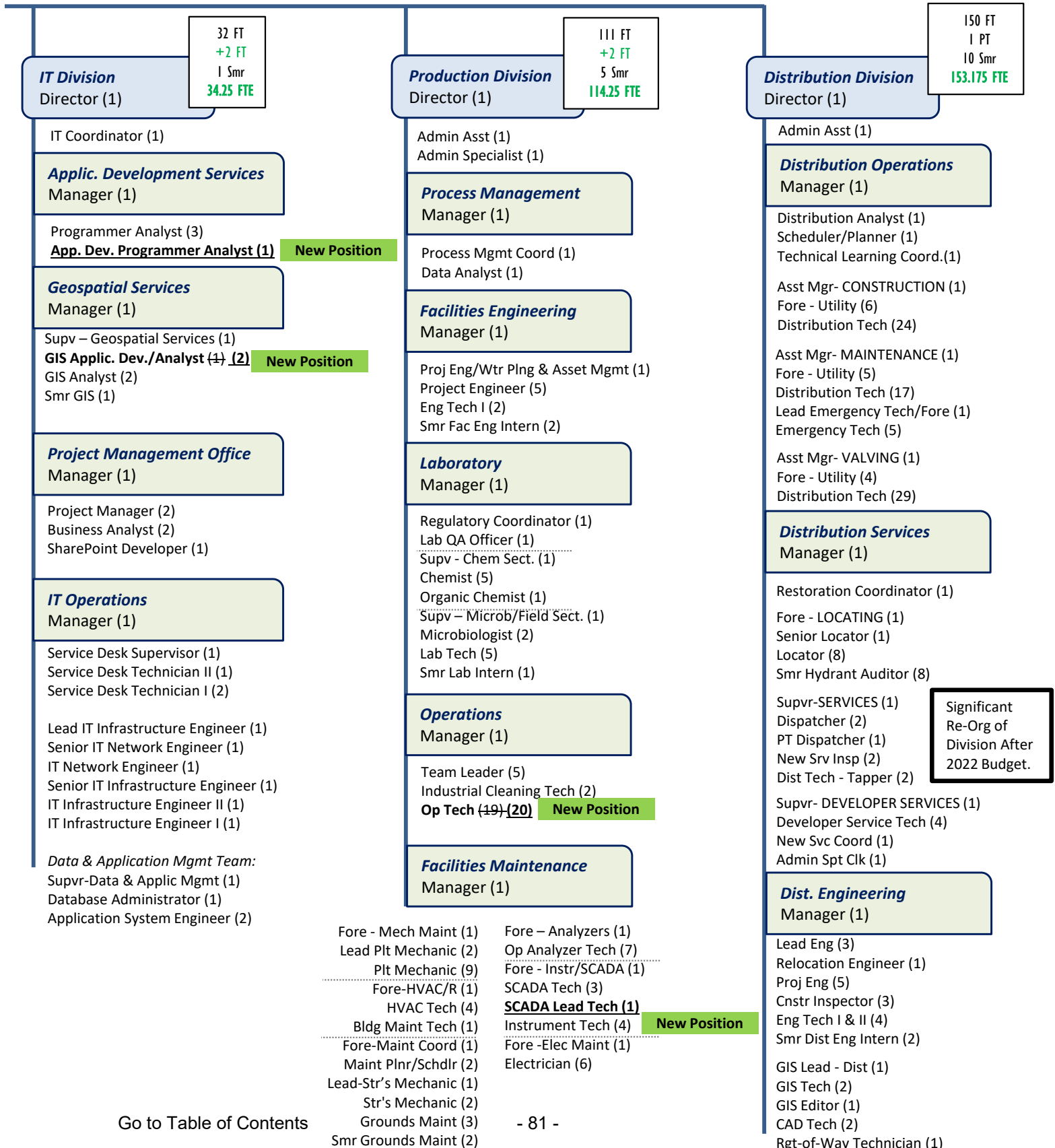
2022 Mid Year Reclass

New Position

2023 Reclass

Go to Table of Contents

	Full Time (FT)	Part Time (PT)	Temp/Summer/ Intern	
2022 Authorized	395	4	22	
Mid Year Reclass (2022)	0	0	0	
New Positions	4	0	0	
Reclass (2023)	1	<-1>	0	
Eliminated Positions	0	0	0	
Total 2023	400	3	22	
Full Time Equivalents (FTEs)				
2022 Authorized	395	2.5	6.63	404.13
2023 Authorized	400	1.875	6.63	408.505
Net FTE Increase				4.375



**WaterOne 2023 Budget
O&M Costs Related to New Personnel**

Position	Division	Full/Part Time	Total O&M*
Operations Tech	Production	Full Time	\$78,234
SCADA Lead Tech	Production	Full Time	61,399
App/Dev Programmer Analyst	Information Technology	Full Time	\$27,248
Application Developer Analyst	Information Technology	Full Time	\$70,064
Reclass PT to FT Admin Assist	Human Resources	Full Time	\$36,243
TOTAL 2023 BUDGET for NEW EMPLOYEES			\$273,188

* Total O&M includes first year salary and benefits, uniform cost and cell phone charges.

WaterOne 2023 Budget
Capital Related to New Personnel

No capital related to new personnel

WaterOne 2023 Budget

PERSONNEL

Production 2023

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2023 Costs
Operations Tech	\$55,150	\$55,150	\$22,060	\$1,024	\$0	\$78,234

Department Operations
Type Full Time
Start Date January

Justification There are four shifts of Operators that include Weekday Days, Weekday Nights, Weekend Days, and Weekend Nights. Three of these crews have four Operators while one, the Weekend Day crew, only has three people. This position would make the crews all the same size and ease the overtime strain of other operators who have to cover this shift in times of vacation or sick leave. All shifts did, at one time, had four Operators. When the analyzer crew was formed, one person was taken from the weekend shift and devoted to the calibration of analyzers. The weekend shift never regained the fourth Operator.

An additional operator on the weekend day shift will reduce overtime by approximately 1064 hours annually. This reduction in overtime is equivalent to a total savings in overtime \$54,100. Operators worked a total of 3,596 hours of overtime in 2021.

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2023 Costs
SCADA Lead Tech	\$86,250	\$43,125	\$17,250	\$1,024	\$0	\$61,399

Department Facilities Maintenance

Type Full Time

Start Date July

Justification With the implementation of the new SCADA system, areas of challenge have emerged related to optimizing the efficiency and maintenance of the new system. This position will work within a team to maintain SCADA network security standards, identify security issues, and consult on and implement new security solutions. Additionally, performance of network security audits, network health monitoring, and recovery processes in accordance with WaterOne's disaster recovery and security standards, and participating in cyber security planning and incident response will be required.

The SCADA Lead Tech will be responsible for the overall SCADA system application. This includes leading and contributing to the planning, design, research, implementation, configuration, and patching of the SCADA system applications. This also includes working with vendors of SCADA applications, Operations, IT, Engineering, and SCADA staff.

Other duties include ensuring compliance with Waterone standards and maintaining the legality of WaterOne's licensed SCADA software, and researching industry trends and recommending the need for additions, changes, or upgrades that may be necessary to keep the SCADA system up to date.

Total Production	\$141,400	\$98,275	\$39,310	\$2,048	\$0	\$139,633
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WaterOne 2023 Budget

PERSONNEL

Human Resources 2023

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2023 Costs
Administrative Assistant	\$69,035	\$25,888	\$10,355	\$0	\$0	\$36,243
Department	Director, Human Resources					
Type	Full Time					
Start Date	January					
Justification	This request is to reclass this current position from part-time to full-time. As workload has increased over time, staff has performed various duties that normally would fall under the job description of the Administrative Assistant. This request would increase time for staff to perform more duties specifically for their respective job functions. By reclassing to full-time, this position would be able to provide more assistance with administrative support, technology solutions, event coordination, and communications support.					
Total Human Resources	\$69,035	\$25,888	\$10,355	\$0	\$0	\$36,243

WaterOne 2023 Budget

PERSONNEL

Information Technology 2023

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2023 Costs
GIS App Developer/Analyst	\$99,200	\$49,600	\$19,840	\$624	\$0	\$70,064

Department Geospatial Services
 Type Full Time
 Start Date July

Justification A new GIS Application Developer/Analyst is needed to support the continued expansion of the Enterprise GIS system to include projects and initiatives that have been identified by strategic planning. Duties and responsibilities of this new position would include the following:

New Application Development - This includes designing, building and testing new GIS applications and datasets. The GIS Application Developer/Analyst participates in all phases of new application development including ideation, planning, requirements analysis, design, configuration/development, testing, and implementation. The GIS Application Developer/Analyst will also create integrations between GIS and other business systems. Based on a strategic plan developed in 2020 approximately 50 projects and initiatives were identified as priorities to complete. Additionally, there are many initiatives and projects that naturally emerge outside of the strategic planning process and are priority efforts that require work from the GIS Application Developer/Analyst role.

Application Maintenance - This includes maintaining and updating existing applications including bug fixes and troubleshooting issues. Occasionally, an end user may discover an application is not functioning properly. When this occurs, time will be needed to investigate the issue, find a solution, and update the application with the appropriate fix to the underlying code. Additionally, user needs evolve over time requiring enhanced functionality and capabilities for all applications, which creates the need for GIS Application Developer/Analysts to design/build/configure additional functionality onto existing applications.

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2023 Costs
App Dev Programmer Analyst	\$114,100	\$19,017	\$7,607	\$624	\$0	\$27,248

Department Application Development Services

Type Full Time

Start Date November

Justification The driver for the Application Developer Programmer Analyst is to reduce the dependency and expense of using consulting companies to complete requests and bring in-house desired skill sets for the future.

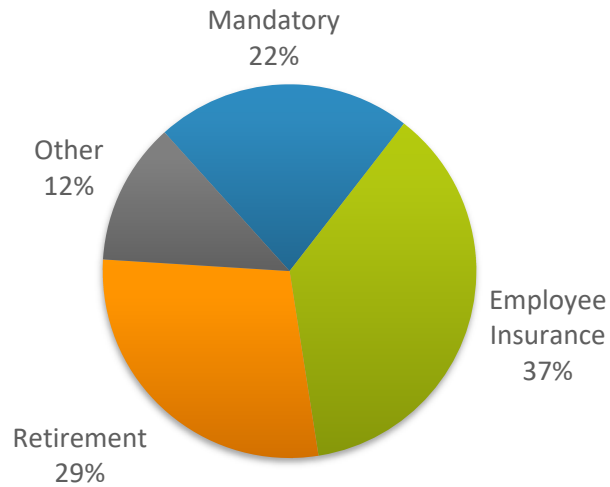
While the hourly rate for outsourced resources is lower than in-house, it is not as productive. In-house staff is up to twice as productive as contract resources. Contract resources completed 34 projects in 2021 compared to 82 in-house.

Another goal of adding an additional Application Developer Programmer Analyst is to strategically position WaterOne for future success. This position will be brought onboard when the direction of the new ERP has been decided. This allows WaterOne to hire for skill sets that don't exist with current staff; whether that is hiring for a completely new ERP or for newer version of the existing ERP. This position will:

1. Mentor existing staff
2. Suggest best practices for future platform
3. Provide additional development bandwidth
4. Augment department with skills not currently on staff

Total IT Division	\$213,300	\$68,617	\$27,447	\$1,248	\$0	\$97,312
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2023 BENEFITS



	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$5,136,030	\$5,386,310	\$5,448,393	\$62,083	1.2%
Retirement	4,850,534	3,779,613	3,981,082	201,469	5.3%
Mandatory	2,705,959	2,838,716	3,145,737	307,021	10.8%
Other	1,093,890	974,429	1,225,117	250,688	25.7%
Benefits - Gross	\$13,786,413	\$12,979,068	\$13,800,329	\$821,261	6.3%
Less Transfers	<\$3,393,789>	<\$3,117,128>	<\$3,400,906>	<\$283,778>	9.1%
Benefits - Net	\$10,392,624	\$9,861,940	\$10,399,423	\$537,483	5.5%

PERSONNEL

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

	Benefit Expenses				
	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance - Health	\$4,945,580	\$5,095,516	\$5,207,006	\$111,490	2.2%
FICA	2,330,270	2,426,349	2,606,519	180,170	7.4%
Pension DB - Final Pay Plan	2,067,195	1,932,712	1,910,518	<22,194>	<1.1%>
Pension DC - (New) WaterOne	456,304	539,811	608,946	69,135	12.8%
Pension DC - (New) Match	385,500	431,174	534,350	103,176	23.9%
Worker's Compensation	352,777	387,296	504,941	117,645	30.4%
Pension DC - WaterOne	422,874	410,280	410,829	549	0.1%
Retiree Insurance - Health	287,854	303,187	355,668	52,481	17.3%
Pension DC - Match	315,646	288,837	312,230	23,393	8.1%
Employee Engagement	166,152	159,595	234,585	74,990	47.0%
Employee Insurance - Dental	211,256	211,155	218,084	6,929	3.3%
Pension DB - Cash Balance Plan	154,517	176,799	204,209	27,410	15.5%
Employee Ins. - LT & ST Disab	114,067	121,616	130,894	9,278	7.6%
Employee Insurance - Life	112,564	117,672	126,948	9,276	7.9%
Comp & Ben Consulting Serv	84,957	68,000	84,000	16,000	23.5%
Employee Insurance - Vision	38,848	40,351	40,461	110	0.3%
Unemployment Insurance	30,684	32,071	34,277	2,206	6.9%
Other Post-Employment Ben.	1,048,498	0	0	0	NA
All Other	260,870	236,647	275,864	39,217	16.6%
Total Benefit Expense	\$13,786,413	\$12,979,068	\$13,800,329	\$821,261	6.3%

Employee Insurance – Health

The budgeted components of health insurance includes a 2.3% premium rate increase, additional personnel and changes to the employee coverage mix.

FICA

The budget increase is due to the higher projected payroll. Budget is more than payroll % increase due to more wages subject to Social Security tax.

Pension DB – Final Pay Plan

Adjustments 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 budget is decreasing due to the projected recognition of investment experience gains and fewer projected participants in the plan. This plan was closed to new participants effective January 1, 2014 (see 'Pension DB – Cash Balance Plan for costs related to employees hired on or after that date).

PERSONNEL

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. Eligible participants receive an amount equal to 4% of base pay in the previous calendar year into their account. The budget is based on the eligible full-time employee base salary. The increase is due to increased payroll and participation in the plan.

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. Eligible participants receive a 100% match on the first 2% of base pay plus 50% of the next 5% of base pay the employee contributes. The budget is based on the projected payroll and participation rates of eligible full-time employees. The budget increase is due to additional participants entering the plan, payroll increases, and increased contribution rates.

Worker's Compensation

Policy premiums are based on experience. The policy renews in July of each year. Premiums that are effective beginning in July 2022 will be in effect for the first half of the 2023 budget. A 3% projected rate increase is included in the budget for the second half of 2023. The increase is based on loss ratio and market conditions.

Pension DC - WaterOne

This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive an amount equal to 2.5% of base pay in the previous calendar year into their account. The budget is based on the eligible full-time employee base salary. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) WaterOne' for costs related to employees hired after that date). The increase is due to the increase in payroll but is offset by reduced participation in the plan.

Retiree Insurance – Health

The budget is based on a 3.5% premium rate increase and a projection of the number of retirees.

Pension DC - Match

This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive a 50% match on the first 4% of base pay the employee contributes. The budget is based on projected payroll and participation rates of eligible employees. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) Match' for costs related to employees hired after that date). The increase is due to a true-up to actual participation in the matching contributions for this plan.

PERSONNEL

Employee Engagement

This budget funds various activities such as retirement events, Employee Day, Pancakes with Santa, and employee recognition. The budget increase is mostly due to transferring divisional/departmental employee engagement activities from Dues & Local Meetings to Employee Engagement.

Employee Insurance - Dental

This budget is based on a 3% premium increase, additional personnel and the current coverage mix.

Pension DB - Cash Balance Plan

The Cash Balance Plan is effective for employees hired on or after 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. The budget is increasing primarily due to increases in payroll and participation in the plan.

Employee Insurance – LT & ST Disability

The budget increase is due to the projected payroll increase and new employees. No premium increase is projected.

Employee Insurance - Life

The budget increase is due to the projected payroll increase and new employees. No premium increase is projected.

Compensation & Benefits Consulting Services

This budget funds compensation and benefit consulting projects. The budget increase is due to an increase in the scope and fees of the 2022 compensation study which increased the yearly amortization, and an increase in the cost of consulting services for the retirement plans.

Employee Insurance - Vision

The budget is based on no premium increase, additional personnel, and current coverage mix.

Unemployment Insurance

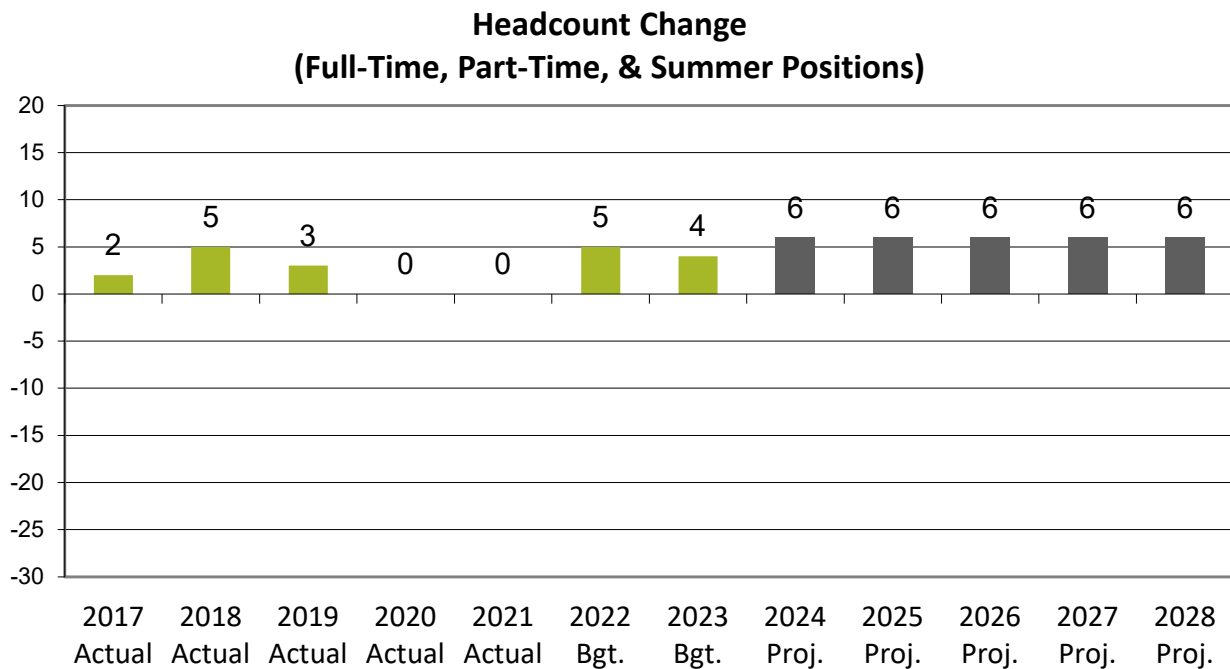
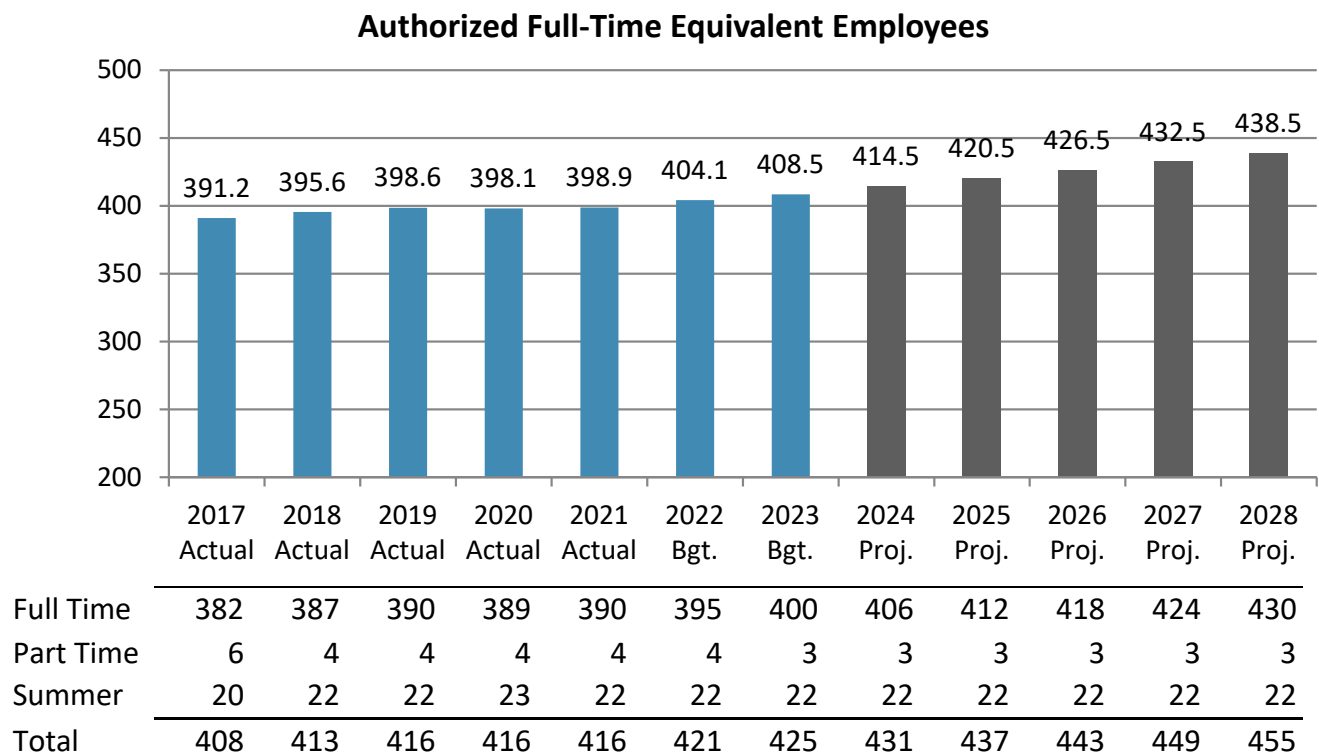
The budget is increasing due to the increase in projected payroll cost. There is no rate increase.

Other Post Employment Benefits

OPEB relates to the health care insurance that WaterOne provides to eligible retirees. The calculation of the annual OPEB expense is mandated by the Governmental Accounting Standards Board and generally requires an actuary to calculate it. This is an accounting expense and is not related to the amount of the actual retiree premiums that WaterOne pays (called “pay-go”). Since the required accounting expense for OPEB is a non-cash flow item, WaterOne does not budget for it as part of the revenue requirements for the year.

Personnel

Actuals are budgeted authorized positions. Projections (■ in gray) are based on historical averages.

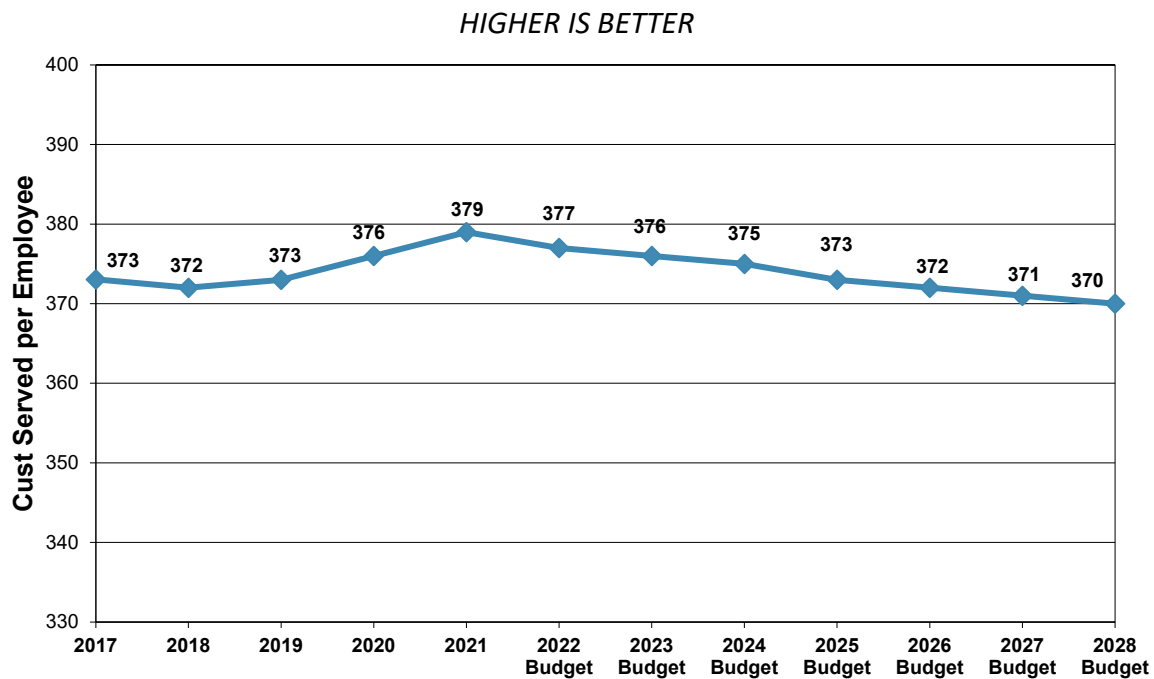


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PERSONNEL

Average Customers Served Per Employee

Customer growth has been relatively stable between 1,200-1,500. The 2023 projections are estimated at 1,400 customers. Average customers served per employee has been relatively stable with a small increase in 2021 due to higher growth and a low number of new employees. 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.



CAPITAL IMPROVEMENT PROGRAM

WaterOne provides water service to approximately 474,000 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. To meet its diverse capital needs, WaterOne has developed a Capital Improvement Program (CIP) that consists of three components.

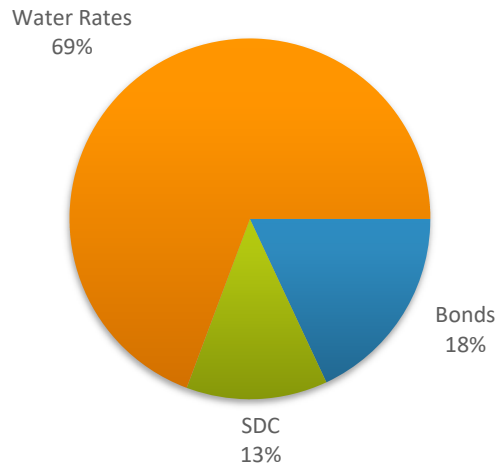
- **Master Plan** – The Master Plan includes projects to build new or replace facilities related to water treatment, pumping, storage, transmission mains, and new distribution mains. Master Plan projects are designed to increase the water supply to serve new customers and to protect existing facilities from becoming obsolete. The projects in this category are more complex, more costly, and typically 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, most of Annual Capital is spent on replacement of existing assets, and as WaterOne continues to age, the percentage of Annual Capital spent on replacement continues to increase. 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 a “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.

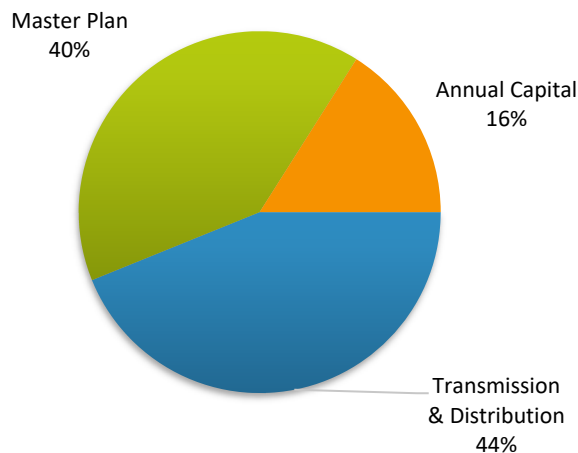
TOTAL CIP

CIP Funding



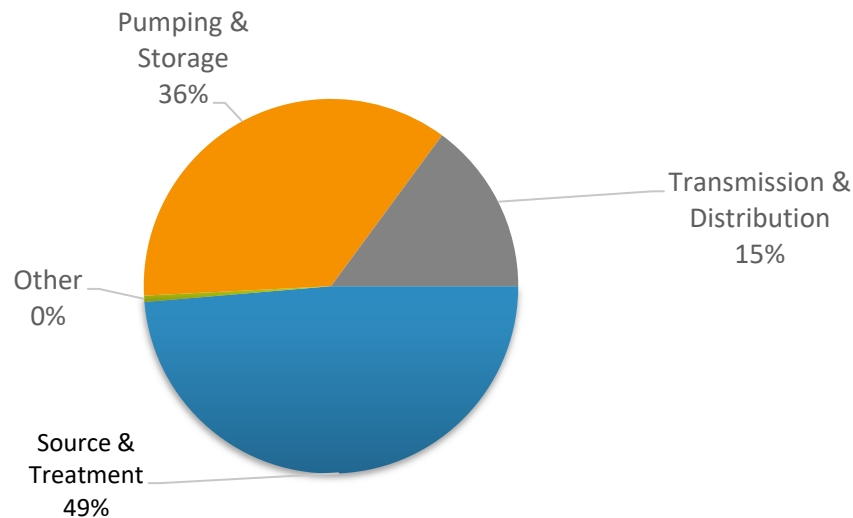
FUNDING	2023	2024	2025	2026	2027	2028	Total
Water Rates	\$40.3	\$43.6	\$47.4	\$50.5	\$53.5	\$56.8	\$292.1
SDCs	7.0	7.7	8.4	9.2	10.1	11.0	53.4
Bonds	33.0	37.5	0.0	0.0	0.0	0.0	70.5
TOTAL FUNDING	\$80.3	\$88.7	\$55.8	\$59.7	\$63.6	\$67.8	\$416.0

CIP Expenditures



EXPENDITURES	2023	2024	2025	2026	2027	2028	Total
Master Plan	\$62.7	\$22.0	\$24.7	\$38.7	\$9.9	\$4.7	\$162.87
Annual Capital	9.5	10.3	10.7	11.1	11.5	12.0	65.0
T&D	24.0	26.0	28.2	30.6	33.2	36.0	178.0
TOTAL EXPENDITURES	\$96.2	\$58.3	\$63.6	\$80.4	\$54.7	\$52.7	\$405.8

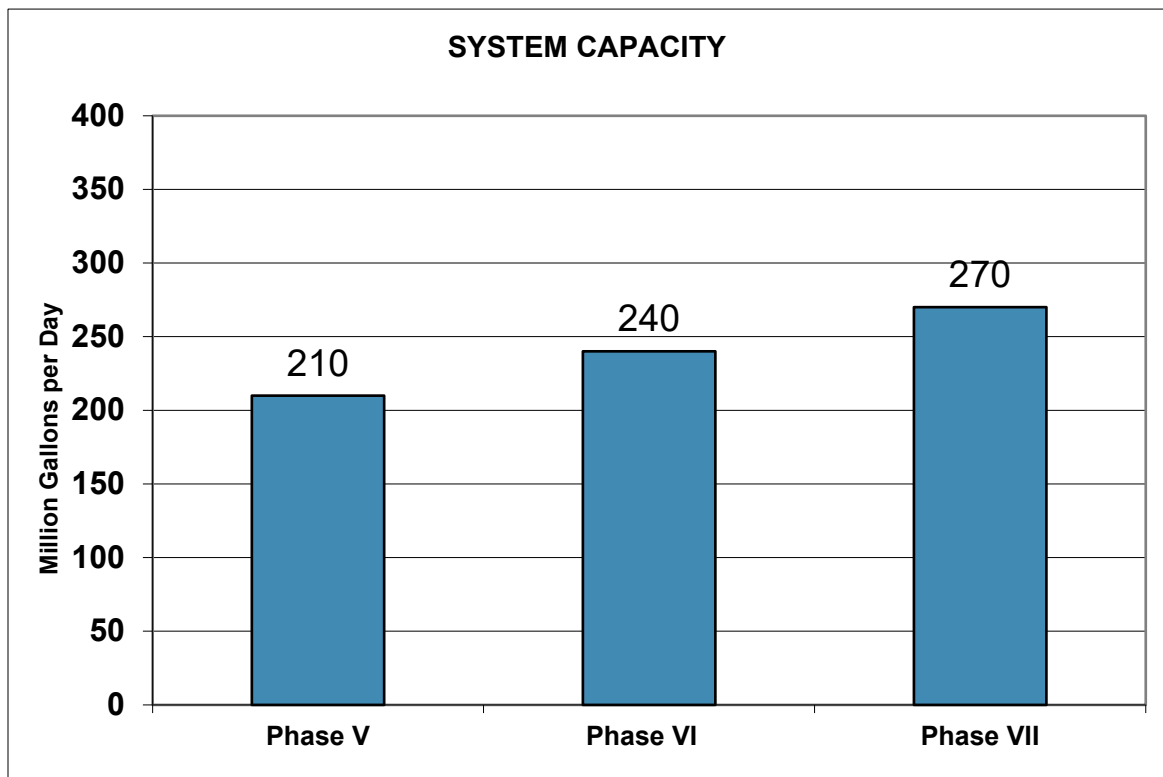
Numbers may not add due to rounding

2023 Master Plan**Master Plan Purpose and Funding**

- **Source & Treatment** - These facilities consist of structures including river intakes, collector wells, a river weir, reservoirs, residual monofills, supply mains, and treatment plants. WaterOne's raw water is derived from several sources: the Kansas well field, an intake on the Kansas River, an intake on the Missouri River, and a collector well on the Missouri River. These four sources can provide up to up to 200 million gallons per day (mgd).
- **Pumping and Storage** – These facilities consist of equipment and structures including pumps, pump stations, underground and ground-level reservoirs as well as elevated storage in water towers. Pumping provides hydraulic pressure to the distribution system 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 are currently 83 million gallons of storage capacity in the distribution system.
- **New & Replacement Transmission Mains and New Distribution Mains** – These facilities include water mains, pressure reducing valves, and appurtenances for the mains. Transmission mains are defined as greater than 16" in diameter. Distribution mains are 16" in diameter and smaller. New or replacement mains included in the Master Plan are primarily related to the latest Water Supply Master Plan developed by WaterOne's consulting engineers.
- **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 an adequate supply of water without building capacity above what will be needed in the next few years.



The largest project in 2023 is the Wyss Pumping Station and Reservoir—Phase 3 for \$22.6M. The largest project in 2023 is the Wyss Pumping Station and Reservoir—Phase 2 for \$22.6M. Other large projects in 2032 include the Well Field/Collector Wells Pump House for \$11.6M, \$8.8M for the Hydro Power Generation, and \$6.6M for the Well Field/Collector Wells Caisson. Other large projects in 2032 include the Well Field/Collector Wells Pump House, Hydro Power Generation, and Well Field/Collector Wells Caisson.

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.

2023 Master Plan Projects (Award Basis)

Source & Treatment

MP-17003	Well Field / Collector Wells Pump House	\$	11,603,360
MP-16015	Hydro Power Generation		8,839,686
MP-17002	Well Field / Collector Wells Caisson		6,569,002
MP-20772	SCADA Data Business System Integration		1,061,610
MP-26005	Tunnel Valve Replacement		856,608
MP-19772	SCADA Control Center Upgrades		696,595
MP-20771	Electronic Document Management and Logbook		509,854
MP-23771	Instrumentation Upgrade and Asset Monitoring		160,856
MP-24100	30" TM Repl Switzer (67th-79th) & Flint St (55th-57th)		140,608

Source & Treatment \$ 30,438,179

Pumping & Storage

MP-22001	Wyss Pumping Station & Reservoir - Phase 2	\$	22,646,021
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Pumping & Storage \$ 22,646,021

Distribution & Transmission

MP-22800	Enterprise Resource Planning Upgrade	\$	5,725,558
MP-22075	30" TM Repl Quivira Rd, 68th to 75th		3,596,407

Distribution & Transmission \$ 9,321,964

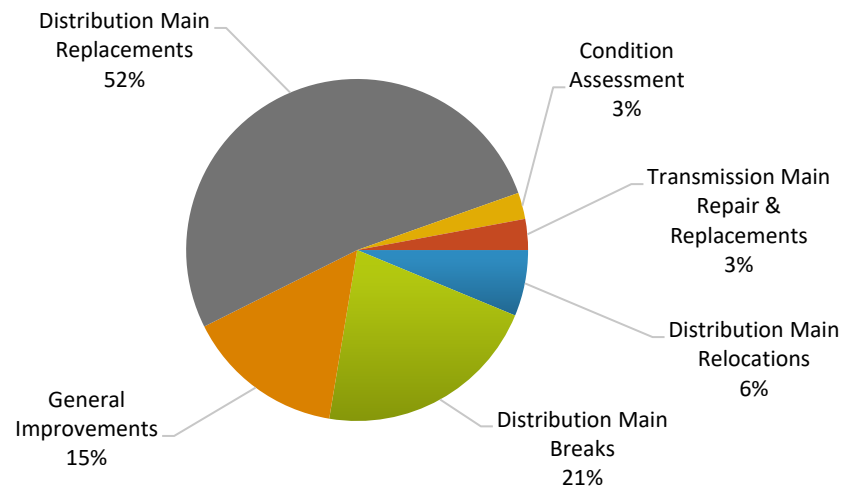
Other Facilities

MP-22401	Facility 1 Improvements - Phase II	\$	337,459
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Other Facilities \$ 337,459

Total Master Plan (Award Basis) \$ 62,743,623

2023 Transmission & Distribution Funding



Transmission & Distribution Purpose and Funding

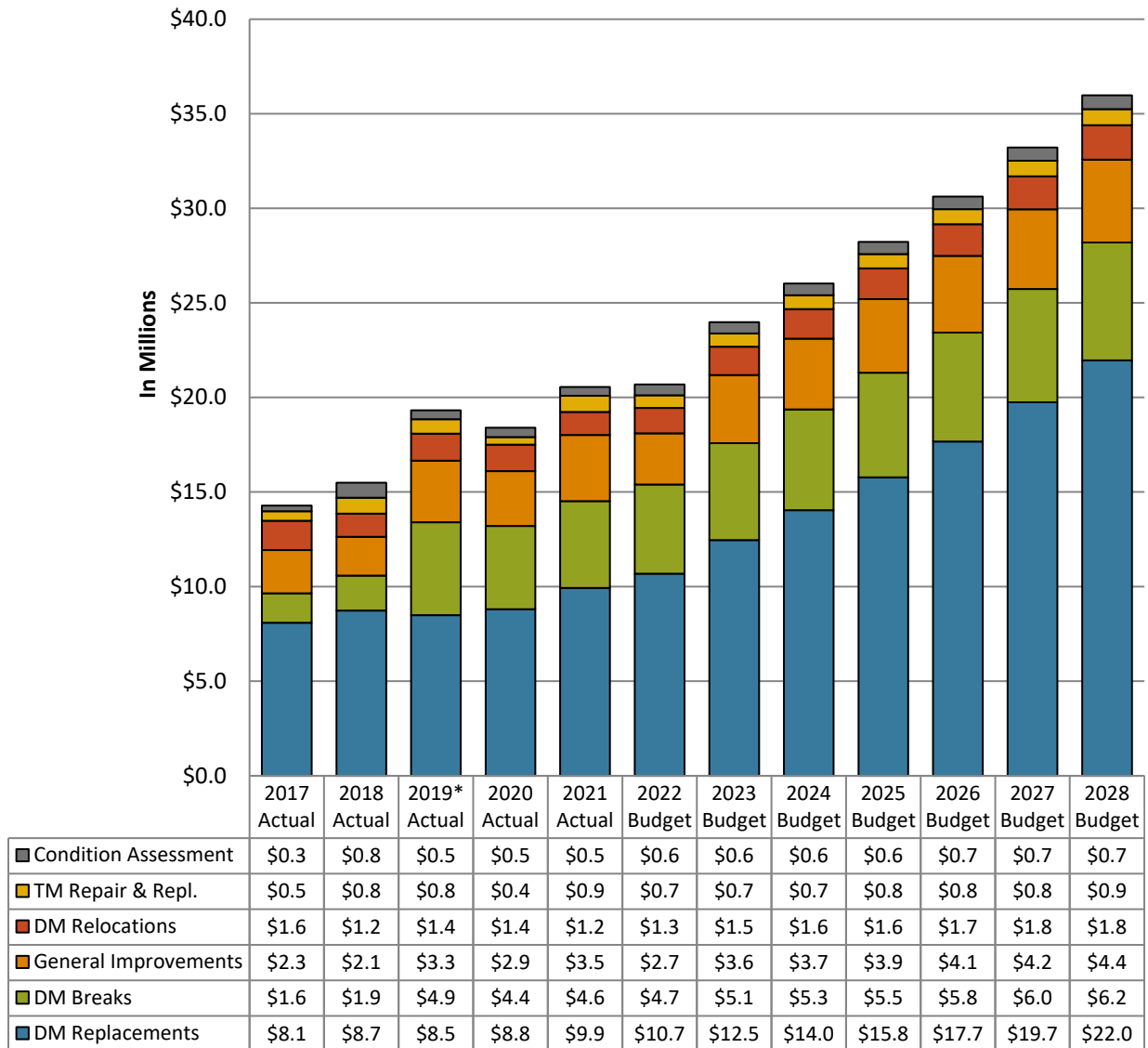
- Distribution Main Replacements** - Main replacements are budgeted based on the results of a water main asset management project that was developed in 2003 with the most recent update completed in 2018. The objective of the project was to produce a financial model that would identify the appropriate 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. InfoAsset Planner is used to help determine prioritization of main replacement projects. Two criteria used by InfoAsset Planner to prioritize projects are:
 1. Likelihood of failure examining pipe age, diameter, material, lining, as well as soil type, pressure, main breaks within the previous two years, and total main breaks.
 2. Consequence of failure scrutinizing proximity to hospitals, schools, home, and commercial dialysis centers, and large users along with city improvement projects, master plan system upgrades and pipe improvements, mains located under roads, and population density.

Restoration of streets, curbs, and sidewalks are a significant component of replacement costs, so WaterOne communicates with the municipalities’ public works departments 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.

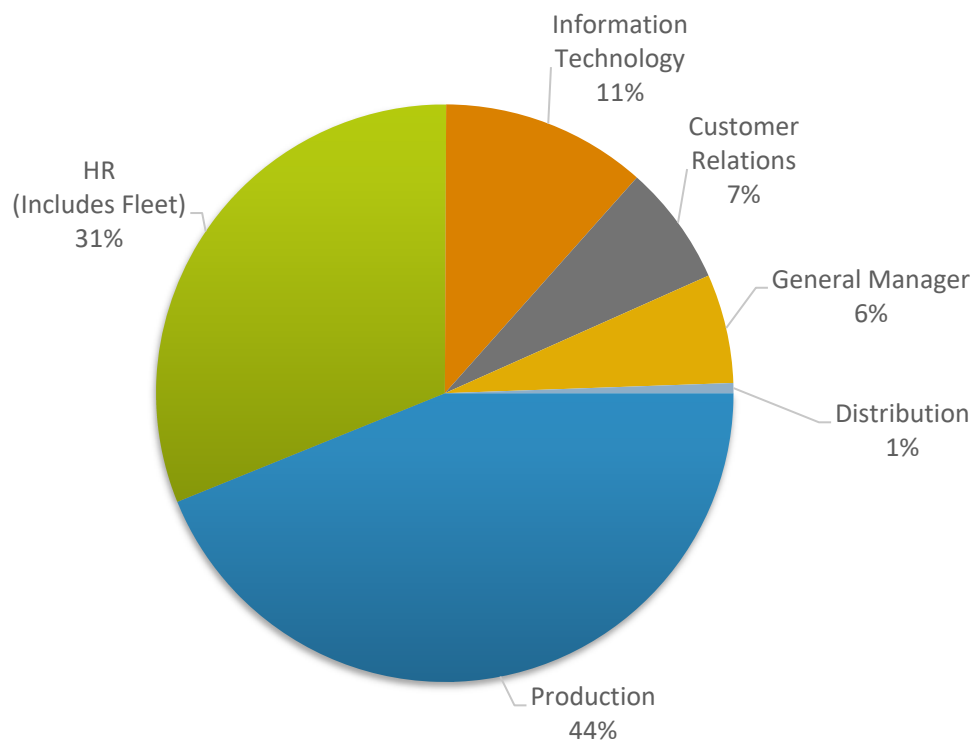
TOTAL CIP

- **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 150,000 service connections which are the pipe and related material that connect the water main to the meter. These service connections require ongoing replacement and rehabilitation in order to maintain a reliable water supply. Main upsizing occurs when a main is replaced with a larger diameter main to allow for increased capacity or water flow. Most upsizing is paid for by WaterOne and is done in conjunction with relocation projects to improve water flow throughout the system. Some upsizing is done when new housing and commercial development occurs and is paid for by the developer. New mains are occasionally installed to extend the system but are primarily needed to provide redundant supply or improve fire protection water flow in a particular area.
- **Distribution Main Breaks** - Main breaks are unplanned construction to replace sections of a water main or an entire fire hydrant that is broken and leaking. Previous to 2019 Distribution Main Breaks had capital and expense components. From 2019 forward, all breaks are considered capital improvements. This allows 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 its aging infrastructure, the number of main breaks is expected to increase over time. WaterOne takes steps to minimize the rate of increase in breaks through a replacement program which is described in the Main Replacements section. Recent trends of declining main breaks indicate that the replacement program, in addition to operational optimizations, is effectively impacting the number of breaks.
- **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 the public right-of-way are paid for by WaterOne, while mains in the 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



* Previous to 2019 Distribution Main Breaks had capital and expense components. From 2019 forward, all breaks are considered capital improvements.

2023 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 following 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.

TOTAL CIP

Annual Capital Impact on Operating and Maintenance Expenses

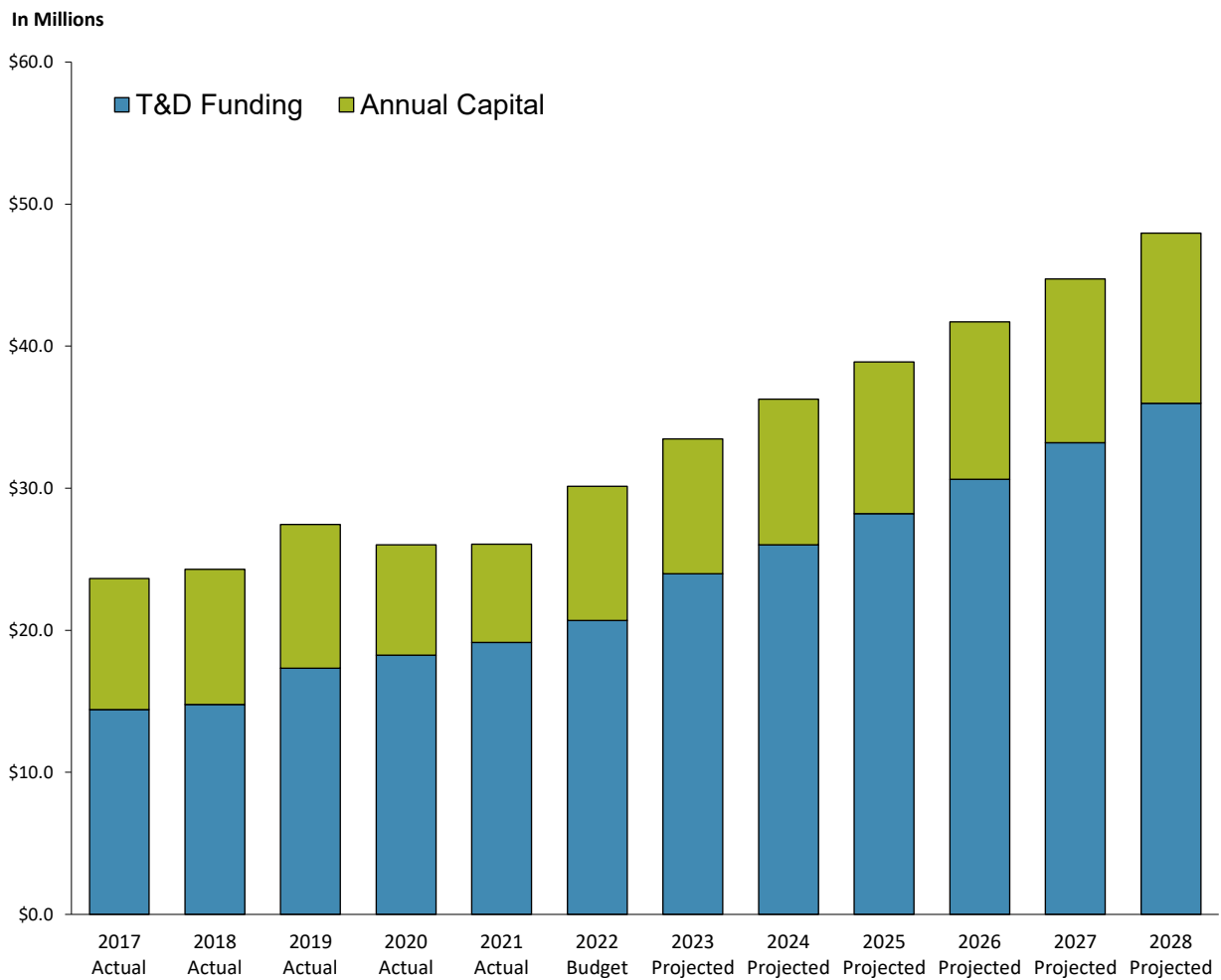
WaterOne's operating budget is directly impacted by its capital improvement program. Many of the Annual Capital projects will have ongoing operating costs that will continue to impact future budgets. Common ongoing costs include labor, maintenance, and fuel. Capital projects may also have a positive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

Typically, replacement projects require similar labor and maintenance expenses as the existing assets and do not have a significant net operating impact. In 2023, approximately 92% of annual capital projects are replacement projects and the operating impact is projected to be minimal.

The table below summarizes the projected annual net operating impact of the annual capital projects by division during the current budget year and five-year plan.

Division	2023	Net Operating Impact					
	Budget	2023	2024	2025	2026	2027	2028
New							
Production	\$ 1,390,481	\$ 6,952	\$ 6,952	\$ 6,952	\$ 6,952	\$ 6,952	\$ 6,952
Distribution	20,000						
Customer Relations	-						
Finance	-						
Human Resources/Administration	1,154,823	38,801	55,028	55,028	55,028	55,028	55,028
Information Technology	17,870						
New - Total	\$ 2,583,174	\$ 45,753	\$ 61,981	\$ 61,981	\$ 61,981	\$ 61,981	\$ 61,981
Replacement							
General Manager	\$ 580,813						
Production	2,776,491						
Distribution	33,507						
Customer Relations	640,640						
Human Resources/Administration	1,810,416	(4,390)	(4,390)	(4,390)	(4,390)	(4,390)	(4,390)
Information Technology	1,074,959						
Replacement - Total	\$ 6,916,826	\$ (4,390)	\$ (4,390)	\$ (4,390)	\$ (4,390)	\$ (4,390)	\$ (4,390)
Annual Capital Total	\$ 9,500,000	\$ 41,363	\$ 57,590	\$ 57,590	\$ 57,590	\$ 57,590	\$ 57,590

HISTORY & PROJECTION OF TOTAL ANNUAL CAPITAL



T&D Funding	\$14.41	\$14.78	\$17.33	\$18.24	\$19.15	\$20.69	\$23.98	\$26.02	\$28.22	\$30.62	\$33.21	\$35.97
Annual Capital	\$9.24	\$9.52	\$10.12	\$7.77	\$6.91	\$9.45	\$9.50	\$10.26	\$10.67	\$11.09	\$11.53	\$11.98
Total Annual Capital	\$23.65	\$24.30	\$27.45	\$26.01	\$26.06	\$30.14	\$33.48	\$36.28	\$38.89	\$41.71	\$44.74	\$47.95

ANNUAL CAPITAL BY DIVISION/DEPARTMENT

DIVISION/DEPARTMENT	2022 CAPITAL REQUESTS	2023 CAPITAL REQUESTS	PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2023 CAPITAL REQUESTS
PRODUCTION				
Facilities Engineering	\$ 1,938,733	\$ 2,954,071	\$ 2,967,911	\$ 5,921,982
Facilities Maintenance	541,098	699,149	217,611	916,760
Operations	-	290,382	423,516	713,898
Water Quality Laboratory	306,706	223,370	-	223,370
TOTAL PRODUCTION	\$ 2,786,537	\$ 4,166,972	\$ 3,609,038	\$ 7,776,010
DISTRIBUTION				
Distribution Engineering	\$ 20,690,000	\$ 23,980,000	\$ -	\$ 23,980,000
Distribution Operations	694,097	-	58,420	58,420
Distribution Services	20,000	53,507	38,420	91,927
TOTAL DISTRIBUTION	\$ 21,404,097	\$ 24,033,507	\$ 96,840	\$ 24,130,347
CUSTOMER RELATIONS				
Meter Services	\$ 541,110	\$ 640,641	\$ 50,371	\$ 691,012
Communications	5,597	-	-	-
Customer Service	44,774	-	-	-
TOTAL CUST. RELATIONS	\$ 591,481	\$ 640,641	\$ 50,371	\$ 691,012
FINANCE				
Financial Planning & Analysis	\$ 434,916	\$ -	\$ -	\$ -
TOTAL FINANCE	\$ 434,916	\$ -	\$ -	\$ -
HUMAN RESOURCES/ADMINISTRATION				
Fleet Services	\$ 1,746,206	\$ 2,965,239	\$ 2,298,608	\$ 5,263,847
Safety & Security	-	-	-	-
TOTAL HUMAN RESOURCES/ADMIN	\$ 1,746,206	\$ 2,965,239	\$ 2,298,608	\$ 5,263,847
INFORMATION TECHNOLOGY				
IT Operations	\$ 2,014,515	\$ 722,046	\$ 913,620	\$ 1,635,666
Applications Development	279,840	223,370	103,944	327,314
Geospatial Services	330,211	147,413	18,288	165,701
Project Management Office	-	-	270,700	270,700
TOTAL INFORMATION TECHNOLOGY	\$ 2,624,566	\$ 1,092,829	\$ 1,306,553	\$ 2,399,382
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 29,587,803	\$ 32,899,188	\$ 7,361,410	\$ 40,260,598
Capital Contingencies (1.7% of Total) (a)	\$ 552,197	\$ 580,812	\$ -	\$ 580,812
TOTAL OFFICE OF GENERAL MANAGER	\$ 552,197	\$ 580,812	\$ -	\$ 580,812
GRAND TOTAL CAPITAL REQUESTS	\$ 30,140,000	\$ 33,480,000	\$ 7,361,410	\$ 40,841,410

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 2023

		*2022 Budget	12-31-2022 Unspent	Budget Carry- Over to 2023
PRODUCTION				
AC-19302	SCADA Task Methodology & Lifecycle Mgmt	\$ 276,366	\$ 276,366	\$ 276,366
AC-19301	SCADA Historian ODMS#1 & Data Validation	147,150	147,150	147,150
	Operations Department Subtotal	\$ 423,516	\$ 423,516	\$ 423,516
AC-21024	Missouri Intake Pump No. 6 Replacement	\$ 503,713	\$ 503,635	\$ 503,635
AC-22800	MO River Warm Water Supply Improvements	447,744	447,743	447,743
AC-22027	Facility 2 Filter No. 27 Rebuild	335,808	335,758	335,758
AC-14100	Administrative Offices Space Study & Reconfiguration	208,064	208,064	208,064
OC-22003	Facility 2 Ozone Sample 5&6 Enclosure	50,258	39,237	200,000
AC-21017	Quivira Pump Station Controls Upgrade	223,872	195,669	195,669
AC-21004	KS Presed Electrical Improvements	321,816	258,318	150,000
AC-22200	Lamar Pump Station Roof Replacement	50,372	50,319	150,000
AC-21016	Hansen Residual Pumps Replacement	154,473	154,470	120,000
AC-22710	Fleet Oil-Water Separator Replacement	111,936	111,936	111,936
AC-20204	AHQ Data Center UPS Replacement	110,845	110,845	110,845
AC-21028	Hansen Fac. 1 Pump No. 2 Rebuild	102,981	102,152	102,152
AC-21010	Hansen Influent Valve Operator Repl.	210,000	89,512	89,512
AC-22400	AHQ Exterior Building Waterproofing	78,355	78,355	78,355
AC-22500	O&M Exterior Building Waterproofing	47,014	47,014	47,014
AC-22650	Hansen TP Air Compressor Replacements	44,774	37,075	37,075
AC-22120	Hansen Pavement Refurbishment	503,712	133,446	30,000
AC-22070	Olathe Metering Station Upgrades	27,984	27,984	27,984
AC-20023	Wolcott Conference Room Furniture	22,169	22,169	22,169
	Facilities Engineering Department Subtotal	\$ 3,555,891	\$ 2,953,701	\$ 2,967,911
AC-21020	Online Analyzers Treatment/Distribution	\$ 223,529	\$ 182,017	\$ 182,017
OC-22005	Lab BMS System Upgrade	35,594	35,594	35,594
	Facilities Maintenance Department Subtotal	\$ 259,123	\$ 217,611	\$ 217,611
	PRODUCTION TOTAL	\$ 4,238,529	\$ 3,594,828	\$ 3,609,038
DISTRIBUTION				
OC-22007	GPS Equipment for CMV	\$ 38,420	\$ 38,420	\$ 38,420
AC-22110	Trench Boxes Replacement	167,905	150,224	20,000
	Distribution Operations Department Subtotal	\$ 206,325	\$ 188,644	\$ 58,420
OC-22006	GPS Equipment for Locators	\$ 38,420	\$ 38,420	\$ 38,420
	Distribution Services Department Subtotal	\$ 38,420	\$ 38,420	\$ 38,420
	DISTRIBUTION TOTAL	\$ 244,745	\$ 227,064	\$ 96,840
HUMAN RESOURCES				
AF-22300	Light Duty Fleet Program	\$ 471,251	\$ 377,790	\$ 377,790
AF-20040	Service Body (Repl 5040) CMVS	205,063	205,063	205,063
AF-20050	Service Body (Repl 5050) CMVS	205,063	205,063	205,063
AF-20202	Service Body (Repl 5250) CMVS	205,063	205,063	205,063
AF-22057	Hydro-Excavator Truck (Repl 5020 w/ Dump Truck)	201,485	201,485	201,485
AF-22705	Mounted Hydro-Excavator Truck (Repl 4705) V&S	167,905	167,905	167,905
AF-21800	Low Boy Equipment Trailer (Repl 7210)	115,000	115,000	115,000
OC-22008	Skid Steer - DST Ops	106,101	106,101	106,101
AC-20070	Fuel Dispenser Replacement - AHQ	105,303	105,303	105,303
AF-18065	Service Body (Replace 5100)	105,000	98,017	98,017
AF-22709	Dump Truck (Repl 4709) C&M	89,549	89,549	89,549
AF-21640	1 1/2 Ton Svc Body (Repl 4640) CMVS	90,591	83,200	83,200

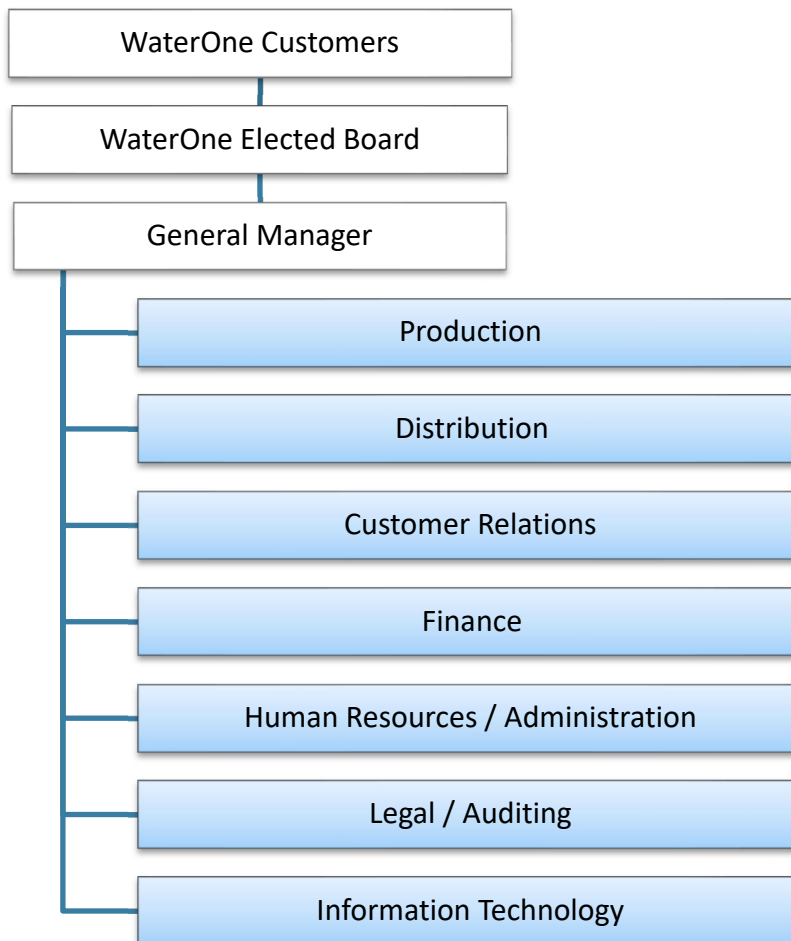
PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2023

		*2022 Budget	12-31-2022 Unspent	Budget Carry- Over to 2023
AF-21103	1 Ton Service Body (Repl 4200) Fac Maint	\$ 61,601	\$ 60,678	\$ 60,678
AF-19710	Tractor (Repl 7720) CMVS	60,000	60,000	60,000
AC-22201	Aqueous Parts Washer Replace	41,416	41,416	41,416
AF-20053	Trench Compactor (Repl 7053) CMVS	38,796	38,796	38,796
AC-22202	Hot Water Pressure Washer Replace	24,626	24,626	24,626
AF-22851	Stock Picker Warehouse	23,508	23,508	23,508
AF-18218	Trailer (Repl 7218) CMVS	19,951	19,951	19,951
AF-19240	Equipment Trailer (Repl 7240) CMVS	18,836	18,836	18,836
AC-19500	Freon Recovery Machine (New)	15,512	15,512	15,512
AF-22800	Utility Vehicle Warehouse	14,552	14,552	14,552
AF-22850	Stock Chaser Warehouse	11,194	11,194	11,194
AF-22881	Electric Forklift Warehouse	53,729	53,729	10,000
Fleet Department Subtotal		\$ 2,451,096	\$ 2,342,337	\$ 2,298,608
HUMAN RESOURCES TOTAL		\$ 2,451,096	\$ 2,342,337	\$ 2,298,608
INFORMATION TECHNOLOGY				
AC-22050	System Upgrades and Enhancements	\$ 279,840	\$ 103,944	\$ 103,944
Application Development Services Subtotal		\$ 279,840	\$ 103,944	\$ 103,944
AC-22015	GPS Equipment Replacement	\$ 134,323	\$ 18,288	\$ 18,288
Geospatial Services Department Subtotal		\$ 134,323	\$ 18,288	\$ 18,288
AC-20052	SAP Tool for Process Refinement	\$ 143,000	\$ 143,000	\$ 143,000
AC-19905	Records Information Mgmt Implementation	247,131	247,131	100,000
AC-19700	Electronic Signature Application (New)	27,700	27,700	27,700
PMO Department Subtotal		\$ 417,831	\$ 417,831	\$ 270,700
AC-22041	Board Room Technology Upgrades	\$ 447,744	\$ 447,744	\$ 447,744
AC-22044	Conference Room Technology Upgrades	273,124	273,124	273,124
AC-22699	Wireless Replacement Project	559,680	443,192	100,000
AC-22042	Fairbanks Lunchroom A/V Upgrades	55,968	55,968	55,968
AC-22005	Printer Replacement Program	44,774	36,784	36,784
Operations Department Subtotal		\$ 1,381,290	\$ 1,256,813	\$ 913,620
INFORMATION TECHNOLOGY TOTAL		\$ 2,213,284	\$ 1,796,876	\$ 1,306,553
CUSTOMER RELATIONS				
AC-22503	Integrate MyAccount w/ Water Billing Svc	\$ 44,774	\$ 44,774	\$ 44,774
AC-22502	Water Bottle Refill Station	5,597	5,597	5,597
CUSTOMER RELATIONS TOTAL		\$ 50,371	\$ 50,371	\$ 50,371
GRAND TOTAL CARRY-OVERS		\$ 9,198,025	\$ 8,011,476	\$ 7,361,410

Numbers may not total due to rounding

*2022 Budget amount represents the approved 2022 budget amount or carryover amount for all projects that were requested for carryover into 2022.

GENERAL MANAGER



Office of the General Manager

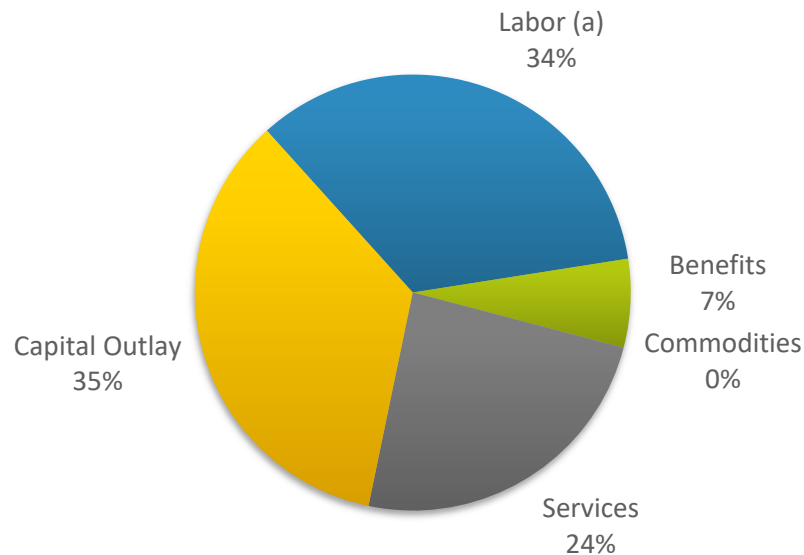
The General Manager provides comprehensive oversight for seven divisions throughout the utility. This administrative role ensures the utility's mission and strategic goals are successfully implemented with regard to customers, employees, and operations. The General Manager's office fosters open communication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

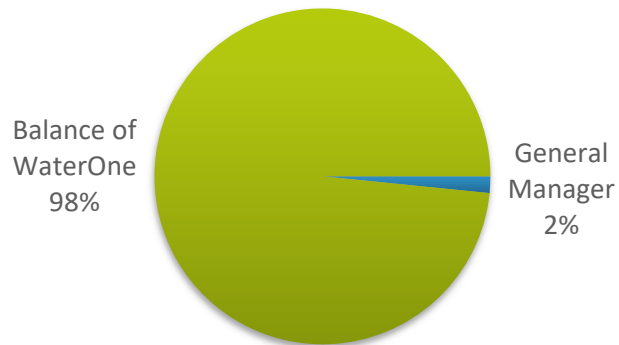
	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$532,012	\$512,036	\$573,292	\$61,256	12.0%
Benefits	103,709	99,945	108,233	8,288	8.3%
Personnel Costs	\$635,721	\$611,981	\$681,525	\$69,544	11.4%
Commodities	332	1,400	400	<1,000>	<71.4%>
Services	105,796	147,947	400,530	252,583	170.7%
Transfers	<9,963>	<9,120>	<7,654>	1,467	<16.1%>
Total O&M	\$731,885	\$752,207	\$1,074,801	\$322,594	42.9%
Capital Outlay (b)	0	552,197	580,813	28,616	5.2%
Total	\$731,885	\$1,304,404	\$1,655,614	\$351,210	26.9%

Numbers may not add due to rounding

- a) Labor consists of wages and salaries including Board salaries.
- 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

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$466,051	\$452,036	\$513,292	\$61,256	13.6%
Benefits	103,709	99,945	108,233	8,288	8.3%
Non-Employee Overload	0	0	250,000	250,000	NA
Water Board Salaries	58,374	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	50,197	47,715	48,943	1,228	2.6%
WaterOne Memberships	25,353	33,823	42,378	8,555	25.3%
Dues & Local Meetings	18,999	38,750	37,000	<1,750>	<4.5%>
Subtotal	\$722,683	\$732,269	\$1,059,846	\$327,577	44.7%
All Other Accounts	19,165	29,058	22,609	<6,449>	<22.2%>
Less Transfers	<9,963>	<9,120>	<7,654>	1,466	<16.1%>
Total O&M	\$731,885	\$752,207	\$1,074,801	\$322,594	42.9%

Numbers may not add due to rounding

GENERAL MANAGER

GENERAL MANAGER	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2022 Budget	2	-	-	2	2.0
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-
New Positions (2023)	-	-	-	-	-
Reclass/PT Hour Adj (2023)	-	-	-	-	-
Eliminations	-	-	-	-	-
2023 Budget	2	-	-	2	2.0

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April), a 3% compensation study adjustment, and a \$25,000 increase in the bonus pool are budgeted.

Employee Benefits (Transferred)

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

Non-Employee Overload

This budget is set aside as a pool of funds to help with one-time projects and workload across all divisions.

Water Board Salaries

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

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 the population served. The 2023 budget is based on gallons produced in 2021 which were more than gallons produced in 2020.

WaterOne Memberships

WaterOne's utility memberships include the American Water Works Association, Association of Metropolitan Water Agencies (AMWA), Mo-Ark, Friends of the KAW, the Coalition to Protect the Missouri River, Kansas Rural Water Association, and Missouri River Public Water Supply. This budget also includes seven memberships in local chambers and one organizational membership. The budget increase is due to additional memberships for The Climate Registry and Metropolitan Energy Center.

Dues & Local Meetings

This budget includes memberships to local and national professional organizations, attendance at local meetings and costs associated with in-house business meetings.

Annual Capital

Division in Relation to
Total WaterOne Annual Capital Budget



OC-23100	(a) 2023 Omissions & Contingencies	\$580,812
Total Annual Capital		\$580,812
a) Omissions and Contingencies budgets are not assigned to particular divisions and are therefore reported in the General Manager’s budget. However, as actual expenditures occur, those are reported in the responsible division. The target for the Omissions and Contingencies is approximately 2% of the total annual capital budget.		

WaterOne 2023 Budget

GENERAL MANAGER

Replace

Project Description

2023 Omissions & Contingencies

Year

2023

Project

OC-23100

Plan

\$580,813

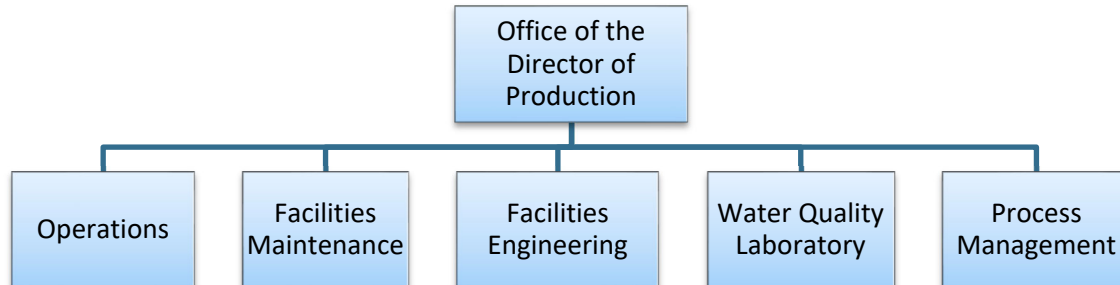


Justification

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

PRODUCTION DIVISION

Division Organization



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

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, Analyzer, and Structures and Grounds.

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.

The Process Management department is responsible for facilitating strategy development and using advanced analytics to provide technical assistance to staff regarding water treatment, water quality, monitoring, controls, and regulatory compliance matters.

Division Objective

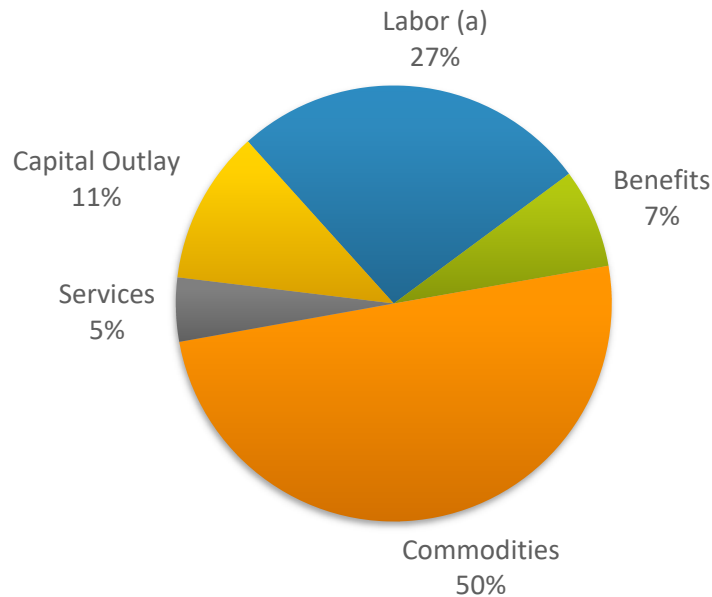
Produce and deliver high-quality drinking water to customers in a reliable and efficient manner and in quantities required to meet customer's needs, including the engineering and maintenance services necessary to accomplish that goal.

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under "2023 Operational Goals By Division". Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

PRODUCTION

Expenditures by Major Category



Net of Transfers

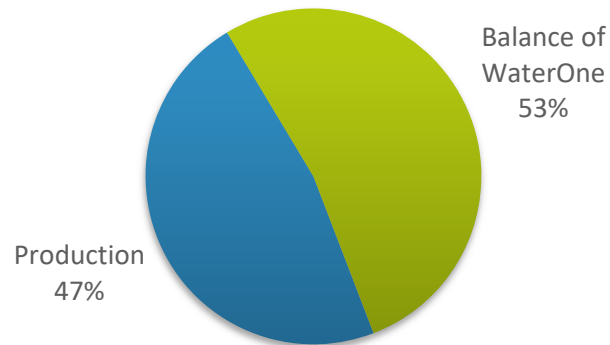
	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$8,740,977	\$9,073,759	\$9,681,999	\$608,240	6.7%
Benefits	2,800,323	2,575,689	2,692,933	117,244	4.6%
<i>Personnel Costs</i>	\$11,541,300	\$11,649,448	\$12,374,931	\$725,484	6.2%
Commodities	15,597,361	16,661,337	18,230,659	1,569,322	9.4%
Services	1,371,557	1,826,006	1,732,015	<93,992>	<5.1%>
Transfers	<831,041>	<626,582>	<739,588>	<113,006>	18.0%
Total O&M	\$27,679,178	\$29,510,209	\$31,598,016	\$2,087,807	7.1%
Capital Outlay	3,309,847	2,786,537	4,166,972	1,380,435	49.5%
Total	\$30,989,025	\$32,296,746	\$35,764,988	\$3,468,242	10.7%

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$8,389,213	\$8,782,459	\$9,422,504	\$640,045	7.3%
Labor - OT	320,537	291,300	259,495	<31,806>	<10.9%>
Benefits	2,800,323	2,575,688	2,692,933	117,245	4.6%
Power - Transmission	4,779,632	5,362,628	5,470,955	108,327	2.0%
Chemicals - Water Treatment	4,677,634	5,233,454	6,314,893	1,081,439	20.7%
Power - Source	2,452,778	2,437,705	2,593,865	156,160	6.4%
Power - Distribution	1,552,560	1,733,762	1,733,762	0	0.0%
Material & Supplies	838,232	795,950	850,490	54,540	6.9%
Natural Gas – Generators – Wolcott	571,945	351,972	400,726	48,754	13.9%
Maintenance Services - Other	256,344	290,736	378,064	87,328	30.0%
Natural Gas	209,236	148,272	259,699	111,427	75.2%
Subtotal	\$26,848,436	\$28,003,926	\$30,377,385	\$2,373,459	8.5%
All Other Accounts	1,661,783	2,132,864	1,960,220	<172,645>	<8.1%>
Less Transfers	<831,041>	<626,582>	<739,588>	<113,006>	18.0%
Total O&M	\$27,679,178	\$29,510,209	\$31,598,016	\$2,087,808	7.1%

Numbers may not add due to rounding

PRODUCTION

PRODUCTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2022 Budget	111	-	5	116	112.25	
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-	
New Positions (2023)	+2	-	-	+2	+2	a
Reclass/PT Hour Adj (2023)	-	-	-	-	-	
Eliminations	-	-	-	-	-	
2023 Budget	113	-	5	118	114.25	

a) Budgeted New Positions: FT Operations Technician; FT SCADA Lead Technician

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted. The budget includes two additional full time authorized positions. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

Overtime is required for plant operators that work holidays and replace employees who are sick or on vacation. Facilities maintenance requires overtime for after-hour emergency repairs to WaterOne facilities.

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.

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 budget is increasing primarily due to an increase in the energy rate component and adjustments to the operational plan. No BPU rate increase is budgeted for 2023.

Chemicals – Water Treatment

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 the dose of chemical required. The budget is increasing primarily due to significant increases in prices. Chemical prices are impacted by rising transportation costs.

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 budget is increasing primarily due to an increase in the energy rate component and increased use of the Missouri intake. No BPU rate increase is budgeted for 2023.

PRODUCTION

Power - Distribution

This budget is for power from Evergy 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. There is no rate increase projected for Evergy in 2023.

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 increase in this budget is due to true-up to historical actuals for maintenance related supplies.

Natural Gas – Generators - Wolcott

This budget is for natural gas to produce a portion of the energy needed at the Wolcott Treatment Plant in lieu of purchased electricity. The budget has increased for natural gas due to significantly higher rates.

Maintenance Services

This account is for routine maintenance services and condition assessments of laboratory equipment and production facilities. The budget increase is for electrical switchgear and substation relay maintenance at Wolcott and extended service coverage for the Wolcott generators.

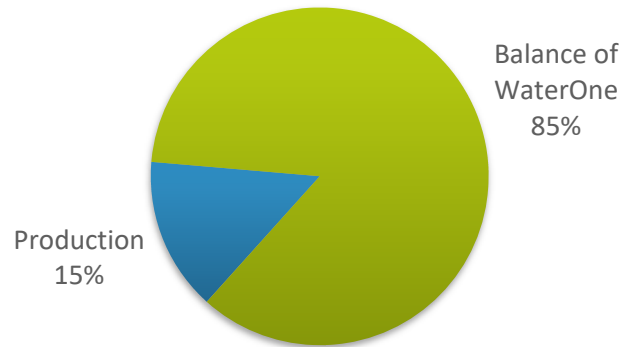
Natural Gas

This budget is for natural gas to produce a portion of the energy needed at the Administration building, Crouthers and Quivira Pump Stations, and building heat at three other facilities. The budget has increased for natural gas due to significantly higher rates.

PRODUCTION

Annual Capital

Division in Relation to
Total WaterOne Annual Capital Budget

**New**

AC-23170	MO Intake Zebra Mussel Mitigation System	\$932,570
AC-23300	Alarm Rationalization & Standard Update	184,281
AC-23004	KS Presed Transformer Containment	167,529
AC-23302	SCADA O&M Performance Mgmt (KPI and PI)	106,101
Annual Capital - New		\$1,390,481

Replacement / Refurbish

AC-23019	Facilities Paging System	\$558,425
AC-23022	KS Presed Pump No 2 Refurbishment	558,425
AC-23119	Emergency Equipment Replacements	446,740
AC-23006	Quivira Pump Station Sleeve Valve Refurb	335,055
AC-23402	WQ Lab GCMS (+autosampler) Replacement	223,370
AC-23605	Chlorine Residual Analyzers Repl	169,761
AC-23016	Wolcott Chemical System Refurbishment	167,529
AC-23015	Facilities Safety Replacements	89,348
AC-23207	AHQ Data Center Air Conditioning Repl	89,348
AC-23017	Tomahawk PRV Electrical Upgrade	55,842
AC-23604	KS Fac. Hammer Mill Rotating Assy Repl	49,141

PRODUCTION

AC-23602	Hansen Chlorine Gas Vessels Repl	33,507
Annual Capital - Replace / Refurbish		\$2,776,491
Total Annual Capital		\$4,166,972

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-23303	(h)	Off-Road Utility Vehicle (Repl 7303) FM	\$31,272
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h) project listed in 'Human Resources/Administration Division'

PRODUCTION

Master Plan**Source & Treatment**

MP-17003	Well Field / Collector Wells Pump House	\$	11,603,360
MP-16015	Hydro Power Generation		8,839,686
MP-17002	Well Field / Collector Wells Caisson		6,569,002
MP-20772	SCADA Data Business System Integration		1,061,610
MP-26005	Tunnel Valve Replacement		856,608
MP-19772	SCADA Control Center Upgrades		696,595
MP-20771	Electronic Document Management and Logbook		509,854
MP-22401	Facility 1 Improvements - Phase II		337,459
MP-23771	Instrumentation Upgrade and Asset Monitoring		160,856
MP-24100	30" TM Repl Switzer (67th-79th) & Flint St (55th-57th)		140,608

Source & Treatment \$ 30,775,638

Pumping & Storage

MP-22001	Wyss Pumping Station & Reservoir - Phase 2	\$	22,646,021
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Pumping & Storage \$ 22,646,021

Total Master Plan (Award Basis) \$ 53,421,659

Total Capital \$ 57,588,631

WaterOne 2023 Budget

PRODUCTION DIVISION

New

Project Description

MO Intake Zebra Mussel Mitigation System

Year

2023

Project

AC-23170

Plan

\$932,570



Justification

A Zebra Mussel Mitigation System will provide preventative control measures necessary to prevent zebra mussel infestations throughout the Missouri River Intake and Presedimentation Facilities. Zebra mussels have been observed at these facilities in 2020 and 2021. The mitigation involves running an electrical current through copper alloy bars to deter growth. The unchecked growth of zebra mussels will clog pipelines and render pumping equipment unusable.

Project Description

Alarm Rationalization & Standard Update

Year

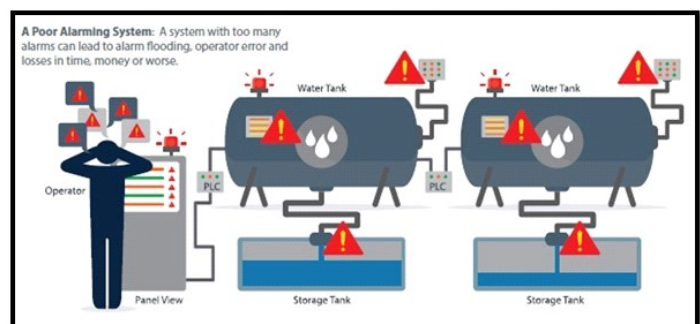
2023

Project

AC-23300

Plan

\$184,281



Justification

This project is to ensure consistent alarm presentation and visualization so that Operators understand the meaning and required response of alarms. Classifying alarms based on criticality and implementing condition based "smart alarming" strategies ensures that alarms are meaningful, and that Operators are not overwhelmed with nuisance alarms. Condition-based alarming adjusts alarm properties based on the mode of operation, for example, a low-flow alarm is not activated if the supply pump is not running.

PRODUCTION DIVISION
New

Project Description

KS Presed Transformer Containment

Year

2023

Project #

AC-23004

Plan

\$167,529



Justification

The federally required Spill Prevention, Control, and Countermeasure (SPCC) plan that was developed for the KS River Presedimentation Facility identified a needed improvement which consists of building a containment structure around electrical transformers that serve the facility. The transformers contain oil for cooling purposes and in the event there was a spill, this containment structure will protect the spill from traveling offsite of WaterOne property.

Project Description

SCADA O&M Performance Mgmt (KPI and PI)

Year

2023

Project #

AC-23302

Plan

\$106,101



Justification

This project will implement software which will accurately measure and monitor key performance indicators (KPIs) to understand how well these goals are being delivered. Calculating and presenting these KPIs in near real-time will give WaterOne Operations and Maintenance staff members the ability to visualize the impact of decisions and actions on their goals. This will enable Operations and Maintenance (O&M) staff to take corrective actions, if necessary, in a timely manner.

PRODUCTION DIVISION

Replace

Project Description

Facilities Paging System

Year

2023

Project

AC-23019

Plan

\$558,425

Justification

The paging system that is currently installed at the Administrative Headquarters Building and the Hansen Treatment Plant and is 20 and 30 years old respectively. The system components have reached the end of their 20 year useful life, are no longer supported by the manufacturer, and no longer provide the proper coverage, volume control, and reliability that is required. This paging system is an integral part of providing proper communication in the event of an emergency at either facility. This project will address the design and installation of a modernized paging/communication platform that will improve the safety of employees at each location.



Project Description

KS Presed Pump No 2 Refurbishment

Year

2023

Project

AC-23022

Plan

\$558,425

Justification

This pump was installed in 2005 and was required to be rebuilt in 2007 due to an issue that was covered under warranty. This type of pump that operates in a raw water condition has been found to need refurbishment after 15 years based on historical observations. This pump will have reached the 15 year useful life in 2023. The pump will be disassembled, cleaned and inspected. Rotating components including shafts and bearings are typically replaced. Impellers may be reused depending on wear. The pump head and column pieces are blasted and repainted. The electric motor will also be refurbished utilizing a separate specialized contractor but funded within this same project.



PRODUCTION DIVISION

Replace

Project Description

Emergency Equipment Replacements

Year

2023

Project #

AC-23119

Plan

\$446,740

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.

PRODUCTION DIVISION

Replace

Project Description

Quivira Pump Station Sleeve Valve Refurb

Year

2023

Project

AC-23006

Plan

\$335,055

Justification

This pump station utilizes two large sleeve valves to control the flow into the three reservoirs that support the station. These valves are specialized pieces of equipment that are designed to reduce the incoming pressure of the distribution system as the water enters the reservoirs that are subject to atmospheric pressure. This quick drop in pressure would typically cause damage to the types of valves normally utilized in the distribution system. The sleeve valve can operate through a wide range of flows and not be damaged by cavitation. The two valves were installed in 1994 and 1998 making them 29 and 25 years old respectively. Both valves have had routine maintenance performed over their service life but after exceeding their 25 year useful life are showing signs of corrosion that will require the removal and complete refurbishment of the valves. Rebuilding the valves will return them to a nearly new state and strengthen the reliability of the facility.



WaterOne 2023 Budget

PRODUCTION DIVISION

Replace

Project Description

WQ Lab GCMS (+autosampler) Replacement

Year

2023

Project

AC-23402

Plan

\$223,370



Justification

The gas chromatography-mass spectrometer (GCMS) is a critical Laboratory instrument that provides a way of identifying and quantifying the most common constituents that cause taste and odor issues in the drinking water. The data provided by this instrument is used by operations to optimize the treatment processes and keep the water tasting great. The current unit is over its ten year expected life, has started to incur maintenance costs, and has components that have been deemed obsolete by the manufacturer. This instrument will need to be replaced to be able to maintain and meet our customer expectations and internal performance indicators.

Project Description

Chlorine Residual Analyzers Repl

Year

2023

Project

AC-23605

Plan

\$169,761



Justification

The online analyzer shop currently operates 34 chlorine residual analyzers. This project is to replace 30 of these analyzers, while still functioning and serviceable, that are over ten years old, obsolete and will no longer be supported by the manufacturer in the coming years. The locations where equipment will be upgraded are all treatment facilities and pumping stations.

WaterOne 2023 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Chemical System Refurbishment

Year

2023

Project

AC-23016

Plan

\$167,529



Justification

The equipment related to the fluoride system is original to the Wolcott Facility which went online in early 2010 and will be 13 years old in 2023. The expected life of this equipment is 10 to 15 years before refurbishment or replacement is necessary. The bulk tank and day tank will be cleaned, inspected and reused after valves and gaskets associated with the tanks are replaced. Pumping equipment and portions of the piping system will be replaced. Other components of the system including ventilation fans, ductwork and the room itself will also be cleaned and able to be reused. This project will return the system to near new conditions.

Project Description

Facilities Safety Replacements

Year

2023

Project

AC-23015

Plan

\$89,348



Justification

This project is to upgrade safety equipment at multiple facilities related to fall protection. There are currently two types of fall protection systems installed on ladders located on elevated water towers and on ladders that provide access to the roof of select facilities. This project will upgrade nine of the older of the two styles so that all facilities can have a consistently applied safety system that allows for easier operation and simplified training programs for activities related to working from heights and climbing fixed ladders.

WaterOne 2023 Budget

PRODUCTION DIVISION

Replace

Project Description

AHQ Data Center Air Conditioning Repl

Year

2023

Project

AC-23207

Plan

\$89,348



Justification

The air conditioning system for the AHQ Data Center consists of two fully redundant air conditioning systems that were installed in 2011 and have a 10 year expected service life. These units are critical pieces of equipment that are necessary to keep the WaterOne network operational.

Project Description

Tomahawk PRV Electrical Upgrade

Year

2023

Project

AC-23017

Plan

\$55,842



Justification

The Tomahawk supply is one of the primary feed points that serve the northeast portion of the distribution system. The small building that houses the valves, piping, and control system was once a booster pumping station that was acquired by WaterOne when the utility was formed. This small facility dates back before the mid-1950s. While the equipment is not all original to the facility, a major portion of the electrical system is 40 plus years old and has reached the end of its 35 year useful life. By upgrading the electrical service to the building along with the electrical distribution panel and circuits within the building, the reliability of serving this portion of the distribution is improved.

PRODUCTION DIVISION

Replace

Project Description

KS Fac. Hammer Mill Rotating Assy Repl

Year

2023

Project

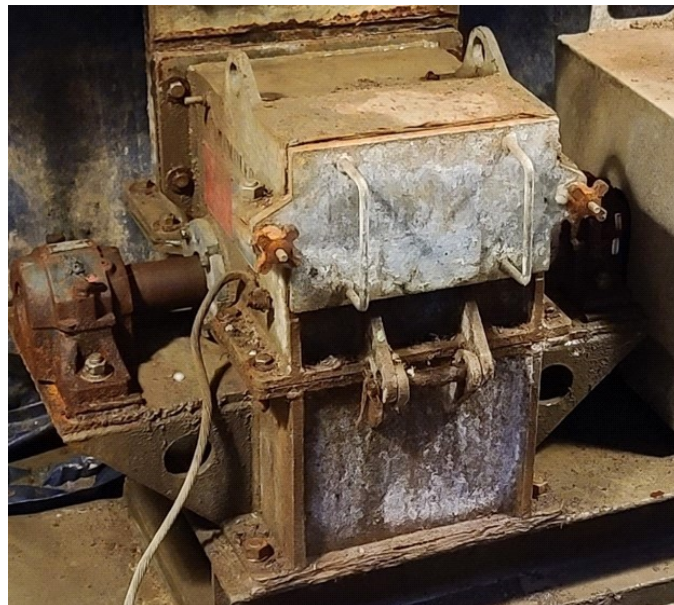
AC-23604

Plan

\$49,141

Justification

This project includes the replacement of the hammer mill rotating assembly at the Kansas Facility. This unit is one of two which are used to shred limbs that come in with the water supply from the river. The metal components are degraded by river water, limbs and mud and have had about a life expectancy of 5 to 10 years. The oldest one was replaced in 2014 making it 9 years old in 2023.



Project Description

Hansen Chlorine Gas Vessels Repl

Year

2023

Project

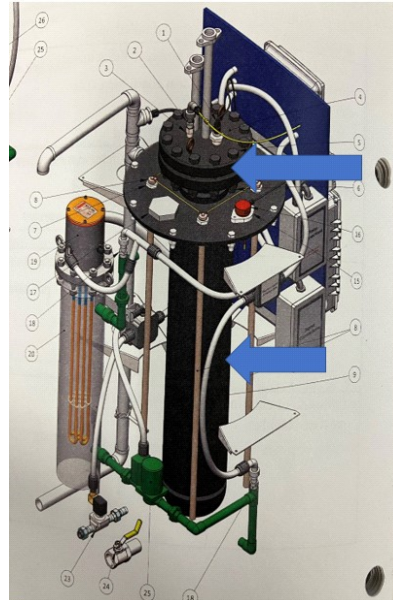
AC-23602

Plan

\$33,507

Justification

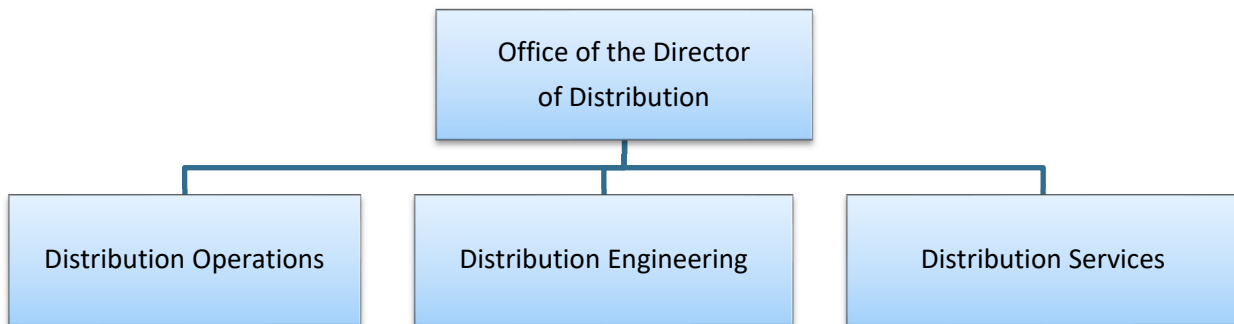
This project includes the replacement of two chlorine gas vessels for the chlorine system vaporizers at Hansen Treatment Plant #2. The currently vessels have been in service since 2015 making them 8 years old in 2023. The manufacturer recommendation is to inspect and or replace every 5 years. The blue arrows in the picture are pointing to the gas vessel.



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DISTRIBUTION DIVISION

Division Organization



The Distribution Operations department is responsible for the construction, rehabilitation, and maintenance of the underground piping 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; repair of main breaks; and maintenance of all meter pits.

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 Distribution Operations. 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.

The Distribution Services department is responsible for the maintenance of all the fire hydrants and valves in the distribution system. In addition, this department provides all dispatching functions along with emergency response after normal business hours; preparation and assistance with condition assessments of transmission mains along with routine preventive maintenance of transmission mains; maintenance of pressure reducing valves within the distribution system, taps for all new water service connections and Kansas One Call locating services for WaterOne pipelines. The Distribution Services Department also 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. Additionally, the department administers WaterOne's Cross-Connection Control Program, Fire Service Line Flushing Program, and handles pressure call notifications from customers.

Division Objective

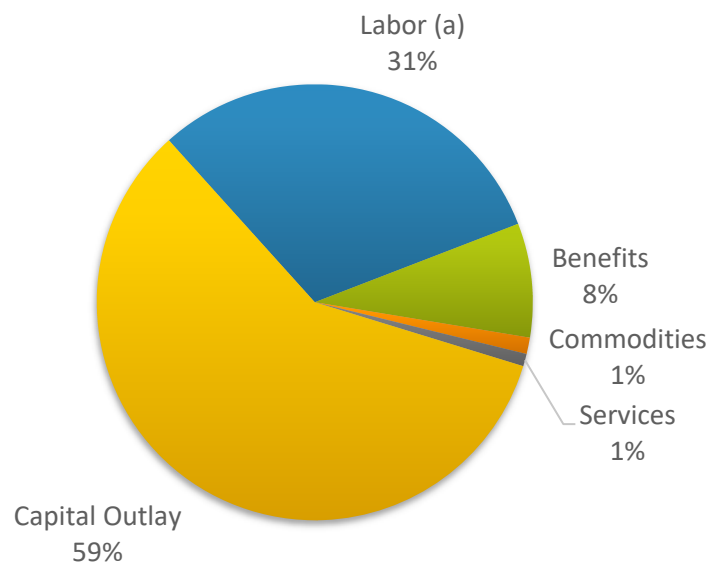
Deliver high-quality drinking water to customers in quantities required to meet their needs, reliably and efficiently, in a manner consistent with excellent customer service. Provide engineering services to the various cities served by WaterOne and the development community in a professional and timely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

DISTRIBUTION

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2023 Operational Goals By Division”, under Distribution. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$11,766,324	\$11,988,235	\$12,635,643	\$647,408	5.4%
Benefits	3,674,379	3,373,980	3,467,680	93,700	2.8%
<i>Personnel Costs</i>	<i>\$15,440,703</i>	<i>\$15,362,215</i>	<i>\$16,103,323</i>	<i>\$741,108</i>	<i>4.8%</i>
Commodities	375,120	526,918	497,499	<29,419>	<5.6%>
Services	311,032	415,239	379,000	<36,239>	<8.7%>
Transfers	<6,234,967>	<6,556,023>	<6,874,467>	<318,444>	4.9%
Total O&M	\$9,891,889	\$9,748,349	\$10,105,355	\$357,006	3.7%
Capital Outlay	21,967,966	21,404,097	24,033,507	2,629,410	12.3%
Total	\$31,859,855	\$31,152,446	\$34,138,862	\$2,986,416	9.6%

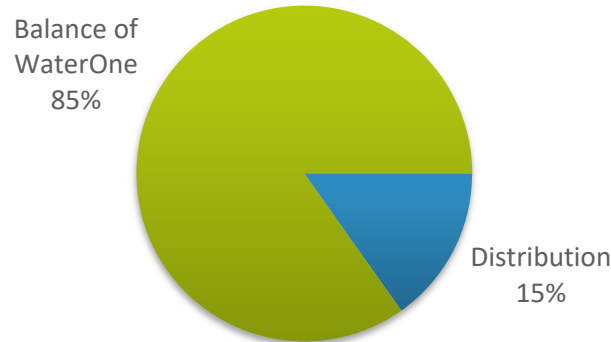
Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

DISTRIBUTION

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$10,829,327	\$11,182,635	\$11,750,037	\$567,402	5.1%
Labor - OT	823,913	805,600	885,606	80,006	9.9%
Benefits	3,674,379	3,373,980	3,467,680	93,700	2.8%
Materials & Supplies	49,502	54,300	183,100	128,800	237.2%
Contracted Services	112,468	130,000	137,750	7,750	6.0%
Cell Phones	103,677	98,621	110,388	11,767	11.9%
Uniforms	76,417	82,418	72,414	<10,004>	<12.1%>
Small Tools & Equipment	46,812	63,200	55,600	<7,600>	<12.0%>
Subtotal	\$15,670,611	\$15,877,704	\$16,662,575	\$871,821	5.5%
All Other Accounts	456,244	426,668	317,247	<196,371>	<38.2%>
Less Transfers	<6,234,967>	<6,556,023>	<6,874,467>	<318,444>	4.9%
Total O&M	\$9,891,889	\$9,748,349	\$10,105,355	\$357,006	3.7%

Numbers may not add due to rounding

DISTRIBUTION

DISTRIBUTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2022 Budget	150	1	10	161	153.175	
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-	a
New Positions (2023)	-	-	-	-	-	
Reclass/PT Hour Adj (2023)	-	-	-	-	-	
Eliminations	-	-	-	-	-	
2023 Budget	150	1	10	161	153.175	

a) Mid-Year Reclass/Transfers: The Division had significant re-organization in 2022.

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

The majority of overtime planned 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.

Materials & Supplies

Materials & Supplies consists of valve parts, clamps, gaskets, pipe wrenches, marking paint, reflective cones, safety glasses, and other material used in the maintenance of the transmission and distribution system. The budget is based on historical spending and the increase is due to adding the inventory withdrawal budget into this account.

Contracted Services

Contracted Services consists of services that WaterOne does not have the resources for or are not cost-effective to perform in-house. The entire budget is related to repainting fire hydrants.

Cell Phones

Cell Phones include the cost of all cell phones, data devices, GPS units, enterprise-wide area networking, and hydrant audit units for Distribution. The increase in the budget is due to higher utilization of the Personal Cell Phone Plan reimbursement option.

Uniforms

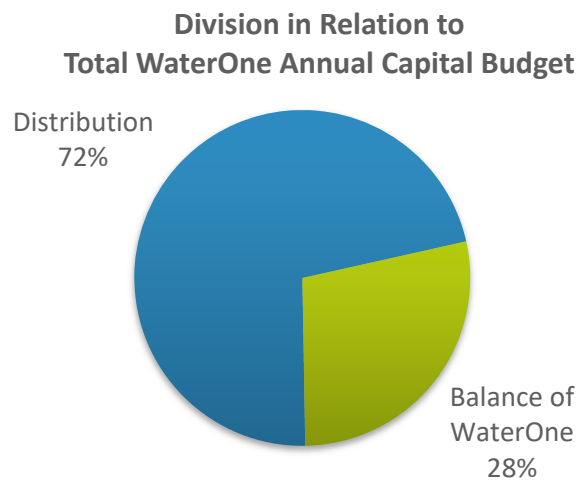
The budget includes uniform items and payroll tax based on historical actuals.

Small Tools & Equipment

This budget includes small power tools, hand tools, and locator equipment utilized by field crews and is budgeted based on historical actuals.

DISTRIBUTION

Annual Capital

**New**

AC-23114	New Services Cost Standard Difference	\$20,000
Annual Capital - New		\$20,000

Replacement / Refurbish

RV-23001	2023 Transmission & Distribution Funding	\$23,980,000
AC-23116	Radio Detection Locators x 4	33,507
Annual Capital - Replace / Refurbish		\$24,013,507
Total Annual Capital		\$24,033,507

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-23301	(h)	Hydro Excavator (Repl 5301) CMVS	\$725,952
AF-23090	(h)	Crane Truck (Repl 6090) CMVS	402,066
AP-23500	(h)	2 Ton Srv Body (Valve Rep Crew)	273,628
AP-23501	(h)	Mini Excavator (Valve Rep Crew)	158,593
AF-23476	(h)	Backhoe (Repl 7476) CMVS	156,359
AF-23562	(h)	Hydraulic Breaker (Repl 7562) CMVS	106,101
AF-23710	(h)	Dump Truck (Repl 4710) CMVS	106,101
AF-23528	(h)	Skidsteer Track 92 HP (Repl 7528) CMVS	104,984
AF-23529	(h)	Skidsteer Track 92 HP (Repl 7529) CMVS	104,984
AP-23503	(h)	Breaker (Valve Rep Crew)	42,440
AP-23502	(h)	Equipment Trailer (Valve Rep Crew)	37,973

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

Master Plan Capital**Distribution & Transmission**

MP-22075	30" TM Repl Quivira Rd, 68th to 75th	\$	3,596,407
Distribution & Transmission		\$	3,596,407
Total Master Plan (Award Basis)		\$	3,596,407
Total Capital		\$	27,629,914

DISTRIBUTION DIVISION
New

Project Description

New Services Cost Standard Difference

Year

2023

Project #

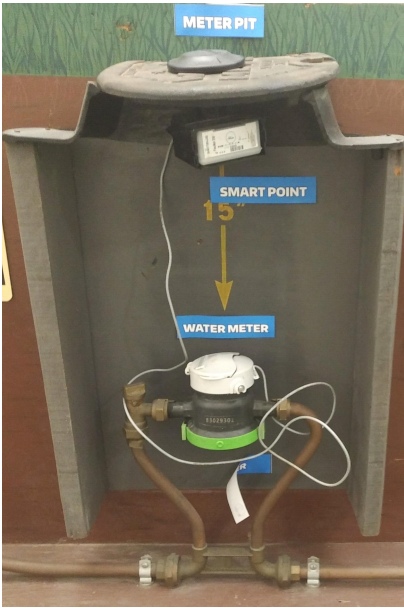
AC-23114

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 2023 Budget

DISTRIBUTION DIVISION Replace

Project Description

2023 Transmission & Distribution Funding

Year

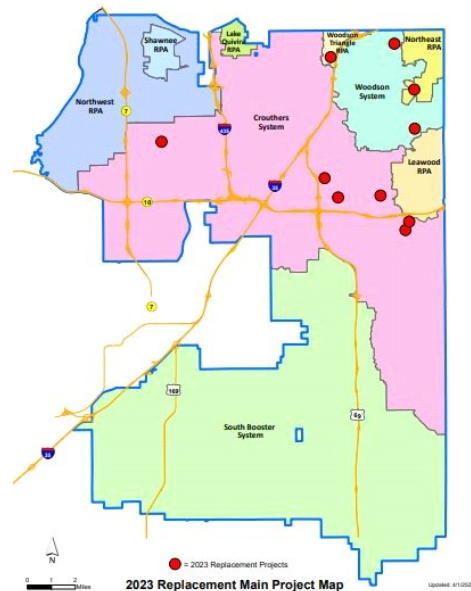
2023

Project

RV-23001

Plan

\$23,980,000



Justification

Replacements - \$12,460,000; Main Breaks - \$5,120,000; General Improvement - \$3,600,000; ; Relocations - \$1,500,000; TM Capital - \$700,000; Condition Assessment - \$600,000

Project Description

Radio Detection Locators x 4

Year

2023

Project

AC-23116

Plan

\$33,507

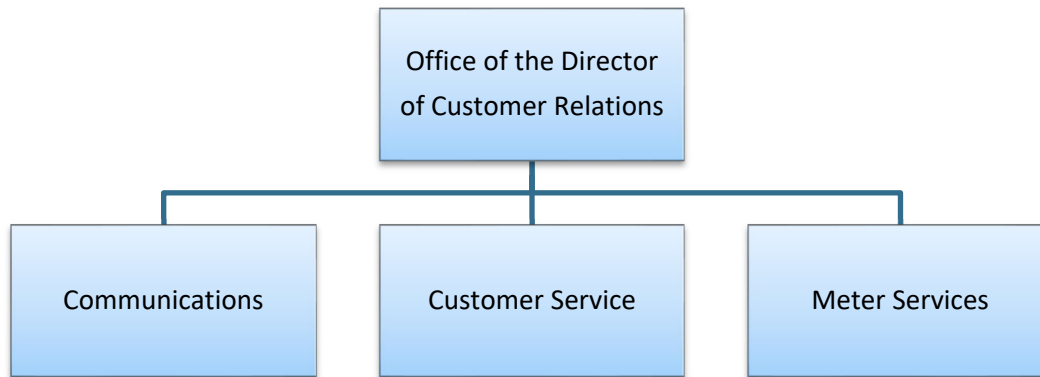


Justification

Locating staff are currently utilizing older model locators that are only capable of locating by traditional methods on metal mains and tracer wire. WaterOne's current standard is to include Radio Frequency Identification (RFID) markers with all new main installation. As these markers gain prevalence within the distribution system, staff will need additional locators capable of reading RFID markers. Although the Distribution division currently has 14 locators that are capable of reading RFID markers, these are also older models that have experienced performance issues. These older model locators have an expected useful life of 8-10 years and it is estimated that the new models will last for at least 10 years. The plan is to phase-in 10 of the newer locators over three years. This project is for the purchase of 4 units in 2023.

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 high bill courtesy checks and stuck meter investigations. It also ensures the operability and accuracy of meters through an annual meter testing program, responding to pressure checks, leak investigations, control reads for automated meters, and systematic meter infrastructure maintenance and replacement.

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

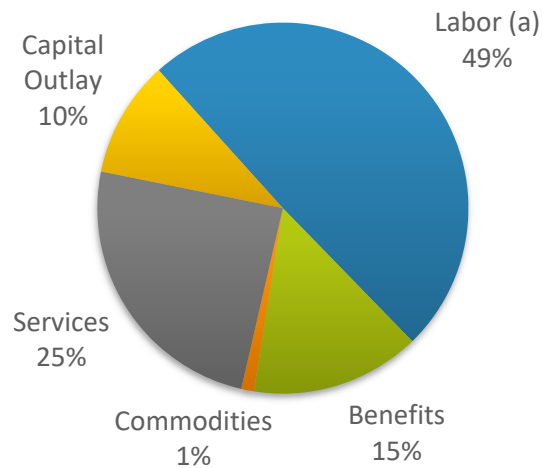
Division Objective

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 “2023 Operational Goals By Division”. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

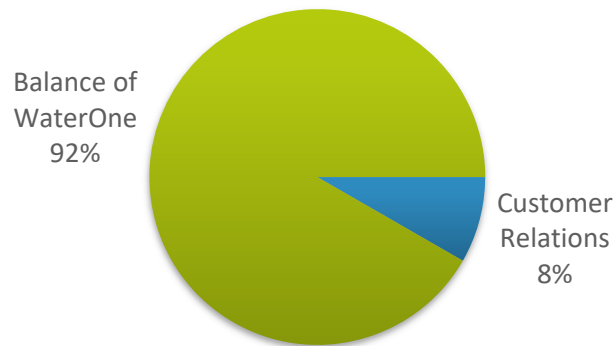
	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,874,271	\$2,943,563	\$3,113,003	\$169,440	5.8%
Benefits	1,011,634	906,005	931,090	25,085	2.8%
<i>Personnel Costs</i>	\$3,885,905	\$3,849,568	\$4,044,093	\$194,525	5.1%
Commodities	44,629	69,115	69,715	600	0.9%
Services	1,518,632	1,588,199	1,547,724	<40,475>	<2.5%>
Transfers	<157,584>	<89,244>	<101,462>	<12,219>	13.7%
Total O&M	\$5,291,582	\$5,417,639	\$5,560,069	\$142,431	2.6%
Capital Outlay	977,821	591,481	640,640	49,159	8.3%
Total	\$6,269,403	\$6,009,120	\$6,200,709	\$191,590	3.2%

Numbers may not add due to rounding.

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,827,366	\$2,918,644	\$3,086,614	\$167,970	5.8%
Labor – OT	56,156	24,919	26,389	1,470	5.9%
Benefits	1,011,634	906,005	931,090	25,084	2.8%
AMI Services	537,432	537,432	537,432	0	0.0%
Water Billing Services	442,633	459,327	472,120	12,793	2.8%
PC Software and Maintenance	90,715	130,467	136,492	6,025	4.6%
Subtotal	\$4,965,934	\$4,976,794	\$5,190,137	\$213,342	4.3%
All Other Accounts	483,233	530,089	471,395	<58,694>	<11.1%>
Less Transfers	<157,584>	<89,244>	<101,462>	<12,219>	13.7%
Total O&M	\$5,291,582	\$5,417,639	\$5,560,069	\$142,431	2.6%

Numbers may not add due to rounding.

CUSTOMER RELATIONS

CUSTOMER RELATIONS	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2022 Budget	41	-	3	44	42.35
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-
New Positions (2023)	-	-	-	-	-
Reclass/PT Hour Adj (2023)	-	-	-	-	-
Eliminations	-	-	-	-	-
2023 Budget	41	-	3	44	42.35

- a) Mid-Year Reclass/Transfers:
- b) Budgeted New Positions:
- c) Budgeted Reclass/PT Hour Adj:
- d) Eliminations:

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted.

Labor - OT

Overtime is used in the peak season for high bill checks and move in/move outs as well as during cold weather when meters tend to have issues due to low temperatures.

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.

AMI Services

The budget for Advanced Metering Infrastructure (AMI) includes all fees related to the network, software, data management, and customer portal for the year.

Water Billing Services

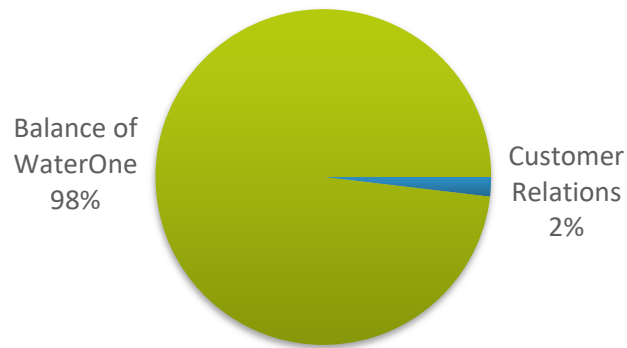
This account is for the outsourced printing and mailing of water bills. There are two items in this budget. The first is water bills, which include regular, corrected, and final bills. The second part of the budget is for dunning notices. The increase in budget is due to new contract terms and an increase in prices for consumables such as paper and ink.

PC Software and Maintenance

This budget reflects the maintenance charges of Notify JoCo, MyAccount, and Single Sign On for portals. The budget increase is due to additional support with online form-building and digital workflows.

Annual Capital

**Division in Relation to
Total WaterOne Annual Capital Budget**

**New**

none

Replacement / Refurbish

AC-23106	Annual Meter Replacement	\$599,541
AC-23501	Smart Point Replacements	41,100
Annual Capital - Replace / Refurbish		\$640,641
Total Annual Capital		\$640,641

Numbers may not add due to rounding

WaterOne 2023 Budget

CUSTOMER RELATIONS DIVISION

Replace

Project Description

Annual Meter Replacement

Year

2023

Project

AC-23106

Plan

\$599,541



Justification

This project is the annual program for the replacement of defective meters and meters that have reached the end of their useful life. This project is the normal replacement plan for all meters which is approximately 4,430 meters for 2023.

Project Description

Smart Point Replacements

Year

2023

Project

AC-23501

Plan

\$41,100

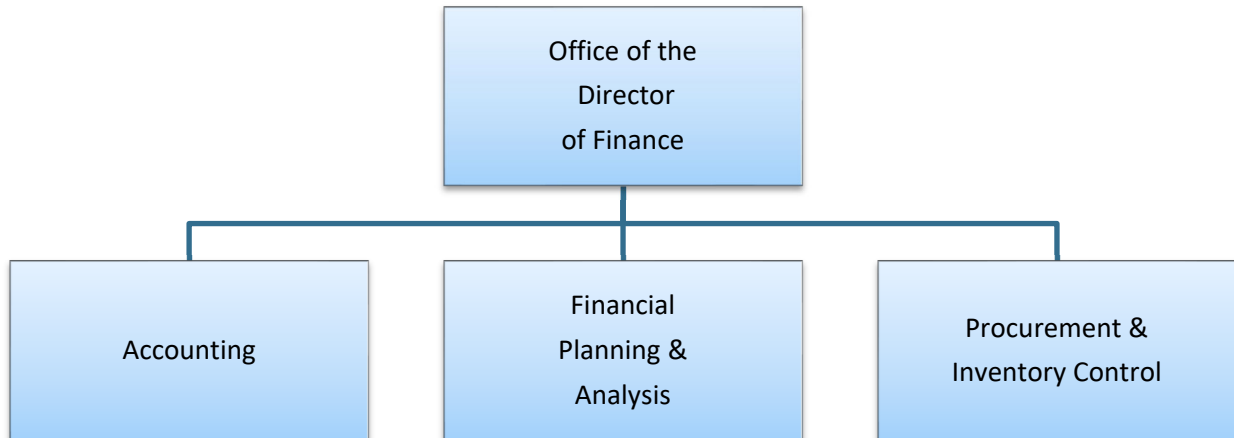


Justification

This project is the annual program for the replacement of AMI Smart Point devices that become damaged and are no longer under warranty. This budget includes approximately 360 Smart Point replacements.

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.

Procurement is responsible for the requisition of materials, supplies, and services for WaterOne. Inventory Control is responsible for warehousing, inventory management, the receipt and issuance of materials, and quality control. The department also administers the purchasing card program.

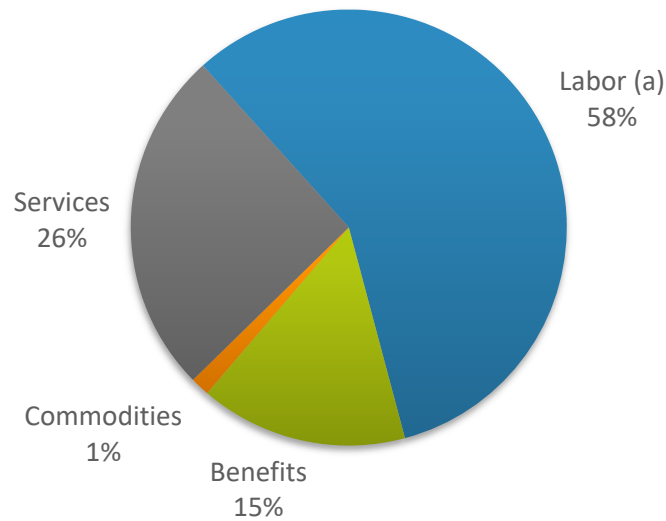
Division Objective

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 “2023 Operational Goals By Division” pages, under Finance. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

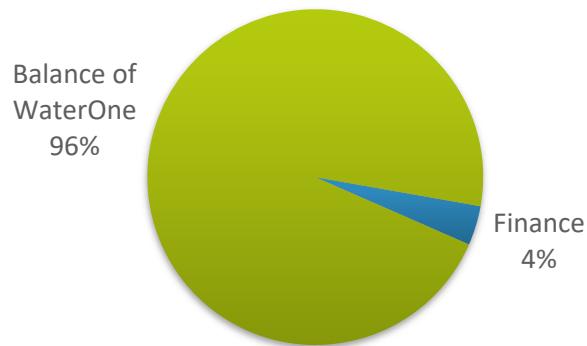
	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,733,055	\$1,760,616	\$1,891,795	\$131,179	7.5%
Benefits	525,508	489,811	503,651	13,840	2.8%
<i>Personnel Costs</i>	\$2,258,563	\$2,250,427	\$2,395,446	\$145,019	6.4%
Commodities	59,007	47,495	46,675	<820>	<1.7%>
Services	858,825	855,888	844,023	<11,865>	<1.4%>
Transfers	<746,087>	<800,792>	<758,389>	42,403	<5.3%>
Total O&M	\$2,430,307	\$2,353,018	\$2,527,755	\$174,737	7.4%
Capital Outlay	9,505	434,916	0	<434,916>	<100.0%>
Total	\$2,439,812	\$2,787,934	\$2,527,755	<\$260,179>	<9.3%>

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,694,141	\$1,757,416	\$1,880,295	\$122,879	7.0%
Benefits	525,508	489,811	503,651	13,840	2.8%
Clean Drinking Water Fee	575,976	593,675	586,952	<6,723>	<1.1%>
Special Assessment and Fees	74,655	96,882	85,666	<11,216>	<11.6%>
Checking Acct Service Fees	45,021	47,000	58,150	11,150	23.7%
Kitchen Supplies	32,516	35,000	35,000	0	0.0%
Bank Lockbox Fees	44,248	36,500	21,000	<15,500>	<42.5%>
Subtotal	\$3,003,966	\$3,086,684	\$3,193,514	\$106,830	3.5%
All Other Accounts	172,428	67,126	92,630	25,504	38.0%
Less Transfers	<746,087>	<800,792>	<758,389>	42,403	<5.3%>
Total O&M	\$2,430,307	\$2,353,018	\$2,527,755	\$174,736	7.4%

Numbers may not add due to rounding

FINANCE

FINANCE	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2022 Budget	20	-	-	20	20.0
Mid-Year Reclass/Transfers (2022)	--	--	--	--	--
New Positions (2023)	--	--	--	--	--
Reclass/PT Hour Adj (2023)	--	--	--	--	--
Eliminations	--	--	--	--	--
2023 Budget	20	-	-	20	20.0

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted. 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.

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.

Special Assessment and Fees

The special assessment and fees are assessed by local cities and counties for property taxes, wastewater fees, and stormwater fees. The decrease is due primarily to a reduction in the Johnson County wastewater fee.

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 fees for typical services that were established in a 2022 service agreement and the historical levels of utilization.

Kitchen Supplies

This budget is to purchase supplies used in kitchens and breakrooms by the entire organization. The budget is based on historical spending and is unchanged from the 2022 budget.

Bank Lockbox Fees

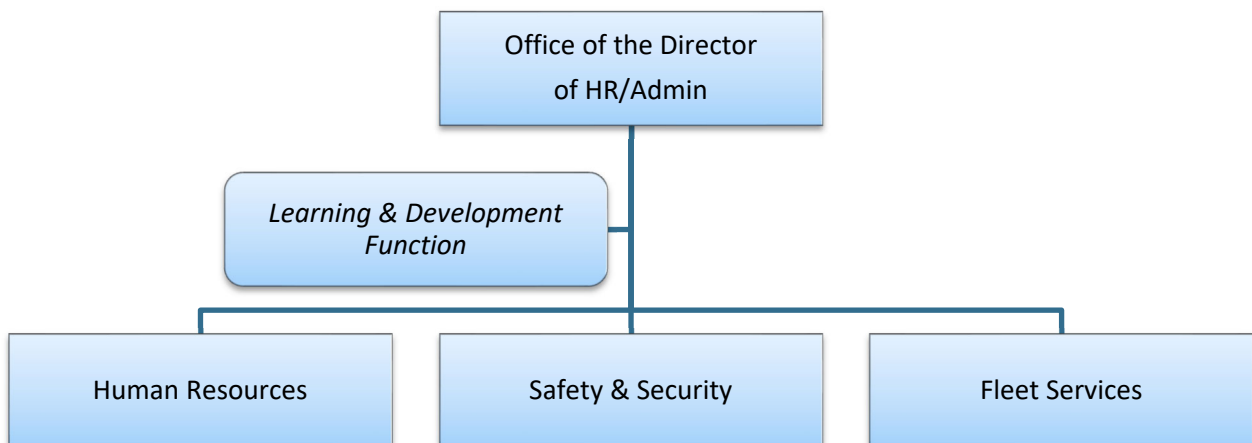
These are fees that are charged for data communication, imaging, and items deposited in the lockbox. Lockbox volumes continue to decline as electronic payment options are introduced and adopted. The budget is based on fees established in a service agreement in 2022 and anticipated lockbox volumes.

Annual Capital

This division has no capital requirements.

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 the development and implementation of safety and security programs to enhance and assure employee and public safety, protection of WaterOne and its related facilities. The department also manages the custodian function responsible for maintaining the cleanliness of WaterOne facilities.

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

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

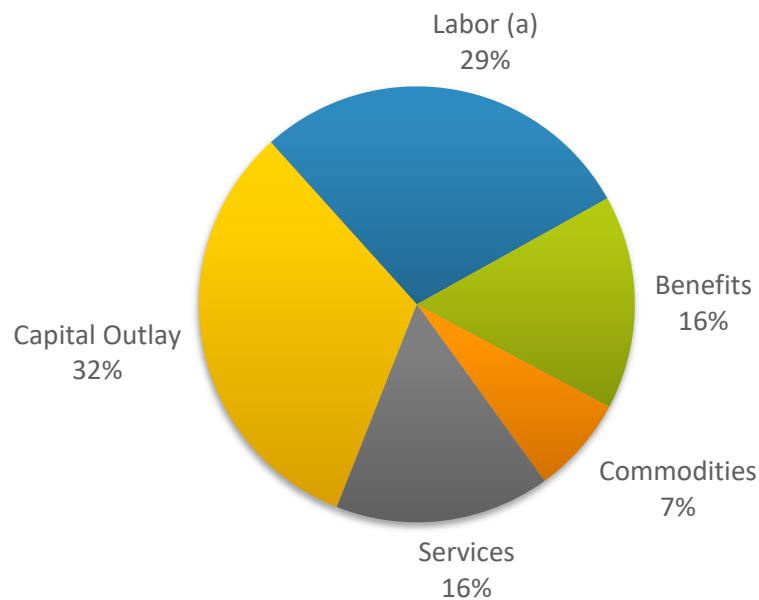
Division Objective

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

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2023 Operational Goals By Division”. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,295,084	\$2,570,408	\$2,804,793	\$234,385	9.1%
Benefits	1,073,695	1,267,090	1,447,924	180,834	14.3%
<i>Personnel Costs</i>	\$3,368,778	\$3,837,498	\$4,252,717	\$415,219	10.8%
Commodities	1,337,998	1,222,824	1,619,413	396,589	32.4%
Services	1,402,985	1,273,394	1,467,333	193,939	15.2%
Transfers	<954,749>	<1,086,189>	<1,141,772>	<55,583>	5.1%
Total O&M	\$5,155,013	\$5,247,527	\$6,197,691	\$950,164	18.1%
Capital Outlay	1,369,000	1,746,206	2,965,239	1,219,033	69.8%
Total	\$6,524,013	\$6,993,733	\$9,162,930	\$2,169,197	31.0%

Numbers may not add due to rounding.

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,184,609	\$2,511,408	\$2,735,893	\$224,485	8.9%
Labor - OT	105,454	59,000	68,900	9,900	16.8%
Benefits	1,073,695	1,267,090	1,447,924	180,834	14.3%
Inventory Withdrawals	647,106	587,997	836,847	248,850	42.3%
Material & Supplies	550,134	474,425	599,765	125,340	26.4%
Security	478,036	456,359	475,733	19,374	4.2%
Contracted Services	150,045	132,180	159,492	27,312	20.7%
P&L Insurance	148,782	158,908	158,666	<242>	<0.2%>
Vehicle Repair	87,262	81,500	94,469	12,969	15.9%
Training	89,034	100,400	75,300	<25,100>	<25.0%>
Non-Employee Overload	96,208	0	58,240	58,240	NA
Subtotal	\$5,610,365	\$5,829,267	\$6,711,229	\$881,962	15.1%
All Other Accounts	499,397	504,449	628,234	123,785	24.5%
Less Transfers	<954,749>	<1,086,189>	<1,141,772>	<55,583>	5.1%
Total O&M	\$5,155,013	\$5,247,527	\$6,197,691	\$950,164	18.1%

Numbers may not add due to rounding.

HUMAN RESOURCES/ADMINISTRATION

HUMAN RESOURCES/ADMINISTRATION	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2022 Budget	29	3	2	32	31.605
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-
New Positions (2023)	-	-	-	-	-
Reclass/PT Hour Adj (2023)	+1	-1	-	0	+0.375
Eliminations	-	-	-	-	-
2023 Budget	30	2	2	32	31.98

a

a) Budgeted Reclass/PT Hour Adj: PT to FT HR Administrative Assistant

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April), a 3% compensation study adjustment and \$85,000 for an increase in the employee bonus from \$200 to \$400 are budgeted. The budget includes one reclass from part time to full time position. See PERSONNEL tab for more information on budgeted additional personnel.

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 of this budget. Fuel represents the majority of the budget. The budgeted price per gallon for fuel increased from \$2.27 in 2022 to \$3.17 for 2023. 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

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 budget increase is primarily due to inflationary price increases for vehicle repair parts.

Security / Security Guards

This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. The budget increase is due to a negotiated increase in the current contracted hourly rates.

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. The Custodian function uses outside services for various cleaning tasks. Security uses outside consultants for security studies. The budget also includes the amortization of the America's Water Infrastructure Act (AWIA) project. 2023 will be the third year of a five-year amortization. The budget increase is due to additional contracted services related to Diversity, Equity and Inclusion.

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 2022 will be in effect for the first half of the 2023 budget. The budget includes an estimated 3% projected increase in premiums for the second half of 2023. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

Vehicle Repair Services

This account is for outsourced repair of WaterOne vehicles that cannot be completed in-house. Budget increase is due to inflationary increases in the cost of repairs.

Training

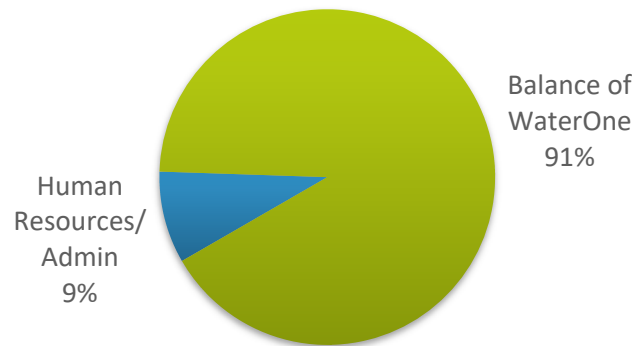
This account is for seminars, conferences, or continuing education training opportunities that provide staff with the knowledge they need to perform their job. The budget decrease is a true-up to the overall training budget related to a decrease in travel and an increase in on-line training.

Non-Employee Overload

A non-employee overload custodian is budgeted for coverage when employees are out on vacation and sick leave and to help cover normal and unanticipated duties on a daily basis.

Annual Capital

Division in Relation to
Total WaterOne Annual Capital Budget



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

New

AP-23500	2 Ton Service Body (Valve Rep Crew)	\$273,628
AF-23091	Dump Truck - CMVS	195,449
AP-23504	Mini Excavator (Valve Rep Crew)	158,593
AP-23501	Mini Excavator (Valve Rep Crew)	158,593
AC-23113	Valve Operators for Crew Trucks	109,451
AP-23506	Foreman Truck (Valve Rep Crew)	89,348
AP-23505	Foreman Truck (Valve Rep Crew)	89,348
AP-23503	Breaker (Valve Rep Crew)	42,440
AP-23502	Equipment Trailer (Valve Rep Crew)	37,973
Annual Capital - New		\$1,154,823

HUMAN RESOURCES/ADMINISTRATION

Replacement / Refurbish

AF-23300	Light Duty Fleet Program	\$614,268
AF-23301	Hydro Excavator (Repl 5301) CMVS	586,347
AF-23476	Backhoe (Repl 7476) CMVS	156,359
AF-23710	Dump Truck (Repl 4710) CMVS	106,101
AF-23562	Hydraulic Breaker (Repl 7652) CMVS	106,101
AF-23529	Skidsteer Track 92 HP (Repl 7529) CMVS	104,984
AF-23528	Skidsteer Track 92 HP (Repl 7528) CMVS	104,984
AF-23303	Off Road Utility Vehicle (Repl 7303) FM	31,272
Annual Capital - Replace / Refurbish		\$1,810,416
Total Annual Capital		\$2,965,239

Numbers may not add due to rounding

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

2 Ton Srv Body (Valve Rep Crew)

Year

2023

Project

AP-23500

Plan

\$273,628



Justification

Two new valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created these new crews using existing authorized headcount. This project will provide the crews with the equipment needed to efficiently complete its work.

Project Description

Dump Truck - CMVS

Year

2023

Project

AF-23091

Plan

\$195,449



Justification

This will be an additional dump truck that will be purchased in lieu of a crane truck (unit 6090) that has met both the age and hours run requirements for replacement. Utilizing a Dump Truck similar to unit 4710 instead of another Crane Truck will better fit the scope of the work needed moving forward. Additionally, this will reduce purchasing cost significantly as the crane truck was estimated to cost \$400k.

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

Mini Excavator (Valve Rep Crew)

Year

2023

Project

AP-23501

Plan

\$158,593



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide a mini excavator for one crew to efficiently complete its work.

Project Description

Mini Excavator (Valve Rep Crew)

Year

2023

Project

AP-23504

Plan

\$158,593



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide a mini excavator for a second crew to efficiently complete its work.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

Valve Operators for crew trucks

Year

2023

Project

AC-23113

Plan

\$109,451



Justification

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 fewer potential injuries to personnel. One of the leading causes of shoulder injuries is operating valves by hand. Valves that will not seat and are leaking through can be repetitively cycled quickly to get a positive shut-off instead of having to back up the valve which puts more customers out of service. This project will allow for the purchase of 4 truck mounted valve turners. The estimate useful life is 8-10 years.

Project Description

Foreman Truck (Valve Rep Crew)

Year

2023

Project

AP-23505

Plan

\$89,348



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide a Foreman's truck for one crew to efficiently complete its work.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

Foreman Truck (Valve Rep Crew)

Year

2023

Project

AP-23506

Plan

\$89,348



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide a Foreman's truck for a second crew to efficiently complete its work.

Project Description

Breaker (Valve Rep Crew)

Year

2023

Project

AP-23503

Plan

\$42,440



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide the crews with the equipment needed to efficiently complete its work.

HUMAN RESOURCES & ADMINISTRATION DIV
New

Project Description

Equipment Trailer (Valve Rep Crew)

Year

2023

Project #

AP-23502

Plan

\$37,973



Justification

Two valve replacement crews were created through a mid-year reorganization in the Distribution Division. The reorganization created the new crews using existing authorized headcount. This project will provide the crews with the equipment needed to efficiently complete its work.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Light Duty Fleet Program

Year

2023

Project

AF-23300

Plan

\$614,268



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.

Project Description

Hydro Excavator (Repl 5301) CMVS

Year

2023

Project

AF-23301

Plan

\$586,347



Justification

WaterOne's Fleet Replacement Standard for Heavy Trucks is 15 years and 9,000 hours. Unit 5301 is 9 years old with 10,212 hours as of 4/2022. The hours criteria will be met in 2023. This unit is experiencing rising O&M costs and has limited operating ability in higher temperatures. The replacement unit will be configured similarly.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Backhoe (Repl 7476) CMVS

Year

2023

Project

AF-23476

Plan

\$156,359



Justification

WaterOne's Fleet Replacement Standard for Construction Equipment is 9 years and 4,500 hours. This unit is 15 years old and has 4,191 hours as of 4/2022. This unit will meet both criteria. Replacement unit will be configured the same.

Project Description

Hydraulic Breaker (Repl 7562) CMVS

Year

2023

Project

AF-23562

Plan

\$106,101



Justification

WaterOne's Fleet Replacement Standard for Construction Equipment is 9 years and 4,500 hours. This equipment does not have an hours meter but will be 21 years old at time of replacement.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Dump Truck (Repl 4710) CMVS

Year

2023

Project

AF-23710

Plan

\$106,101



Justification

WaterOne's Fleet Replacement Standard for Medium Trucks is 12 years and 120,000 miles. This unit is 6 years old with 110,782 miles as of 4/2022. The mileage criteria will be met in 2023 but not the age criteria. Replacement unit will be configured the same.

Project Description

Skidsteer Track 92 HP (Repl 7528) CMVS

Year

2023

Project

AF-23528

Plan

\$104,984



Justification

WaterOne's Fleet Replacement Standard for Construction Equipment for Skid Steers is 5 years and 2,500 hours. This unit is 4 years old and has 1,962 hours as of 4/2022. Both criteria will be met in 2023. The replacement unit will be configured the same.

WaterOne 2023 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Skidsteer Track 92 HP (Repl 7529) CMVS

Year

2023

Project

AF-23529

Plan

\$104,984



Justification

WaterOne's Fleet Replacement Standard for Construction Equipment for Skid Steers is 5 years and 2,500 hours. This unit is 4 years old and has 1,855 hours as of 4/2022. Both criteria will be met in 2023. The replacement unit will be configured the same.

Project Description

Off Road Utility Vehicle (Repl 7303) FM

Year

2023

Project

AF-23303

Plan

\$31,272

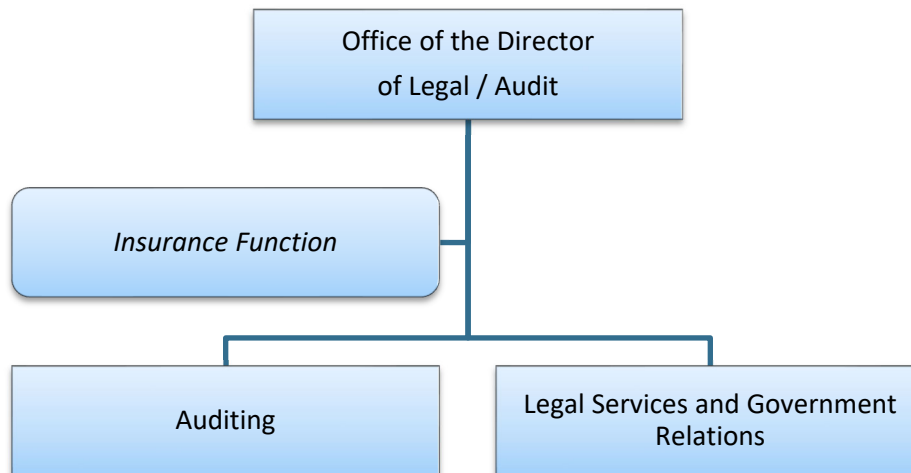


Justification

WaterOne's Fleet Replacement Standard for Construction Equipment is dependent on the type of equipment. Off-road utility vehicles do not have a defined replacement standard. The minimal standard for construction equipment is equipment age of 5 years and 2,500 hours. This unit is 14 years old with 2,657 hours as of 4/2022. The age and hours criteria will be met. The replacement unit will be configured similarly.

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 and Regulations and its 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.

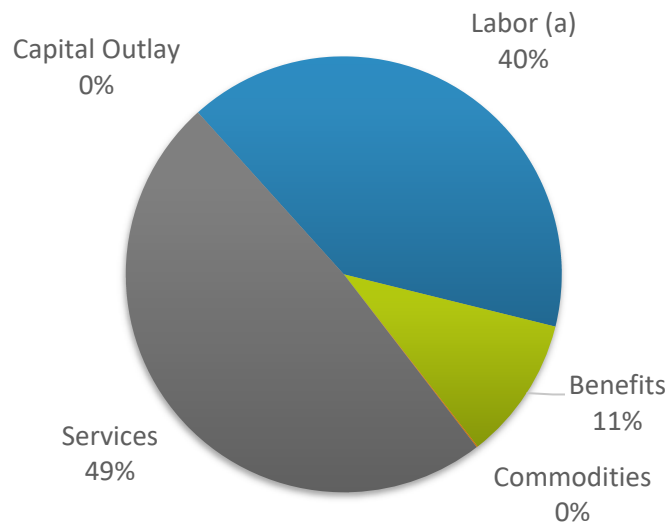
Division Objective

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 “2023 Operational Goals By Division”. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$934,047	\$991,530	\$1,083,755	\$92,225	9.3%
Benefits	294,103	271,703	283,919	12,216	4.5%
<i>Personnel Costs</i>	\$1,228,149	\$1,263,233	\$1,367,674	\$104,441	8.3%
Commodities	1,186	2,660	2,300	<360>	<13.5%>
Services	849,478	1,104,555	1,304,104	199,549	18.1%
Transfers	<209,586>	<205,295>	<204,462>	833	<0.4%>
Total O&M	\$1,869,228	\$2,165,153	\$2,469,615	\$304,463	14.1%
Capital Outlay	0	0	0	0	NA
Total	\$1,869,228	\$2,165,153	\$2,469,615	\$304,463	14.1%

Numbers may not add due to rounding

a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$921,977	\$991,530	\$1,083,755	\$92,225	9.3%
Benefits	294,103	271,703	283,919	12,216	4.5%
Property & Liability Insurance	696,153	801,388	914,656	113,268	14.1%
Contracted Services	5,611	115,540	216,512	100,972	87.4%
Property & Liability - Self Ins.	40,011	60,000	50,000	<10,000>	-16.7%
Subtotal	\$1,957,854	\$2,240,161	\$2,548,842	\$308,681	13.8%
All Other Accounts	120,960	130,287	125,236	<5,051>	<3.9%>
Less Transfers	<209,586>	<205,295>	<204,462>	833	<0.4%>
Total O&M	\$1,869,228	\$2,165,153	\$2,469,615	\$304,463	14.1%

Numbers may not add due to rounding

LEGAL / AUDIT	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2022 Budget	10	-	1	11	10.25
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-
New Positions (2023)	-	-	-	-	-
Reclass/PT Hour Adj (2023)	-	-	-	-	-
Eliminations	-	-	-	-	-
2023 Budget	10	-	1	11	10.25

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted.

Employee Benefits (Transferred)

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

Property & Liability Insurance

The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, and broker fees. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2022 will be in effect for the first half of the 2023 budget. The budget includes 3% projected premium increases for the second half of 2023. The increase is based on loss ratio and market conditions. The budget does not include auto coverage which is budgeted in Fleet.

Contracted Services

This budget is for consulting services for an Information Security Officer. The increase in 2023 is due to expanding the utilization of the consultant from six months to a full year. This consulting position will provide a variety of services related to information security such as develop policies and procedures, recommend best practices, and act as an arbitrator between IT and its customers.

Property & Liability - Self Insurance

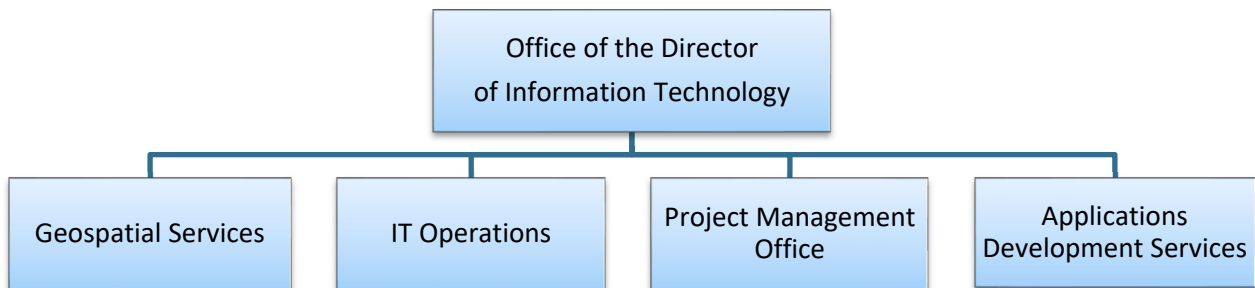
This budget provides for deductibles and claims that are not covered by insurance. Claims can vary significantly from year to year.

Annual Capital

This division has no capital requirements.

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 IT Operations 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 Development Services Department is the selection, development, and support services for all PC-based software for the organization. The focus is on the support services required for SAP Enterprise Resource Planning (ERP) products directly related to WaterOne's core business functions.

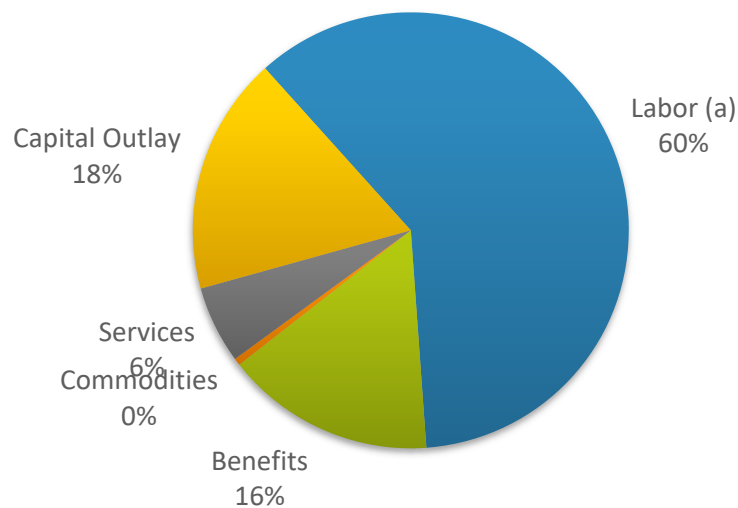
Division Objective

The Information Technology Division is committed to providing innovative, secure, reliable technology services to WaterOne's divisions and WaterOne's customers. The IT Division also promotes and fosters 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 “2023 Operational Goals By Division”. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports.

Expenditures by Major Category



Net of Transfers

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,844,850	\$3,419,855	\$3,751,489	\$331,634	9.7%
Benefits	909,274	877,718	963,995	86,277	9.8%
<i>Personnel Costs</i>	\$3,754,123	\$4,297,573	\$4,715,484	\$417,911	9.7%
Commodities	49,554	33,775	32,350	<1,425>	<4.2%>
Services	2,703,716	3,212,194	3,568,649	356,455	11.1%
Transfers	<845,151>	<749,027>	<932,713>	<183,686>	24.5%
Total O&M	\$5,662,243	\$6,794,515	\$7,383,770	\$589,255	8.7%
Capital Outlay	1,205,949	2,624,566	1,092,829	<1,531,737>	<58.4%>
Total	\$6,868,192	\$9,419,081	\$8,476,599	<\$942,482>	<10.0%>

Numbers may not add due to rounding

(a) Labor consists of wages and salaries (including overtime).

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2023 Significant Cost Elements are described below.

	2021 Actual	2022 Budget	2023 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,804,428	\$3,414,855	\$3,744,489	\$329,634	9.7%
Benefits	909,274	877,718	963,995	86,277	9.8%
PC Software License & Maintenance	1,553,149	1,941,163	2,039,721	98,558	5.1%
Telecom	451,968	562,480	731,680	169,200	30.1%
Contracted Services	253,440	327,427	379,025	51,598	15.8%
IT Hardware Maintenance	139,907	173,777	273,000	99,223	57.1%
Subtotal	\$6,112,166	\$7,297,420	\$8,131,910	\$834,490	11.4%
All Other Accounts	395,228	246,122	184,573	<61,549>	<25.0%>
Less Transfers	<845,151>	<749,027>	<932,713>	<183,686>	24.5%
Total O&M	\$5,662,243	\$6,794,515	\$7,383,770	\$589,255	8.7%

Numbers may not add due to rounding

INFORMATION TECHNOLOGY	Full Time	Part Time	Summ/Temp	Headcount	FTE
2022 Budget	32	-	1	33	32.25
Mid-Year Reclass/Transfers (2022)	-	-	-	-	-
New Positions (2023)	+2	-	-	+2	+2
Reclass/PT Hour Adj (2023)	-	-	-	-	-
Eliminations	-	-	-	-	-
2023 Budget	34	-	1	35	34.25

a) Budgeted New Positions: FT Application Developer Programmer Analyst; FT GIS Application Developer Analyst

Gross Labor (Non-Overtime)

A 4.0% performance merit increase (effective in April) and a 3% compensation study adjustment are budgeted. The budget includes two additional full time authorized positions. 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. This account covers WaterOne's software licenses and maintenance on that software. The budget increase is primarily due to an expansion of the current environment for data center virtualization related to SCADA, an increase in the contract for ESRI, and the addition of Single Sign On software as a service.

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 increase is due to required circuit changes to replace old technology, and separating SCADA and business in the WAN.

Contracted Services

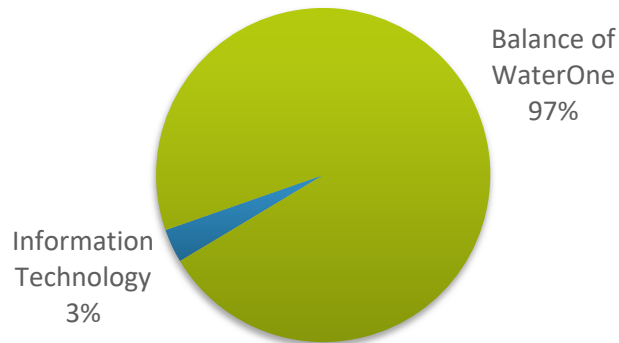
Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. WaterOne contracts for various services including backup SAP basis administration support, functional consulting services for SAP, GIS and Microsoft projects, network monitoring, and implementation of new software. The budget increased due to additional hours budgeted for SharePoint functional and technical support and applications development support.

IT Hardware Maintenance

This account is for the recurring maintenance contracts for network hardware. The budget increase is due to servers for SCADA, primary backup and immutable backup for the IT environment.

Annual Capital

Division in Relation to
Total WaterOne Annual Capital Budget



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

New

AC-23801	Drone Infrared and LiDAR Cameras	\$17,870
Annual Capital - New		\$17,870

Replacement / Refurbish

AC-23102	PC Replacement Program	\$386,989
AC-23150	System Upgrades and Enhancements	223,370
AC-23014	GIS Upgrades and Enhancements	111,685
AC-23777	SCADA Hardware Refresh	111,685
AC-23900	Network Upgrades	100,518
AC-23139	Server Replacement Program	78,180
AC-23105	Printer Replacement Program	44,674
AC-23301	GPS Receiver Replacement	17,858
Annual Capital - Replace/Refurbish		\$1,074,959
Total Annual Capital		\$1,092,829

Numbers may not add due to rounding

Master Plan

Other Facilities

MP-22800	Enterprise Resource Planning Upgrade	\$	5,725,558
		Other Facilities	\$ 5,725,558
Total Master Plan (Award Basis)		\$	5,725,558
Total Capital		\$	6,818,387

INFORMATION TECHNOLOGY DIVISION

New

Project Description

Drone Infrared and LiDAR Cameras

Year

2023

Project

AC-23801

Plan

\$17,870

Justification

This project will build onto and extend WaterOne's Enterprise Drone Program capabilities. Drone technology and data capture technology continue to advance and are helping water utilities, like WaterOne, capture new data for analysis and decision making. In 2023, WaterOne will purchase an Infrared camera to mount onto the drone to assist in the identification and detection of water leaks. Additionally, in 2023, WaterOne will purchase a LiDAR camera to mount onto the drone to improve surface topography data to create contours and surface terrain models to facilitate project planning and engineering design.



INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

PC Replacement Program

Year

2023

Project

AC-23102

Plan

\$386,989



Justification

This project is for the replacement of laptops and PCs as well as the docking stations and peripheral devices needed for a new workstation. In addition to current staff that utilize these computers and require them to be replaced as they reach the end of their useful life, there are also needs for computers due to SCADA, GPS units, treatment plant instrumentation devices, kiosks, and meeting rooms. Currently there are 550 computers that rotate through a four-year replacement cycle.

Project Description

System Upgrades and Enhancements

Year

2023

Project

AC-23150

Plan

\$223,370



Justification

This is the annual program to upgrade and enhance SAP for end users. The upgrades and enhancements will include GIS integrations, process improvements in SAP, UX/UI (User Experience/User Interface) improvements in SAP and making data from SAP accessible to outside processes.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

GIS Upgrades and Enhancements

Year

2023

Project #

AC-23014

Plan

\$111,685



Justification

This program is to support upgrades and enhancements to WaterOne's enterprise GIS. The budgeted items consist of hardware, applications, application development and implementation needs for enterprise GIS capabilities in response to business requirements. Projects included in the program are data collection and mapping of facility water production assets, building and improving integrations with SAP, AMI, SharePoint and other applicable business systems as well as projects centered around data analytics and visualizations.

Project Description

SCADA Hardware Refresh

Year

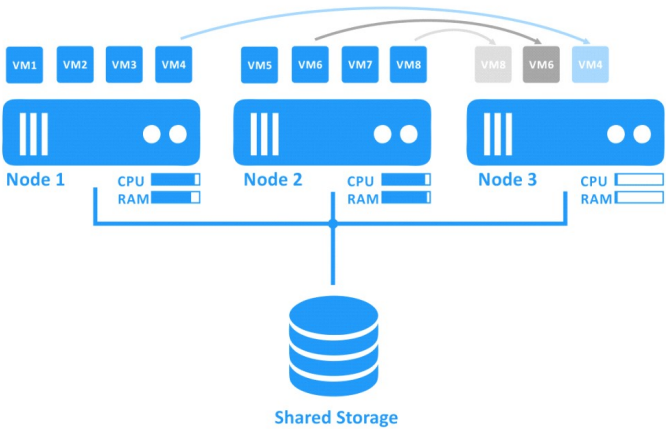
2023

Project #

AC-23777

Plan

\$111,685



Justification

Access switches are the means by which employees access our network and are located throughout our facilities. There are over 100 of these in total with an expected useful life of 5-7 years. A portion of them are budgeted for replacement annually and adding access switches into new locations is regularly necessary. This project is for 15 access switches.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Network Upgrades

Year

2023

Project

AC-23900

Plan

\$100,518



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

2023

Project

AC-23139

Plan

\$78,180



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.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Printer Replacement Program

Year

2023

Project

AC-23105

Plan

\$44,674



Justification

Annual program to replace printers that are technically deficient, functionally obsolete, or likely to fail. The number of printers replaced per year varies based on existing needs and the typical useful life of a printer is 5+ years.

Project Description

GPS Receiver Replacement

Year

2023

Project

AC-23301

Plan

\$17,858



Justification

This project is to replace the final two GPS receivers. Over the past three years, WaterOne has been replacing the GPS Receivers as the receivers are at the end of their useful life. This project is the last of the replacements. These receivers are used by maintenance crews, construction crews and construction inspectors to collect accurate locations of newly constructed or repaired assets before they are buried or covered by other structures. Project engineers use these receivers to determine precise locations that aid in engineering design for future projects. WaterOne has a total of 29 receivers. The two GPS receivers being replaced will be 7 years-old. The expected life of GPS receivers is 5 years.

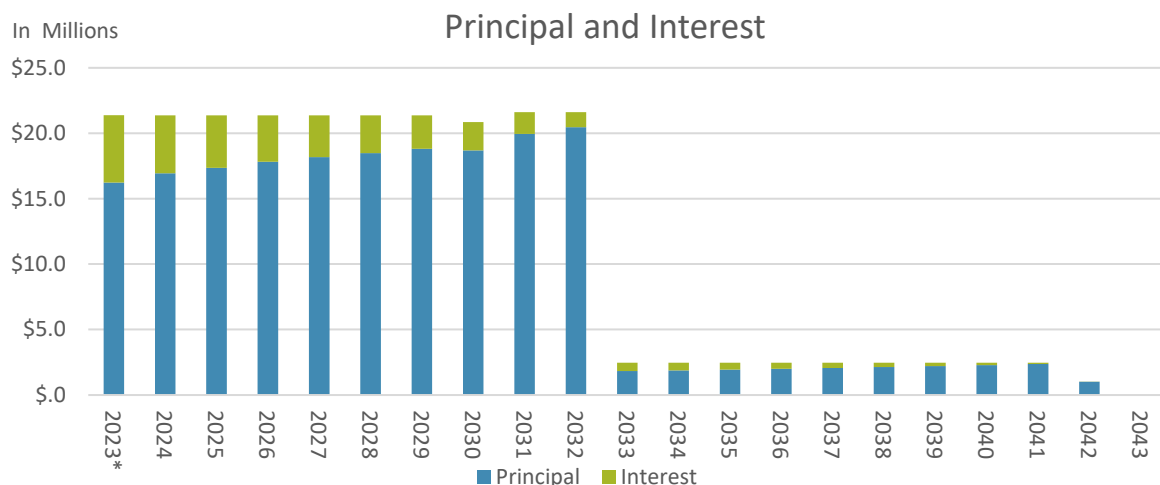
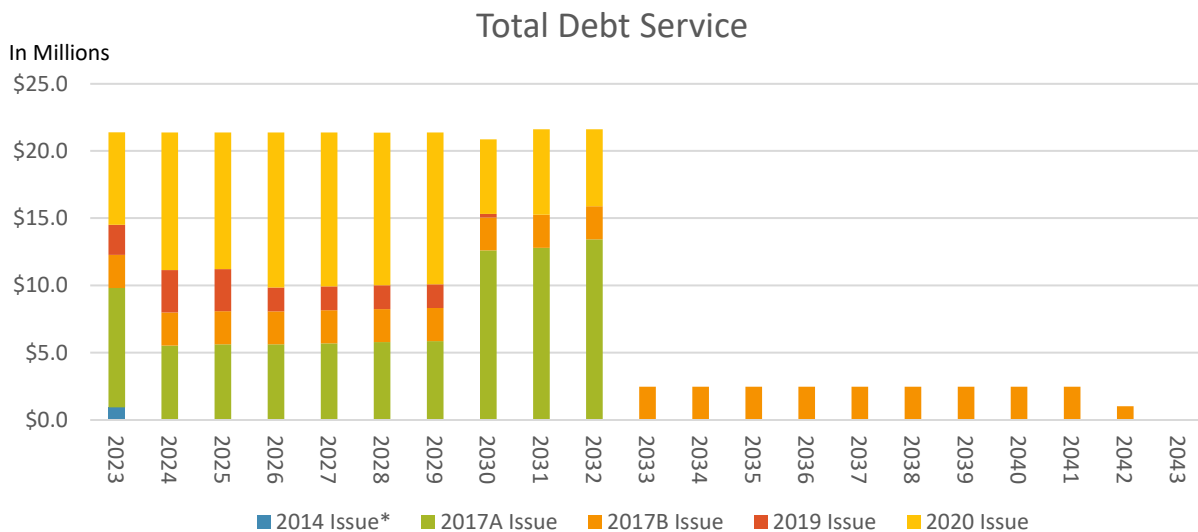
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Debt Service

In 2023, WaterOne will be responsible for paying the debt service on its outstanding Parity Bonds (Series 2014, 2017A, 2017B, 2019 and 2020).

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.

WaterOne's debt issues are rated highly by Standard and Poor's and Moody's as shown on the Summary of Outstanding Principal Amounts schedule. WaterOne's 2021 debt ratio is 17.3%.



*the final debt service in 2023 reflects use of the balance of the 2014 Bond Reserve Fund

DEBT FUNDING

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

Water Revenue Bonds, Series 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. All bonds maturing January 1, 2024 were advanced refunded with the Series 2020 Bonds. Bonds maturing through July 1, 2023 remain outstanding as reflected below.

Original Amount of Bonds issued	\$86,350,000
Outstanding Bonds on Jan. 1, 2023	5,180,000
Debt Service Requirement for 2023	5,405,400
Funding in 2023 for Principal to be Retired	5,180,000
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. The original 2007 Bonds were issued for the purpose of funding Master Plan projects which included the Wolcott Treatment Plant and the associated distribution system improvements necessary to deliver additional capacity.

Original Amount of Bonds issued	\$110,205,000
Outstanding Bonds on Jan. 1, 2023	68,220,000
Debt Service Requirement for 2023	8,879,500
Funding in 2023 for Principal to be Retired	6,640,000
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 Facilities.

Original Amount of Bonds issued	<u>\$40,105,000</u>
Outstanding Bonds on Jan. 1, 2023	<u>35,110,000</u>
Debt Service Requirement for 2023	<u>2,461,831</u>
Funding in 2023 for Principal to be Retired	<u>1,295,000</u>
First Callable Maturity	<u>1/1/2027</u>
True Interest Cost (TIC) at time of original bond issue	<u>3.0565%</u>

Water Revenue Refunding Bonds, Series 2019

The 2019 Series Bonds were issued on December 10, 2019 for the purpose of refunding \$21,770,000 of the 2010 Series Bonds. The 2019 refunding is resulted in a savings of approximately \$2.46 million over 10 years. The original 2010 Bonds were issued for the purpose of funding Master Plan projects which included the Nall Avenue Pump Station and associated distribution system improvements and completing the Wolcott Treatment Plant.

Original Amount of Bonds issued	<u>\$18,610,000</u>
Outstanding Bonds on Jan. 1, 2023	<u>13,920,000</u>
Debt Service Requirement for 2023	<u>2,233,600</u>
Funding in 2023 for Principal to be Retired	<u>1,710,000</u>
First Callable Maturity	<u>1/1/2027</u>
True Interest Cost (TIC) at time of original bond issue	<u>1.7294%</u>

Taxable Water Revenue Refunding Bonds, Series 2020

The 2020 Series Bonds were issued on November 19, 2020 for the purpose of refunding a portion of the of the 2014 Series Bonds in the amount of \$74,405,000. The 2020 refunding resulted in a savings of approximately \$4.6 million over 12 years. The original 2014 Bonds were issued for the purpose of funding Master Plan projects which included the Ralph G. Wyss Pump Station and associated distribution system improvements.

Original Amount of Bonds issued	<u>\$87,255,000</u>
Outstanding Bonds on Jan. 1, 2023	<u>84,600,000</u>
Debt Service Requirement for 2023	<u>6,877,905</u>
Funding in 2023 for Principal to be Retired	<u>5,880,000</u>
First Callable Maturity	<u>7/1/2030</u>
True Interest Cost (TIC) at time of original bond issue	<u>1.3664%</u>

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 includes two additional bond issues in the 5-year projected timeframe, in 2023 and 2024. Debt service for projected future bond issues is included in the WaterOne Financial Overview (WFO) schedule on the Debt Service Funding line (see 'Overview' section). The WFO shows the projected Net Bond Proceeds from the two projected bond issues at \$33 million in 2023 and \$37.5 million in 2024, found 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	2019 Bonds	2020 Bonds	Total Outstanding Bonds
Bond Ratings S&P/Moody's	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/NR	AAA/NR	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	102,565,000	39,605,000	-	-	250,855,000
2020	-	-	(refunded)	-	84,770,000	94,730,000	38,625,000	18,610,000	-	236,735,000
2021	-	-	-	-	9,210,000	86,295,000	37,510,000	17,130,000	87,172,857	237,317,857
2022	-	-	-	-	7,195,000	77,510,000	36,340,000	15,555,000	85,990,000	222,590,000
2023	-	-	-	-	5,180,000	68,220,000	35,110,000	13,920,000	84,600,000	207,030,000
2024	-	-	-	-	(adv. ref.)	61,580,000	33,815,000	12,210,000	78,720,000	186,325,000
2025	-	-	-	-	-	57,965,000	32,455,000	9,510,000	69,450,000	169,380,000
2026	-	-	-	-	-	54,075,000	31,025,000	6,725,000	60,195,000	152,020,000
2027	-	-	-	-	-	49,995,000	29,525,000	5,195,000	49,485,000	134,200,000
2028	-	-	-	-	-	45,715,000	27,975,000	3,595,000	38,745,000	116,030,000
2029	-	-	-	-	-	41,255,000	26,395,000	1,935,000	27,965,000	97,550,000
2030	-	-	-	-	-	36,615,000	24,780,000	250,000	17,100,000	78,745,000
2031	-	-	-	-	-	25,100,000	23,120,000	-	11,835,000	60,055,000
2032	-	-	-	-	-	13,045,000	21,410,000	-	5,655,000	40,110,000
2033	-	-	-	-	-	-	19,645,000	-	-	19,645,000
2034	-	-	-	-	-	-	17,825,000	-	-	17,825,000
2035	-	-	-	-	-	-	15,950,000	-	-	15,950,000
2036	-	-	-	-	-	-	14,020,000	-	-	14,020,000
2037	-	-	-	-	-	-	12,030,000	-	-	12,030,000
2038	-	-	-	-	-	-	9,975,000	-	-	9,975,000
2039	-	-	-	-	-	-	7,845,000	-	-	7,845,000
2040	-	-	-	-	-	-	5,640,000	-	-	5,640,000
2041	-	-	-	-	-	-	3,360,000	-	-	3,360,000
2042	-	-	-	-	-	-	1,000,000	-	-	1,000,000
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-

Bond Ratings and Debt Service Coverage Ratio

The strong financial position of WaterOne is shown by the assigned ratings from Standard & Poor's and Moody's, as listed above.

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.

[https://wateroneks.sharepoint.com/teams/FPA_Team/Budget/2023 Budget/BOARD Draft/16-Debt Funding/\[DSSCHD 2023.xlsx\]Debt Service](https://wateroneks.sharepoint.com/teams/FPA_Team/Budget/2023 Budget/BOARD Draft/16-Debt Funding/[DSSCHD 2023.xlsx]Debt Service)

DEBT SERVICE - TOTAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(b) 2014 Bonds	2017A Bonds	(a) 2017B Bonds	2019 Bonds	(b) 2020 Bonds	Total All Bonds
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2017 (a) .	14,990,123	1,608,175	2,456,138	623,213	3,775,244	546,331	35,714	-	-	24,034,938
2018 (a) .	(refunded)	844,550	2,472,638	1,210,950	3,383,144	12,074,860	464,286	-	-	20,450,428
2019 (a) .	-	-	2,465,213	1,186,500	3,378,644	11,791,750	1,677,666	-	-	20,499,773
2020 ...	-	-	(refunded)	-	2,938,997	12,000,000	2,459,956	2,232,978	170,827	19,802,759
2021 ...	-	-	-	-	2,361,300	11,928,250	2,458,456	2,227,000	2,217,732	21,192,738
2022 ...	-	-	-	-	2,300,850	11,994,000	2,459,206	2,224,000	2,392,944	21,371,000
2023 ...	-	-	-	-	5,405,400	8,879,500	2,461,831	2,233,600	6,877,905	25,858,236
2024 ...	-	-	-	-	(adv. ref.)	5,522,500	2,461,456	3,155,200	10,230,751	21,369,908
2025 ...	-	-	-	-	-	5,616,750	2,462,456	3,132,200	10,156,698	21,368,104
2026 ...	-	-	-	-	-	5,612,250	2,460,081	1,765,800	11,529,494	21,367,625
2027 ...	-	-	-	-	-	5,684,850	2,461,131	1,774,600	11,448,593	21,369,174
2028 ...	-	-	-	-	-	5,778,625	2,459,597	1,770,600	11,356,768	21,365,589
2029 ...	-	-	-	-	-	5,858,900	2,459,081	1,757,400	11,292,348	21,367,729
2030 ...	-	-	-	-	-	12,598,450	2,458,463	255,000	5,545,423	20,857,335
2031 ...	-	-	-	-	-	12,793,000	2,458,288	-	6,361,823	21,613,110
2032 ...	-	-	-	-	-	13,421,350	2,461,838	-	5,731,353	21,614,540
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 ...	-	-	-	-	-	-	-	-	-	-
2044 ...	-	-	-	-	-	-	-	-	-	-

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

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

b) The 2020 debt service on the 2014 and 2020 Bonds is restated to actual debt service resulting from the 2020 advanced refunding

[https://wateroneks.sharepoint.com/teams/FPA_Team/Budget/2023 Budget/BOARD Draft/16-Debt Funding/\[DSSCHD 2023.xlsx\]Debt Service](https://wateroneks.sharepoint.com/teams/FPA_Team/Budget/2023 Budget/BOARD Draft/16-Debt Funding/[DSSCHD 2023.xlsx]Debt Service)

12-Sep-22

DEBT SERVICE - PRINCIPAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	2019 Bonds	2020 Bonds	Total All Bonds	Principal As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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 ...	-	-	(refunded)	-	1,155,000	8,435,000	1,115,000	1,480,000	82,143	12,267,143	61.95%
2021 ...	-	-	-	-	2,015,000	8,785,000	1,170,000	1,575,000	1,182,857	14,727,857	69.49%
2022 ...	-	-	-	-	2,015,000	9,290,000	1,230,000	1,635,000	1,390,000	15,560,000	72.81%
2023 ...	-	-	-	-	5,180,000	6,640,000	1,295,000	1,710,000	5,880,000	20,705,000	80.07%
2024 ...	-	-	-	-	(adv. ref.)	3,615,000	1,360,000	2,700,000	9,270,000	16,945,000	79.29%
2025 ...	-	-	-	-	-	3,890,000	1,430,000	2,785,000	9,255,000	17,360,000	81.24%
2026 ...	-	-	-	-	-	4,080,000	1,500,000	1,530,000	10,710,000	17,820,000	83.40%
2027 ...	-	-	-	-	-	4,280,000	1,550,000	1,600,000	10,740,000	18,170,000	85.03%
2028 ...	-	-	-	-	-	4,460,000	1,580,000	1,660,000	10,780,000	18,480,000	86.49%
2029 ...	-	-	-	-	-	4,640,000	1,615,000	1,685,000	10,865,000	18,805,000	88.01%
2030 ...	-	-	-	-	-	11,515,000	1,660,000	250,000	5,265,000	18,690,000	89.61%
2031 ...	-	-	-	-	-	12,055,000	1,710,000	-	6,180,000	19,945,000	92.28%
2032 ...	-	-	-	-	-	13,045,000	1,765,000	-	5,655,000	20,465,000	94.68%
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 ...	-	-	-	-	-	-	-	-	-	-	
2044 ...	-	-	-	-	-	-	-	-	-	-	

DEBT SERVICE - INTEREST

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	(a) 2017B Bonds	2019 Bonds	2020 Bonds	Total All Bonds	Interest As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2017 (a) .	5,373,457	168,175	1,011,138	53,213	3,195,244	403,474	-	-	-	10,204,699	42.46%
2018 (a) .	(refunded)	59,550	952,638	40,950	3,183,144	4,577,717	-	-	-	8,813,999	43.10%
2019 (a) .	-	-	895,213	16,500	3,178,644	3,956,750	697,666	-	-	8,744,772	42.66%
2020 ...	-	-	(refunded)	-	1,783,997	3,565,000	1,344,956	752,978	88,684	7,535,616	38.05%
2021 ...	-	-	-	-	346,300	3,143,250	1,288,456	652,000	1,034,875	6,464,881	30.51%
2022 ...	-	-	-	-	285,850	2,704,000	1,229,206	589,000	1,002,944	5,811,000	27.19%
2023 ...	-	-	-	-	225,400	2,239,500	1,166,831	523,600	997,905	5,153,236	19.93%
2024 ...	-	-	-	-	(adv. ref.)	1,907,500	1,101,456	455,200	960,751	4,424,908	20.71%
2025 ...	-	-	-	-	-	1,726,750	1,032,456	347,200	901,698	4,008,104	18.76%
2026 ...	-	-	-	-	-	1,532,250	960,081	235,800	819,494	3,547,625	16.60%
2027 ...	-	-	-	-	-	1,404,850	911,131	174,600	708,593	3,199,174	14.97%
2028 ...	-	-	-	-	-	1,318,625	879,597	110,600	576,768	2,885,589	13.51%
2029 ...	-	-	-	-	-	1,218,900	844,081	72,400	427,348	2,562,729	11.99%
2030 ...	-	-	-	-	-	1,083,450	798,463	5,000	280,423	2,167,335	10.39%
2031 ...	-	-	-	-	-	738,000	748,288	-	181,823	1,668,110	7.72%
2032 ...	-	-	-	-	-	376,350	696,838	-	76,353	1,149,540	5.32%
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 ...	-	-	-	-	-	-	-	-	-	-	
2044 ...	-	-	-	-	-	-	-	-	-	-	

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

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

**2023 Initial Forecast in 2022 Budget vs 2023 Budget
2023 Water Rate Increase = 5.8%**

	2023 Initial Forecast @ 4.1%	2023 Adopted Budget @ 5.8%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 OPERATING REVENUES:				
3 Sales of Water - Retail	\$ 129,186,157	\$ 131,339,514	\$ 2,153,357	1.7%
4 Sales of Water - Wholesale	160,995	163,817	2,822	1.8%
5 TOTAL SALES OF WATER	\$ 129,347,152	\$ 131,503,331	\$ 2,156,179	
6 Delayed Payment Charges	\$ 590,000	\$ 600,000	\$ 10,000	1.7%
7 Field Service Charges	368,000	370,000	2,000	0.5%
8 Other Operating Revenues	675,000	725,000	50,000	7.4%
9 TOTAL OTHER OPERATING REVENUES	\$ 1,633,000	\$ 1,695,000	\$ 62,000	3.8%
10 Investment Income (General and P&I Funds)	\$ 500,000	\$ 2,480,000	\$ 1,980,000	396.0%
11 Investment Income (Construction Fund)	-	-	-	N/A
12 Investment Income (SDC Fund)	70,000	-	(70,000)	-100.0%
13 TOTAL INVESTMENT INCOME	\$ 570,000	\$ 2,480,000	\$ 1,910,000	335.1%
14 TOTAL REVENUES PROVIDED	\$ 131,550,152	\$ 135,678,331	\$ 4,128,179	3.1%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 65,014,652	\$ 66,917,073	\$ 1,902,420	2.9%
17 Annual Capital	\$ 9,960,000	\$ 9,500,000	\$ (460,000)	-4.6%
18 T&D Funding	22,350,000	23,980,000	1,630,000	7.3%
19 TOTAL ANNUAL CAPITAL	\$ 32,310,000	\$ 33,480,000	\$ 1,170,000	3.6%
20 TOTAL DEBT SERVICE FUNDING	\$ 25,858,236	\$ 25,858,236	\$ -	0.0%
21 Master Plan Designated	\$ 7,327,263	\$ 7,503,022	\$ 175,759	2.4%
22 Investment Income (Construction & SDC Funds)	70,000	-	(70,000)	-100.0%
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 7,397,263	\$ 7,503,022	\$ 105,759	1.4%
25 Bond Covenant Required Reserves	\$ 970,000	\$ 1,510,000	\$ 540,000	55.7%
26 Negative Cash Flow Reserve	-	410,000	410,000	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 970,000	\$ 1,920,000	\$ 950,000	97.9%
28 TOTAL REVENUE REQUIREMENTS	\$ 131,550,152	\$ 135,678,331	\$ 4,128,179	3.1%
29 NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 66,535,500	\$ 68,761,258	\$ 2,225,759	3.4%
30 REQUIRED DEBT SERVICE (Ln 20)	\$ 25,858,236	\$ 25,858,236	\$ -	0.0%
31 DEBT SERVICE COVERAGE (Ln 29 / Ln 30)	2.57	2.66	0.09	
32 ADJUSTMENT TO WATER RATES	4.1%	5.8%	1.7%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2023
Based on a 5.8% Rate Increase

			2022 ADOPTED BUDGET	2023 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:					
1	INCREASED OPERATIONS & MAINTENANCE EXPENSES:		\$ 61,988,617	\$ 66,917,073	\$ 4,928,456
	Gross Payroll (Includes Overtime)	\$ 2,262,723 6.8%			
	Chemicals	\$ 1,081,439 20.7%			
	Non-Employee Overload	\$ 320,490 406.8%			
	Materials & Supplies	\$ 318,900 22.3%			
	Total Power	\$ 313,241 3.2%			
	Total Pension Accounts	\$ 201,469 5.3%			
	FICA	\$ 180,170 7.4%			
	Health Insurance	\$ 111,490 2.2%			
	Property & Liability Insurance	\$ 113,026 11.8%			
	Inventory Withdrawal (Includes Fuel)	\$ 87,375 10.3%			
	Other	\$ (61,866) -0.4%			
2	INCREASED CAPITAL:		\$ 30,140,000	\$ 33,480,000	\$ 3,340,000
	Annual Capital	\$ 50,000			
	T&D Funding	\$ 3,290,000			
3	INCREASED DEBT SERVICE FUNDING:		\$ 21,371,000	\$ 25,858,236	\$ 4,487,236
4	DECREASED TRANSFERS TO MASTER PLAN:		\$ 11,497,854	\$ 7,503,022	\$ (3,994,832)
	Master Plan Designated	\$ (3,994,832)			
	Investment Income (Construction & SDC Funds)	\$ -			
5	INCREASED FUNDING TO REQUIRED RESERVES:		\$ 760,000	\$ 1,920,000	\$ 1,160,000
	Bond Covenant Required Reserves	\$ 750,000			
	Negative Cash Flow Reserve	\$ 410,000			
6	TOTAL INCREASE IN REVENUE REQUIREMENTS		\$ 125,757,471	\$ 135,678,331	\$ 9,920,860
CHANGES IN REVENUES AVAILABLE:					
7	INCREASED INVESTMENT INCOME:		\$ 310,000	\$ 2,480,000	\$ 2,170,000
	Investment Income (General and P&I Funds)	\$ 2,170,000			
	Investment Income (Construction & SDC Funds)	\$ -			
8	INCREASED REVENUE FROM OTHER OPER REVENUE:		\$ 1,620,000	\$ 1,695,000	\$ 75,000
	Delayed Payment Charges	\$ 30,000			
	Other Operating Revenue	\$ 33,000			
	Field Service Charges	\$ 12,000			
9	DECREASED REVENUE FROM REVENUE ADJUSTMENTS:			\$ (793,426)	\$ (793,426)
	Lower C2 Gallons per Customer	\$ (896,339)			
	True-up of 2021 Actual Customers	\$ 32,840			
	Meter Mix True Up	\$ 70,073			
10	INCREASED REVENUE FROM 2023 NEW CUSTOMERS @ 2022 RATES:			\$ 1,303,411	\$ 1,303,411
11	TOTAL INCREASE IN REVENUES AVAILABLE		\$ 1,930,000	\$ 4,684,985	\$ 2,754,985
12	ADJUSTMENT TO WATER RATES IN 2023 (Line #6 - #11)			Rate Adjustment 5.8%	\$ 7,165,875

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)	140,056	82,009	11,485,872	8,614,404	2,871,468	\$ 59,324,530	\$ 22,689,480	72%	28%
2 Multi Family	(M1)	5,120	425,000	2,176,000	1,914,880	261,120	10,588,416	2,399,387	82%	18%
3 Small Commercial	(C1)	5,085	210,000	1,067,850	533,925	533,925	6,129,459	1,360,742	82%	18%
4 Large Commercial	(C2)	3,468	1,370,933	4,754,396	3,328,077	1,426,319	25,103,210	3,208,585	89%	11%
5 Subtotal		153,729	126,743	19,484,118	14,391,286	5,092,832	\$ 101,145,615	\$ 29,658,194	77%	23%
6 Temp. Commercial	(C3)	253	133,500	33,776	14,206	19,569	\$ 232,713	\$ 302,993	43%	57%
7 Total Retail		153,982	126,754	19,517,893	14,405,492	5,112,401	\$ 101,378,328	\$ 29,961,187	77%	23%
8 Wholesale	(W1)	1	68,000,000	68,000	157,080	-	157,080	6,737	96%	4%
9 GRAND TOTAL		153,983	127,195	19,585,893	14,562,572	5,112,401	101,535,408	29,967,924	77%	23%

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue **\$131,503,332**

Customer Growth by Customer Type with SDC Revenue

Customer Type		CUSTOMER GROWTH		SDC's	
		2022 Budget	2023 Budget	2023 Rate	2023 Budget
10 Residential	(R1)	1,170	1,285	\$5,000	\$6,425,000
11 Multi Family	(M1)	75	60	\$5,000	\$300,000
12 Small Commercial	(C1)	20	20	\$5,000	\$100,000
13 Large Commercial	(C2)	35	35	\$5,000	\$175,000
14 Total Retail		1,300	1,400	\$5,000	\$7,000,000

Wholesale Growth with User Fee Revenue

15 Wholesale	(W1)	-	-	-	-
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CUSTOMER & WATER SALES STATISTICS
ADOPTED 2022 BUDGET COMPARED TO ADOPTED 2023 BUDGET

	ADOPTED 2022 BUDGET			ADOPTED 2023 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	138,396		140,056	1.2%		
3	% of Total Customers Served	90.91		90.96			
4	Thousand Gallons Sold	11,349,737	82,009	11,485,872	1.2%		82,009
5	% of Total Gallons Sold	58.1%		58.6%			
6	Service Charge Revenue	\$ 21,223,506	\$ 1.87	\$ 22,689,480	6.9%	\$ 1.98	\$ 162.00
7	Volume Charge Revenue	55,415,090	4.88	59,324,529	7.1%	5.17	423.58
8	Total Water Sales Revenue	\$ 76,638,596	\$ 6.75	\$ 82,014,009	7.0%	\$ 7.14	\$ 585.58
9	% of Volume Water Sales	57.86%		58.43%			
10	% of Total Water Sales	61.89%		62.37%			

11 MULTI-FAMILY - RESIDENTIAL (M1):

12	Average Customers Served	5,113		5,120	0.1%		
13	% of Total Customers Served	3.36		3.33			
14	Thousand Gallons Sold	2,173,025	425,000	2,176,000	0.1%		425,000
15	% of Total Gallons Sold	11.1%		11.1%			
16	Service Charge Revenue	\$ 2,260,507	\$ 1.04	\$ 2,399,387	6.1%	\$ 1.10	\$ 468.63
17	Volume Charge Revenue	9,996,784	4.60	10,588,416	5.9%	4.87	2,068.05
18	Total Water Sales Revenue	\$ 12,257,291	\$ 5.64	\$ 12,987,803	6.0%	\$ 5.97	\$ 2,536.68
19	% of Volume Water Sales	10.4%		10.4%			
20	% of Total Water Sales	9.9%		9.9%			

21 SMALL COMMERCIAL (C1):

22	Average Customers Served	5,045		5,085	0.8%		
23	% of Total Customers Served	3.31		3.30			
24	Thousand Gallons Sold	1,059,450	210,000	1,067,850	0.8%		210,000
25	% of Total Gallons Sold	5.4%		5.5%			
26	Service Charge Revenue	\$ 1,274,743	\$ 1.20	\$ 1,360,742	6.8%	\$ 1.27	\$ 267.60
27	Volume Charge Revenue	5,747,516	5.42	6,129,459	6.7%	5.74	1,205.40
28	Total Water Sales Revenue	\$ 7,022,259	\$ 6.63	\$ 7,490,201	6.7%	\$ 7.01	\$ 1,473.00
29	% of Volume Water Sales	6.0%		6.0%			
30	% of Total Water Sales	5.7%		5.7%			

31 LARGE COMMERCIAL (C2):

32	Average Customers Served	3,437		3,468	0.9%		
33	% of Total Customers Served	2.26		2.25			
34	Thousand Gallons Sold	4,872,074	1,417,537	4,754,396	-2.4%		1,370,933
35	% of Total Gallons Sold	25.0%		24.3%			
36	Service Charge Revenue	\$ 3,017,327	\$ 0.62	\$ 3,208,585	6.3%	\$ 0.67	\$ 925.20
37	Volume Charge Revenue	24,316,523	4.99	25,103,210	3.2%	5.28	7,238.53
38	Total Water Sales Revenue	\$ 27,333,850	\$ 5.61	\$ 28,311,795	3.6%	\$ 5.95	\$ 8,163.72
39	% of Volume Water Sales	25.4%		24.7%			
40	% of Total Water Sales	22.1%		21.5%			

41 SUB-TOTAL RETAIL:

42	Average Customers Served	151,991		153,729	1.1%		
43	% of Total Customers Served	99.84		99.84			
44	Thousand Gallons Sold	19,454,286	127,996	19,484,118	0.2%		126,743
45	% of Total Gallons Sold	99.7%		99.5%			
46	Service Charge Revenue	\$ 27,776,083	\$ 1.43	\$ 29,658,194	6.8%	\$ 1.52	\$ 192.93
47	Volume Charge Revenue	95,475,913	4.91	101,145,614	5.9%	5.19	657.95
48	Total Water Sales Revenue	\$ 123,251,996	\$ 6.34	\$ 130,803,808	6.1%	\$ 6.71	\$ 850.87
49	% of Volume Water Sales	99.7%		99.6%			
50	% of Total Water Sales	99.5%		99.5%			

**CUSTOMER & WATER SALES STATISTICS
ADOPTED 2022 BUDGET COMPARED TO ADOPTED 2023 BUDGET**

	ADOPTED 2022 BUDGET			ADOPTED 2023 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		253	1.6%		
53	% of Total Customers Served	0.16		0.16			
54	Thousand Gallons Sold	33,242	133,500	33,776	1.6%		133,500
55	% of Total Gallons Sold	0.2%		0.2%			
56	Service Charge Revenue	\$ 281,768	\$ 8.48	\$ 302,993	7.5%	\$ 8.97	\$ 1,197.60
57	Volume Charge Revenue	216,403	6.51	232,713	7.5%	6.89	919.81
58	Total Water Sales Revenue	\$ 498,171	\$ 14.99	\$ 535,706	7.5%	\$ 15.86	\$ 2,117.42
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	152,240		153,982	1.1%		
63	% of Total Customers Served	100.00		100.00			
64	Thousand Gallons Sold	19,487,528	128,005	19,517,893	0.2%		126,754
65	% of Total Gallons Sold	99.8%		99.7%			
66	Service Charge Revenue	\$ 28,057,851	\$ 1.44	\$ 29,961,187	6.8%	\$ 1.54	\$ 194.58
67	Volume Charge Revenue	95,692,316	4.91	101,378,327	5.9%	5.19	658.38
68	Total Water Sales Revenue	\$ 123,750,167	\$ 6.35	\$ 131,339,514	6.1%	\$ 6.73	\$ 852.95
69	% of Volume Water Sales	99.9%		99.9%			
70	% of Total Water Sales	99.9%		99.9%			

71 WHOLESALE (W1):

72	Average Customers Served	1.00		1.00	0.00%		
73	% of Total Customers Served	0.0%		0.0%			
74	Thousand Gallons Sold	34,000.00	34,000,000	68,000.0	100.00%		68,000,000
75	% of Total Gallons Sold	0.2%		0.4%			
76	Service Charge Revenue	\$ 3,184	9.0%	\$ 6,737	111.59%	\$ 0.10	\$ 6,737.00
77	Volume Charge Revenue	74,120	218.0%	157,080	111.93%	2.31	157,080.00
78	Total Water Sales Revenue	\$ 77,304	\$2.27	\$ 163,817	111.91%	\$ 2.41	\$ 163,817.00
79	% of Total Water Sales	0.1%		0.1%			

80 TOTAL ALL CUSTOMER CLASSES:

81	Average Customers Served	152,241		153,983	1.1%		
82	Thousand Gallons Sold	19,521,528	128,228	19,585,893	0.3%		127,195
83	Service Charge Revenue	\$ 28,061,035	\$ 1.44	\$ 29,967,924	6.8%	\$ 1.53	\$ 194.62
84	Volume Charge Revenue	95,766,436	4.91	101,535,407	6.0%	5.18	659.39
85	Total Water Sales Revenue	\$ 123,827,471	\$ 6.34	\$ 131,503,331	6.2%	\$ 6.71	\$ 854.01

Notes:

- 1 Reflects a 5.8% revenue increase due to a change in water rates to be effective 1-1-2023.
- 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%
--	----

Field Service Charges

Field Trip Charge	\$25
Reconnection Trip Charge	\$25
After Hours Reconnection Trip Charge	\$80
Returned Check Charge	\$25
Remote Connection Fee	\$25
Manual Meter Reading Fee	\$80

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)	\$5,000
3/4" Displacement Meter	7,500
1" Displacement Meter	12,500
1 1/2" Displacement Meter	25,000
1 1/2" Turbine	30,000
2" Displacement Meter	40,000
2" Compound Meter	40,000
2" Turbine	47,500
3" Compound Meter	87,500
3" Turbine Meter	108,750
4" Compound Meter	150,000
4" Turbine Meter	187,500

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

WATER ONE FISCAL POLICIES AND PROCEDURES

Introduction

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

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

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

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

These written formal and informal Fiscal Policies and procedures are reviewed as part of WaterOne’s annual budget process. The annual budget is prepared in compliance with the Fiscal Policies.

I. OVERVIEW	200
101. FORMATION OF WATERONE.....	200
102. REASONABLE AND PRUDENT PERSON STANDARD	200
103. ETHICAL STANDARDS	200
104. FISCAL YEAR	201
105. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	201
106. FINANCIAL REPORTING	201
107. FINANCIAL ADVISORS	201
II. FINANCIAL PLANNING POLICIES	202
201. RESPONSIBILITIES	202
202. ANNUAL BUDGETING.....	202
203. FIVE YEAR BUDGET	203
204. MULTI-YEAR FORECASTING	203
III. REVENUE POLICIES	205
301. DEVELOPING WATER RATES	205
302. RATE CLASSIFICATIONS	205
303. PEAK MANAGEMENT STRUCTURE	206
304. SYSTEM DEVELOPMENT CHARGES (SDCs).....	206

FISCAL POLICIES & PROCEDURES

305. WATER SYSTEM GENERAL FUND	207
IV. EXPENDITURE POLICIES (OPERATION & MAINTENANCE EXPENSE)	208
401. EXPENDITURES - GENERAL	208
402. PENSION	208
403. INSURANCE	208
404. PROCUREMENT CONTRACTS	209
405. CHANGE ORDERS	209
406. EXPENSE REIMBURSEMENT POLICY	209
V. DEBT MANAGEMENT POLICIES	210
501. DEBT ISSUANCE POLICY	210
502. DEBT STRUCTURE	210
503. FUNDING MAJOR CAPITAL PROJECTS WITH DEBT	211
504. REFUNDING / REFINANCING	211
VI. BONDS & OPERATING FUND INVESTMENT POLICY	212
[60-] 1.1 INVESTMENT AUTHORITY	212
[60-] 1.2 POLICY STATEMENT	212
[60-] 1.2.1 Safety	212
[60-] 1.2.1a Credit Risk	212
[60-] 1.2.1b Interest Rate Risk	212
[60-] 1.2.2 Liquidity	213
[60-] 1.2.3 Yield	213
[60-] 1.3 ADOPTION OF POLICY	213
[60-] 1.4 SCOPE	213
[60-] 1.5 POOLING OF FUNDS	213
[60-] 1.6 SUITABLE AND AUTHORIZED INVESTMENT PARAMETERS	213
[60-] 1.6.1 Authorized Investments for Operating Funds and Bond / Construction Funds	214
[60-] 1.7 COLLATERALIZATION	215
[60-] 1.8 DIVERSIFICATION	215
[60-] 1.9 MAXIMUM MATURITIES	216
[60-] 1.10 INTENT TO HOLD TO MATURITY	216
[60-] 1.11 INVESTMENTS MATURITY MANAGEMENT	216
[60-] 1.12 PORTFOLIO MANAGEMENT	216
[60-] 1.13 CASH MANAGEMENT & INVESTMENT PRACTICES	216
[60-] 1.14 TRADING AUTHORIZATION	217
[60-] 1.15 BOND AND OPERATING FUND INVESTMENT POLICY REVIEW AND REVISIONS	217
[60-] 1.16 ARBITRAGE	217
[60-] 1.17 REASONABLE AND PRUDENT PERSON STANDARD	217
[60-] 1.18 ETHICS AND CONFLICTS OF INTEREST	217
[60-] 1.19 DELEGATION OF AUTHORITY	217
[60-] 1.20 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS	217
[60-] 1.21 COMPETITIVE PLACEMENT	218
[60-] 1.22 DELIVERY VS. PAYMENT	218
[60-] 1.23 SAFEKEEPING AND CUSTODY	218
[60-] 1.24 INTERNAL CONTROLS	218
[60-] 1.25 REPORTING	219
[60-] 1.25.1 Report Contents	219
[60-] 1.26 PERFORMANCE STANDARDS / BENCHMARKING	219
[60-] 1.27 MARKING TO MARKET	219
[60-] 1.28 USE OF EXTERNAL CONSULTANTS / ADVISERS	219

WATERONE 2023 BUDGET

FISCAL POLICIES & PROCEDURES

[60-] 1.29 POLICY EXEMPTIONS.....	219
VII. RESERVE POLICIES	220
701. PURPOSE	220
702. FUNDING ORDER.....	220
703. FUND BALANCE.....	221
704. RESERVES	221
704.1 Bond Resolution Section 703 Operating Contingency	221
704.2 Negative Cash Flow Reserves	222
704.3 Rate Stabilization Reserve	223
VIII. CAPITAL	225
801. TOTAL CAPITAL IMPROVEMENTS.....	225
802. ANNUAL CAPITAL.....	225
803. MASTER PLAN	225
803.1 Annual Designation of Water Sales Revenue to Master Plan.....	226
804. TRANSMISSION AND DISTRIBUTION	227
IX. POST BOND ISSUANCE COMPLIANCE	230
901. TRANSCRIPTS.....	230
901.1. Provision by Bond Counsel and Content.....	230
901.2. Retention.....	230
902. FEDERAL TAX LAW REQUIREMENTS.....	230
902.1. Use of Proceeds	230
902.2. Arbitrage Rebate	231
902.3. Unused Proceeds Following Completion of the Project.....	233
902.4. Facilities and Use of the Facilities Financed with Proceeds, Private Use.....	233
902.5. Records Retention	234
903. ONGOING DISCLOSURE.....	234

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

FISCAL POLICIES & PROCEDURES

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 earned. Expenditures are recognized when the liability is incurred or deferred charges are amortized.

106. Financial Reporting

- WaterOne maintains 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 the 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 operating budget for 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 when the GASB accounting expense is projected to consistently vary from the projected funding requirement for the budget year. Examples of these exceptions include, but are not limited to; defined benefit pension , other post-employment benefits (OPEB), and lease agreements. These accounts 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 capital and reserve funds.

- The current year budget is projected based on a “normal” year. Historical revenue and expenditure trends are analyzed to define “normal”.
- WaterOne’s annual operating budget is developed using a line-item format and includes:
 - a. Revenues
 - Water Sales Revenues
 - Other Operating Revenues
 - Investment Income
 - b. Operating and Maintenance Expense (including Staffing Levels)
 - c. Total Annual Capital
 - d. Debt Service Funding
 - e. Transfers to Master Plan
 - f. Funding to Reserves
- 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 are reduced and/or reserves are utilized 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, customer growth, gallons per customer, investment rates of return, 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 financial 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, emergency services, mutual aid to other governmental entities, or de minimus use of facilities or services for public purposes.
- 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.
- Investment 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. For example, the sale of land or buildings.

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

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

- 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

FISCAL POLICIES & PROCEDURES

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 annually and updated as necessary.
- Personnel costs are budgeted at 98% 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. Procurement 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)

- Procurement contracts for aggregate expenditures up to \$50,000 can be approved by the General Manager, procurement contracts for aggregate expenditures from \$50,000 to \$100,000 require notification of the Board Chair or Vice Chair, and procurement 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 repaid from Water Rates and SDCs.
- Whenever possible, debt is marketed using the competitive bid process.
- WaterOne covenants to provide continuing disclosure as required by the SEC Rule and as set forth in the Continuing Disclosure Letter of Instructions as attached to the Preliminary Official Statement and made a part thereof in each bond issuance.

Bond Covenants – Section 1401. Disclosure

502. Debt Structure

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

Bond Covenants – Section 902. Rate Covenant.

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

Board Policy #16

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

503. Funding Major Capital Projects with Debt

- Long-term borrowing is used to fund major capital improvement projects and to refund outstanding debt obligations.
- 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 December 14, 2021)**

[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.
- A security deemed non-compliant with any section of this policy will 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 United States Government Sponsored Enterprises (GSE).
- 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 United States Government Sponsored Enterprises (GSE).
- Guaranteed Investment Contracts (GIC) with any bank, non-bank financial institution or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least “A” or “A2” by Standard & Poor’s or Moody’s respectively. In the case of a guaranteed corporation, the long-term debt (or claims paying ability for insurance companies) of the guarantor must be rated at least “A” or “A2” by Standard & Poor’s and Moody’s respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.
- Kansas Municipal Investment Pool (KMIP) – Reference KSA 12-1677b

Municipal General Obligation Bonds issued by any municipality of the state of Kansas defined in KSA 10-1101. Bonds must have a minimum rating at the time of purchase as follows from at least one rating agency:

FISCAL POLICIES & PROCEDURES

Rating Agency	Minimum Rating
Moody's	A3
Standard & Poor's	A-
Fitch Ratings	A-

[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 United States Government Sponsored Enterprises (GSE).

[60-] 1.8 Diversification

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

○ Collateralized Time Deposit or Demand Deposit Account	100%
○ U.S. Treasuries and U.S. Agencies	100%
○ Government Sponsored Enterprises (GSE)	80%
○ Repurchase Agreements	30%
○ Guaranteed Investment Contracts	100%/25%*
○ Kansas Municipal Investment Pool (KMIP)	25%
○ Kansas General Obligation Bonds	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, Authorized Staff 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. Authorized Staff will provide reports on a monthly basis for review by the Director of Finance.

[60-] 1.13 Cash Management & Investment Practices

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

[60-] 1.14 Trading Authorization

All trading accounts will be held in the name of “Water District No. 1 of Johnson County, Kansas”. The General Manager shall have all trading authority for the investment of WaterOne funds and that trading authority shall be exercised by the Director of Finance, the Treasury Manager and other staff as authorized by the Director of Finance.

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

This Policy shall be reviewed by the Director of Finance annually 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 hereinafter Authorized Staff, who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this Policy. No person may engage in an investment transaction except as provided under the terms of this Policy.

[60-] 1.20 Authorized Financial Dealers and Institutions

FISCAL POLICIES & PROCEDURES

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

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

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

[60-] 1.21 Competitive Placement

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

[60-] 1.22 Delivery vs. Payment

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

[60-] 1.23 Safekeeping and Custody

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

[60-] 1.24 Internal Controls

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

The internal controls shall address the following points:

- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Avoidance of physical delivery securities

FISCAL POLICIES & PROCEDURES

- Clear delegation of authority to subordinate staff members
- Written confirmation of transactions for investments, wire and ACH transfers

[60-] 1.25 Reporting

Authorized Staff shall prepare investment portfolio reports on a monthly basis.

[60-] 1.25.1 Report Contents

Authorized Staff 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.
 - 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.

FISCAL POLICIES & PROCEDURES

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 expenditure 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 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

FISCAL POLICIES & PROCEDURES

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 net operating income be deemed to be recurring, such as a permanent power rate increase, adjustments will be made in the following budget year to reflect revised revenue or expenditure expectations.
- Formal Board approval is required prior to fund usage.
- Budgeted operating expenditures are funded with budgeted revenues, both of which are planned on a “normal year” basis. A “normal year” being defined as a year in which weather conditions are neither wet nor dry and expenditures are not intended to cover catastrophic conditions.
- The 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. Funding levels for this reserve will be set by the Board.

FISCAL POLICIES & PROCEDURES

- 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. The cost of repair and maintenance are charged to expense while the cost of renewals or substantial betterments is capitalized.
- 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 and a useful life in excess of one year.
- 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.
Board Policy #17
- 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 primarily of three types of facilities:

FISCAL POLICIES & PROCEDURES

- a. Production – water source and treatment equipment and structures including river intakes, collector wells, a river jetty, reservoirs, residual monofills, supply mains, and treatment plants.
 - b. Pumping & Storage – equipment and structures including pumps, pump stations, underground and ground level reservoirs as well as elevated storage in water towers.
 - c. Transmission & Distribution – water mains, isolation valves, pressure reducing valves, and tunnels for mains.
- Capacity-related Master Plan projects are 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.
 - Master Plan also includes major replacement projects from the Asset Management Plan and other long-lived major capital projects which are neither replacements or associated with increased capacity.
 - 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.

FISCAL POLICIES & PROCEDURES

- The annual designation of water sales revenue to the Master Plan Fund is analyzed each year as part of the budget process. The target is to designate a minimum of 5% of revenue to the Master Plan Fund in each annual budget; however, the percent designation is reviewed and updated annually based on the current economic conditions and the Master Plan Fund balance.
- The goal of designating a minimum of 5% of revenue to the Master Plan Fund is to reduce the size of future bond issues and provide some budget stability. In deficit years, the funding can be reduced which provides budget stability by offsetting water revenue shortfalls.

804. Transmission and Distribution

- Transmission and Distribution projects are for the repair and maintenance of existing infrastructure and are funded by water rates on a pay-as-you-go basis.
- Funding is budgeted as a component of the Total Annual Capital Budget.
- Transmission and Distribution consists of six types of projects: main replacements, relocation projects, general improvements, 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

FISCAL POLICIES & PROCEDURES

the state expanding or improving street right-of-way under the following conditions:

1. Where WaterOne retains its private easement and relocation is requested, the requesting political subdivision will fully indemnify it for the cost of the adjustment within its retained easement.
2. Any disclaimer of WaterOne's private easements is compensated by a substituted cost reimbursement for all immediate and future relocations within the street right-of-way.
3. Any expense borne by WaterOne will be only for relocation of its facilities that were originally located in street right-of-way.

Board Policy #31 – Relocation Agreements

General Improvements

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

Main Breaks

- a. Main breaks are unplanned construction to repair a leak in the distribution system.
- b. 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.

FISCAL POLICIES & PROCEDURES

- 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.

FISCAL POLICIES & PROCEDURES

- 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;
- 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.

FISCAL POLICIES & PROCEDURES

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

902.5. Records Retention

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

- a. Records with respect to matters described in section 901 and subsections 902.1 through 902.4
- b. Copies of all certificates and returns filed with the IRS (e.g., for payment of arbitrage rebate) and all reports regarding IRS examinations of Issuer or its bond financings.
- c. Copies of all documents related to potential private use as set forth in 902.4. above, including leases, user agreements for use of the financed property (agreements that provide for use of the property for periods longer than 30 days), whether or not the use was within the four walls, e.g., use of the roof of the facility for a cell phone tower.
- d. Any other documentation necessary to establish the qualification for tax-exemption of the bonds.

903. Ongoing Disclosure

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

- a. The Compliance Officer will monitor compliance by WaterOne with its undertakings including an annual filing of operating and financial information.
- b. The Compliance Officer will monitor events which might require WaterOne to file notice of a listed "material event" in the Rule. The Compliance Officer will consult WaterOne's bond counsel if a "material event" is identified, will cause to be filed any required disclosure, and will timely notify the Board of such disclosure.
- c. The Compliance Officer will maintain as part of the issue's Post Issuance Compliance and Disclosure Record:

- i. An annual disclosure monitoring and compliance checklist,
- ii. A record of the annual filing of operating and financial information,
- iii. A record of any material event disclosures, and
- iv. A record of any voluntary continuing disclosures.

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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.

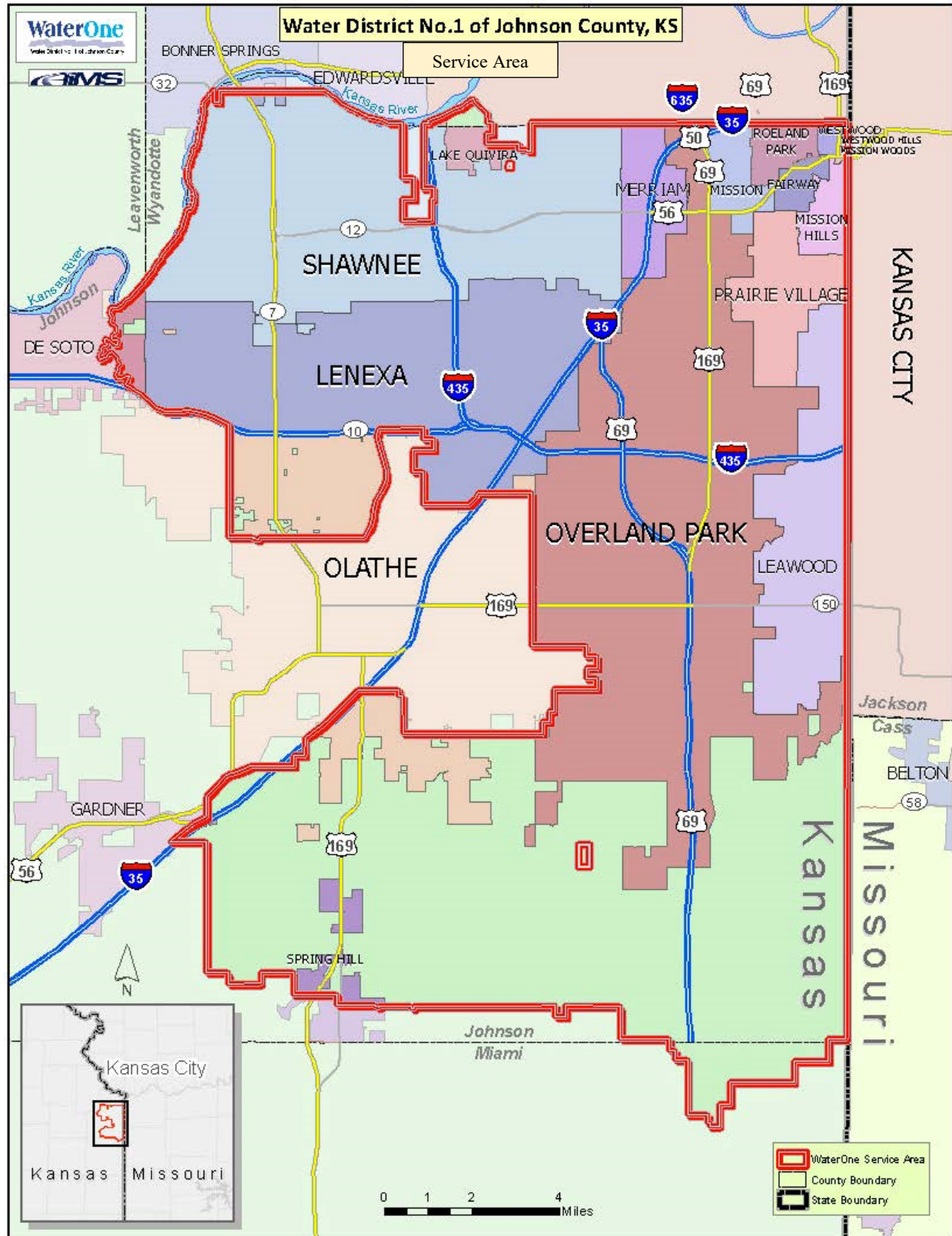
Organized in 1953, WaterOne commenced operations in 1957. Initially, WaterOne had a four million gallon per day (mgd) summer peaking treatment plant supported by wells. In addition, WaterOne purchased wholesale water from Kansas City, Missouri and Kansas City, Kansas. In the years following, WaterOne's 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.

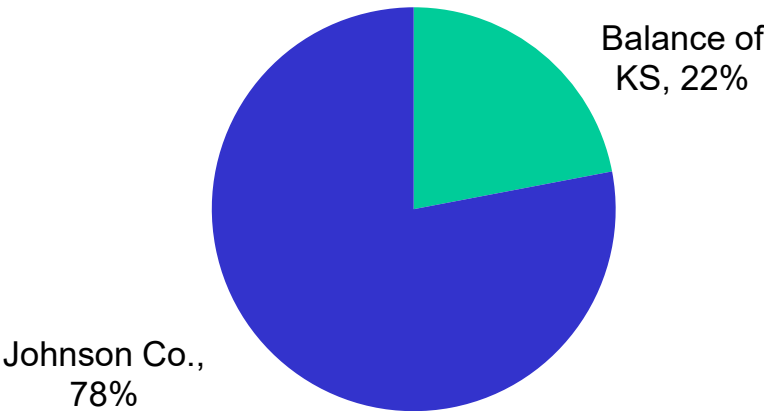


JOHNSON COUNTY DEMOGRAPHICS POPULATION

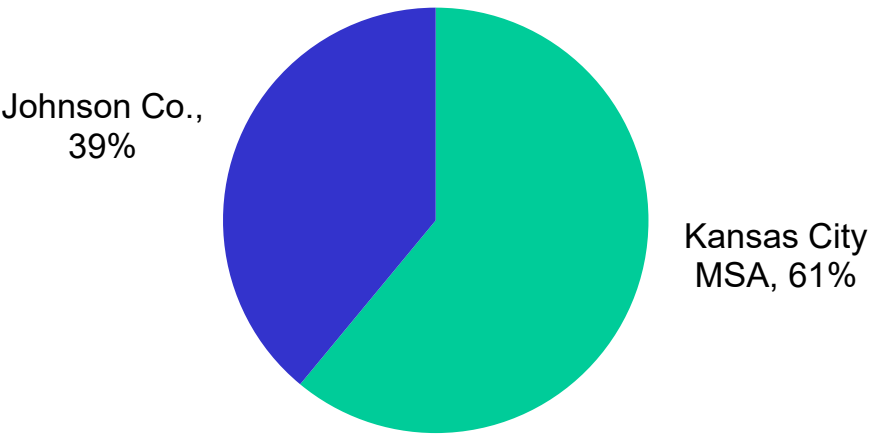
POPULATION GROWTH 2009 to 2019 ⁽¹⁾

Between 2009 and 2019, Johnson County’s population grew by 63,005 (12%). Johnson County accounted for 78% of the total population growth in the entire State of Kansas and 39% of the Kansas City MSA ⁽²⁾.

Kansas Population Growth: 2009 to 2019



Kansas City MSA ⁽²⁾ Population Growth: 2009 to 2019



Johnson County Population

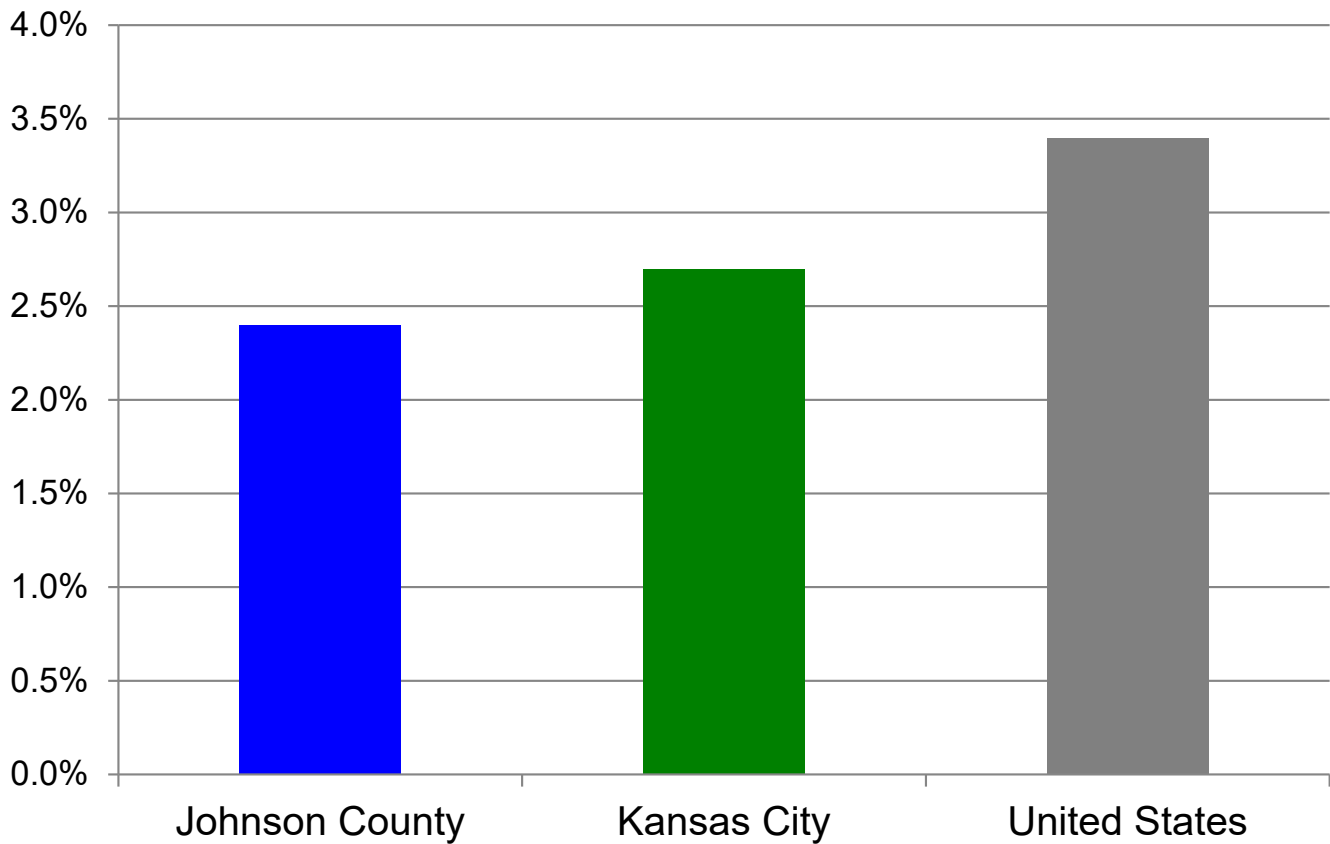
2000 ⁽³⁾	451,086
2010 ⁽³⁾	544,179
2021 ⁽³⁾	613,219

1. Source: County Economic Research Institute, 2021 Economic Primer
2. MSA is Metropolitan Statistical Area of Kansas City.
3. Source: U.S. Census Bureau

JOHNSON COUNTY DEMOGRAPHICS

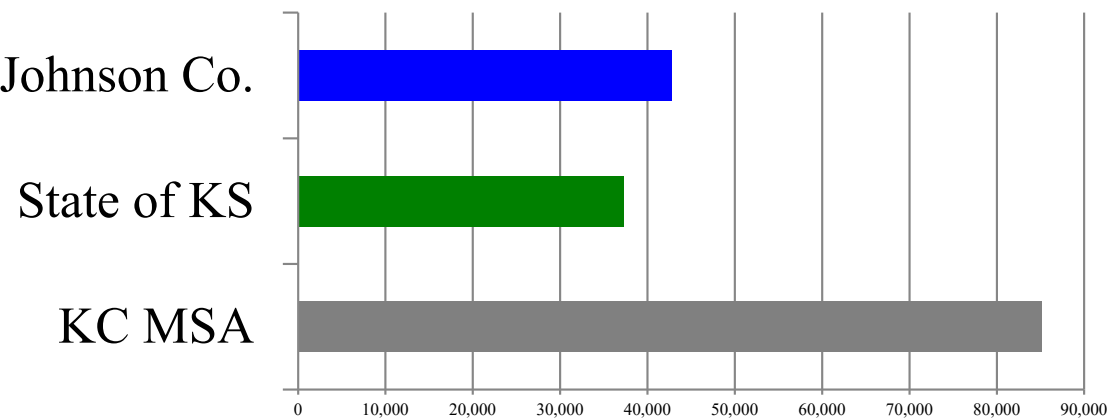
EMPLOYMENT AND JOB GROWTH

Unemployment Rate as of October 2022⁽¹⁾



JOB GROWTH 2011 TO 2021 ⁽²⁾

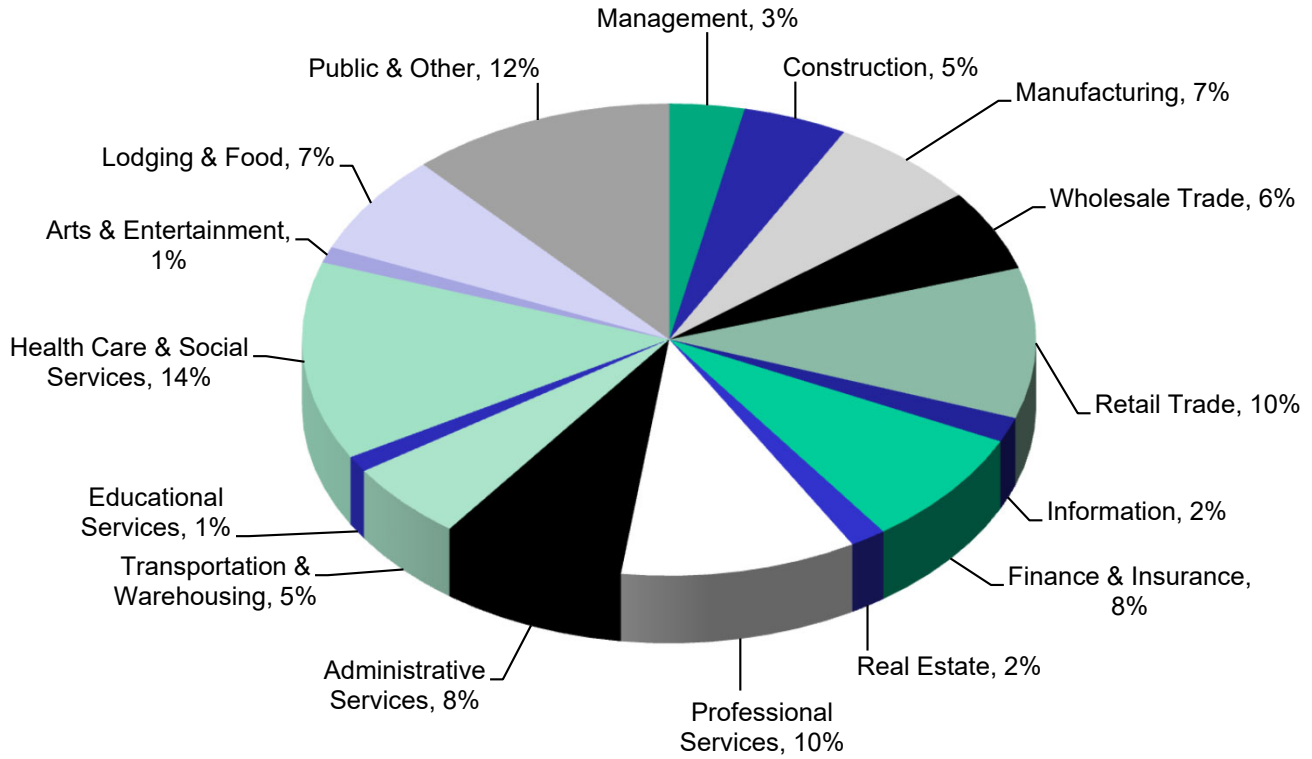
The number of jobs in Johnson County grew from 298,296 in 2011 to 342,340 in 2021, an increase of 44,044 jobs or 15%. Over the decade, Johnson County accounted for 105% of the total net increase in jobs in the State of Kansas and 49% of the job growth in the Kansas MSA⁽³⁾.



1. Source: County Economic Research Institute, January 2022 Johnson County Indicators
2. Source: County Economic Research Institute, 2021 Economic Primer
3. MSA is Metropolitan Statistical Area of Kansas City.

JOHNSON COUNTY DEMOGRAPHICS

NON-FARM EMPLOYMENT BY INDUSTRY: 2020

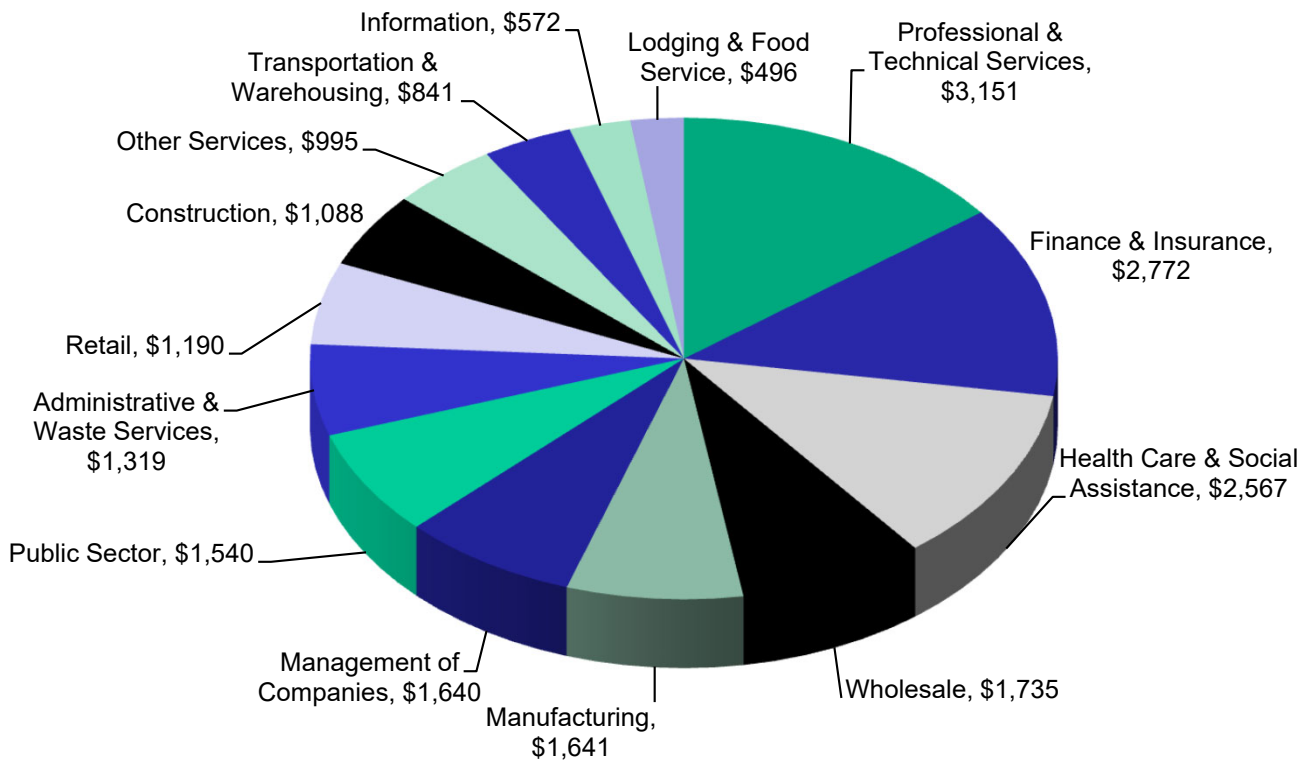


Source: County Economic Research Institute, 2021 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS

PAYROLL BY INDUSTRY: 2020

In millions

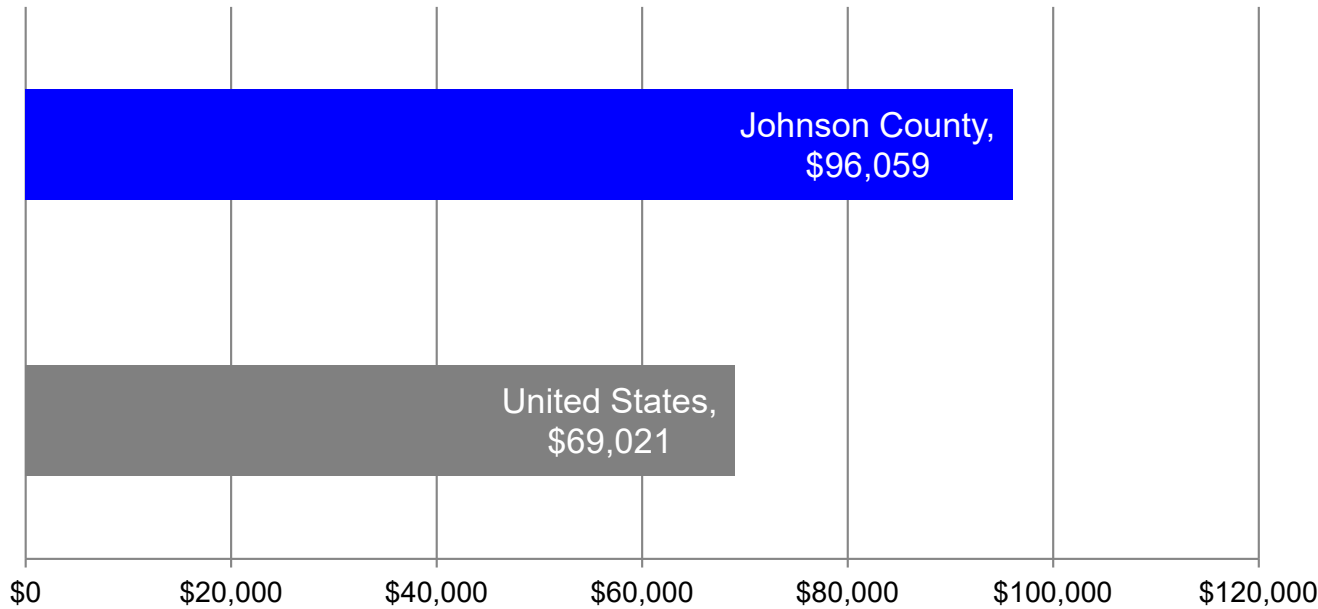


Source: County Economic Research Institute, 2021 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS

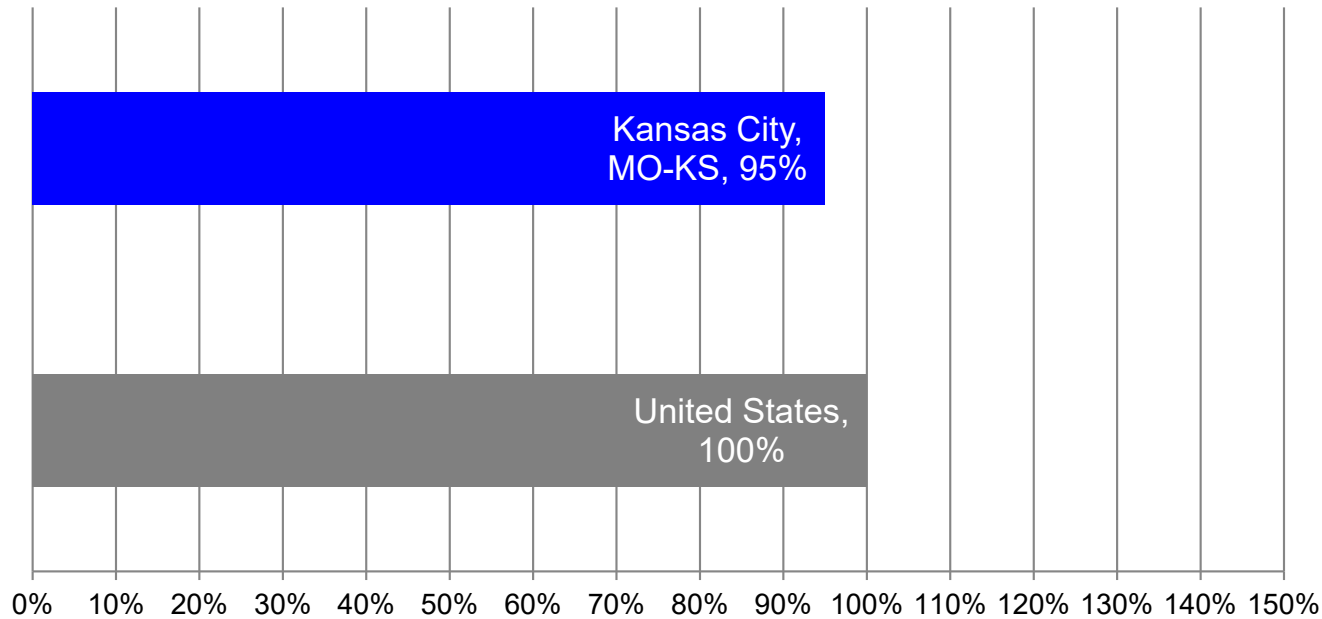
QUALITY OF LIFE

2021 Median Household Income



Source: United States Census Bureau

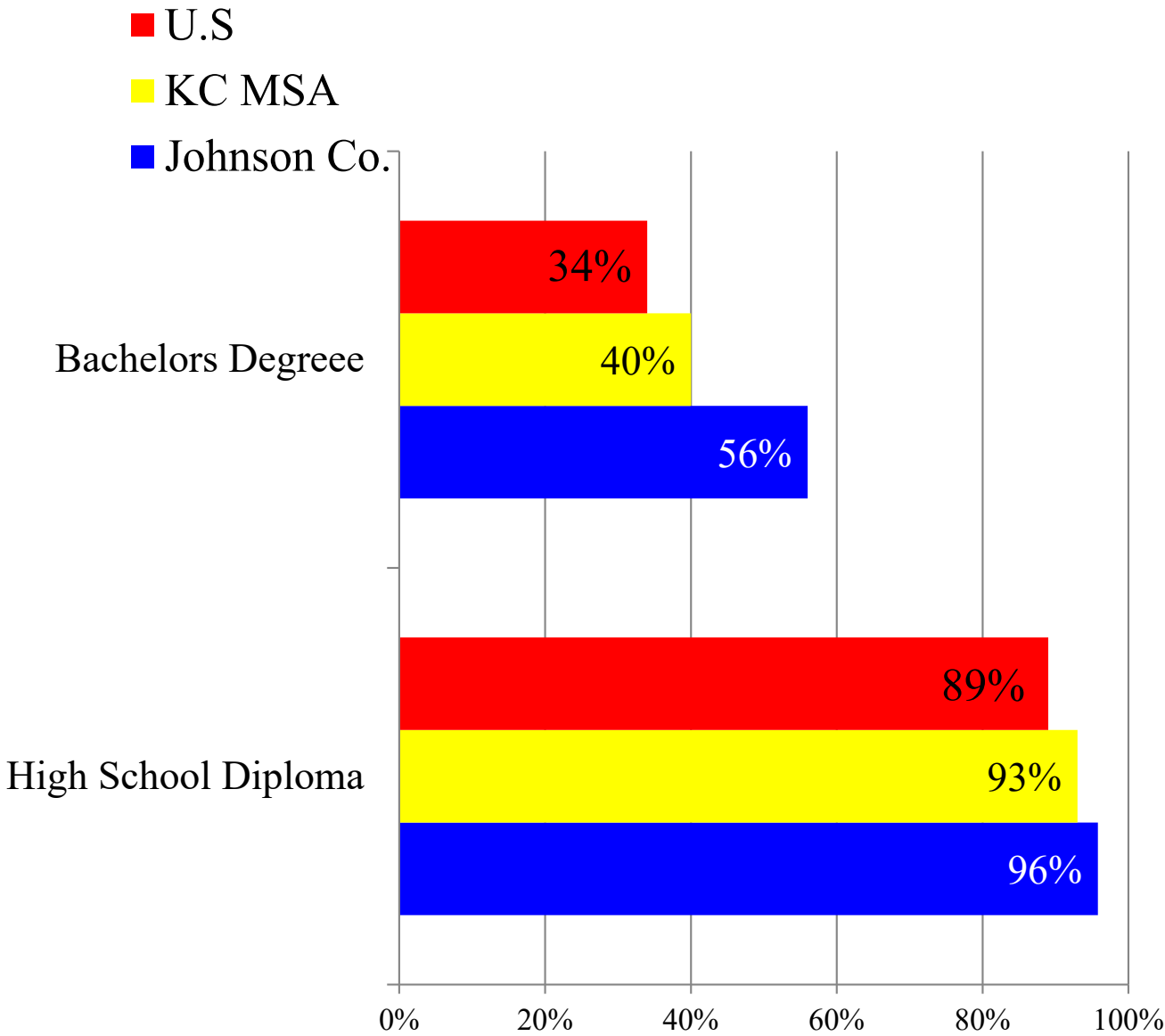
Cost of Living Index



Source: Missouri Economic Research and Information Center

JOHNSON COUNTY DEMOGRAPHICS
EDUCATION

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



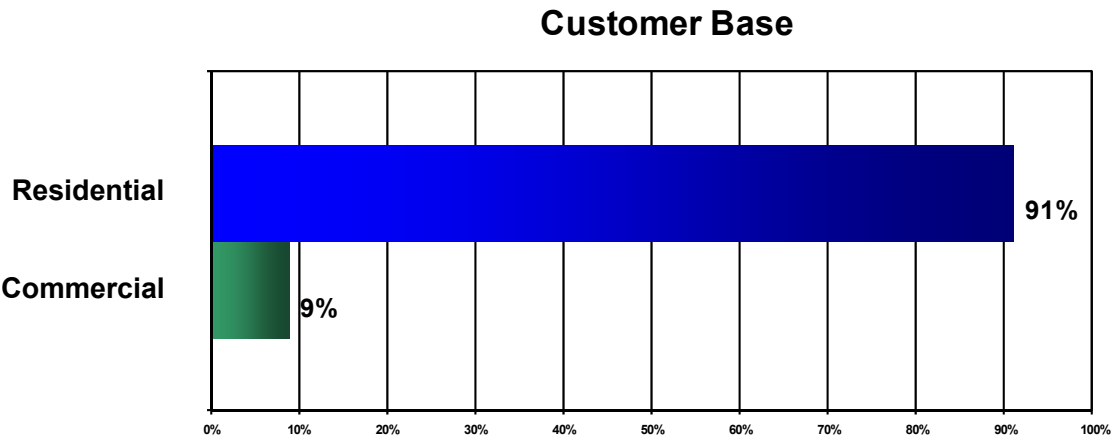
Source: Census.gov

CUSTOMER BASE INFORMATION (2022)

Top 15 Customers

- 1 COCA COLA BOTTLING
- 2 BLUE VALLEY SCHOOL DISTRICT
- 3 CITY OF OVERLAND PARK
- 4 JOHNSON COUNTY WASTEWATER
- 5 CITY OF LENEXA
- 6 CORPORATE WOODS
- 7 SHAWNEE MISSION SCHOOL DISTRICT
- 8 SHAWNEE MISSION MEDICAL CENTER
- 9 KANSAS CITY COUNTRY CLUB
- 10 INDIAN HILLS COUNTRY CLUB
- 11 MILBURN GOLF COUNTRY CLUB
- 12 CEVA BIOMUNE
- 13 MALKIN PROPERTIES
- 14 MISSION HILLS COUNTRY CLUB
- 15 ELANCO KANSAS LLC

Top 15 accounts make up 3.5% of revenue



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.

Administrative Warehouse

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

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.

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.

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.

GLOSSARY

Arbitrage

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

Audit

An official external review of WaterOne's Financial statements. May also reference WaterOne's internal Audit Department within the Legal/Audit Division.

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.

Board

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

Bond

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

BPU

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

Budget

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

GLOSSARY

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.

Carry-Overs

Annual Capital planned and funded in a prior year but not completed. Carry-overs projects are authorized to be extended to the current budget year along with their funding, which was collected from rates in the original budget year.

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.

COS

Cost of Service.

CPI

Consumer Price Index.

DB

Defined Benefit.

DC

Defined Contribution.

GLOSSARY

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 revenues (including investment income), less operations and maintenance expenses, 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.

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.

ERP

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

GLOSSARY

Evergy

Electricity provider for a portion of WaterOne's facilities.

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.

Federal Funds Rate

The target interest rate at which commercial banks borrow and lend their excess reserves to each other overnight. The rate is set several times per year by the monetary policy-making body of the Federal Reserve System.

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.

FP&A

Financial Planning & Analysis

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 for 40 hours per week for 52 weeks.

Fund Balance

The fund balance in any given fund is the net position of the fund's assets after liabilities have been met.

GAAP

Generally Accepted Accounting Principles (GAAP).

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

GLOSSARY

Principles (GAAP). Standard issued by GASB are referred to by number (e.g., GASB 31).

General Fund

An account which contains all revenue derived and collected by the Water District from the operation of the Water System. It can only be used for the purposes authorized by law, including but not limited to, paying the costs of operation, maintenance, extension, and improvement of the Water System; paying the principal of and interest on the Bonds; funding the Bond Reserve Funds; and creating and maintaining adequate reserves.

General Improvements

General Improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants.

GFOA

Government Finance Officers Association

GIS

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

GPS

The Global Positioning System is a space-based satellite navigation system used to determine the ground position of an object.

Hansen

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

HVAC

Heating, Ventilation and Air Conditioning.

HVAC/R

Heating, Ventilation, Air Conditioning and Refrigeration.

Indoor Water Use

The base water usage by a customer that generally excludes seasonal peaking for irrigation.

GLOSSARY

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.

KMIP

Kansas Municipal Investment Pool.

KPIs

Key Performance Measures.

KRWAD

Kansas River Water Assurance District.

LT

Long-term (disability).

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.

MGD

Million Gallons per Day. A measurement of water flow.

GLOSSARY

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

Operations & Maintenance.

OPEB

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

OT

Overtime (Labor).

Ozone Treatment Plant

WaterOne facility located adjacent to the Hansen Treatment Plant which treats the water with ozone for disinfection and taste and odor compounds.

P&I

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

GLOSSARY

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.

PMR

Peak Management Rate. An inclining rate structure designed to encourage customers to reduce peak usage and recovers costs more equitably from those customers who choose to have peak water usage. PMR rates charge a higher amount for water usage above the customer's base usage. Block 1 rates are for volumes up to 125% of the customer's Average Winter Consumption (AWC). Block 2 rates, which are higher, are for those gallons used in excess of 125% of the customer's AWC.

Potable Water

Water that does not contain pollution, contamination, objectionable minerals or infective agents and is considered safe for domestic consumption.

Presed

Presedimentation. A pretreatment process used to remove gravel, sand, and other gritty material from raw water before it enters the main treatment plant.

Principal and Interest Fund

A fund used to account for restricted cash and investments. Its specific purpose is to pay the debt service on WaterOne's outstanding bonds and contingencies.

PRV

Pressure Reducing Valve.

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.

GLOSSARY

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.

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.

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

SRF

State Revolving Fund. The Kansas State Revolving Water Supply Loan Fund provides financial assistance to Kansas municipalities in the form of loans for the construction of publicly owned wastewater treatment facilities and public water supply system infrastructure.

ST

Short-term (disability).

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.

Unified Government

Unified Government of Wyandotte County and Kansas City, Kansas. A portion of WaterOne's source and treatment facilities are located in Wyandotte County, within the jurisdiction of the Unified Government.

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.

GLOSSARY

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.

WRF

The Water Research Foundation is a nonprofit, educational organization that funds, manages, and publishes research on the technology, operation, and management of drinking water, wastewater, reuse, and stormwater systems.