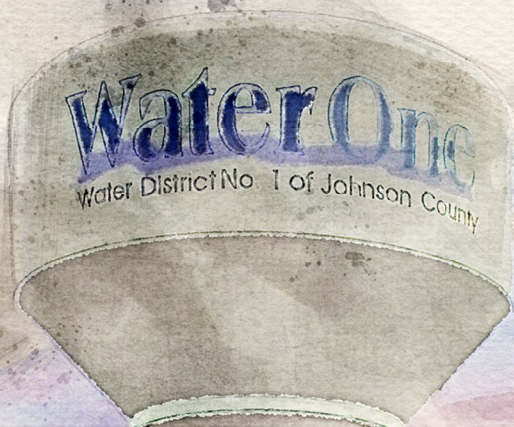


10747 Renner Boulevard
Lenexa, Kansas 66219

2020



WaterOne

Water District No. 1 of Johnson County

BUDGET

This page intentionally left blank.

2020 Budget

Adopted December 10, 2019
by the Board of Water District No. 1 of Johnson County, Kansas

BOARD:

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

FINANCE COMMITTEE:

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

SENIOR STAFF:

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

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, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

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

For the Fiscal Year Beginning

January 1, 2019

Christopher P. Morill

Executive Director

This page intentionally left blank.

Table of Contents

Click on main headers below to navigate to that section

EXECUTIVE SUMMARY 1

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

OVERVIEW 9

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 28

WaterOne's strategic plan, goals and strategies; 2020 operational goals by division; 2019 performance measures by strategic goal (compared to target); 2019 performance measures by division (compared to target and prior year)

REVENUE & RATES 45

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) 55

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

PERSONNEL 65

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) 81

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 97

PRODUCTION 103

DISTRIBUTION 121

CUSTOMER RELATIONS 131

FINANCE 141

HUMAN RESOURCES/ADMINISTRATION.. 149

LEGAL/AUDIT 167

INFORMATION TECHNOLOGY 173

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; main break accounting

FISCAL POLICIES 201

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

DEMOGRAPHICS 241

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 249

glossary of terms and abbreviations used in the budget book

This page intentionally left blank.

EXECUTIVE SUMMARY

Looking back at 2019 ...

WaterOne experienced lower than projected water sales in 2019 due to higher than average rainfall, slow customer growth, and continued declines in base consumption (non-irrigation). The revenue shortfall was partially offset by expenses that were also lower than budget. Expense savings were primarily from temporary vacant positions, power, and chemicals.

New customer growth for 2019 was under budget. Growth continues to be modest compared to pre-recession levels and 2019 is below of the pace of growth experienced over the past five years. Customer growth is expected to increase slowly over the next few years.

Investment income is higher than budget but remains low by historical standards. During 2019 short-term rates started to decline. This decline had a minimal impact on the 2019 investment income and will have a larger impact on the investment income in 2020 through 2021.

Looking ahead to 2020 ...

The rate increase is 1.4%, which is less than the 2.5% projected in last year's budget primarily because of an expected reduction in chemical costs due to the new Ozone treatment facility, a reduction in retirement benefit expenses due to additional contributions made during 2019, and lower increases in necessary capital replacements.

The 2020 rate increase will allow WaterOne to execute its strategic goals including the goal to ensure financially stable and predictable rates.

Why the increase?

The largest increase in the budget is a \$1.9M or 3.5% increase to operating and maintenance expenses. This increase is driven primarily by an increase in projected payroll, software maintenance, and power expenses. The increases proposed in the budget represent the funding required to support WaterOne's strategic goals.

The second largest impact to the budget is the reduction in gallons sold which is lowering revenue by 1.2%. Base water use continues to decline, which is reflected in the lower budgeted gallons sold for Single Family Residential (R1) and Multi-family Residential (M1) customers who are expected to use less water. This is a national trend due to the efficiency of water-saving devices like low-flow toilets, low-flow shower heads and front-loading clothes washing machines. This reduction in usage is expected to continue into the future and is an important factor in projected future water rate increases. Large Commercial (C2) is also experiencing a declining trend. WaterOne's largest customers include organizations such as governmental entities, production facilities (i.e. bottling), and golf courses. Increased efforts by customers to conserve and more efficient operations are likely the predominant factors driving this trend.

EXECUTIVE SUMMARY

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

Where the money comes from ...

2020 REVENUE PROVIDED: \$120.35M

2020 revenues are projected to increase by \$1.35M, or 1.1%, over 2019 primarily due to the 1.4% overall increase in water rates. The addition of 1,400 new customers provides increased water sales revenues which are offset by declining water use. Investment income is declining 3.9% due to the assumed interest rate decreasing from 2.25% to 2.20%.

Comparison of Revenues				
In Millions				
Revenues	2019 Budget	2020 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$114.58	\$115.99	\$1.42	1.2%
Other Operating Revenue	1.59	1.63	0.04	2.6%
Investment Income	2.84	2.73	<0.11>	<3.9%>
Total Revenue	\$119.00	\$120.35	\$1.35	1.1%

Numbers may not total due to rounding

Where the money goes ...

2020 REVENUE REQUIREMENTS: \$120.35M

The revenue requirements for 2020 increased by \$1.35M, or 1.1%, over 2019. As shown in the following table the largest increase is in operations & maintenance expense while the other accounts have slight increases or decreases. All of these items are discussed in more detail in the following sections.

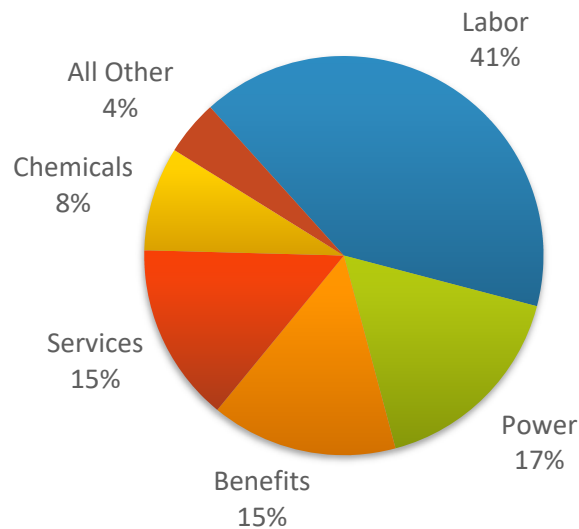
Comparison of Revenue Requirements				
In millions				
Revenue Requirements	2019 Budget	2020 Budget	\$ Inc <Dec>	% Inc <Dec>
Operations & Maintenance Expense	\$54.18	\$56.09	\$1.91	3.5%
Total Annual Capital	27.71	27.66	<0.05>	<0.2%>
Debt Service	20.50	21.02	0.52	2.6%
Designated to Master Plan	15.17	15.35	0.17	1.1%
Repayment to Master Plan	0.86	0.00	<0.86>	<100.0%>
Reserve Funding	0.58	0.23	<0.35>	<60.3%>
Total Revenue Requirements	\$119.00	\$120.35	\$1.35	1.1%

Numbers may not total due to rounding

EXECUTIVE SUMMARY

OPERATIONS & MAINTENANCE EXPENSES: \$56.09M

Operations and Maintenance (O&M) expenses represent 47% of the 2020 budget, which is similar to 2019. O&M increased 3.5% year-over-year due to increases in projected labor, software maintenance, and power expenses.

Total Operations & Maintenance Expense

The following table shows the breakdown of the significant O&M expenses including the difference between 2019 and 2020 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense

In millions				
O&M	2019 Budget	2020 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$21.88	\$22.86	\$0.98	4.5%
Power ^(a)	9.08	9.39	0.31	3.4%
Benefits	8.77	8.47	<0.30>	<3.4%>
Services	6.87	8.13	1.27	18.5%
Chemicals	5.10	4.73	<0.37>	<7.3%>
All Other	2.48	2.51	0.03	1.1%
Total	\$54.18	\$56.09	\$1.91	3.5%

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 2019 base to reflect the actual outcome of payroll after turn-over, retirements, and vacancies
- A 4.0% performance compensation adjustment
- A 0.4% equity adjustment related to the 2017 Compensation Study
- Overtime
- Transfers of labor costs to capital projects
- A net decrease of 0.5 Full Time Equivalent (FTE) positions

All positions are assessed based on operational needs including those related to customer growth. Seven new full-time positions and one intern position are requested. Eight full time positions are reflected as eliminated due the implementation of the Advanced Metering Infrastructure (AMI) project.

Requested Positions

- Electrician - Full Time
- (2) Distribution Technician (change over crew) - Full Time
- Foreman-Utility (change over crew) – Full Time
- Project Engineer – Full Time
- CAD Technician – Full Time
- Custodian – Full Time
- Communications Intern - Intern

Eliminated Positions

- (7) Meter Reader – Full Time
- Field Representative – Full Time

Services

Services (net of transfers) increased \$1.27M or 18.5%. 2020 is increasing primarily due to software and maintenance expenses related to cloud hosting the GIS environment, upgrading the software and service agreement with ESRI, and increases in the annual maintenance required for records information management, Microsoft, and human resource information systems software.

Power

The power budget increased \$0.31M or 3.4%. Power is increasing primarily due to operational changes that increase production at the Missouri Intake while the Kansas Intake is out of service for planned maintenance as well as a true up to actual 2019 rates. No rate increases are projected from WaterOne's power suppliers, the Board of Public Utilities (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 2020 rate increase is not planned at this time due to recent rate increases and changes to its rate structure which have resulted in revenues adequate to fund its objectives.

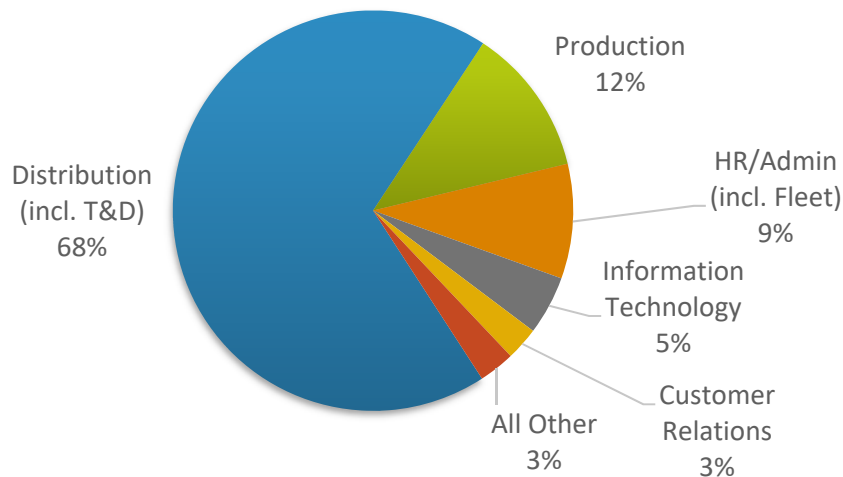
EXECUTIVE SUMMARY

Chemicals

The chemical budget decreased \$0.37M, or 7.3%. The decrease is due to planned use of the new Ozone Treatment Facility which will reduce the need for chemicals at the river intake facilities and the Hansen Treatment Facility.

TOTAL ANNUAL CAPITAL: \$27.66M

The Total Annual Capital budget for 2020 decreased \$0.05M from 2019. Approximately 96% 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

	2019 Budget	2020 Budget	\$ Inc <Dec>	% Inc <Dec>
Production	\$5.57	\$3.31	<\$2.26>	<40.6%>
Human Resources/Admin. (incl. Fleet)	1.67	2.56	0.90	53.8%
Information Technology	1.62	1.31	<0.30>	<18.8%>
Customer Relations	0.60	0.74	0.14	23.2%
Distribution	0.42	0.69	0.27	66.1%
All Other	0.51	0.80	0.29	58.4%
Annual Capital	\$10.38	\$9.42	<\$0.96>	<9.2%>
Transmission & Distribution	\$17.33	\$18.24	\$0.91	5.3%
Total Annual Capital	\$27.71	\$27.66	<\$0.05>	<0.2%>

Numbers may not total due to rounding

EXECUTIVE SUMMARY

Annual Capital decreased for 2020 by \$0.96M. 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 annual meter replacements, a new directional drilling machine, Missouri intake HVAC improvements, Ridgway reservoir improvements and the light duty fleet replacement program. These requests vary annually and are based on the asset management plan.

The Transmission & Distribution (T&D) budget has increased by \$0.91M to \$18.24M. The increase is due 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	2019 Budget	2020 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$8.50	\$9.54	\$1.04	12.2%
Distribution Main Breaks	4.10	4.10	0.00	0.0%
General Improvements	2.30	2.20	<0.10>	<4.3%>
Distribution Main Relocations	1.50	1.30	<0.20>	<13.3%>
Transmission Main Capital	0.42	0.60	0.19	44.6%
Condition Assessment	0.52	0.50	<0.02>	<2.9%>
Subtotal T&D Funding	\$17.33	\$18.24	\$0.91	5.3%

DEBT SERVICE: \$21.02M

Debt Service increased \$0.52M, or 2.6% over 2019. While WaterOne has a strategy to maintain a level total debt structure, the 2019 debt service line item was reduced due to the call of the 2009 Bonds. The 2020 debt service includes the refunding of the 2010 Bonds.

DESIGNATED TO MASTER PLAN: \$15.35M

Funds designated to the Master Plan Capital Fund increased \$0.17M or 1.1%. "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 2020 budget of \$15.35M is 12.8% of total revenue. The target minimum contribution is 5.0% of total revenue.

EXECUTIVE SUMMARY

REPAYMENT TO MASTER PLAN: \$0.00M

In July 2018, WaterOne called the outstanding 2009 Bonds. The call was funded temporarily from the OPEB reserve which is part of the Master Plan Capital Fund. The repayment was completed in 2019.

RESERVE FUNDING: \$0.23M

Reserve funding decreased \$0.35M or 60.3%. Reserve funding consists of reserves mandated by the bond covenants, calculated increases in the negative cash flow reserve, and changes in investment income restricted to the Master Plan Capital Fund. Interest rates and projected revenue requirements cause the required threshold of funding to fluctuate from year to year.

IN SUMMARY

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

The 2020 budget provides the resources needed to deliver on WaterOne's vision of *"Setting the Standard for Utility Excellence."*

This page intentionally left blank.

OVERVIEW

Budget Review and Approval Process

The Financial Planning & Analysis (FP&A) Department kicks off the budget planning cycle in the first quarter. Budget targets and challenges are communicated with managers and directors. All budget forms, instructions, standards, and schedules are then posted on WaterOne's intranet budgeting site.

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

Next, 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.

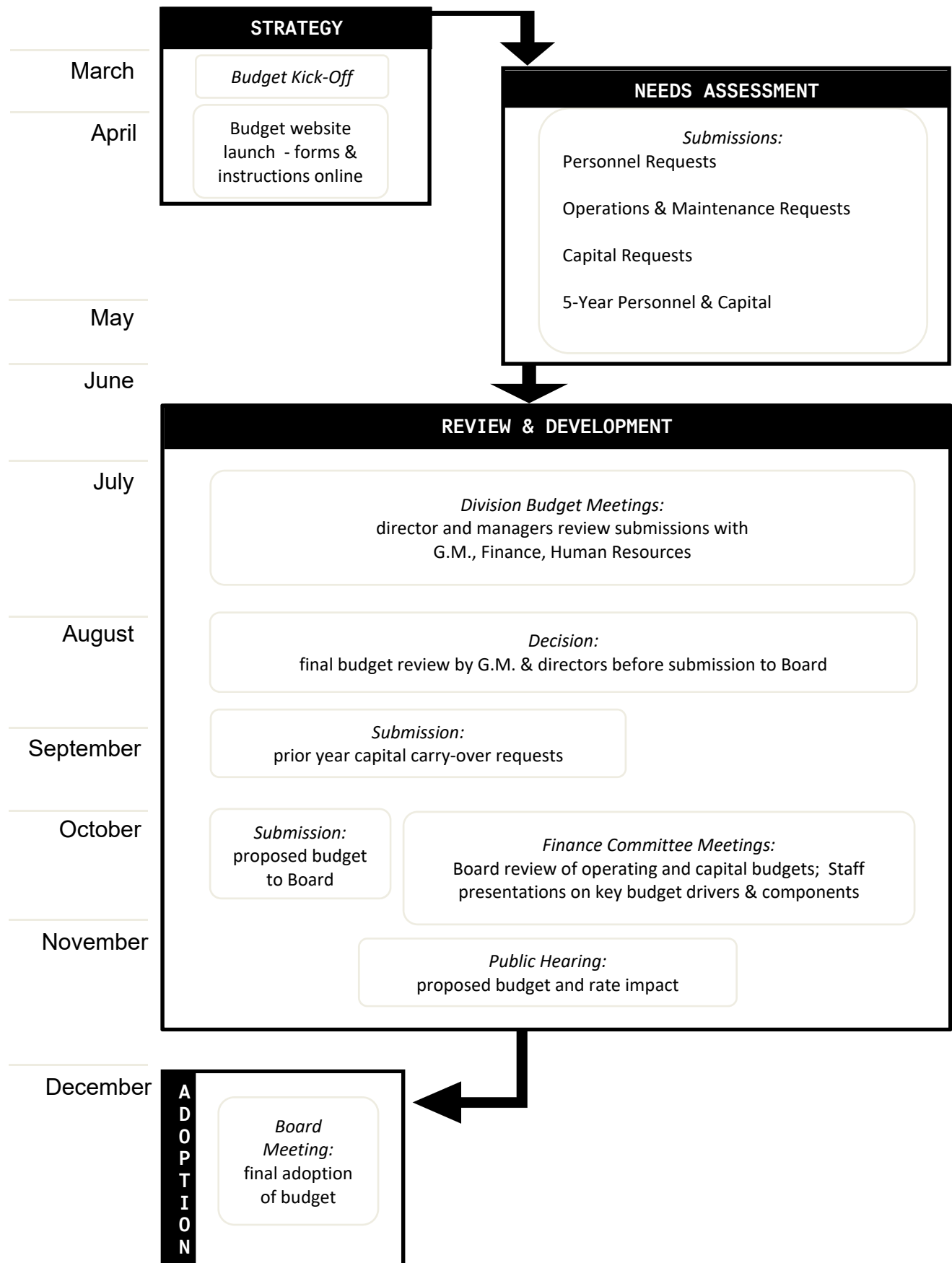
At this point, directors review, provide input, and after any additional changes, approve the current year and five year requests. Financial modeling is then updated with the latest budget submissions and any other revised assumptions and the water rates required to support the budget are produced.

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.

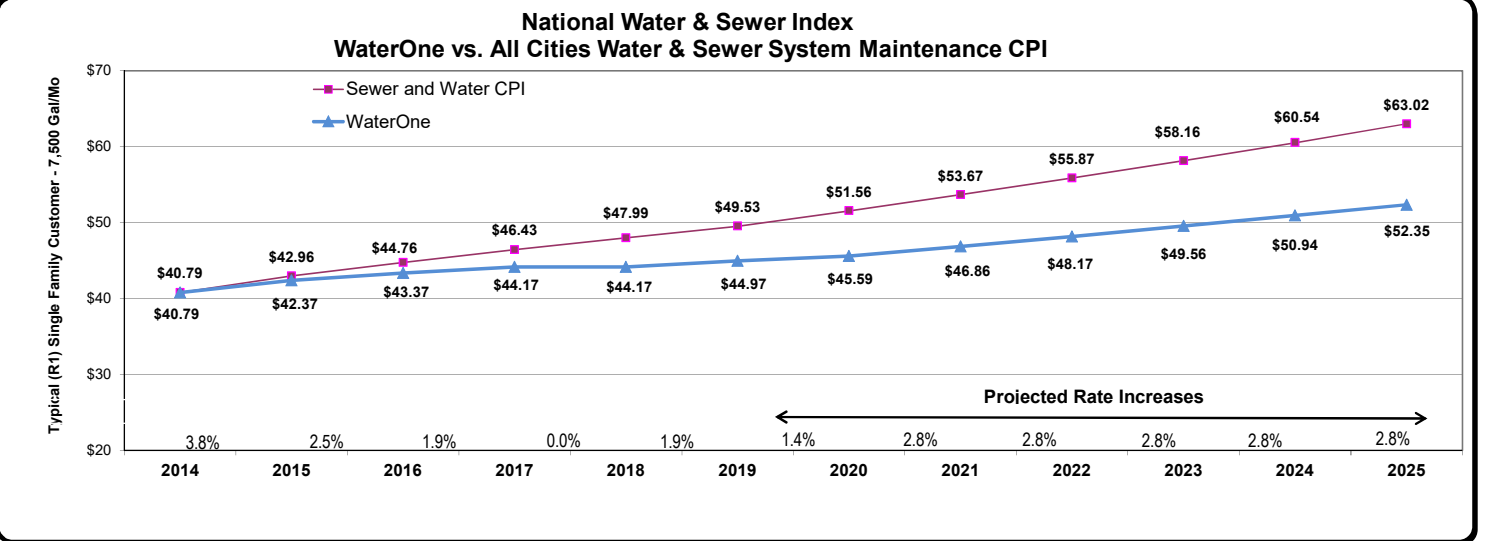
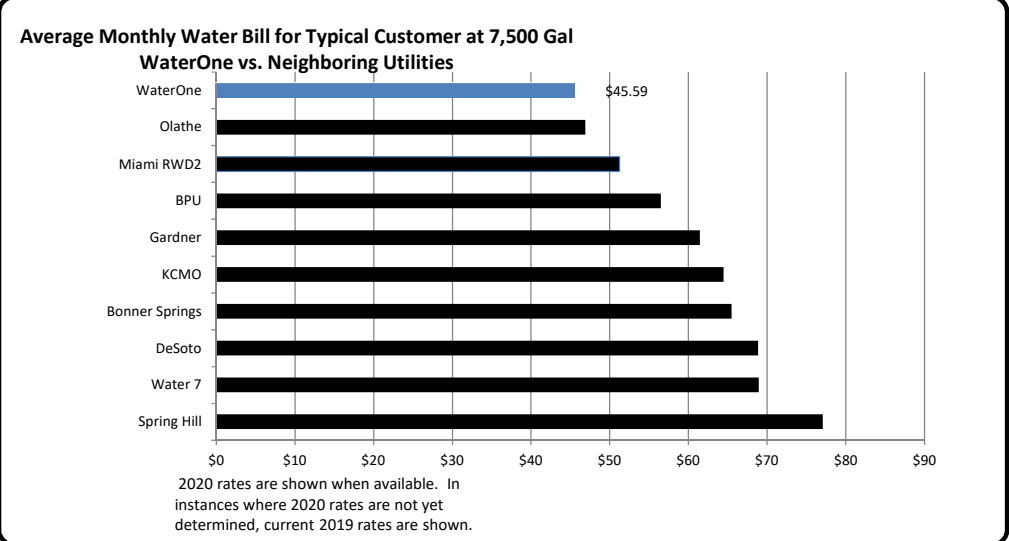
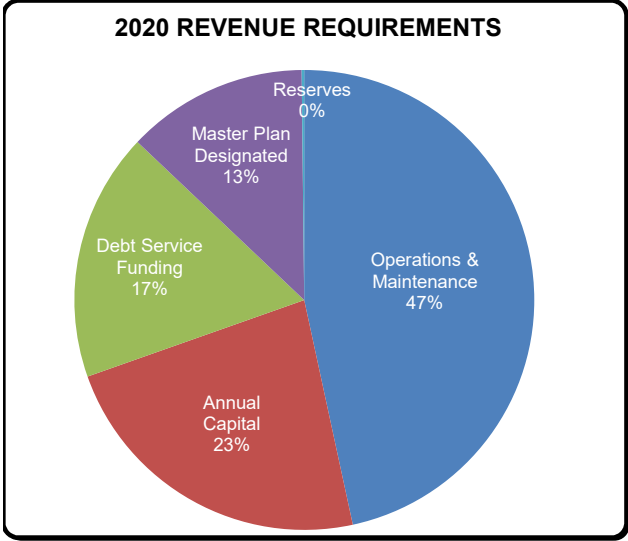
OVERVIEW

2020 BUDGET PROCESS



WATERONE FINANCIAL OVERVIEW

TOTAL ANNUAL OPERATING BUDGET	3.9%	3.8%	2.5%	1.8%	0.0%	1.9%	1.4%	2.8%★	2.8%★	2.8%★	2.8%★	2.8%★	WATER RATES						
	2014 ACTUAL	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	2019 BUDGET	2020 BUDGET	2021 PROJECTION	2022 PROJECTION	2023 PROJECTION	2024 PROJECTION	2025 PROJECTION	LONG TERM MODEL PROJECTION ASSUMPTIONS						
REVENUES PROVIDED:													Budgeted Customer Growth per Year						
Sales Of Water	\$ 96,571,419	\$ 94,775,765	\$ 108,586,314	\$ 105,837,757	\$ 115,631,746	\$ 114,576,223	\$ 115,992,602	\$ 119,902,940	\$ 123,984,749	\$ 128,206,771	\$ 132,708,208	\$ 137,339,481	2020	2021	2022	2023	2024	2025	
Sales Of Water - Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	1,400	1,500	1,600	1,700	1,800	1,900	
Other Operating Revenues	1,302,105	1,289,499	1,329,856	1,359,342	1,466,752	1,588,000	1,630,000	1,643,000	1,657,000	1,671,000	1,685,000	1,699,000	Actual Customer Growth per Year						
Total Operating Revenues	97,873,524	96,229,765	109,916,170	107,197,099	117,098,498	116,164,223	117,622,602	121,545,940	125,641,749	129,877,771	134,393,208	139,038,481	2014	2015	2016	2017	2018	2019	
Investment Income (General and P&I Funds)	287,353	358,053	572,595	1,238,639	2,248,496	2,840,000	2,730,000	2,470,000	2,880,000	3,200,000	3,750,000	4,380,000	1,581	1,224	1,367	1,289	1,462	1,400	
Investment Income (Construction & SDC Funds)	64,193	189,725	230,189	127,894	499,607	-	-	-	-	-	-	-	(Est)						
Total Investment Income	351,546	547,778	802,784	1,366,533	2,748,103	2,840,000	2,730,000	2,470,000	2,880,000	3,200,000	3,750,000	4,380,000	Gallons Per Customer Per Year:						
TOTAL REVENUES PROVIDED	\$ 98,225,070	\$ 96,777,543	\$ 110,718,954	\$ 108,563,632	\$ 119,846,601	\$ 119,004,223	\$ 120,352,602	\$ 124,015,940	\$ 128,521,749	\$ 133,077,771	\$ 138,143,208	\$ 143,418,481	Residential Single Family (R1) 85,833 gallons						
REVENUE REQUIREMENTS:													Multi-Family (M1) 435,000 gallons						
Operations & Maintenance Expense	\$ 48,769,727	\$ 46,817,259	\$ 49,728,302	\$ 52,926,798	\$ 56,680,974	\$ 54,179,874	\$ 56,094,175	\$ 58,688,654	\$ 61,571,105	\$ 64,808,295	\$ 68,244,927	\$ 71,751,559	Small Commercial (C1) 210,000 gallons						
Annual Capital	2,721,823	5,736,185	4,864,318	3,889,505	3,511,146	10,380,000	9,420,000	10,690,000	11,010,000	11,340,000	11,670,000	12,020,000	Large Commercial (C2) 1,450,000 gallons						
Current Year Carryovers to be Spent in Following Year	5,593,129	5,213,191	6,040,982	5,349,198	4,902,266	-	-	-	-	-	-	-	Interest % Yield on Investment Income						
Transmission and Distribution (T&D) Funding	13,174,000	13,743,000	12,940,000	14,410,000	14,780,000	17,330,000	18,240,000	19,650,000	21,180,000	22,830,000	24,610,000	26,510,000	2020	2021	2022	2023	2024	2025	
Total Annual Capital	21,488,952	24,692,376	23,845,300	23,648,703	23,193,412	27,710,000	27,660,000	30,340,000	32,190,000	34,170,000	36,280,000	38,530,000	2.20%	2.00%	2.25%	2.50%	2.75%	3.00%	
Debt Service Funding	23,728,410	22,624,501	24,663,482	24,167,417	20,450,427	20,499,772	21,022,578	21,756,300	21,759,350	21,761,625	21,756,650	21,764,050	O&M Assumptions (2021-2025)						
Master Plan Designated	1,559,690	400,000	12,437,530	10,015,434	12,821,892	15,174,077	15,345,849	12,620,986	12,251,294	11,547,851	11,011,631	10,012,872	Payroll 3.75%						
Investment Income (Construction & SDC Funds)	64,193	189,725	230,189	127,894	499,607	-	-	-	-	-	-	-	Power 5.0%						
Repayment to Master Plan for Bond Payoff	2,259,167	2,170,000	-	-	770,000	860,500	-	-	-	-	-	-	Chemicals 4.0%						
Total Transfers to Master Plan	3,883,050	2,759,725	12,667,719	10,143,328	14,091,498	16,034,577	15,345,849	12,620,986	12,251,294	11,547,851	11,011,631	10,012,872	Health Ins. 10.0%						
Bond Covenant Required Reserve	(145,068)	533,729	(519,505)	(1,301,653)	322,918	580,000	230,000	610,000	750,000	790,000	850,000	880,000	All Other O&M 3.0%						
Negative Cash Flow Reserve	500,000	-	-	-	-	-	-	-	-	-	-	480,000	Annual Capital Assumptions						
TOTAL REVENUE REQUIREMENTS	\$ 98,225,070	\$ 97,427,589	\$ 110,385,299	\$ 109,584,593	\$ 114,739,230	\$ 119,004,223	\$ 120,352,602	\$ 124,015,940	\$ 128,521,749	\$ 133,077,771	\$ 138,143,208	\$ 143,418,481	Inflation rate at 3%						
Funds Available for Reservation	\$ -	\$ (650,046)	\$ 333,655	\$ (1,020,961)	\$ 5,107,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -							
Debt Service Coverage	2.08	2.21	2.47	2.30	3.09	3.16	3.06	3.00	3.08	3.14	3.21	3.29							
Master Plan Designated as a % of Water Sales	2%	0%	11%	9%	11%	13%	13%	10%	10%	9%	8%	7%							
MASTER PLAN CAPITAL FUND																			
Carryover Reserves Available for Future Awards	\$ 32,263,852	\$ 52,376,319	\$ 41,165,815	\$ 43,717,520	\$ 52,284,045	\$ 38,282,886	\$ 20,220,600	\$ 25,852,045	\$ 28,482,767	\$ 20,798,547	\$ 30,980,722	\$ 38,340,799							
Funding Sources:																			
Net Bond Proceeds	78,328,280	-	-	37,000,000	-	-	-	-	-	-	-	-							
Designated for Master Plan from Annual Budget	1,559,690	400,000	12,437,530	10,015,434	12,821,892	15,174,077	15,345,849	12,620,986	12,251,294	11,547,851	11,011,631	10,012,872							
System Development Charge (SDC) Revenue	10,500,000	7,500,000	9,900,000	9,900,000	9,600,000	6,930,000	7,000,000	7,575,000	8,160,000	8,755,000	9,360,000	9,975,000							
Reserve Transfers	3,450,000	1,800,000	1,500,000	-	-	343,635	-	-	-	-	-	-							
Investment Income (Construction & SDC Funds)	-	116,644	-	-	-	-	-	-	-	-	-	-							
Total Funding Sources	\$ 93,837,970	\$ 9,816,644	\$ 23,837,530	\$ 56,915,434	\$ 22,421,892	\$ 22,447,712	\$ 22,345,849	\$ 20,195,986	\$ 20,411,294	\$ 20,302,851	\$ 20,371,631	\$ 19,987,872							
TOTAL FUNDS AVAILABLE	\$ 126,101,822	\$ 62,192,963	\$ 65,003,345	\$ 100,632,954	\$ 74,705,937	\$ 60,730,598	\$ 42,566,448	\$ 46,048,032	\$ 48,894,060	\$ 41,101,398	\$ 51,352,354	\$ 58,328,672							
Master Plan Project Costs (Award Basis)	\$ 73,725,503	\$ 21,027,147	\$ 21,285,825	\$ 48,348,910	\$ 36,423,050	\$ 40,509,998	\$ 16,714,403	\$ 17,565,265	\$ 28,095,513	\$ 10,120,676	\$ 13,011,554	\$ 25,113,782							
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.																			



This page left intentionally blank.

2020 Budget to 2019 Budget
2020 Water Rate Increase = 1.4%

	2019 ADOPTED BUDGET @ 1.9%	2020 ADOPTED BUDGET @ 1.4%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 114,576,223	\$ 114,576,223	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	1,157,629	1,157,629	1.0%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(1,364,473)	(1,364,473)	-1.2%
5 Increase Required from Rate Adjustment	na	1,623,223	1,623,223	1.4%
6 TOTAL SALES OF WATER	\$ 114,576,223	\$ 115,992,602	\$ 1,416,379	1.2%
7 Delayed Payment Charges	\$ 610,000	\$ 600,000	\$ (10,000)	-1.6%
8 Field Service Charges	358,000	350,000	(8,000)	-2.2%
9 Other Operating Revenues	620,000	680,000	60,000	9.7%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,588,000	\$ 1,630,000	\$ 42,000	2.6%
11 Investment Income (General and P&I Funds)	\$ 2,840,000	\$ 2,730,000	\$ (110,000)	-3.9%
12 Investment Income (Construction & SDC Funds)	-	-	-	N/A
13 TOTAL INVESTMENT INCOME	\$ 2,840,000	\$ 2,730,000	\$ (110,000)	-3.9%
14 TOTAL REVENUES PROVIDED	\$ 119,004,223	\$ 120,352,602	\$ 1,348,379	1.1%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 54,179,874	\$ 56,094,175	\$ 1,914,301	3.5%
17 Annual Capital	\$ 10,380,000	\$ 9,420,000	\$ (960,000)	-9.2%
18 T&D Funding	17,330,000	18,240,000	910,000	5.3%
19 TOTAL ANNUAL CAPITAL	\$ 27,710,000	\$ 27,660,000	\$ (50,000)	-0.2%
20 TOTAL DEBT SERVICE FUNDING	\$ 20,499,772	\$ 21,022,578	\$ 522,806	2.6%
21 Master Plan Designated	\$ 15,174,077	\$ 15,345,849	\$ 171,772	1.1%
22 Investment Income (Construction & SDC Funds)	-	-	-	N/A
23 Repayment to Master Plan for Bond Payoff	860,500	-	(860,500)	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 16,034,577	\$ 15,345,849	\$ (688,728)	-4.3%
25 Bond Covenant Required Reserve	\$ 580,000	\$ 230,000	\$ (350,000)	-60.3%
26 Negative Cash Flow Reserve	-	-	-	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 580,000	\$ 230,000	\$ (350,000)	-60.3%
28 TOTAL REVENUE REQUIREMENTS	\$ 119,004,223	\$ 120,352,602	\$ 1,348,379	1.1%
29 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 64,824,349	\$ 64,258,427	\$ (565,922)	-0.9%
30 Debt Service (Line #20)	\$ 20,499,772	\$ 21,022,578	\$ 522,806	2.6%
31 DEBT SERVICE COVERAGE (Ln #29 / Ln #30)	3.16	3.06		
32 ADJUSTMENT TO WATER RATES	1.9%	1.4%		

Percentages may not add due to rounding

OVERVIEW

FUND STRUCTURE

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

General Fund:

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

Master Plan:

The major sources of funding are:

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

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

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

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

Transmission and Distribution:

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

Debt Service:

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

Bond Reserve:

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

Rate Stabilization:

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

Fund Balance Summary by Fund

	General Fund	Master Plan	Transmission & Distribution	Debt Service	Rate Stabilization	Negative Cash Flow	Total
Fund Balance at 12/31/2019	\$ 36,634,476	\$ 80,901,273	\$ 1,444,430	\$ 261,073	\$ 11,000,000	\$ 8,000,000	\$ 138,241,252
Water Sales	115,992,602	-	-	-	-	-	115,992,602
Other Operating Revenues	1,630,000	-	-	-	-	-	1,630,000
Investment Income	2,730,000	-	-	-	-	-	2,730,000
System Development Charges	-	7,000,000	-	-	-	-	7,000,000
Bond Proceeds	-	-	-	-	-	-	-
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	15,345,849	18,240,000	21,022,578	-	-	54,608,427
Total Revenue & Transfers In	\$ 120,352,602	\$ 22,345,849	\$ 18,240,000	\$ 21,022,578	\$ -	\$ -	\$ 181,961,029
Operations & Maintenance Expense	56,094,175	-	-	-	-	-	56,094,175
Capital Spending	9,420,000	38,542,779	18,240,000	-	-	-	66,202,779
Debt Service Payments	-	-	-	21,022,578	-	-	21,022,578
Transfer to Debt Service	21,022,578	-	-	-	-	-	21,022,578
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	18,240,000	-	-	-	-	-	18,240,000
Transfers to Master Plan	15,345,849	-	-	-	-	-	15,345,849
Total Expenditures & Transfers Out	\$ 120,122,602	\$ 38,542,779	\$ 18,240,000	\$ 21,022,578	\$ -	\$ -	\$ 197,927,960
Projected Fund Balance at 12/31/2019	\$ 36,864,476	\$ 64,704,342	\$ 1,444,430	\$ 261,073	\$ 11,000,000	\$ 8,000,000	\$ 122,274,321
Increase (Decrease) in Fund Balance	\$ 230,000	\$ (16,196,931)	\$ -	\$ -	\$ -	\$ -	\$ (15,966,931)
Percent Change in Fund Balance	0.6%	-20.0%	0.0%	0.0%	0.0%	0.0%	-11.6%

Changes in Fund Balance

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

Master Plan: The decrease in the fund balance is due to cash funding for the SCADA project, Nall Pump Station Phs. II, and two elevated tanks.

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

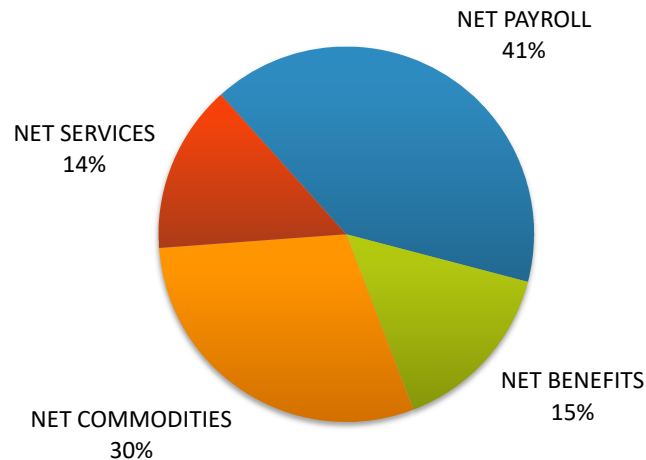
Debt Service: There is normally very little change in the fund balance.

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

Negative Cash Flow: Balance should not change. Cash is used for expenditures in low revenue months and replenished in high revenue months.

2020 O&M Budget
Compared to 2019 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

	2019 Budget	2020 Budget	\$ Inc/(Decr)	% Inc/ (Decr)
NET PAYROLL	\$21,879,974	\$22,861,618	\$981,644	4.5%
NET BENEFITS	8,773,575	8,471,670	(301,905)	(3.4%)
NET COMMODITIES	16,660,806	16,626,093	(34,713)	(0.2%)
NET SERVICES	6,865,518	8,134,794	1,269,276	18.5%
Total	\$54,179,874	\$56,094,175	\$1,914,301	3.5%

(numbers may not add due to rounding)

**2020 Budget Compared to 2019 Budget
By Category**

ACCOUNTS - BY CATEGORY

12/10/2019

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				

Labor - Non OT	27,810,369	29,310,708	1,500,339	5.4%
-----------------------	------------	-------------------	-----------	------

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, 2020. Budgeted salaries have a reduction of 1.0% for slippage.

The 2020 Labor Budget is increasing a total of \$1,500,339 or 5.4% over the 2019 Budget. After the annual true-up to reflect the actual outcome of payroll after turn-over, retirements, vacancies, performance compensation, and equity adjustments the beginning base is \$28,120,442.

		<u>% Chg from 2019 Budget</u>
2019 Budget Gross Payroll	\$ 27,810,369	
Annual True-Up of 2019 Base	310,073	1.1%
2020 Beginning Base	<u>\$ 28,120,442</u>	
Eliminated Positions	(343,719)	-1.2%
New Authorizations	309,166	1.1%
	<u>\$ 28,085,889</u>	
Equity Adjustment (a)	100,000	0.4%
Performance Compensation (b)	1,124,819	4.0%

Total Projected 2020 Labor Budget	\$ 29,310,708	5.4%
--	----------------------	-------------

Numbers may not add due to rounding.

- (a) A 0.4% equity adjustment is budgeted related to the result of the 2017 Compensation Study.
- (b) Performance Compensation is calculated as a percent of 2020 Beginning Base Pay. A 4.0% overall Performance Compensation adjustment is budgeted.

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

20192020\$ DIF% DIF**The significant budget factors are:****1) Annual True-Up of Beginning Base** **\$310,073**

The increase to the beginning base is made up of the following factors:

- The annual true-up of the base represents the difference in pay for vacated positions, retirements, and reclassifications that are hired or reclassified at a different rate of pay. The amount of the increase attributable to these factors was \$139,660.
- A true-up based on the 2017 Compensation Study equity adjustments, 2019 actual performance compensation adjustments and implementation of the Distribution Technician Program resulted in an increase of \$170,413.

2) Eliminations/New Authorizations **(\$34,553)**

- A total of 7 new full-time positions and 1 intern position are requested for a total of \$309,166.
- A total of 8 full-time positions are being eliminated due to AMI for a total savings of \$343,719.

3) Equity Adjustment from 2017 Compensation Study **\$100,000**

- An equity adjustment based on the Compensation Study is budgeted at \$100,000. This adjustment is related to employees that are meeting performance expectations and have remained in the lowest one-third of their salary range.

4) Performance Compensation Adjustments **\$1,124,818**

- A performance adjustment increase of 4.0% is budgeted at \$1,124,818.

All Other PAYROLL Accounts	1,103,882	1,090,002	(13,880)	(1.3%)
PAYROLL Transfers	(7,034,277)	(7,539,092)	(504,815)	7.2%
Net PAYROLL	21,879,974	22,861,618	981,644	4.5%

BENEFITS**Employee Insurance - Health** **4,498,988** **4,547,534** **48,546** **1.1%**

The budgeted components of health insurance include a budgeted 2.0% premium rate increase and changes to the employee coverage mix.

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Total Pension Accounts	3,762,557	3,053,340	(709,217)	(18.8%)

The Total Pension budget is comprised of both Defined Benefit Plans and Defined Contribution Plans, which include plans for employees hired prior to January 1, 2014, ("legacy" plans) and employees hired after that ("new" plans). Over time the budgets for the legacy plans will go down as the budgets for the new plans increase because of employee turnover.

	<u>2020 Budget</u>	<u>% Change from 2019 Budget</u>
<i>Defined Benefit (DB) Plans</i>		
412010 - Pension DB – Final Pay Plan	1,538,219	(35.4%)
412050 - Pension DB – Cash Balance Plan	61,760	14.0%
Total DB Plans	1,599,979	
<i>Defined Contribution (DC) Plans</i>		
412020 - Pension DC – WaterOne	404,543	(3.2%)
412052 - Pension DC – (New) WaterOne	453,088	22.5%
Total DC - Base	857,631	
412030 - Pension DC – Match	284,798	(3.2%)
412051 - Pension DC – (New) Match	310,932	26.6%
Total DC - Match	595,730	
<i>Grand Total Pension</i>	<u>3,053,340</u>	(18.8%)

The Pension Components are:

1) Defined Benefit

Pension DB – Final Pay Plan	2,380,384	1,538,219	(842,165)	(35.4%)
------------------------------------	-----------	------------------	-----------	---------

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 2020 budget is decreasing primarily due to the amortization of additional contributions to the plan in 2019. The decrease is partially offset by losses experienced in 2018. 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). Contributions to the plan that exceed the calculated annual funding amount are amortized over 10 years and reduce future funding levels. Additional contributions included in the current budget include:

<u>Contribution Year / Budget Years</u>	<u>Additional Contribution</u>	<u>Annual Budget Impact</u>
2012 / 2013-2022	3,000,000	(413,360)
2019 / 2020-2029	7,900,000	(1,080,363)

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Pension DB – Cash Balance Plan	54,196	61,760	7,564	14.0%
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.				

2) Defined Contribution - Base

Pension DC – WaterOne	418,105	404,543	(13,562)	(3.2%)
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. The decrease is due to reduced participation in this plan which closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) WaterOne' for costs related to employees hired after that date).				
Pension DC – (New) WaterOne	369,963	453,088	83,125	22.5%
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 budget increase is due to additional participants entering the plan.				

3) Defined Contribution - Match

Pension DC – Match	294,346	284,798	(9,548)	(3.2%)
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. The decrease is due to reduced participation in this plan which closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) Match' for costs related to employees hired after that date).				
Pension DC – (New) Match	245,563	310,932	65,369	26.6%
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 primarily due to additional participants entering the plan.				

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
FICA	2,133,595	2,227,256	93,661	4.4%
The budget increase is due to the higher projected payroll but is less than the projected payroll percentage increase due to more estimated non-taxable benefit elections.				
Worker's Compensation	276,100	311,070	34,970	12.7%
This budget is based on actual policy renewal in July. The policy renews in July of each year so premiums that are effective beginning in July 2019 will be in effect for the first half of the 2020 budget. The budget includes a 3% projected premium increase in premiums for the second half of the 2020 budget.				
Compensation & Benefits Consulting Services	111,000	74,493	(36,507)	(32.9%)
This budget funds compensation and benefit consulting projects. The budget decrease is due to the end of the amortization period for the 2017 compensation study.				
All Other BENEFITS Accounts	1,190,371	1,241,109	50,738	4.3%
BENEFITS Transfers	(3,199,036)	(2,983,132)	215,904	(6.7%)

Benefit Transfers

The decrease to benefit transfers is primarily due to the reduction of transfers related to Other Post Employment Benefits (OPEB). The budget no longer includes cash funding future covered health care costs, a portion of the cash funding was previously included in overhead calculations and transferred to capital. Benefits related to OPEB are being funded on a pay-go basis resulting in a benefit expense directly attributed to retirees. Without cash funding related to the benefits of current employees, there is no longer an expense that can be capitalized.

Net BENEFITS	8,773,575	8,471,670	(301,905)	(3.4%)
---------------------	-----------	------------------	-----------	--------

COMMODITIES

Total Power (next 4 accounts)	9,081,261	9,388,732	307,471	3.4%
<i>Power costs used for the treatment and distribution of water are shown in the next 4 accounts:</i>				
Power - Transmission	4,767,404	4,817,806	50,402	1.1%
This budget is for power from the Board of Public Utilities (BPU) for transmission of water to the distribution system. The budget for this account is based on an operational plan by month for the two treatment facilities. The budget is increasing due to a true-up to 2019 rates. No BPU rate increase is budgeted for 2020.				
Power - Source	2,389,199	2,391,361	2,162	0.1%
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 operational changes that increase production at the Missouri Intake while the Kansas Intake is out of service due to planned maintenance. No BPU rate increase is budgeted for 2020.				

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Power - Distribution	1,753,118	1,796,767	43,649	2.5%
This budget is for power primarily 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. The budget is increasing due to a true-up to actual usage at Wyss, Woodson, and Crouthers Pump Stations. There is no rate increase projected in 2020.				
Generator Natural Gas – Wolcott	171,540	382,798	211,258	123.2%
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 increase is due to increased forecasted usage in 2020 of the natural gas engine generators at the Wolcott facility.				
Chemicals - Water Treatment	5,096,548	4,726,433	(370,115)	(7.3%)
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 for 2020 is decreasing due to the planned use of the new Ozone Treatment Facility which will reduce the need for chemicals at the Kansas Intake, the Missouri Intake and at the Hansen Treatment Facility.				
Material & Supplies	1,383,200	1,370,145	(13,055)	(0.9%)
Material and supplies are non-inventory items that are necessary to operate and maintain WaterOne facilities. This account is included because it makes up more than 5% of the 'Commodities' category.				
Inventory Withdrawals	879,311	886,600	7,289	0.8%
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 \$2.19 in 2019 to \$2.30 for 2020. The total number of budgeted gallons decreased by 2.9% due to the planned Meter Reading department elimination. This account is included because it makes up more than 5% of the 'Commodities' category.				
BPU Water Purchased In-House	163,235	228,629	65,394	40.1%
This budget is for water purchased from BPU at the Missouri Presedimentation and Intake Facilities. The water is used for bearing water for the pumps, potable water, intake wash, and usage for dilution on the chlorine dioxide generator. The 2020 budget is increasing due to increased production at the Missouri Intake while the Kansas Intake is out of service due to planned maintenance.				
Uniforms	101,445	128,880	27,435	27.0%
The budget for uniforms is increasing due to a change in tax treatment. The budgeted increase in payroll tax for uniforms is budgeted in the account.				

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Small Tools & Equipment	162,790	116,825	(45,965)	(28.2%)
Small Tools & Equipment consists of specialty construction equipment, hand tools, small power equipment, and other repair items used in the maintenance of the transmission and distribution system. The 2020 budget decreased to reflect the average actual history.				
All Other COMMODITIES Accounts	705,106	692,045	(13,061)	(1.9%)
COMMODITIES Transfers	(912,090)	(912,196)	(106)	0.0%
Net COMMODITIES	16,660,806	16,626,093	(34,713)	(0.2%)

SERVICES

PC Software License & Maintenance	984,515	1,432,302	447,787	45.5%
--	---------	------------------	---------	-------

This account covers WaterOne's software licenses and maintenance on that software. The budget increase is primarily due to the following:

- WaterOne plans to utilize cloud hosting for its GIS environment. This includes contracting with a qualified vendor to host, administer, maintain and support the ArcGIS environment in a Managed Cloud Services agreement. Managed Cloud Services provides benefits including offloading the administration and maintenance of the GIS environment to a qualified partner freeing up IT resources to administer and maintain other business systems such as SAP, leveraging a partner to upgrade to the most current version of ArcGIS software, providing a resilient GIS landscape including disaster recovery capabilities, and providing the capability to allow WaterOne staff and stakeholders (contractors, cooperating agencies, customers) to access and use GIS resources from anywhere at any time on any device which is currently not possible with on-premises infrastructure. This accounts for \$155,000 of the increased 2020 budget.
- WaterOne plans to expand its agreement with ESRI to an Enterprise Agreement, including an Enterprise Advantage Program agreement, to include a much more robust package of software and services. The ESRI Enterprise Agreement (EA) provides GIS software licensing flexibility and lower cost/unit pricing and includes access to additional required GIS Software licensing to accommodate recent growth and planned future expansion with WaterOne's GIS. The Enterprise Advantage Program (EAP), included with the EA, provides access to ESRI professional services and training to allow WaterOne to work directly with the software vendor on specialty scopes of work requiring ESRI's unique expertise and experience and to obtain training specific to WaterOne's requirements. This increased agreement with ESRI accounts for \$151,600 of the increased 2020 budget.
- The implementation of the software related to the Records Information Management program requires annual maintenance beginning in 2020. This accounts for a \$45,000 increase to the 2020 Budget.
- The Microsoft Annual Maintenance agreement was renewed with updated pricing. This represents a \$30,000 increase to the 2020 budget.

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
<ul style="list-style-type: none"> A Human Resources Information System (HRIS) is budgeted to begin in August of 2020. This system will provide a means for managing WaterOne's workforce from pre-hire to retire. Processes including recruiting, onboarding, training, benefits, performance, and compensation will all benefit from this implementation. This represents a \$25,800 increase to the 2020 budget. 				
Property & Liability Insurance	642,232	695,192	52,960	8.2%
The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, Auto and Cyber Liability, and broker fees. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2019 will be in effect for the first half of the 2020 budget. The budget includes a 3% projected premium increase in premiums for the second half of the 2020 budget. The 2020 budget increase is primarily due to premium increases and additional coverage for crime and cyber liability.				
Contracted Services	651,287	597,287	(54,000)	(8.3%)
These are services that are not cost-effective to complete in-house. This account varies from year-to-year based on need. The decrease is due to communications services moving to its own account. The decrease is partially offset by an increase of approximately \$50,000 for outsourced IT services.				
Clean Drinking Water Fee	599,556	593,545	(6,012)	(1.0%)
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.				
Water Billing Services	474,000	450,000	(24,000)	(5.1%)
This account is for the outsourced printing and mailing of water bills. There are two items in this budget. The first is water bills, which includes regular, corrected, and final bills. As more customers switch to electronic billing, the expense associated with paper bills is expected to decrease. The second part of the budget is for dunning notices. The budget for dunning notices has increased slightly.				
Security / Security Guards	462,172	463,059	887	0.2%
This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. This account is included because it makes up more than 5% of the 'Services' category.				

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Telecom	457,080	451,680	(5,400)	(1.2%)
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. This account is included here because it makes up more than 5% of the 'Services' category.				
Training	359,800	397,800	38,000	10.6%
The budget is based on a multi-year average. For 2020, the budget is increasing due to higher utilization. Training calculates to 1.3% of labor.				
Non-Employee Overload	113,400	336,760	223,360	197.0%
The budget increase is due to four temporary meter readers during the transition to AMI meters. The increase is partially offset by the reduction of temporary assistance on the IT Help Desk.				
AMI Services	50,000	313,502	263,502	527.0%
The 2020 budget for Advanced Metering Infrastructure (AMI) includes the amortization of fees related to the network, software, data management, and customer portal for a portion of the year. The budget for 2019 included costs related to Automated Meter Reading (AMR).				
Maintenance Services	203,180	320,083	116,903	57.5%
This budget is increasing primarily due to three maintenance contracts for testing and maintenance of electrical equipment, the increase is due primarily to the planned inspection and maintenance on five variable speed drives at the Hansen and Missouri Presedimentation facilities.				
Dues & Local Meetings	105,930	132,754	26,824	25.3%
This budget includes memberships to local and national professional organizations, attendance at local meetings and costs associated with in-house business meetings. The increase is due primarily to planned annual employee town hall meetings, planned Board work sessions, and moving the educational foundation meetings from the "General Expense" account.				
Special Assessment & Fees	96,316	122,067	25,750	26.7%
The increase is due primarily to rate increases from Johnson County Wastewater and the addition of a Unified Government stormwater fee.				
Communication Services	-	107,907	107,907	NA
This account was established for communications related services such as professional customer surveys, outsourced graphic design, and website support. These services were previously budgeted in Contracted Services.				

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

	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
Laboratory Services	124,449	95,449	(29,000)	(23.3%)

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 decrease is due to the completion of the UCMR IV EPA testing requirements that started in 2018 and the elimination of lab tests that are no longer required.

KS State Water Analysis	-	61,975	61,975	NA
--------------------------------	---	---------------	--------	----

This budget is for WaterOne's share of periodic USGS studies on the Kansas River for cyanobacteria and taste and odor compounds. This budget varies from year to year based on planned studies.

All Other SERVICES Accounts	2,035,491	2,040,159	4,668	0.2%
SERVICES Transfers	(493,890)	(476,726)	17,164	(3.5%)
Net SERVICES	6,865,518	8,134,794	1,269,276	18.5%
GRAND TOTAL	54,179,874	56,094,175	1,914,301	3.5%

Numbers may not add due to rounding

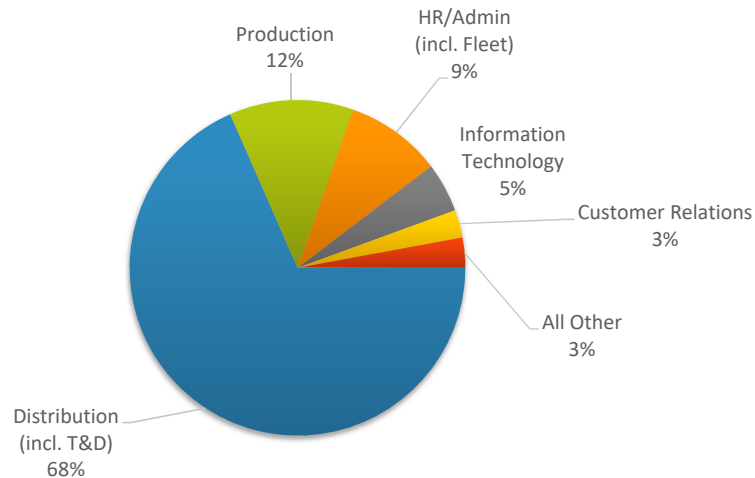
H:\Finance\FINSHARE\1BUDGET\2020 Budget\O&M\[District Level O_M Comparison-20Z.xlsx]By Category-SIGNIF

OVERVIEW

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION
Comparison of 2019 & 2020

Division	2019 Adopted Budget	2020 Adopted Budget	Dif \$	Dif %	% of Total Capital Requests	
					2019	2020
Distribution (incl. T&D)	\$ 17,745,131	\$ 18,929,504	\$ 1,184,373	6.7%	64.0%	68.4%
Production	5,571,791	3,310,794	(2,260,997)	(40.6%)	20.1%	12.0%
Human Resources / Admin. (incl. Fleet)	1,665,898	2,561,854	895,956	53.8%	6.0%	9.3%
Information Technology	1,617,695	1,313,514	(304,181)	(18.8%)	5.8%	4.7%
Customer Relations	604,429	744,555	140,126	23.2%	2.2%	2.7%
Finance	-	260,486	260,486	-	0.0%	0.9%
Omissions and Contingencies	505,056	539,293	34,237	6.8%	1.8%	1.9%
Total Annual Capital	\$ 27,710,000	\$ 27,660,000	\$ (50,000)	(0.2%)	100%	100%

2020 ANNUAL CAPITAL



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

	2019	2020	\$ Incr/(Decr)	% Incr/(Decr)
Distribution Main Replacements	\$ 8,500,000	\$ 9,540,000	\$ 1,040,000	12.2%
Distribution Main Breaks (a)	4,100,000	4,100,000	-	0.0%
General Improvements	2,300,000	2,200,000	(100,000)	(4.3%)
Distribution Main Relocations	1,500,000	1,300,000	(200,000)	(13.3%)
Condition Assessment	515,000	500,000	(15,000)	(2.9%)
Transmission Main Capital	415,000	600,000	185,000	44.6%
Subtotal T&D Funding	\$ 17,330,000	\$ 18,240,000	\$ 910,000	5.3%

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

This page intentionally left blank.

STRATEGIC PLANNING AND PERFORMANCE MEASURES

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

Definitions

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

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

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

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

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

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

Strategic Plan

Vision Statement

WaterOne...Setting the standard for utility excellence.

Mission Statement

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

Values

Quality | Integrity | Safety | Accountability | Respect

Goals and Strategies

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

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

Goal 2: Provide excellent customer service

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

Goal 3: Be an employer of choice

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

Goal 4: Ensure financial stability and predictable rates

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

Strategic Plan

Goal 5: Continuously improve business processes

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

Goal 6: Proactively manage infrastructure

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

Goal 7: Be good stewards of the environment

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

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

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

2020 Operational Goals and how they relate to the Strategic Goals

2020 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
Strategic Goal:									
Production									
1	Construct ozone treatment facility	X			X	X	X	X	
2	Execute SCADA master plan	X				X	X		
3	Complete space needs study			X	X		X		X
4	Develop data governance strategy					X			
5	Complete Johnson Drive Tank & Pipeline	X							
6	Construction of two new elevated tanks	X							
7	Expansion of Nall Ave Pump Station	X							
8	Participate in Partnership for Safe Water	X						X	
Distribution									
1	Complete Johnson Drive Tank & Pipeline	X							
2	Construction of two new elevated tanks	X							

2020 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
3	Expansion of Nall Ave Pump Station	X							
4	Update Asset Management Software	X				X	X		
5	Participate in Partnership for Safe Water	X						X	
Customer Relations									
1	Implementation of Advance Meter Infrastructure		X			X		X	
2	Call-back software RFP		X			X			
3	Develop data governance strategy					X			
Finance									
1	Asset management plan update						X		
2	Expand inventory program					X			
3	Enhance purchasing processes					X			
4	Evaluate banking services				X	X			

2020 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
Human Resources									
1	Implement Learning Management System			X		X			
2	Human Resources Information System improvements			X		X			
3	Vulnerability assessment					X			X
Legal/Audit									
1	Implementation of records information management initiative					X			
2	Enhance contract review process					X			
3	Evaluate enterprise risk management software				X	X			
Information Technology									
1	Execute SCADA master plan	X				X	X		
2	Enhance business continuity and disaster planning					X			
3	Implementation of records information management initiative					X			

2020 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	Human Resources Information System improvements			X		X			
5	Develop data governance strategy					X			
6	Complete scheduled software and server upgrades					X			

Performance Measures

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

KPI STRATEGIC GOALS REPORT

STRATEGIC GOAL 1

Ensure a Reliable, High Quality Water Supply.



INCREASE

NO CHANGE

DECREASE



BLUE: Exceeds target > 2%

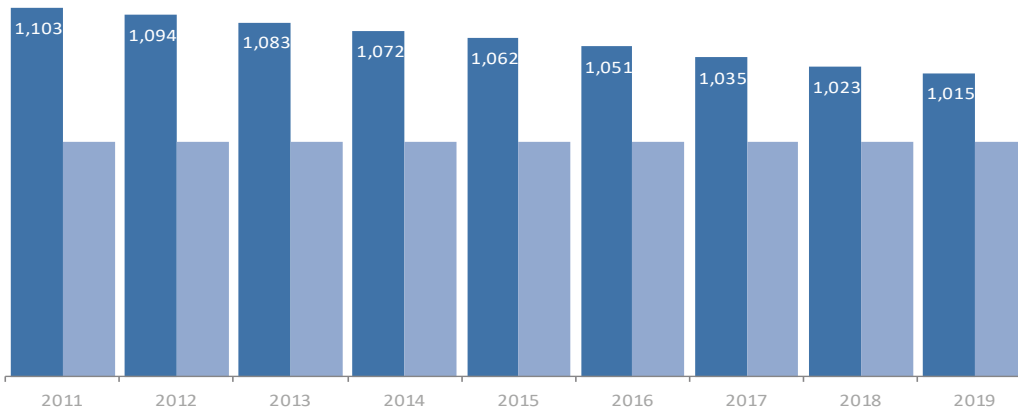
GREEN: +/- 2% < target

YELLOW: 2% - 5% < target

RED: 5% < target

KPI	Target	Actual	Status	Management Comment
1. Conformance with Drinking Water Internal Standards, Regulations, Monitoring, MCL/TT - (PRD) Percentage of parameter samples that comply with Safe Drinking Water Act Standards.	100%	100%	G -	
2. Conformance with Water Quality Goals - Monthly (PRD) Percentage of parameter-samples that comply with WaterOne established drinking water standards. (See Water Quality KPI table on page 8.)	100%	96.4%	Y -	
3. Production Facilities' Capacity of Available Max Day Gallons Per Customer. Annual. (See graph below.)	920	1,015	B -	Asset Management Service Level Goals. (Annual)

Max Day Gallons Per Customer



Dark Blue = Max Day Capacity
Light Blue = KPI - 920

Water Quality KPIs

Process	Parameter	Dec 2019 Range	Performance Rating	Target Range	Frequency	Comments
Settled	Odor (MIB & Geosmin)	0 - 0	G - 	< 10 ng/l	Weekly	
Membrane Combined Effluent	Turbidity	100%	G - 	96% < 0.2 ntu	5 Minute	
Filter (Start Up)	Turbidity	100%	G - 	99% < 0.8 ntu	15 Minute	
Filter (After Seat In)	Turbidity	100%	G - 	99% < 0.3 ntu	15 Minute	
Tap	Turbidity	100%	G - 	96% < 0.2 ntu	5 Minute	
Tap	Calcium Hardness	92%	G - 	90% > 60 mg/L	Daily	
Tap	Total Hardness	129 - 132	G - 	100 - 145 mg/L	Running Annual Average	
Tap	Total Alkalinity	100%	G - 	90% > 45 mg/L	Daily Avg	
Tap	pH	100%	G - 	90 % Between 9.3 - 9.7	Daily Avg	
Tap	Total Chlorine	100%	G - 	90% Between 2.5 - 3.25 mg/L	Daily Avg	
Tap	Chlorite	100%	G - 	99% < 0.6 mg/L	Daily	
Tap	Odor(MIB&Geosmin)	0 - 2.1	G - 	< 5 ng/l	Weekly	
Tap	Total Coliforms	100%	G - 	100% Negative	Weekly	
Tap	E. Coliforms	0	G - 	0 positive	Weekly	
Tap	Fluoride	0%	R - 	90% Between 0.5 - 0.8 mg/L	Daily Avg	Fluoride feed line developed leak and needed to be shut down for repairs.
Distribution	Total Chlorine	95%	G - 	90% Between 2.25 - 3.80 mg/L	Daily	
Distribution	Total Coliforms	99%	G - 	98% Negative	>200/Month	
Distribution	E. Coliforms	0	G - 	0 positive	>200/Month	
Distribution	Chlorite	100%	G - 	99% < 0.6 mg/L	Monthly	
Distribution	pH	87%	R - 	90% Between 9.3 - 9.7	Daily	All samples met regulatory limits.
Distribution	Lead	*	G - 	95% < 0.01 mg/L	Annual Percentile	

* Not Measured



GREEN
All Parameters
Meet Goals



YELLOW
1 to 3 Parameters
do not meet goals







RED
4 or more
Parameters do not
meet goals

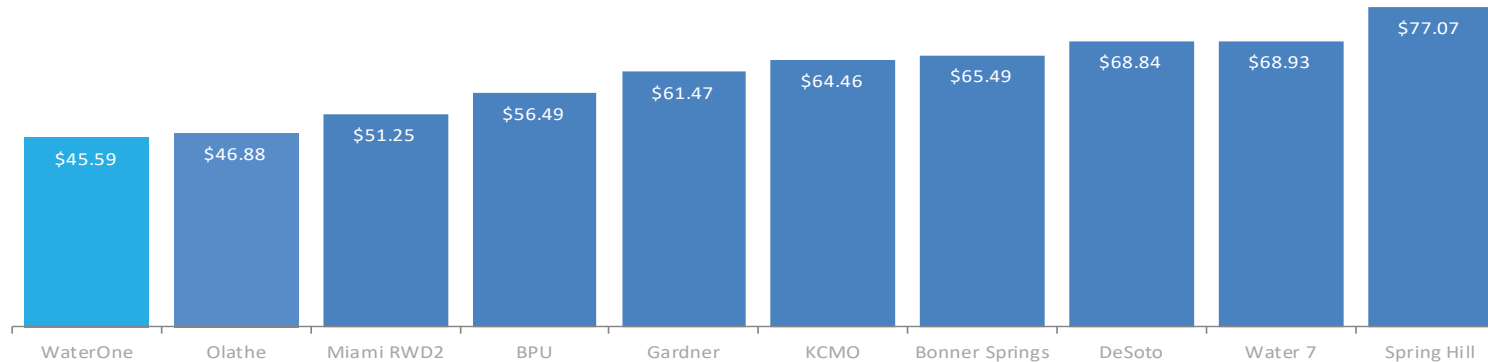
STRATEGIC GOAL 2

Provide Excellent Customer Service



KPI	Target	Actual	Status	Management Comment
4. Composite Customer Satisfaction Performance Rating - (CCR) based upon an index of various customer service and water service components common to utilities across the nation.	80.0	86.1	B - 	
5. Technical Water Quality Complaints per 1,000 Accounts - (CCR) Expression of complaints related to core utility service, T&O, Turbidity, Pressure, etc.	8.0	4.1	B - 	
6. Residential Cost of Water - (FIN) Comparison of residential cost of water service based on both a defined quantity of water use and the average residential bill amounts for these services.	\$45.59	\$45.59	G - 	(Annual)
7. Billing Accuracy - (CCR) 12MTD Expression of error-driven billing adjustments per 10,000 bills.	7.2	15.9	R - 	The higher level of billing errors reflects the workforce challenges anticipated during the transition to AMI, specifically reliance on contract meter readers.

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



STRATEGIC GOAL 3

Be An Employer Of Choice.



INCREASE

NO CHANGE

DECREASE



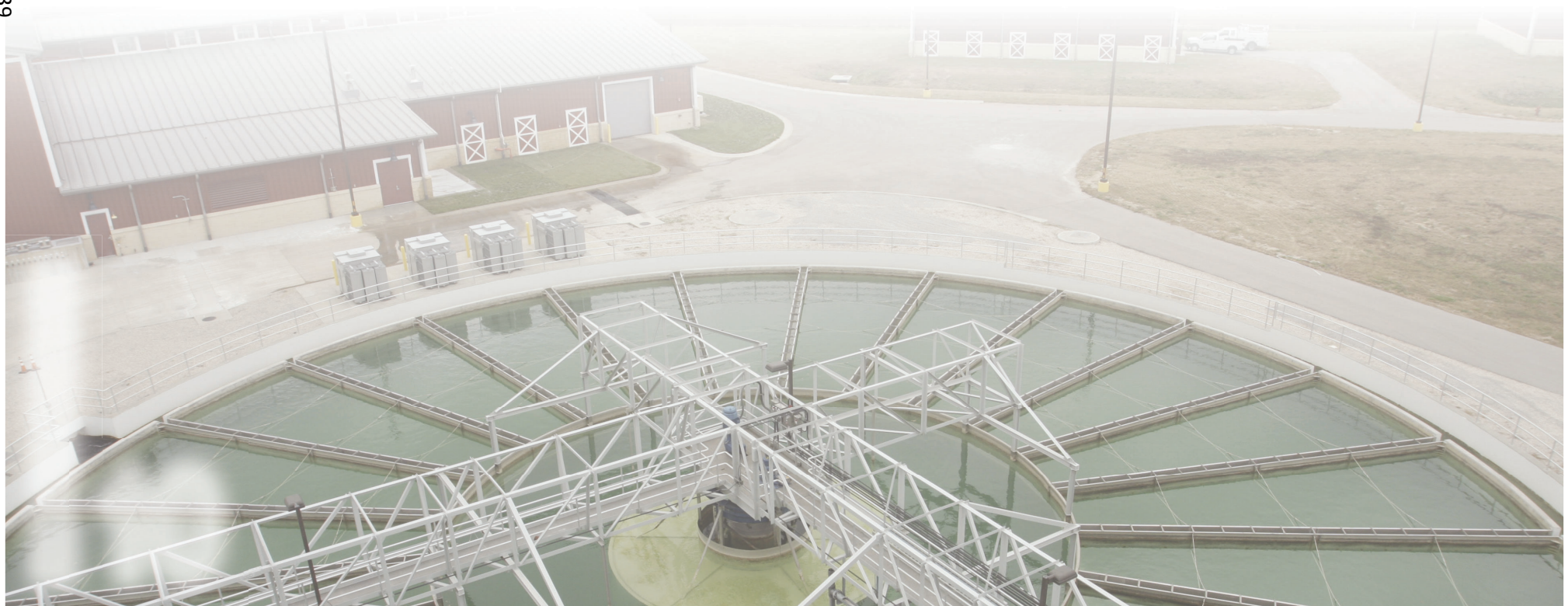
BLUE: Exceeds target > 2%

GREEN: +/- 2% < target

YELLOW: 2% - 5% < target

RED: 5% < target

KPI	Target	Actual	Status	Management Comment
8. Employee Health and Safety Severity Rate - (HR) Employee days lost due to injury. Rate per 100 employees.		94.9	R -	No targeted performance determined. (Annual) See note on Detail Report page 6.
9. Turnover Rate - (HR) Expression of the performance and stability of the workforce. YTD.		8.6%	G -	Voluntary - 18 Involuntary - 6 Retired - 8 Other - 2



STRATEGIC GOAL 4

Ensure Financial Stability and Predictable Rates.



INCREASE

NO CHANGE

DECREASE



BLUE: Exceeds target > 2%

GREEN: +/- 2% < target

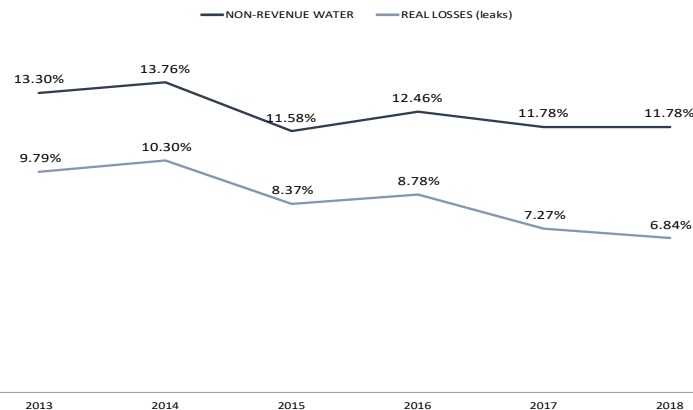
YELLOW: 2% - 5% < target

RED: 5% < target

KPI	Target	Actual	Status	Management Comment
10. Total Non-Revenue water percent and the subset that relates to "Real Loss" (i.e. water leaks). (See graph below.)	10%	*	B -	This number will not be available until summer 2020.
11. O&M Cost Per Million Gallons Produced. - YTD	\$2,372	\$2,793	R -	Lower gallons produced due to wet weather and less irrigation.
12. O&M Cost per Customer Account - O&M Costs divided by number of customer accounts that were billed during the report period. YTD	\$363	\$365	G -	
13. Actual Vs. Budgeted Water Sales Revenue. - YTD	\$114,576,223	\$102,833,800	R -	Wetter than normal weather, has suppressed billings.
14. O&M Budget to Actual Expenditures (Post-Transfers) - YTD	\$54,179,874	\$54,398,113	G -	
15. Customers Served Per Employee - (HR) Number of customer accounts that were billed for some or all of the reporting period divided by the number of full-time equivalent employees.		427	B -	No targeted performance determined. (Annual)
16. Debt Ratio - Quantifies the utilities level of indebtedness.	26.3%	18.6%	B -	(Annual)



NON-REVENUE WATER as a % of Budgeted Produced



STRATEGIC GOAL 5

Continuously Improve Business Processes

No KPIs developed at this time.



INCREASE

NO CHANGE

DECREASE



BLUE: Exceeds target > 2%

GREEN: +/- 2% < target

YELLOW: 2% - 5% < target







RED: 5% < target

STRATEGIC GOAL 6

Proactively Manage Infrastructure

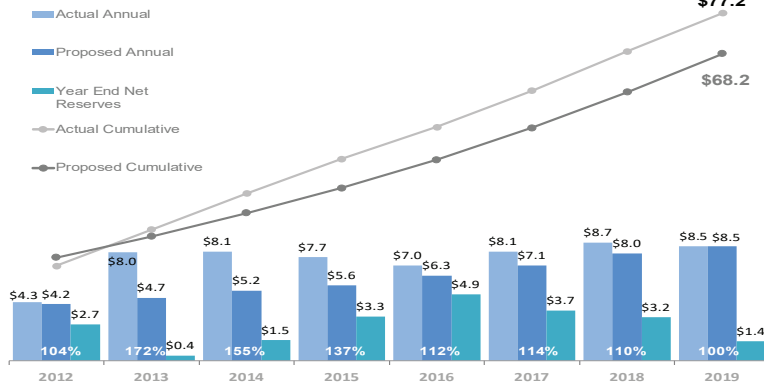
KPI		Target	Actual	Status	Management Comment
17. System Renewal Rate - (DST) Rate at which infrastructure is being renewed or replaced as compared to projected replacement needs. (See graph on page 13 - "Piping Replacement.")		100%	100.0%	G -	(Annual)
18. Water Distribution System Integrity - (DST) Quantification of the condition of the water distribution system by considering the number of main breaks and leaks per 100 miles of pipeline. (See graph on page 13 - "Leaks Per 100 Miles of Pipe.")		24.3	22.5	B -	
19. Active Customer Accounts Vs. Projected - (FIN) Actual growth in the number of bill paying customers compared to estimated growth.		1,400	1,161	R -	Throughout 2019, customer growth was steadily behind target.
20. Of the customers that experienced a water outage, the percent of affected customers that were out of service for:	0 - 4 Hours	> = 80%	86.51%	B -	There was one incident where customers were out of water >12 hrs. The pipe ruptured twice after the initial repair and had to be replaced. (Annual)
	4-12 Hours	< = 20%	13.15%	B -	
	> 12 Hours	0%	.34%	Y -	
21. Total annual minutes of service outage divided by the annual weighted average number of customers will not exceed 20 minutes.		20	11	B -	Asset Management Service Level Goals. (Annual)

Strategic Goal 6, Cont'd

KPI	Target	Actual	Status	Management Comment
22. Conformance with Minimum Pressure Goals. Percentage of time a minimum pressure of 40 psi was supplied to 95% of the service territory.	95%	100%	B - 	Asset Management Service Level Goals.
23. Conformance with Maximum Pressure Goals. Percentage of time a maximum pressure of 135 psi was supplied to 75% of the service territory.	95%	100%	B - 	Asset Management Service Level Goals.
24. Annual Capital Projects - (FIN) Annual Capital Projects not on-time / on-budget.	\$9,437,393	\$4,500,050	G - 	
25. Master Plan Projects - (FIN) Master Plan Projects not on-time / on-budget or having excessive change orders.	\$228,324,553	\$143,003,270	G - 	
26. Facilities Maintenance - % of "Planned" Man-Hours	85.0%	93.9%	B - 	
27. Facilities Maintenance - % Man-Hours on Emergency Work Orders	5%	0.4%	B - 	

42

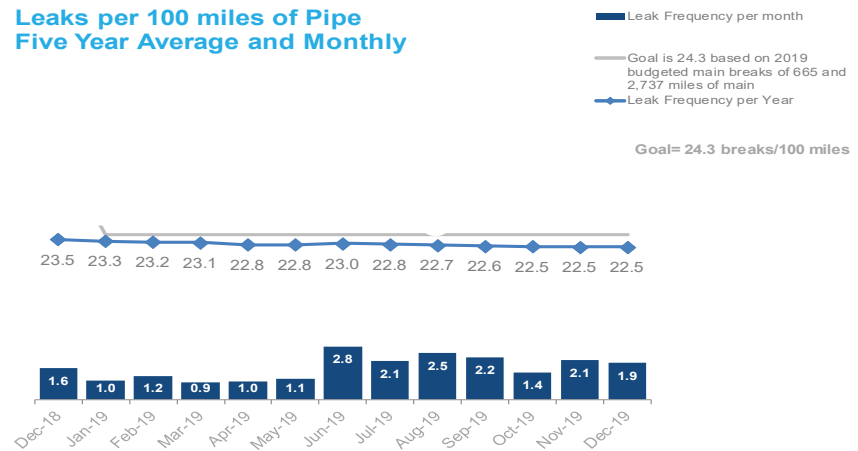
Distribution Piping Replacement - Proposed vs. Actual (in \$s millions)



STRATEGIC GOAL 7

Be Good Stewards of the Environment.

Leaks per 100 miles of Pipe Five Year Average and Monthly



STRATEGIC GOAL 8

Promote a Safe Work Environment & Establish a Security Conscious Culture

No KPIs developed at this time.

MONTHLY & QUARTERLY KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Measures	Measurement As Of 12/31/2018	2019 Goal As Of 12/31/2019	2019 Year to Date or 12 Months to Date 12/31/2019	Variance (- % indicates not meeting goal)	Current Month Goal	Current Month Actual	Performance Rating
	Reported Monthly or Quarterly							
PRD	Conformance with Drinking Water Standards	100.0%	100.0%	100.0%	0.0%	100.0%	100.0%	G -
PRD	Conformance with WaterOne Water Quality Goals (Monthly)	97.6%	100.0%	96.4%	-3.57%	100.0%	90.5%	Y -
CCR	Composite Customer Satisfaction Performance Rating (qtrly)	86.1	80.0	86.1	7.62%			B -
CCR	Technical Water Quality Complaints/1,000 Accounts (12 MTD - Est.)	4.6	8.0	4.1	-48.75%	0.7	0.3	B -
CCR	Billing Accuracy - Bill Adj/10,000 Bills (12 MTD)	5.3	7.2	15.9	120.83%	7.2	35.2	R -
HR	Turnover Rate (YTD)	7.5%		8.6%				G -
FIN	O&M Cost per Million Gallons Produced	\$25	\$2,372	\$2,793	17.76%	\$4,283	\$7,134	R -
FIN	O&M Cost per Customer Account	\$375	\$363	\$365	0.56%	\$36	\$54	G -
FIN	Actual vs. Budgeted Water Sales Revenue	\$115,637,746	\$114,576,223	\$102,833,800	-10.25%	\$6,539,523	\$6,348,126	R -
FIN	O&M Budget to Actual Expenditures	\$55,356,133	\$54,179,874	\$54,398,113	0.40%	\$5,429,707	\$8,022,337	G -
DST	Water Distribution System Integrity - Avg leaks/100 miles (5 yr rolling)	23.5	24.3	22.5	-7.41%	2.0	1.9	B -
FIN	Active Customer Accounts vs. Projected	1,462	1,400	1,161	-17.07%	102	85	R -
FIN	Annual Capital Projects	\$5,191,791	\$9,437,393	\$4,500,050				G -
FIN	Master Plan Projects	\$146,723,811	\$228,324,553	\$143,003,270				G -
PRD	Conformance with WaterOne Minimum Pressure Goals (Monthly)	100.0%	95.0%	100.0%	5.26%	95.0%	100.0%	B -
PRD	Conformance with WaterOne Maximum Pressure Goals (Monthly)	100.0%	95.0%	100.0%	5.26%	95.0%	100.0%	B -
PRD	Facilities Maintenance- % of "Planned" Man-Hours	90.4%	85.0%	93.9%	10.41%	85.0%	93.9%	B -
PRD	Facilities Maintenance - % Man-Hours of Emergency Work Orders	0.6%	5.0%	0.4%	-92.40%	5.0%	0.4%	B -

2019 Key Performance Indicators (KPI) Measured Performance As Of 12/31/2019



INCREASE

NO CHANGE

DECREASE












BLUE: Exceeds target > 2%

GREEN: +/- 2% < target








YELLOW: 2% - 5% < target

RED: 5% < target

ANNUAL KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Measures	2015 Final	2016 Final	2017 Final	2018 Final	2019 Final	2019 Target	Performance Rating
	Reported Annually							
PRD	Max Day Facilities per Customer (gal per customer)	1,062	1,051	1,035	1,023	1,015	920	B - 
FIN	Residential Cost of Water	\$42.37	\$44.17	\$44.17	\$44.96	\$45.59	\$45.59	G - 
HR	Employee Health & Safety Severity Rate	5.0	19.7	10.6	7.6	94.9**		R - 
DST	Distribution System Real Water Loss	8.4%	8.8%	7.3%	6.8%	*	10.0%	B - 
DST	Number of Minutes of Water Outage per Total System Customers	13	11	9	14	11	20	B - 
DST	Of the customers that experienced a water outage in 2018, the percent of affected customers that were out of service > 12 hours.	0.1%	0.0%	1.7%	0.5%	0.3%	0.0%	Y - 
HR	Customers Served per Employee	456	454	421	445	427		B - 
FIN	Debt Ratio	23.5%	21.7%	21.7%	21.1%	18.6%	26.3%	B - 
DST	System Renewal Rate - Distribution	137.4%	112.0%	114.0%	110.0%	100.0%	100.0%	G - 

Final
2019 Key
Performance
Indicators
(KPI)
Measured
Performance

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

*This number will not be available until summer 2020.

**This number is unusually high because we had one injured employee that was away for 282 days.

2020 REVENUE SUMMARY

OPERATING REVENUE ASSUMPTIONS

Comparison of Revenues

Revenue Type	2019 Budget	2020 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$114,576,223	\$115,992,602	\$1,416,379	1.2%
Other Operating Revenues	1,588,000	1,630,000	42,000	2.6%
Investment Income	2,840,000	2,730,000	<\$110,000>	<3.9%>
Total	\$119,004,223	\$120,352,602	\$1,348,379	1.1%

Sales of Water

Sales of Water in 2020 is projected to increase by \$1,416,379 or 1.2%.

- 1,400 new customers will provide additional revenue of \$1,157,629. WaterOne projects new customer growth by analyzing the long term historical average as well as the recent growth trends.
- A 1.0% budgeted reduction in single family residential (R1) gallons per customer caused revenues to decrease. Residential usage is declining due to more efficient appliances and plumbing fixtures. This decrease reduced revenue by \$460,125.
- A 1.4% rate increase provided \$1,623,223 in additional revenue.
- Adjustments are made annually to the assumptions related to multi-family and commercial customer gallons sold and block allocations, as well as actual customer growth and meter sizes. Adjustments are made based on historical usage and trend analysis. The result of these adjustments is a net reduction in revenue of \$904,348.

Volume Charge vs. Service Charge

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

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

Other Operating Revenues**Delayed Payment Charges**

Delayed Payment Charges are applied to water bills paid after the due date. Budgeted revenues from this source are \$600,000 which is \$10,000 or 1.6% less than the 2019 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 2020 are budgeted to be \$350,000, an \$8,000 decrease or 2.3% less than the 2019 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 \$680,000, which is \$60,000 or 9.7% more than the 2019 budget. This budget has been increased due to higher checking account balances that are anticipated to earn more interest income.

Investment Income

Investment income is earned on investments made with cash that is not needed for daily operation. Investment income in 2020 is budgeted to be \$2,730,000. This is a decrease of \$110,000 or 3.9% from the 2019 budget. The decrease is due to the assumed interest rate decreasing from 2.25% to 2.20%.

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 2020, SDC income is budgeted at \$7,000,000 which is \$70,000 or 1% more than the 2019 budget. 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, which is an increase of \$50 or 1.0% over 2019.

WATER RATE STRUCTURE

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

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

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

Block	Gallons	2020 Rates per 1,000 gallons	Total
1	5,930	\$4.24	\$25.14
2	1,570	\$5.64	\$8.85
Service Charge	NA	\$11.60	\$11.60
	7,500		\$45.59

There is a 1.4% rate increase for 2020 and no change to the rate structure. The typical customer's bill will increase \$0.62 to \$45.59 per month.

**Comparison of Volume Rates and Service Charges
2019 to 2020
1.4% Rate Increase**

Meter Size	Actual 2019 Rates	Adopted 2020 Rates	\$ Increase	% Increase
------------	-------------------------	--------------------------	----------------	---------------

Retail Service Charges:

Single Family Residential

Bi-monthly

Monthly	\$11.60	5/8"	\$22.90	\$23.20	\$0.30	1.3%
	\$15.20	3/4"	\$30.00	\$30.40	\$0.40	1.3%
	\$22.65	1"	\$44.70	\$45.30	\$0.60	1.3%
	\$42.05	1 1/2"	\$82.90	\$84.10	\$1.20	1.4%
	\$62.95	2"	\$124.20	\$125.90	\$1.70	1.4%
	\$152.10	3"	\$300.00	\$304.20	\$4.20	1.4%
	\$239.05	4"	\$471.50	\$478.10	\$6.60	1.4%

All Other

Monthly

5/8"	\$14.20	\$14.40	\$0.20	1.4%
3/4"	\$17.80	\$18.00	\$0.20	1.1%
1"	\$25.10	\$25.50	\$0.40	1.6%
1 1/2"	\$44.20	\$44.80	\$0.60	1.4%
2"	\$64.90	\$65.80	\$0.90	1.4%
3"	\$152.80	\$154.90	\$2.10	1.4%
4"	\$238.50	\$241.80	\$3.30	1.4%
6"	\$505.10	\$512.20	\$7.10	1.4%

Temporary Commercial (All Meter Sizes)	\$90.40	\$91.70	\$1.30	1.4%
--	---------	----------------	--------	------

Retail Volume Charges per 1,000 Gallons:

Block 1 (0 to 125% of AWC):

All Classes	\$4.18	\$4.24	\$0.06	1.4%
-------------	--------	---------------	--------	------

Block 2 (Over 125% of AWC):

All Classes	\$5.56	\$5.64	\$0.08	1.4%
-------------	--------	---------------	--------	------

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.

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

Rate Class	Meter Size	Monthly Consumption (In Gallons)	Block 1 Gallon %	2019 Avg Bill	2020 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
<i>AWWA Typical Customer</i>	5/8"	7,500	79%	\$ 44.97	\$ 45.59	1.4%	\$ 0.62

Single Family Residential

Low Usage	5/8"	3,475	99%	\$ 26.03	\$ 26.39	1.4%	\$ 0.36
Moderate Usage	5/8"	7,205	82%	\$ 43.34	\$ 43.94	1.4%	\$ 0.60
High Usage	5/8"	11,920	60%	\$ 67.88	\$ 68.84	1.4%	\$ 0.96
Low Usage	1"	3,629	94%	\$ 37.84	\$ 38.36	1.4%	\$ 0.52
Moderate Usage	1"	9,041	69%	\$ 64.04	\$ 64.94	1.4%	\$ 0.90
High Usage	1"	25,699	37%	\$ 152.08	\$ 154.25	1.4%	\$ 2.17

Multi-Family Residential

Low Usage	1"	9,448	100%	\$ 64.64	\$ 65.60	1.5%	\$ 0.96
Moderate Usage	1"	19,539	96%	\$ 107.78	\$ 109.37	1.5%	\$ 1.59
High Usage	1"	43,442	78%	\$ 219.93	\$ 223.13	1.5%	\$ 3.20
Low Usage	1 1/2"	20,849	100%	\$ 131.39	\$ 133.25	1.4%	\$ 1.86
Moderate Usage	1 1/2"	37,902	97%	\$ 203.95	\$ 206.84	1.4%	\$ 2.89
High Usage	1 1/2"	86,702	77%	\$ 433.92	\$ 440.12	1.4%	\$ 6.20
Low Usage	2"	24,423	100%	\$ 167.07	\$ 169.44	1.4%	\$ 2.37
Moderate Usage	2"	47,178	98%	\$ 263.10	\$ 266.84	1.4%	\$ 3.74
High Usage	2"	120,189	74%	\$ 610.86	\$ 619.61	1.4%	\$ 8.75

Small Commercial

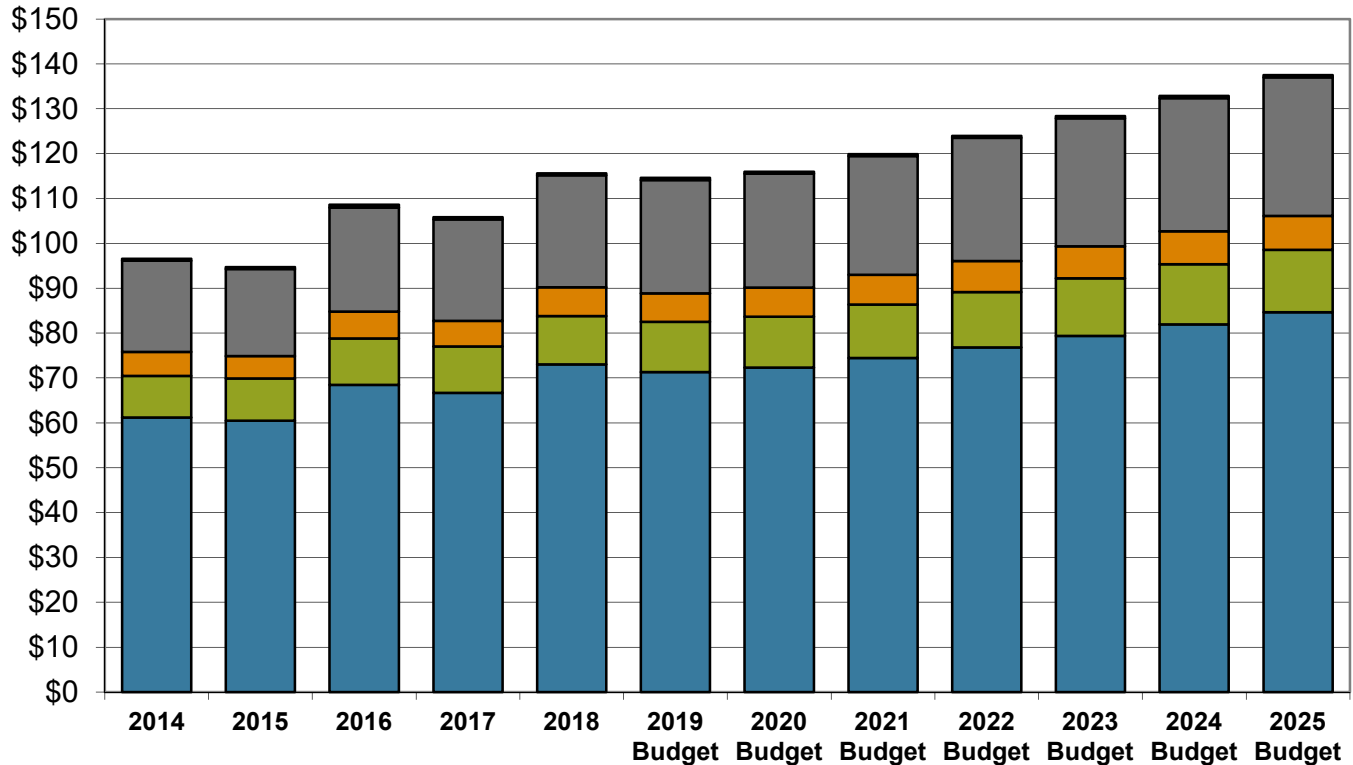
Low Usage	5/8"	587	100%	\$ 16.66	\$ 16.89	1.4%	\$ 0.23
Moderate Usage	5/8"	2,625	92%	\$ 25.47	\$ 25.83	1.4%	\$ 0.36
High Usage	5/8"	17,203	64%	\$ 94.66	\$ 96.02	1.4%	\$ 1.36
Low Usage	3/4"	1,344	99%	\$ 23.43	\$ 23.71	1.2%	\$ 0.28
Moderate Usage	3/4"	7,350	74%	\$ 51.15	\$ 51.83	1.3%	\$ 0.68
High Usage	3/4"	40,917	44%	\$ 220.37	\$ 223.48	1.4%	\$ 3.11
Low Usage	1"	2,574	98%	\$ 35.93	\$ 36.48	1.5%	\$ 0.55
Moderate Usage	1"	12,019	80%	\$ 78.69	\$ 79.86	1.5%	\$ 1.17
High Usage	1"	49,868	54%	\$ 265.10	\$ 268.95	1.5%	\$ 3.85

Large Commercial

Low Usage	1 1/2"	13,594	88%	\$ 103.20	\$ 104.65	1.4%	\$ 1.45
High Usage	1 1/2"	99,521	64%	\$ 509.31	\$ 516.59	1.4%	\$ 7.28
Low Usage	2"	23,017	93%	\$ 163.36	\$ 165.67	1.4%	\$ 2.31
High Usage	2"	181,346	73%	\$ 891.53	\$ 904.31	1.4%	\$ 12.78
Low Usage	3"	99,296	89%	\$ 582.60	\$ 590.88	1.4%	\$ 8.28
High Usage	3"	514,449	74%	\$ 2,487.78	\$ 2,523.42	1.4%	\$ 35.64
Low Usage	4"	173,417	97%	\$ 971.02	\$ 984.84	1.4%	\$ 13.82
High Usage	4"	941,875	76%	\$ 4,487.48	\$ 4,551.82	1.4%	\$ 64.34

HISTORY OF WATER SALES BY RATE CLASS

In millions



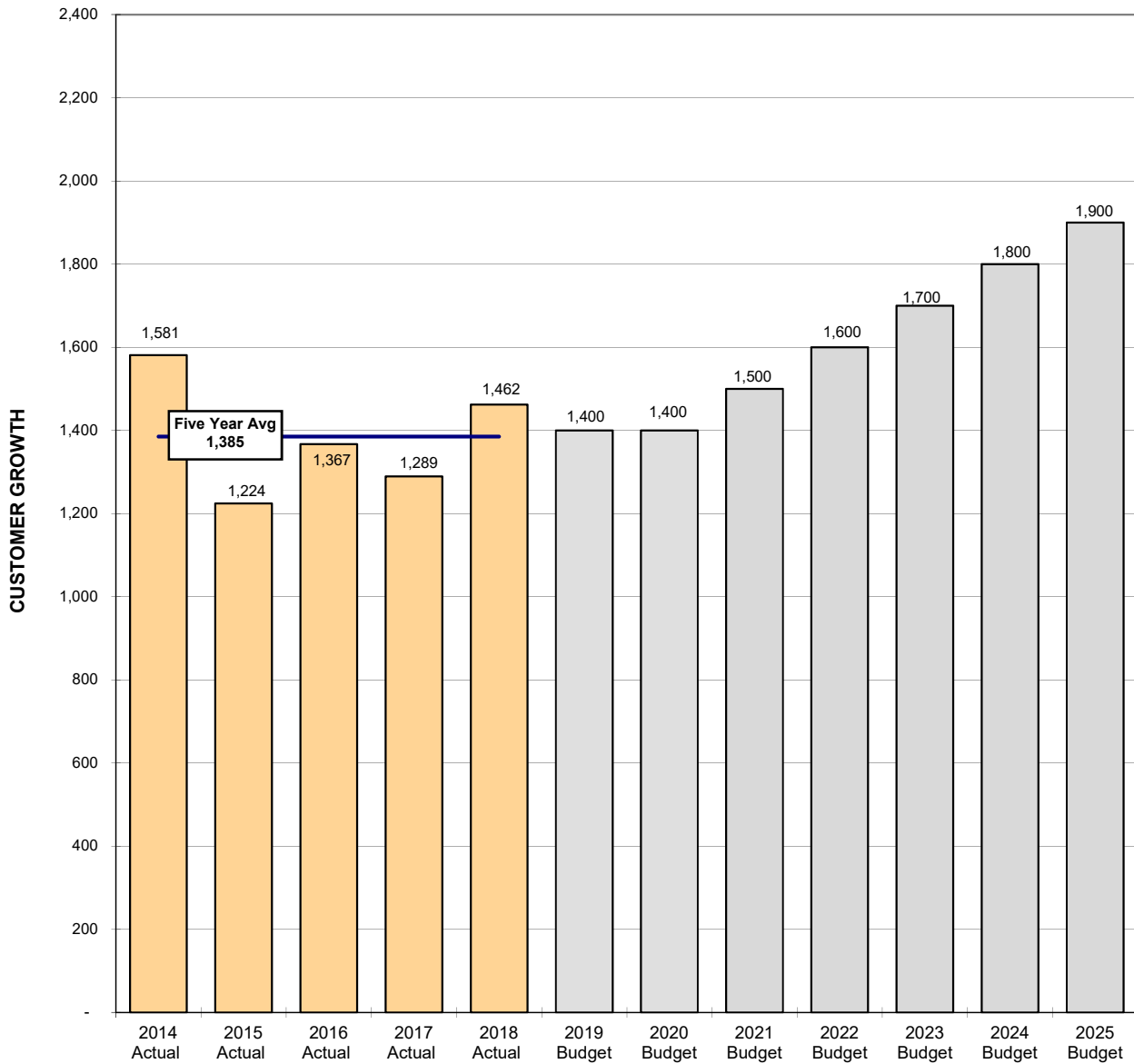
		Normal	Wet	Normal	Wet	Normal	Normal	Normal	Normal	Normal	Normal	Normal	Normal
In Million \$'s		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
R1		\$ 61.2	\$ 60.5	\$ 68.5	\$ 66.7	\$ 73.0	\$ 71.3	\$ 72.3	\$ 74.5	\$ 76.8	\$ 79.4	\$ 81.9	\$ 84.6
M1		\$ 9.2	\$ 9.4	\$ 10.3	\$ 10.4	\$ 10.8	\$ 11.2	\$ 11.4	\$ 11.9	\$ 12.3	\$ 12.9	\$ 13.4	\$ 13.9
C1		\$ 5.3	\$ 5.0	\$ 6.0	\$ 5.7	\$ 6.4	\$ 6.3	\$ 6.5	\$ 6.7	\$ 6.9	\$ 7.1	\$ 7.3	\$ 7.6
C2		\$ 20.4	\$ 19.4	\$ 23.2	\$ 22.6	\$ 25.0	\$ 25.3	\$ 25.4	\$ 26.4	\$ 27.5	\$ 28.6	\$ 29.7	\$ 30.8
C3		\$ 0.4	\$ 0.4	\$ 0.6	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5
W1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 96.6	\$ 94.7	\$ 108.6	\$ 105.8	\$ 115.6	\$ 114.6	\$ 116.0	\$ 119.9	\$ 124.0	\$ 128.4	\$ 132.9	\$ 137.5

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.

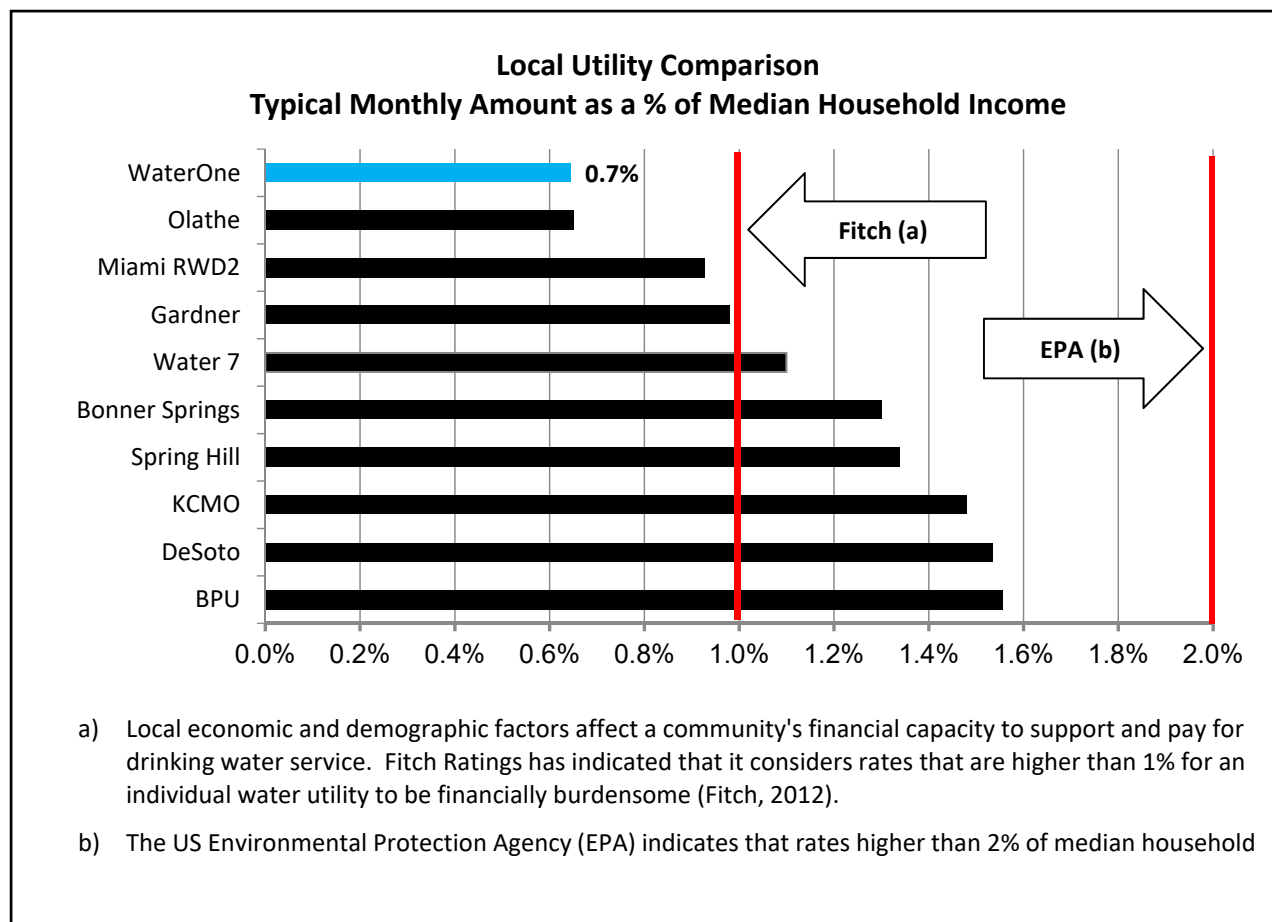
CUSTOMER GROWTH



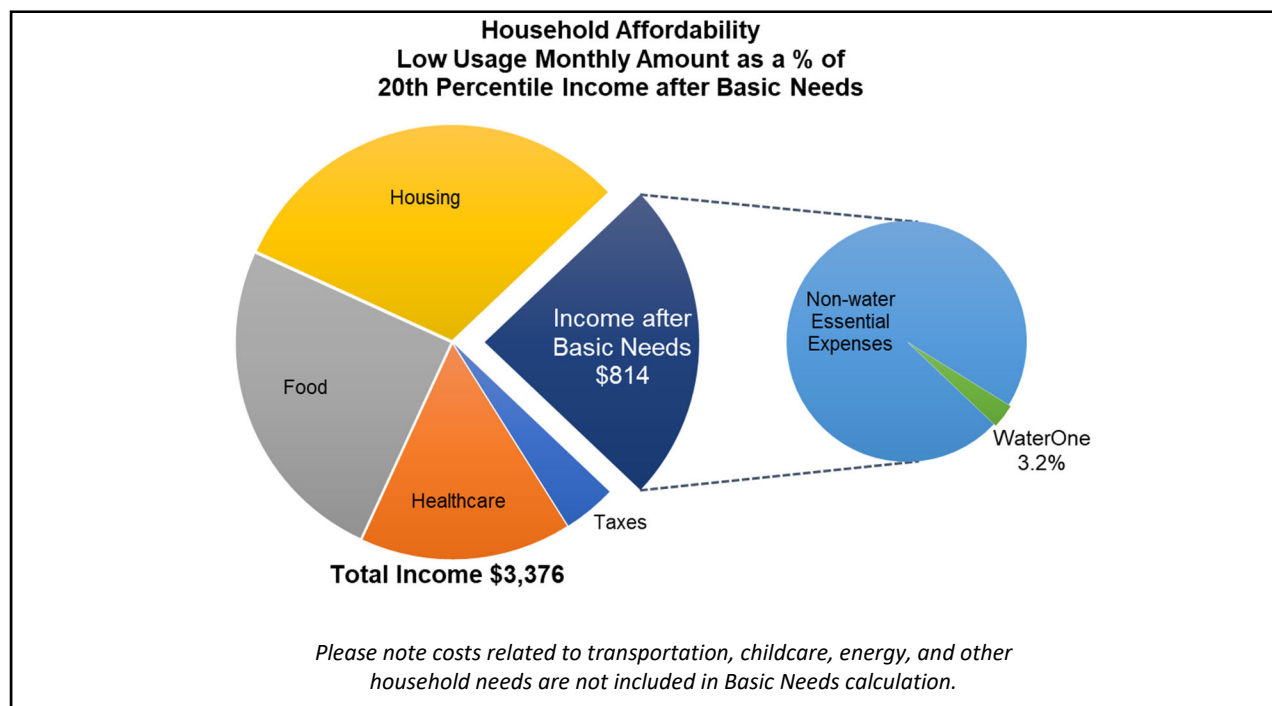
5 Year Average (2014 to 2018) of Customer Growth = 1,385

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

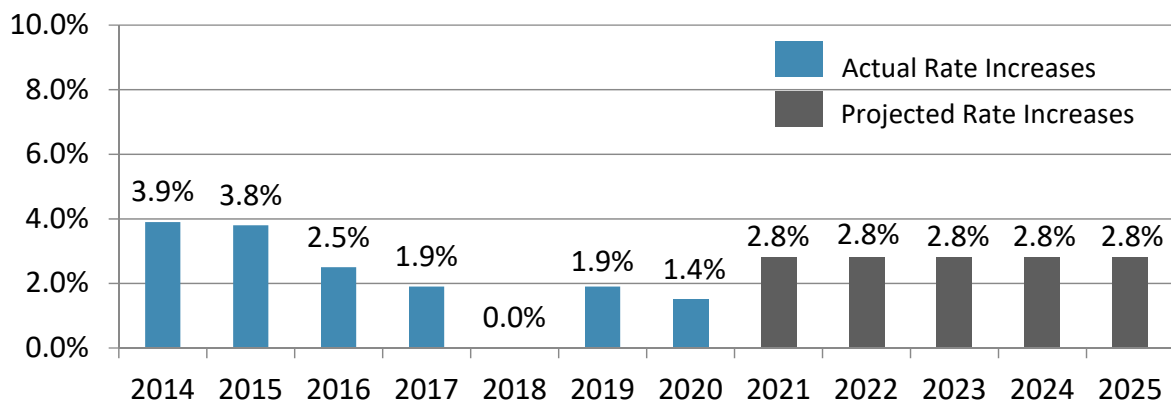
New customer growth is projected considering the long-term historical average, as well as recent trends. The budget is revised on an annual basis.



In the above graph, the typical monthly amount is compared to median household income for WaterOne. This provides a 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.



Water Rate Increases

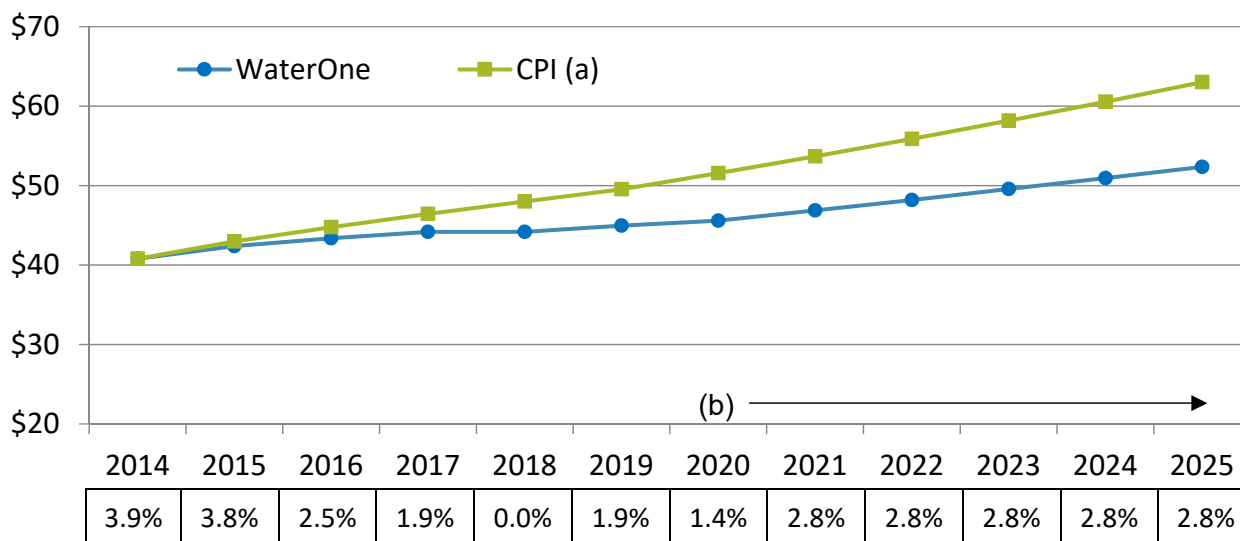


Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.

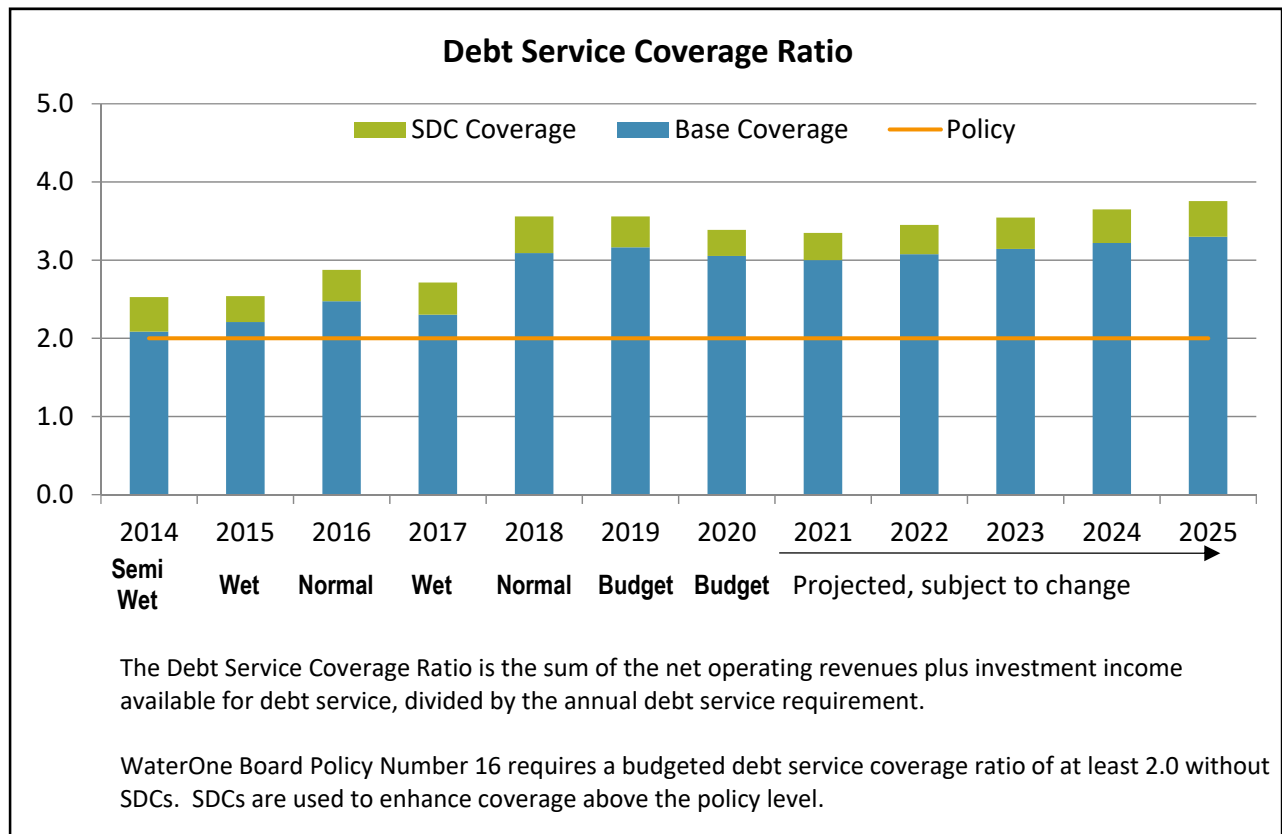
National Water & Sewer Index

WaterOne vs. All Cities Water & Sewer System Maintenance CPI

Typical Single Family Customer – 7,500 Gal./ Mo.



- a) Actual CPI comes from the Department of Labor. CPI estimated at 3.2% in 2019 which is the one year change from July 2018 to July 2019. CPI estimated at 4.1% for 2020 through 2025 which is the 5 year average. All projections on the assumed CPI rates are subject to change.
- b) Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.

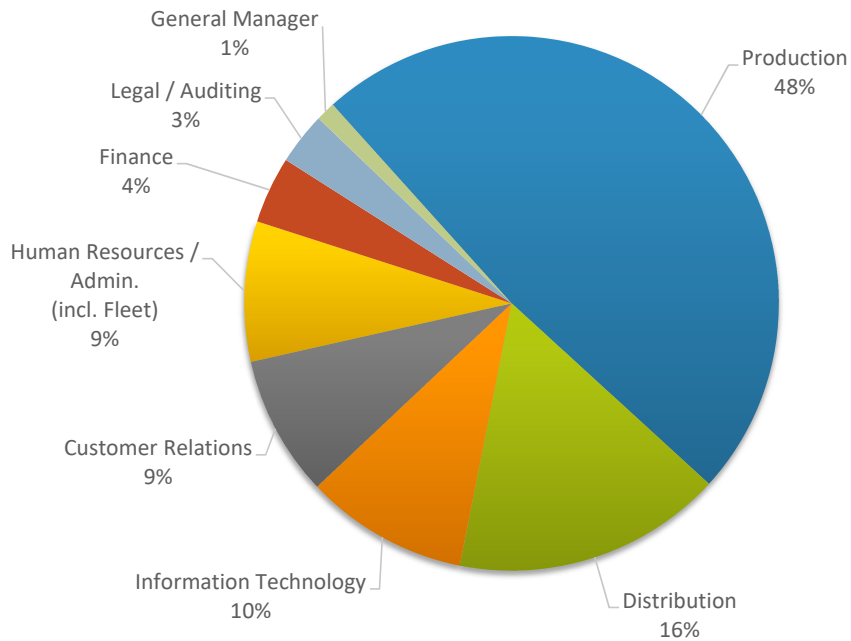


OPERATIONS & MAINTENANCE BUDGET BY DIVISION
Comparison of 2019 & 2020

Division	2019 Budget	2020 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2019	2020
Production	\$ 26,590,886	\$ 27,177,962	\$ 587,076	2.2%	49.1%	48.5%
Distribution	8,874,506	9,153,476	278,971	3.1%	16.4%	16.3%
Information Technology	5,031,720	5,529,353	497,634	9.9%	9.3%	9.9%
Customer Relations	4,637,553	4,788,654	151,101	3.3%	8.6%	8.5%
Human Resources / Admin.	4,538,289	4,741,582	203,293	4.5%	8.4%	8.5%
Finance	2,181,932	2,283,402	101,470	4.7%	4.0%	4.1%
Legal / Auditing	1,669,069	1,757,374	88,305	5.3%	3.1%	3.1%
General Manager	655,919	662,371	6,452	1.0%	1.2%	1.2%
TOTAL	\$ 54,179,874	\$ 56,094,175	\$ 1,914,301	3.5%	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



2020 Budget Compared to 2019 Budget

O&M ACCOUNTS BY CATEGORY

12/10/2019

	Account Number	<u>2019</u>	<u>2020</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL					
Labor - Non OT	410010	27,810,369	29,310,708	1,500,339	5.4%
Labor - OT	410015	1,043,882	1,030,002	(13,880)	-1.3%
Water Board Salaries	410080	60,000	60,000	-	0.0%
TOTAL PAYROLL BEFORE TRANSFERS		28,914,251	30,400,710	1,486,459	5.1%
PAYROLL Transfers		(7,034,277)	(7,539,092)	(504,815)	7.2%
Net PAYROLL		21,879,974	22,861,618	981,644	4.5%
BENEFITS					
Employee Insurance - Health	413010	4,498,988	4,547,534	48,546	1.1%
Pension DB – Final Pay Plan	412010	2,380,384	1,538,219	(842,165)	-35.4%
Pension DB – Cash Balance Plan	412050	54,196	61,760	7,564	14.0%
Pension DC – WaterOne	412020	418,105	404,543	(13,562)	-3.2%
Pension DC – (New) WaterOne	412052	369,963	453,088	83,125	22.5%
Pension DC – Match	412030	294,346	284,798	(9,548)	-3.2%
Pension DC – (New) Match	412051	245,563	310,932	65,369	26.6%
FICA	411010	2,133,595	2,227,256	93,661	4.4%
Retirees Insurance - Health	413050	370,720	349,888	(20,832)	-5.6%
Worker's Compensation	411020	276,100	311,070	34,970	12.7%
Employee Insurance - Dental	413020	213,037	209,150	(3,887)	-1.8%
Retirees Insurance - Health Subsidy	413052	152,798	153,000	202	0.1%
Employee Health - Retiree Subsidy	413015	(152,798)	(153,000)	(202)	0.1%
Other Tangible Employee Benefits	414030	147,630	152,630	5,000	3.4%
Employee Insurance - Life	413030	112,176	118,356	6,180	5.5%
Employee Insurance - Disability	413040	109,504	112,062	2,558	2.3%
Car Allowance - Employees	426065	61,500	80,700	19,200	31.2%
Compensation & Benefits Consulting Services	414020	111,000	74,493	(36,507)	-32.9%
Employee Insurance - Vision	413025	40,282	48,834	8,552	21.2%
Employees Association Activity	414040	33,300	41,300	8,000	24.0%
Health Related Training & Counseling	414060	32,600	32,600	-	0.0%
Unemployment Insurance	411050	27,870	29,379	1,509	5.4%
Tuition Reimbursement	414100	10,000	20,000	10,000	100.0%
Retirees Insurance - Life	413060	16,252	17,010	758	4.7%
Service Awards	414070	17,000	17,000	-	0.0%
WOW & Water Spout Awards	414090	6,000	13,000	7,000	116.7%
125D Flexible Benefit Plan	414010	5,000	4,800	(200)	-4.0%

Bold = See 'Overview' for more

O&M OVERVIEW

	Account Number	2019	2020	\$ DIF	% DIF
Flowers, Cards, Memorials	414050	2,000	1,400	(600)	-30.0%
Other Post Employment Benefits (OPEB)	412040	-	-	-	NA
Worker's Comp - Returns Of Premium/Divid	411030	(14,500)	(7,000)	7,500	-51.7%
TOTAL BENEFITS BEFORE TRANSFERS		11,972,611	11,454,802	(517,809)	-4.3%
BENEFITS Transfers		(3,199,036)	(2,983,132)	215,904	-6.7%
Net BENEFITS		8,773,575	8,471,670	(301,905)	-3.4%

COMMODITIES

Power - Transmission	424030	4,767,404	4,817,806	50,402	1.1%
Chemicals - Water Treatment	424070	5,096,548	4,726,433	(370,115)	-7.3%
Power - Source	424020	2,389,199	2,391,361	2,162	0.1%
Power - Distribution	424010	1,753,118	1,796,767	43,649	2.5%
Material & Supplies	421070	1,383,200	1,370,145	(13,055)	-0.9%
Inventory Withdrawals	421010	879,311	886,600	7,289	0.8%
Generator Natural Gas – Wolcott	424045	171,540	382,798	211,258	123.2%
Electricity	424040	234,416	242,900	8,484	3.6%
BPU Water Purchased In-House	424065	163,235	228,629	65,394	40.1%
Natural Gas	424050	142,906	148,602	5,696	4.0%
Uniforms	421160	101,445	128,880	27,435	27.0%
Small Tools & Equipment	421130	162,790	116,825	(45,965)	-28.2%
On-Line Analyzer Supplies	421090	80,000	72,500	(7,500)	-9.4%
Kitchen Supplies	421040	70,800	69,000	(1,800)	-2.5%
Safety Equipment & Supplies	421110	68,800	63,200	(5,600)	-8.1%
Office Supplies	421080	38,055	34,990	(3,065)	-8.1%
Other General Settlement	599000	16,379	18,703	2,324	14.2%
Postage	426280	19,000	15,650	(3,350)	-17.6%
Elec. Communication Device	423150	10,000	8,000	(2,000)	-20.0%
Paper & Print Supplies	421100	9,100	6,550	(2,550)	-28.0%
Medical & First Aid Supplies	421060	5,500	5,500	-	0.0%
Crushed Rock	421020	4,700	4,400	(300)	-6.4%
OT Meals	426230	3,350	3,250	(100)	-3.0%
Envelopes	421030	3,100	2,600	(500)	-16.1%
Proactive Safety Recognition	421120	2,300	2,600	300	13.0%
Topsoil	421150	400	400	-	0.0%
Software - Misc Small Purchases	421140	2,000	-	(2,000)	-100.0%
Cash Discount Taken	426560	(5,700)	(6,800)	(1,100)	19.3%
TOTAL COMMODITIES BEFORE TRANSFERS		17,572,896	17,538,289	(34,607)	-0.2%
COMMODITIES Transfers		(912,090)	(912,196)	(106)	0.0%
Net COMMODITIES		16,660,806	16,626,093	(34,713)	-0.2%

O&M OVERVIEW

	Account Number	2019	2020	\$ DIF	% DIF
SERVICES					
PC Software License & Maintenance	426250	984,515	1,432,302	447,787	45.5%
Property & Liability Insurance	425010	642,232	695,192	52,960	8.2%
Contracted Services	422090	651,287	597,287	(54,000)	-8.3%
Clean Drinking Water Fee	426070	599,556	593,545	(6,012)	-1.0%
Security / Security Guards	422340	462,172	463,059	887	0.2%
Telecom	423030	457,080	451,680	(5,400)	-1.2%
Water Billing Services	422430	474,000	450,000	(24,000)	-5.1%
Training	426340	359,800	397,800	38,000	10.6%
Non-Employee Overload	426210	113,400	336,760	223,360	197.0%
Maintenance Services	422240	203,180	320,083	116,903	57.5%
AMI Services	422260	50,000	313,502	263,502	527.0%
Telecom - Cell Phones	423120	205,356	218,048	12,692	6.2%
Mowing & Landscaping	422270	182,500	194,425	11,925	6.5%
Uncollectible Accounts	426350	150,000	153,750	3,750	2.5%
Kansas River Water Assurance Dist. (KRWAD)	426190	147,421	153,318	5,897	4.0%
Cleaning & Inspecting Facilities	422080	131,175	134,115	2,940	2.2%
Dues & Local Meetings	426120	105,930	132,754	26,824	25.3%
Special Assessment & Fees	426290	96,316	122,067	25,750	26.7%
Communication Services	422085	-	107,907	107,907	NA
Laboratory Services	422170	124,449	95,449	(29,000)	-23.3%
Engineering	422100	120,000	95,000	(25,000)	-20.8%
Clean Up	422070	70,500	79,000	8,500	12.1%
Vehicle Repair Services	422420	76,870	77,700	830	1.1%
IT Hardware Maintenance	423022	67,400	69,050	1,650	2.4%
Checking Account Service Fees	426040	70,000	68,000	(2,000)	-2.9%
Vehicle & Equipment Rental	426360	65,800	64,500	(1,300)	-2.0%
KS State Water Analysis	422160	-	61,975	61,975	NA
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%
Subscriptions & Reference Materials	426330	53,182	55,669	2,487	4.7%
AWWA Research Foundation Fees	426030	45,836	47,800	1,964	4.3%
Printing Services	422330	45,160	46,705	1,545	3.4%
Recruitment Costs	426130	50,000	46,000	(4,000)	-8.0%
Auditing Fees	422030	48,080	45,965	(2,115)	-4.4%
Bank Lockbox Processing Fees	426060	40,000	43,000	3,000	7.5%
Vehicle License & Registration	426370	35,000	41,607	6,607	18.9%
Pavement Repair	422290	43,500	37,500	(6,000)	-13.8%
WaterOne Memberships	426390	36,095	32,403	(3,692)	-10.2%
Financial Advisory Services	422120	14,827	28,947	14,120	95.2%
Cathodic Protection	422060	23,727	26,694	2,967	12.5%

Bold = See 'Overview' for more

WATERONE 2020 BUDGET

O&M OVERVIEW

	Account Number	2019	2020	\$ DIF	% DIF
Legal Services	422180	20,000	20,000	-	0.0%
Environmental & Risk Mgmt	426140	16,120	18,505	2,385	14.8%
Help Wanted Ads	426160	18,000	18,000	-	0.0%
Answering Service	422020	14,000	16,755	2,755	19.7%
Pre-Employment Services	422320	8,700	16,000	7,300	83.9%
Radio Charges	423075	15,800	15,800	-	0.0%
Interest On Security Deposits	426170	9,383	15,000	5,617	59.9%
Equipment Repair Services	422110	21,250	13,600	(7,650)	-36.0%
Delivery Charges (UPS/Fed Ex/Local)	426110	17,014	11,846	(5,168)	-30.4%
Payroll Processing	422300	23,430	11,822	(11,608)	-49.5%
Post Offer Physicals	426270	12,400	11,200	(1,200)	-9.7%
Trash Removal Services	422400	12,100	11,000	(1,100)	-9.1%
IT Maint - Printers	423024	10,400	8,920	(1,480)	-14.2%
Maintenance - Itron System	422190	13,350	8,200	(5,150)	-38.6%
Permit & Easement Fees	426260	7,500	7,500	-	0.0%
Advertising	422010	7,340	7,340	-	0.0%
Commitment To Excellence Award	426080	3,500	6,000	2,500	71.4%
Bank Account Reconciliation Fees	426020	4,100	3,800	(300)	-7.3%
General Expenses & Miscellaneous	426150	17,375	3,725	(13,650)	-78.6%
Barricade Rental	422040	2,500	2,600	100	4.0%
Storage Expenses	422380	2,500	2,500	-	0.0%
Other Services Settlement	539100	2,800	2,350	(450)	-16.1%
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Medical Testing Services	422250	1,950	1,500	(450)	-23.1%
Kansas One Call Fee	422165	500	500	-	0.0%
Spoil Removal	422075	400	400	-	0.0%
Water Rights	426380	400	200	(200)	-50.0%
Arbitrage Services	422122	3,000	-	(3,000)	-100.0%
Reimburse Damage To Other Utilities	426300	1,000	-	(1,000)	-100.0%
Job Work Revenue Credits	426180	(15,750)	(16,100)	(350)	2.2%
TOTAL SERVICES BEFORE TRANSFERS		7,359,408	8,611,520	1,252,111	17.0%
SERVICES Transfers		(493,890)	(476,726)	17,164	-3.5%
Net SERVICES		6,865,518	8,134,794	1,269,276	18.5%
GRAND TOTAL		54,179,874	56,094,175	1,914,301	3.5%

Numbers may not add due to rounding

H:\Finance\FINSHARE\1BUDGET\2020 Budget\O&M\[District Level O_M Comparison-20Z.xlsx]By Category-ALL ACCTS

**2019 Approved and 2020 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2019**

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.

Cost Elements		2019 ESTIMATED ACTUAL	2019 APPROVED BUDGET			2020 ADOPTED BUDGET			
			2019 Budget	2019 Estimated Actual Over <Under> 2019 Budget	% Over <Under> Budget	2020 Budget	2020 Budget Increase <Decrease> from 2019 Estimated Actual		% Increase <Decrease>
PERSONNEL COSTS									
P1	410010 Labor - Gross	\$ 26,878,635	\$ 27,810,369	\$ (931,734)	-3.4%	\$ 29,310,708	\$ 2,432,073	9.0%	
	410015 Labor - OT Gross	1,223,591	1,043,882	179,709	17.2%	1,030,002	(193,589)	-15.8%	
	410080 Water Board Salary	60,000	60,000	-	0.0%	60,000	-	0.0%	
P2	413010 Employee Insurance - Health	4,224,571	4,498,988	(274,417)	-6.1%	4,547,534	322,963	7.6%	
	412010 Pension DB - Final Pay Plan	2,649,261	2,380,384	268,877	11.3%	1,538,219	(1,111,042)	-41.9%	
	412050 Pension DB - Cash Balance Plan	68,332	54,196	14,136	26.1%	61,760	(6,572)	-9.6%	
P3	412020 Pension DC - District	428,957	418,105	10,852	2.6%	404,543	(24,414)	-5.7%	
	412052 Pension DC - District (New)	351,174	369,963	(18,789)	-5.1%	453,088	101,914	29.0%	
	412030 Pension DC - Match	280,463	294,346	(13,883)	-4.7%	284,798	4,335	1.5%	
P3	412051 Pension DC - Match (New)	280,136	245,563	34,573	14.1%	310,932	30,796	11.0%	
P4	411010 FICA - Gross	2,101,411	2,133,595	(32,184)	-1.5%	2,227,256	125,845	6.0%	
	413050 Retiree Insurance - Health	281,296	370,720	(89,424)	-24.1%	349,888	68,592	24.4%	
	411020 Worker's Comp	288,618	261,600	27,018	10.3%	304,070	15,452	5.4%	
	413020 Employee Insurance - Dental	197,353	213,037	(15,684)	-7.4%	209,150	11,797	6.0%	
	413052 Retiree Insurance - Health Subsidy	152,798	152,798	0	0.0%	153,000	202	0.1%	
	413015 Employee Insurance - Health Subsidy	(152,798)	(152,798)	(0)	0.0%	(153,000)	(202)	0.1%	
P5	414030 Employee Benefits - Other	193,109	147,630	45,479	30.8%	152,630	(40,479)	-21.0%	
	413030 Employee Insurance - Life	111,517	112,176	(659)	-0.6%	118,356	6,839	6.1%	
	413040 Employee Insurance - LT & ST Disability	105,895	109,504	(3,609)	-3.3%	112,062	6,167	5.8%	
	426065 Car Allowance	73,113	61,500	11,613	18.9%	80,700	7,588	10.4%	
P6	414020 Compensation & Benefit Consulting Svcs	97,924	111,000	(13,076)	-11.8%	74,493	(23,431)	-23.9%	
	413025 Employee Insurance - Vision	46,088	40,282	5,806	14.4%	48,834	2,746	6.0%	
	414040 Employee Association Activity	31,357	33,300	(1,943)	-5.8%	41,300	9,943	31.7%	
	414060 Health Training/Counseling	27,325	32,600	(5,275)	-16.2%	32,600	5,275	19.3%	
	411050 Unemployment Insurance	27,519	27,870	(351)	-1.3%	29,379	1,860	6.8%	
	414100 Tuition Reimbursement	12,286	10,000	2,286	22.9%	20,000	7,714	62.8%	
	413060 Retiree Insurance - Life	16,967	16,252	715	4.4%	17,010	43	0.3%	
	414070 Service Awards	26,186	17,000	9,186	54.0%	17,000	(9,186)	-35.1%	
	414090 Wow & Spout Awards	9,039	6,000	3,039	50.7%	13,000	3,961	43.8%	
	414010 125D Plan - Gross	4,471	5,000	(529)	-10.6%	4,800	329	7.4%	
	414050 Flowers, Cards, Memorials	2,015	2,000	15	0.8%	1,400	(615)	-30.5%	
TOTAL PERSONNEL COSTS		\$ 40,098,608	\$ 40,886,862	\$ (788,254)	-1.9%	\$ 41,855,512	\$ 1,756,904	4.4%	

- P1 Additional overtime has been utilized for meter reader vacancies and FMLA absences in 2019.
- P2 The budget decrease in 2020 is because of the amortization of the additional contribution to the Defined Benefit plan in 2019.
- P3 The 2020 budget increase is due to more participants entering the plan.
- P4 The 2020 budget reduction is based on fewer retirees being in the plan than projected.
- P5 The 2019 estimated actual includes employee incentives for exceptional customer satisfaction scores.
- P6 The 2019 budget includes the final amortization of the 2017 Compensation Study.

**2019 Approved and 2020 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2019**

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.			2019 APPROVED BUDGET			2020 ADOPTED BUDGET		
			2019 Budget	2019 Estimated Actual Over <Under> 2019 Budget	% Over <Under> Budget	2020 Budget	2020 Budget Increase <Decrease> from 2019 Estimated Actual	
Cost Elements	2019 ESTIMATED ACTUAL							
COMMODITIES								
C1	424070 Chemicals - Water Treatment	\$ 4,922,909	\$ 5,096,548	\$ (173,639)	-3.4%	\$ 4,726,433	\$ (196,476)	-4.0%
	424030 Power - Transmission	4,327,336	4,767,404	(440,068)	-9.2%	4,817,806	490,470	11.3%
	424020 Power - Source	2,293,315	2,389,199	(95,884)	-4.0%	2,391,361	98,046	4.3%
	424010 Power - Distribution	1,647,870	1,753,118	(105,248)	-6.0%	1,796,767	148,897	9.0%
C2	424046 Gen Nat'l Gas Trans	231,422	0	231,422	100.0%	229,679	(1,743)	-0.8%
C2	424045 Gen Nat'l Gas Sourc	154,280	0	154,280	100.0%	153,119	(1,160)	-0.8%
C3	424050 Natural Gas	190,196	314,446	(124,250)	-39.5%	148,602	(41,594)	-21.9%
	421070 Material & Supplies	1,403,506	1,383,200	20,306	1.5%	1,370,145	(33,361)	-2.4%
	421010 Inventory Withdrawals	942,033	879,311	62,722	7.1%	886,600	(55,433)	-5.9%
C4	424040 Electricity	207,924	234,416	(26,492)	-11.3%	242,900	34,976	16.8%
C5	424065 Water Purchased In House	143,547	163,235	(19,688)	-12.1%	228,629	85,082	59.3%
C6	421160 Uniforms	100,769	101,445	(676)	-0.7%	128,880	28,111	27.9%
	421130 Small Tools & Equipment	124,839	162,790	(37,951)	-23.3%	116,825	(8,014)	-6.4%
	421090 On-Line Analyzer Supplies	76,288	80,000	(3,712)	-4.6%	72,500	(3,788)	-5.0%
	421040 Kitchen Supplies	66,059	70,800	(4,741)	-6.7%	69,000	2,941	4.5%
C7	421110 Safety Equip & Supplies	75,968	68,800	7,168	10.4%	63,200	(12,768)	-16.8%
	421080 Office Supplies	27,501	38,055	(10,554)	-27.7%	34,990	7,489	27.2%
	599000 Other General Settlement	27,035	16,379	10,656	65.1%	18,703	(8,332)	-30.8%
	426280 Postage	19,847	19,000	847	4.5%	15,650	(4,197)	-21.1%
	423150 Electronic Communication Device	13,494	10,000	3,494	34.9%	8,000	(5,494)	-40.7%
	421100 Paper	9,544	9,100	444	4.9%	6,550	(2,994)	-31.4%
	421060 Med/1st Aid Supplies	6,736	5,500	1,236	22.5%	5,500	(1,236)	-18.4%
	519210 Crushed Rock	7,398	4,700	2,698	57.4%	4,400	(2,998)	-40.5%
	426230 OT Meals	3,377	3,350	27	0.8%	3,250	(127)	-3.8%
	421030 Envelopes	3,412	3,100	312	10.1%	2,600	(812)	-23.8%
	421120 Proactive Safety Recognition	1,157	2,300	(1,143)	-49.7%	2,600	1,443	124.8%
	421140 Software - Small Purchases	1,315	2,000	(685)	-34.3%	0	(1,315)	-100.0%
	421150 Topsoil	504	400	104	26.0%	400	(104)	-20.6%
	426560 Cash Discounts Taken	(7,159)	(5,700)	(1,459)	25.6%	(6,800)	359	-5.0%
TOTAL COMMODITIES		\$ 17,022,421	\$ 17,572,896	\$ (550,475)	-3.1%	\$ 17,538,289	\$ 515,868	3.0%

- C1 Water production has been under budget in 2019. In addition, the 2020 budget is increasing due to a change in the operational plan and a true-up to current rates.
- C2 These two cost elements were created in 2019 to better capture the costs associated with transmission and source Natural Gas. Previously, these were lumped together under one category.
- C3 In 2020, the budget for this cost element was reduced to reflect only building heating needs. The 2019 estimated actual reflects increased usage due to the lower winter temperatures.
- C4 2019 is under budget due to mild summer temperatures.
- C5 The 2020 budget increase is due to forecasted increased usage of MO intake. Purchased water is required at the MO intake for bearing water, potable water, and intake washes.
- C6 The budget for uniforms is increasing due to a change in tax treatment.
- C7 In 2019, WaterOne facility locks were upgraded in accordance with the active shooter guidelines.

**2019 Approved and 2020 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2019**

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.			2019 APPROVED BUDGET			2020 ADOPTED BUDGET		
			2019 Estimated Actual Over <Under> 2019 Budget			2020 Budget Increase <Decrease> from 2019 Estimated Actual		
			2019 Budget	% Over <Under> Budget		2020 Budget	% Increase <Decrease>	
Cost Elements			2019 ESTIMATED ACTUAL					
SERVICES								
S1	426250	PC Software & Maint	\$ 973,883	\$ 984,515	\$ (10,632)	-1.1%	\$ 1,432,302	\$ 458,419 47.1%
	425010	P&L Insurance	653,408	642,232	11,176	1.7%	695,192	41,784 6.4%
	422090	Contracted Services	590,195	651,287	(61,092)	-9.4%	597,287	7,092 1.2%
S2	426070	Clean Water Fee	524,370	599,556	(75,186)	-12.5%	593,545	69,174 13.2%
	422340	Security	439,916	462,172	(22,256)	-4.8%	463,059	23,143 5.3%
	423030	Telecom	425,219	457,080	(31,861)	-7.0%	451,680	26,461 6.2%
	422430	Water Billing Services	447,819	474,000	(26,181)	-5.5%	450,000	2,181 0.5%
	426340	Training	422,669	359,800	62,869	17.5%	397,800	(24,869) -5.9%
S3	426210	Non-Employee Overload	391,884	113,400	278,484	245.6%	336,760	(55,124) -14.1%
S4	422240	Maint Svcs	112,171	203,180	(91,009)	-44.8%	320,083	207,912 185.4%
S5	422260	AMI Services	56,721	50,000	6,721	13.4%	313,502	256,781 452.7%
	423120	Telecom - Cell Phones	229,489	205,356	24,133	11.8%	218,048	(11,441) -5.0%
	422270	Mowing & Landscaping	185,250	182,500	2,750	1.5%	194,425	9,175 5.0%
S6	426350	Uncollectible Accounts	108,489	150,000	(41,511)	-27.7%	153,750	45,261 41.7%
	426190	KS River Assurance District	147,421	147,421	-	0.0%	153,318	5,897 4.0%
	422080	Clean/Inspect Facilities	142,823	131,175	11,648	8.9%	134,115	(8,709) -6.1%
S7	426120	Dues & Local Meetings	114,880	105,930	8,950	8.4%	132,754	17,874 15.6%
S8	426290	Spec. Assessment & Fees	93,800	96,316	(2,516)	-2.6%	122,067	28,267 30.1%
S9	422085	Communication Services	10,000	0	10,000	100.0%	107,907	97,907 979.1%
S10	422170	Laboratory Services	84,850	124,449	(39,599)	-31.8%	95,449	10,599 12.5%
S11	422100	Engineering	120,569	120,000	569	0.5%	95,000	(25,569) -21.2%
	422070	Clean Up	84,864	70,500	14,364	20.4%	79,000	(5,864) -6.9%
	422420	Vehicle Repair Services	76,383	76,870	(487)	-0.6%	77,700	1,317 1.7%
	423022	IT Maint - Contracted	67,885	67,400	485	0.7%	69,050	1,165 1.7%

S1 The budget in 2020 is increasing due to the plan to utilize cloud hosting for the GIS environment and an expansion of the agreement with ESRI.

S2 Under budget in 2019 due to lower production than projected.

S3 Non-employee overload was utilized in 2019 due to AMI implementation and FMLA absences and will continue into 2020. These expenses are partially offset by savings in payroll due to vacant authorized positions.

S4 Under budget in 2019 due to less required maintenance of collector wells. The 2020 budget includes new maintenance contracts for testing and maintenance of electrical equipment.

S5 The 2020 budget includes the fees related to the AMI network, software, data management, and customer portal for a portion of the year.

S6 Uncollectible Accounts is budgeted based on a percentage of water sales. 2019 is under budget due to lower than projected water sales and excellent management of this account.

S7 The 2020 increase is due primarily to planned annual employee town hall meetings and moving the educational foundation meetings from the "General Expense" account.

S8 The 2020 increase is due to rate increases from Johnson County Wastewater and a new Unified Government stormwater fee.

S9 The Communications Services cost element was added in 2020 to better capture costs that were previously budgeted in Contract Services-Other.

S10 Outsourced laboratory services are under budget due to increased testing in-house and the reduction of additional testing that is no longer required.

S11 The 2019 budget included \$25,000 for additional AWWA and WRF studies on river conditions that were not included in the 2020 budget.

**2019 Approved and 2020 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2019**

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.

Cost Elements		2019 ESTIMATED ACTUAL	2019 APPROVED BUDGET			2020 ADOPTED BUDGET		
			2019 Budget	2019 Estimated Actual Over <Under> 2019 Budget	% Over <Under> Budget	2020 Budget	2020 Budget Increase <Decrease> from 2019 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
	426040 Checking Account Service Fees	\$ 62,803	\$ 70,000	\$ (7,197)	-10.3%	\$ 68,000	\$ 5,197	8.3%
S12	426360 Vehicle & Equipment Rental	44,897	65,800	(20,903)	-31.8%	64,500	19,603	43.7%
S13	422160 KS Water Analysis	44,807	0	44,807	100.0%	61,975	17,168	38.3%
	425030 P&L Ins - Self	50,710	60,000	(9,290)	-15.5%	60,000	9,290	18.3%
	426330 Subs & Reference Material	45,795	53,182	(7,387)	-13.9%	55,669	9,874	21.6%
	426030 AWWA Research Foundation Fees	45,836	45,836	0	0.0%	47,800	1,964	4.3%
	422330 Printing Services	45,948	45,160	788	1.7%	46,705	757	1.6%
	426130 Recruitment Costs	39,399	50,000	(10,601)	-21.2%	46,000	6,601	16.8%
	422030 Auditing Fees	47,542	48,080	(538)	-1.1%	45,965	(1,577)	-3.3%
	426060 Bank Lockbox Fees	41,263	40,000	1,263	3.2%	43,000	1,737	4.2%
S14	426370 Vehicle License & Registration	20,026	35,000	(14,974)	-42.8%	41,607	21,581	107.8%
S15	519270 Pavement Repair	101,644	43,500	58,144	133.7%	37,500	(64,144)	-63.1%
	426390 WaterOne Membership	39,367	36,095	3,272	9.1%	32,403	(6,964)	-17.7%
S16	422120 Financial Services	14,574	14,827	(253)	-1.7%	28,947	14,373	98.6%
	422060 Cathodic Protection	19,658	23,727	(4,069)	-17.1%	26,694	7,036	35.8%
S17	422180 Legal Services	9,789	20,000	(10,211)	-51.1%	20,000	10,211	104.3%
	426140 Environ & Risk Management	14,749	16,120	(1,371)	-8.5%	18,505	3,756	25.5%
	426160 Help Wanted Ads	19,956	18,000	1,956	10.9%	18,000	(1,956)	-9.8%
	422020 Answering Service	15,472	14,000	1,472	10.5%	16,755	1,283	8.3%
	423075 Radio Charges (Fleet)	14,484	15,800	(1,316)	-8.3%	15,800	1,316	9.1%
	422110 Equip Repair Svcs	13,206	21,250	(8,044)	-37.9%	13,600	394	3.0%
	426110 Delivery Charges	12,173	17,014	(4,841)	-28.5%	11,846	(327)	-2.7%

S12 Vehicle and equipment rental utilization varies annually.

S13 2019 expense is related to the United States Geological Survey Kansas River Water Quality Monitoring. The 2020 budget increase includes an additional testing gauge.

S14 In 2019, permanent plates were issued for heavy-duty vehicles, equipment, and trailers thereby eliminating the associated annual renewal fees.

S15 Pavement repair is over budget because of multiple, unplanned, unusual items including the repair of storm drain inlets at the Administrative Offices.

S16 In 2020 credit monitoring and arbitrage calculations moved into Financial Services from Contracted Services and Arbitrage Services, respectively.

S17 Utilized for outside legal services in specialty areas like pension counsel.

**2019 Approved and 2020 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2019**

Explanations are provided when there is a \$10,000 and 10% 2020 Budget Increase <Decrease> from the 2019 Estimated Actual.

Cost Elements	2019 ESTIMATED ACTUAL	2019 APPROVED BUDGET			2020 ADOPTED BUDGET		
		2019 Budget	2019 Estimated Actual Over <Under> 2019 Budget	% Over <Under> Budget	2020 Budget	2020 Budget Increase <Decrease> from 2019 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)							
422320 Pre-Employment Services	\$ 11,732	\$ 8,700	\$ 3,032	34.9%	\$ 16,000	\$ 4,268	36.4%
426170 Interest On Security Deposit	15,359	9,383	5,976	63.7%	15,000	(359)	-2.3%
S18 422300 Payroll Processing	23,540	23,430	110	0.5%	11,822	(11,718)	-49.8%
426270 Post Offer Physical	9,736	12,400	(2,664)	-21.5%	11,200	1,464	15.0%
422400 Trash Removal Services	13,846	12,100	1,746	14.4%	11,000	(2,846)	-20.6%
423024 IT Maint - Printers	4,982	10,400	(5,418)	-52.1%	8,920	3,938	79.1%
422190 Maint -Itron System	16,808	13,350	3,458	25.9%	8,200	(8,608)	-51.2%
426260 Permit & Easement Fees	2,975	7,500	(4,525)	-60.3%	7,500	4,525	152.1%
422010 Advertising	5,629	7,340	(1,711)	-23.3%	7,340	1,711	30.4%
426080 Commitment To Excellence Program	4,987	3,500	1,487	42.5%	6,000	1,013	20.3%
426020 Bank Account Reconciliation Fees	3,735	4,100	(365)	-8.9%	3,800	65	1.8%
426150 General Expense & Miscellaneous	8,200	17,375	(9,175)	-52.8%	3,725	(4,475)	-54.6%
519240 Barricade Rental	962	2,500	(1,538)	-61.5%	2,600	1,638	170.2%
422380 Storage Expenses	944	2,500	(1,556)	-62.3%	2,500	1,556	164.9%
539100 Other Serv Settlement	11,342	2,800	8,542	305.1%	2,350	(8,992)	-79.3%
422150 Indoor Plants Svcs	2,129	2,000	129	6.4%	2,000	(129)	-6.1%
422250 Medical Testing Services	5,998	1,950	4,048	207.6%	1,500	(4,498)	-75.0%
422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
519250 Spoil Removal	933	400	533	133.3%	400	(533)	-57.1%
426380 Water Rights	180	400	(220)	-55.0%	200	20	11.0%
426300 Reimburse Other Utility	998	1,000	(2)	-0.2%	-	(998)	-100.0%
422122 Arbitrage Services	-	3,000	(3,000)	-100.0%	-	-	100.0%
426180 Job Work Revenue Credit	(9,600)	(15,750)	6,150	-39.1%	(16,100)	(6,500)	67.7%
TOTAL SERVICES	\$ 7,405,139	\$ 7,359,408	\$ 45,730	0.6%	\$ 8,611,520	\$ 1,206,381	16.3%

S18 In 2020, the budget was reduced due to the implementation of the Human Resources Information System.

TOTAL TRANSFERS	(\$13,104,412)	(\$11,639,293)	(\$1,465,119)	12.6%	(\$11,911,146)	\$1,193,266	-9.1%
TOTAL O&M	\$ 51,421,757	\$ 54,179,874	\$ (2,758,117)	-5.1%	\$ 56,094,175	\$ 4,672,418	9.1%

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 2020, a total of 389 full-time, four part-time, and 23 temporary/summer positions are budgeted. This includes seven new full-time positions, one new intern, eight full-time eliminations, and two reclassifications. The total FTEs after all adjustments are 398.13 which is a decrease of 0.5 versus the 2019 budgeted authorized personnel. The organizational chart is color-coded to show the reclassifications, eliminations and additional personnel requests.

Following the organizational chart, are justifications and first-year salary, benefits, and capital costs for the new personnel requests. The total first-year cost for salary, benefits, other O&M, and capital is \$868,764.

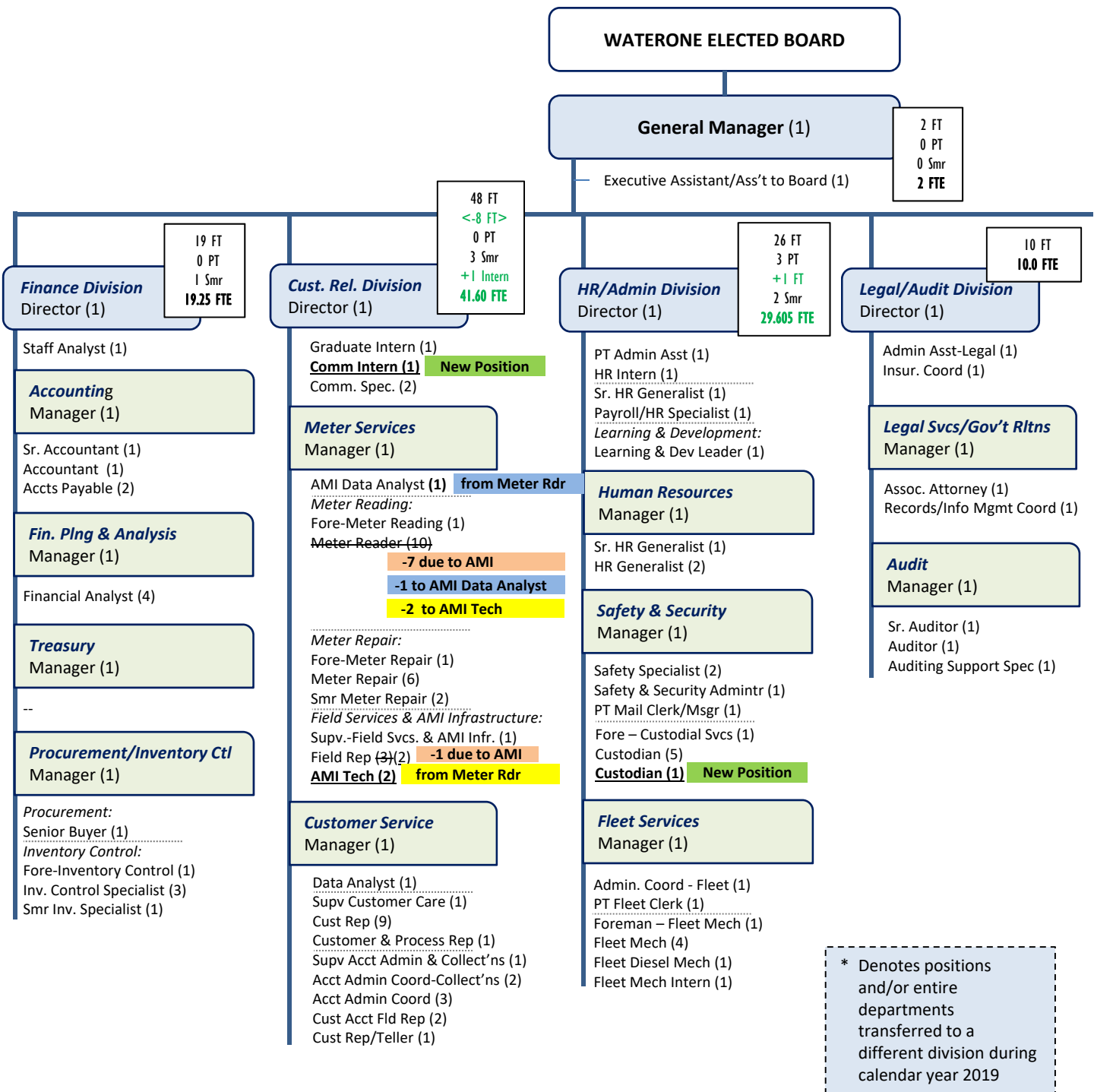
The budget includes a performance compensation adjustment of 4.00%.

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 2020, the five-year plan is from 2021 to 2025.

ORGANIZATIONAL



Color Legend:

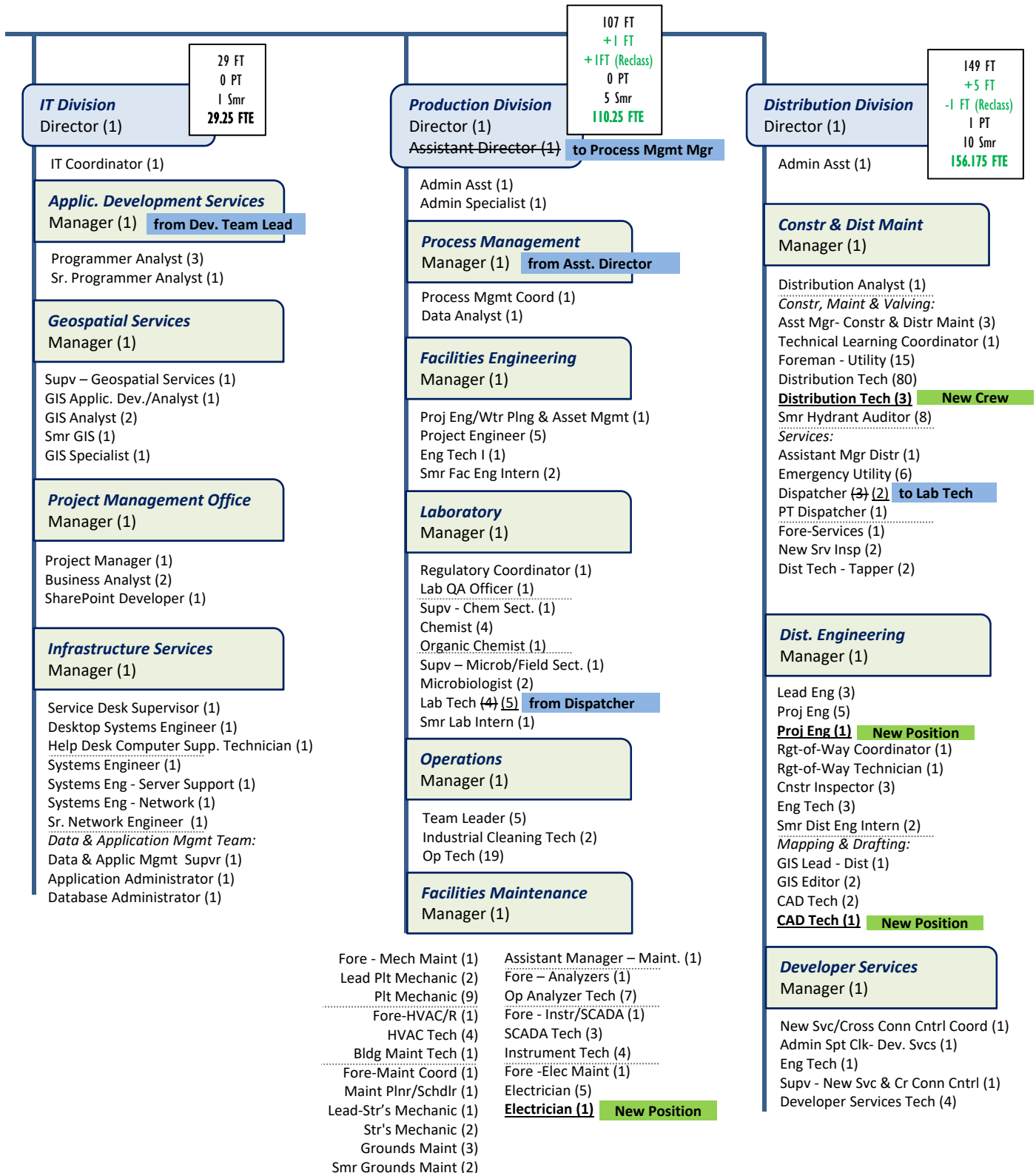
Elimination

2019 Mid Year Reclass

New Position

2020 Reclass

	Full Time (FT)	Part Time (PT)	Temp/Summer	
2019 Authorized	390	4	22	
Mid Year Reclass (2019)	0	0	0	
New Positions	+7	0	+1	
Reclass (2020)	+2	0	0	
Eliminated Positions	-10	0	0	
Total 2020	389	4	23	
Full Time Equivalents (FTEs)				Total
2019 Authorized	390	2.5	6.13	398.63
2020 Authorized	389	2.5	6.63	398.13
			Net FTE Increase	-0.50



WaterOne 2020 Budget O&M Costs Related to New Personnel

					Salary	Benefits	Other O&M*	Total O&M
Production								
Facilities Maintenance								
<i>January</i>	Electrician		Full Time		\$64,106	\$19,232	\$869	\$84,207
PRODUCTION TOTAL					\$64,106	\$19,232	\$869	\$84,207
Distribution								
Construction Maintenance Valving Services (CMVS)								
<i>May</i>	Distribution Technicians (3)		Full Time		\$107,744	\$32,323	\$1,509	\$141,576
Distribution Engineering								
<i>April</i>	Project Engineer		Full Time		\$60,824	\$18,247	\$869	\$79,940
<i>July</i>	CAD Tech		Full Time		\$28,496	\$8,549	\$120	\$37,165
DISTRIBUTION TOTAL					\$197,064	\$59,119	\$2,498	\$258,681
Customer Relations								
Dir. Customer Relations								
<i>January</i>	Communications Intern		Intern		\$15,798	\$0	\$0	\$15,798
CUSTOMER RELATIONS TOTAL					\$15,798	\$0	\$0	\$15,798
Human Resources/Administration								
Safety & Security								
<i>January</i>	Custodian		Full Time		\$32,198	\$9,659	\$786	\$42,643
HUMAN RESOURCES/ADMINISTRATION TOTAL					\$32,198	\$9,659	\$786	\$42,643
TOTAL 2020 BUDGET for NEW EMPLOYEES					\$309,166	\$88,010	\$4,153	\$401,329

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

H:\Finance\FINSHARE\1BUDGET\2020 Budget\BOARD DRAFT Budget Book\06-Personnel\Additional Personnel Cost-2020.xlsx\O&M

**WaterOne 2020 Budget
Capital Related to New Personnel**

		Total
Production		
Electrician		
AP-20201	Van	\$48,772
	Total Electrician	\$48,772
	Total Production Capital	\$48,772
Distribution		
Distribution Technicians (3)		
AP-20300	1/2 Ton Service Body	\$48,772
AP-20301	2 Ton Service Body	\$188,437
AP-20302	Backhoe	\$121,930
AP-20304	Trailer	\$29,929
AP-20305	Breaker	\$24,053
	Total Distribution Technician	\$413,121
Project Engineer		
AP-20100	Workstation	\$5,542
	Total Project Engineer	\$5,542
	Total Distribution Capital	\$418,663
TOTAL Capital for New Positions		\$467,435

WaterOne 2020 Budget

PERSONNEL

Production 2020

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Electrician	\$64,106	\$64,106	\$19,232	\$869	\$0	\$84,207

Department Facilities Maintenance
 Type Full Time
 Start Date January 2020

Justification

The new electrician will allow for increased focus on the Reliability Centered Maintenance Program implemented in 2013. Components of this program which will be expanded with this additional position include thermal imaging, predictive maintenance, vibration analysis, and condition assessment of pumping systems. All of these predictive and preventative maintenance tasks have historically shown to reduce costly emergency work and extend the life of capital assets.

In addition to predictive and preventative maintenance responsibilities the new electrician will perform duties associated with bringing several new facilities online in the coming years.

Total Production	\$64,106	\$64,106	\$19,232	\$869	\$0	\$84,207
-------------------------	-----------------	-----------------	-----------------	--------------	------------	-----------------

WaterOne 2020 Budget

PERSONNEL

Distribution 2020

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Change Over Crew	\$184,704	\$107,744	\$32,323	\$1,509	\$413,121	\$554,697

Department: Constructon Maintenance Valving and Services (CMVS)
 Type: Full Time
 Start Date: May 2020

Justification: The three man change over crew will include 2 Distribution Technicians and 1 Foreman. As miles of replacement mains completed annually have increased, numbers of changeovers required have proportionally increased.

When construction season is in full swing and multiple replacement projects are being completed around the same time main breaks increase due to hot/dry weather, change overs can fall significantly behind. Current operational protocol is to rotate maintenance crews on a schedule to perform main breaks. If a maintenance crew is working on change overs and they are next up on the main break schedule, the crew leaves the change over job site to work on main breaks.

A dedicated change over crew will provide timely completion of change overs during periods of high construction and main breaks. Additionally, having the change over crew will free up staff time to work on backlogged items such as service line retirements, perform more timely and proactive pit adjustments, as well as assist valve maintenance crews.

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Project Engineer	\$81,099	\$60,824	\$18,247	\$869	\$5,542	\$85,482

Department: Distribution Engineering
 Type: Full Time
 Start Date: March 2020

Justification: As the miles of main needing replaced grows over time, so does the need for engineering the associated projects. Opportunistic replacements and relocations where the city contractor is used have increased which have delayed the need for an additional construction crew, but require significant time from WaterOne engineers. These types of jobs take significantly more time to engineer.

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
CAD Tech	\$56,992	\$28,496	\$8,549	\$120	\$0	\$37,165
Department	Mapping & Drafting					
Type	Full Time					
Start Date	July 2020					
Justification	As the miles of main needing replaced grows over time, so does the need for creating the work packets for the associated projects. Work packets are files that include all the information needed for engineering and construction crews to complete projects. They include documents such as design drawings, work orders, and material lists. Additionally, contractor jobs are expected to increase over time. Work packets associated with contractor jobs require more detail and thus more time to complete.					
Total Distribution	\$322,795	\$197,064	\$59,119	\$2,498	\$418,663	\$677,344

WaterOne 2020 Budget

PERSONNEL

Customer Relations 2020

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Communications Intern	\$15,798	\$15,798	\$0	\$0	\$0	\$15,798

Department: Dir. Customer Relations
 Type: Intern
 Start Date: January 2020

Justification: Increased social media, community outreach, employee engagement publications, website content, and other communication support have created a need for additional resources.

Instead of a full-time employee, an intern is requested to fill the resource gap while these areas continue to grow.

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Meter Reader (7)	(\$299,643)	(\$299,643)	(\$89,893)	(\$8,170)	\$0	(\$397,706)

Department: Meter Services
 Type: Full Time

Justification: Seven meter reading positions are being eliminated due to the implementation of the Advanced Metering Infrastructure (AMI). This infrastructure which provides remote meter reads will eliminate the need for manual meter reading. During implementation non-employee overload will be utilized.

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Field Representative	(\$44,074)	(\$44,074)	(\$13,222)	(\$120)	\$0	(\$57,416)

Department: Meter Services
 Type: Full Time

Justification: A Field Representative position is being eliminated due to the implementation of the Advanced Metering Infrastructure (AMI). This infrastructure which provides the ability to remotely access the meter for on-demand readings will eliminate the need to be on-site to perform move-in/move-out reads or to physically investigate a high-water bill complaint. The remaining Field Representative positions will be re-classified and assume new responsibilities after AMI implementation.

WaterOne 2020 Budget

PERSONNEL

Human Resources 2020

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2020 Costs
Custodian	\$32,198	\$32,198	\$9,659	\$786	\$0	\$42,643

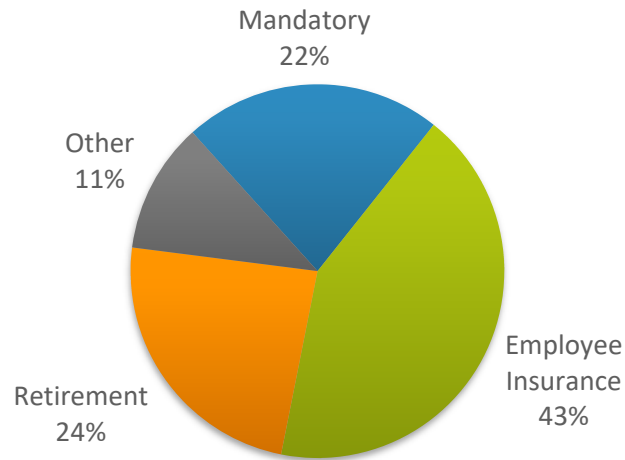
Department Safety & Security
Type Full Time
Start Date January 2020

Justification A custodian was eliminated in 2010. Since then, there has been an increase in workload with the creation of more work spaces throughout the facilities. Custodians have continuously worked overtime to meet standards and responsibilities. The average weekly overtime per employee has been 4.6 hours over the last five years.

With the upcoming additions of the P1 building and Ozone facilities, resource constraints will continue to limit the number of tasks completed by the Custodians. The new custodian will be able to provide consistent service at Wolcott and the Missouri River locations. This position may also provide daytime coverage, assist when another custodian is out, and free up the Foreman to complete supervisory duties including scheduling and work flow planning.

Total Human Resources	\$32,198	\$32,198	\$9,659	\$786	\$0	\$42,643
------------------------------	-----------------	-----------------	----------------	--------------	------------	-----------------

2020 BENEFITS



	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$4,083,962	\$4,821,189	\$4,882,936	\$61,747	1.3%
Retirement	5,429,569	3,762,557	3,053,340	<709,217>	<18.8%>
Mandatory	2,318,903	2,423,065	2,560,705	137,640	5.7%
Other	836,329	965,800	957,821	<7,979>	<0.8%>
Benefits - Gross	\$12,502,586	\$11,972,611	\$11,454,802	<\$517,809>	<4.3%>
Less Transfers	<\$3,008,397>	<\$3,199,036>	<\$2,983,132>	\$215,904	<6.7%>
Benefits - Net	\$9,494,189	\$8,773,575	\$8,471,670	<\$301,905>	<3.4%>

PERSONNEL

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

Benefit Expenses					
	2018	2019	2020	\$ Incr	% Incr
	Actual	Budget	Budget	<Decr>	<Decr>
Employee Insurance - Health	\$3,833,425	\$4,498,988	\$4,547,534	\$48,546	1.1%
FICA	2,024,671	2,133,595	2,227,256	93,661	4.4%
Pension DB - Final Pay Plan	3,320,389	2,380,384	1,538,219	<842,165>	<35.4%>
Pension DC - (New) WaterOne	301,325	369,963	453,088	83,125	22.5%
Pension DC - WaterOne	427,425	418,105	404,543	<13,562>	<3.2%>
Retiree Insurance - Health	295,371	370,720	349,888	<20,832>	<5.6%>
Worker's Compensation	263,918	276,100	311,070	34,970	12.7%
Pension DC - (New) Match	217,633	245,563	310,932	65,369	26.6%
Pension DC - Match	320,588	294,346	284,798	<9,548>	<3.2%>
Employee Insurance - Dental	196,213	213,037	209,150	<3,887>	<1.8%>
Other Employee Benefits	144,424	147,630	152,630	5,000	3.4%
Employee Insurance - Life	117,714	112,176	118,356	6,180	5.5%
Employee Ins. - LT & ST Disab	99,043	109,504	112,062	2,558	2.3%
Comp & Ben Consulting Serv	101,273	111,000	74,493	<36,507>	<32.9%>
Pension DB - Cash Balance Plan	48,504	54,196	61,760	7,564	14.0%
Employee Insurance - Vision	36,662	40,282	48,834	8,552	21.2%
Unemployment Insurance	27,121	27,870	29,379	1,509	5.4%
Other Post-Employment Ben.	522,745	0	0	0	NA
All Other	204,142	169,152	220,810	51,658	30.5%
Total Benefit Expense	\$12,502,586	\$11,972,611	\$11,454,802	<\$517,809>	<4.3%>

Employee Insurance – Health

The budgeted components of health insurance include a 2.0% premium rate increase and changes to the employee coverage mix.

FICA

The budget increase is due to the higher projected payroll but is less than the projected payroll percentage increase due to more estimated non-taxable benefit elections.

Pension DB – Final Pay Plan

Changes to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The budget is decreasing primarily due the amortization of additional contributions to the plan in 2019. The decrease was partially offset by losses experienced in 2018. This plan was closed to new participants effective January 1, 2014 (see 'Pension DB – Cash Balance Plan for costs related to employees hired after that date). Contributions to the plan that exceed the calculated annual funding amount are amortized over 10 years and reduce future funding levels. Additional contributions included in the current budget include:

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 budget increase is due to additional participants entering the plan.

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. The decrease is due to reduced participation in this plan which closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) WaterOne' for costs related to employees hired after that date).

Retiree Insurance - Health

The budget is based on a 2.0% premium rate increase. The budget decrease is due to fewer retirees being in the plan than projected.

Worker's Compensation

Policy premiums are based on experience. The policy renews in July of each year so premiums that are effective beginning in July 2019 will be in effect for the first half of the 2020 budget. A 3% projected rate increase is included in the budget for the second half of 2020.

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 primarily due to additional participants entering the plan.

Pension DC - Match

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

Employee Insurance - Dental

This budget is based on a 0% premium rate increase, the current coverage mix, and a true-up to actual rates. There is an decrease due to a true-up to actual rates.

PERSONNEL

<u>Contribution Year / Budget Years</u>	<u>Additional Contribution</u>	<u>Annual Budget Impact</u>
2012 / 2013-2022	3,000,000	(413,360)
2019 / 2020-2029	7,900,000	(1,080,363)

Other Employee Benefits

This budget funds various activities such as retirement events, United Way activities, Employee Day, Pancakes with Santa, and employee recognition. Due to regulations this budget also includes increases to offset the tax implication for employees. The budget is increasing due to an additional event planned in 2020.

Employee Insurance - Life

The budget increase is due to the projected payroll increase. No rate increase projected in 2020.

Employee Insurance – LT & ST Disability

The budget increase is due to the projected payroll increase. The increase was partially offset by lower short-term disability costs.

Compensation & Benefits Consulting Services

This budget funds compensation and benefit consulting projects. The budget decrease is due to the end of the amortization period for the 2017 compensation study.

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.

Employee Insurance - Vision

The budget increase is due to a true-up to actual rates. The premium increase for 2020 is 0%.

Unemployment Insurance

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

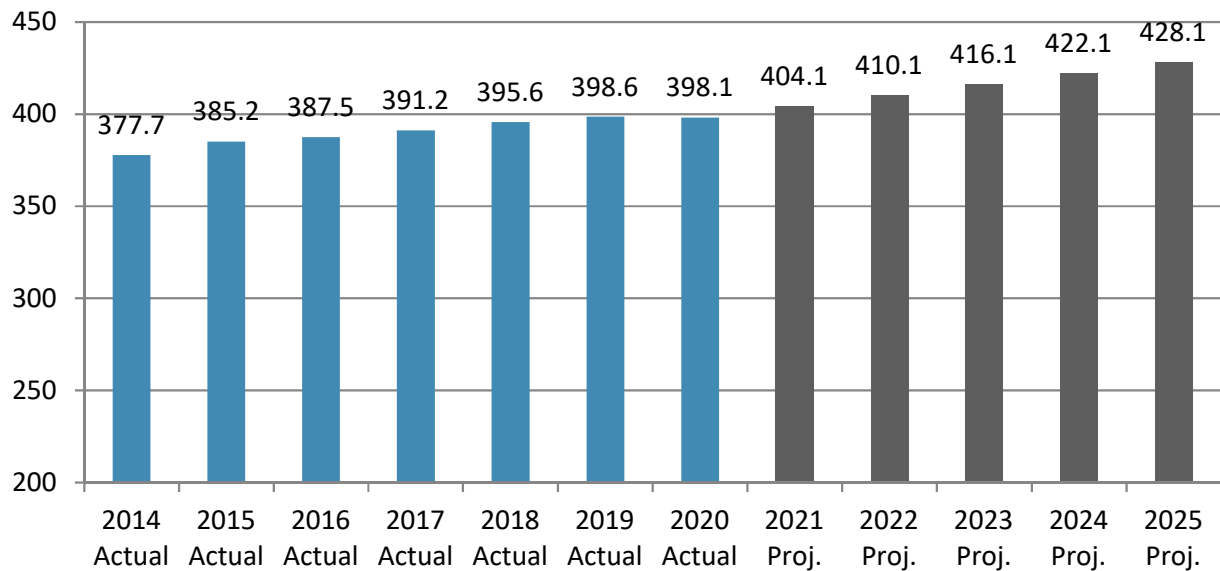
Other Post-Employment Benefits (OPEB)

OPEB is for eligible employees' future covered health care after retirement. OPEB costs are recognized and booked on an accrual basis over the retiree's active working life. AARP and health insurance costs for those who are under 65 years of age are based on actual premiums paid by WaterOne. There is no planned funding of the OPEB reserve in 2020 based on the projected future cash flows from the actuarial report.

Personnel

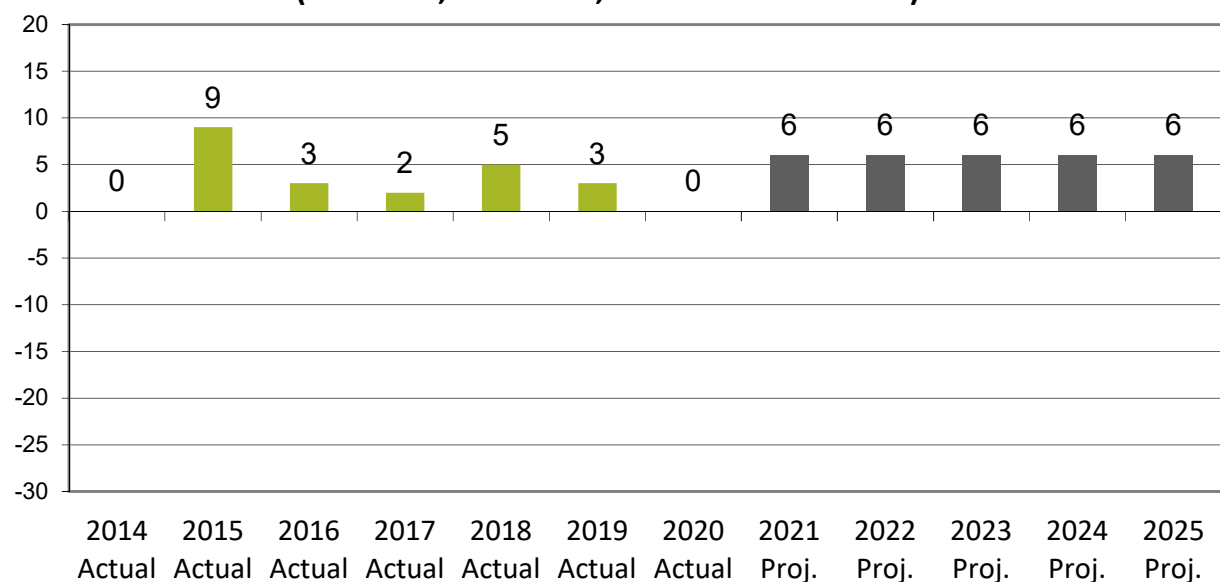
Actuals are budgeted authorized positions. Projections (■ in gray) are based on historical averages.

History of Authorized Full Time Equivalent Employees



Full Time	368	374	377	382	387	390	389	395	401	407	413	419
Part Time	8	10	8	6	4	4	4	4	4	4	4	4
Summer	18	19	21	20	22	22	23	23	23	23	23	23
Total	394	403	406	408	413	416	416	422	428	434	440	446

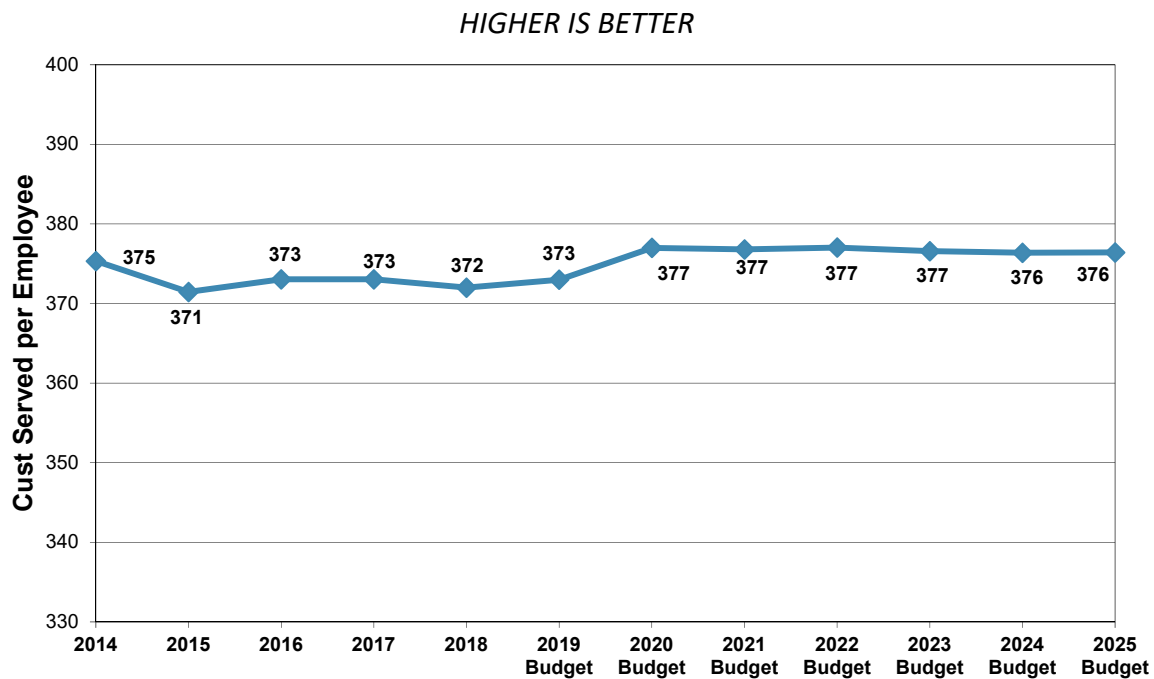
**Headcount Change
(Full Time, Part Time, & Summer Positions)**



PERSONNEL

Average Customers Served Per Employee

Previous to the economic downturn, historical customer growth had averaged around 2,800 customers per year. Customer growth has been relatively stable but has yet to reach levels seen before the recession. The 2020 projections are estimated at 1,400 customers. Average customers served per employee has been relatively stable with a small increase in 2020 due to a net reduction in the number of 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 443,000 residents of Johnson County in 17 municipalities and encompasses 272 square miles. While WaterOne's service territory is only about 60% developed, portions of the distribution system are over 60 years old. This puts WaterOne in the position of planning and building for the growth of the system while at the same time dealing with the challenges of aging infrastructure. In order to meet its diverse capital needs, WaterOne has developed a Capital Improvement Program (CIP) that consists of three components.

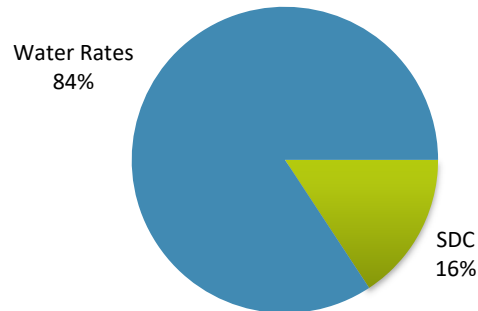
- **Master Plan** – The Master Plan includes projects to build new or replace facilities related to water treatment, pumping, storage, transmission mains, and new distribution mains. Master Plan projects are designed to increase the water supply to serve new customers and to protect existing facilities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

The major sources of funds for these capital expenditures are:

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

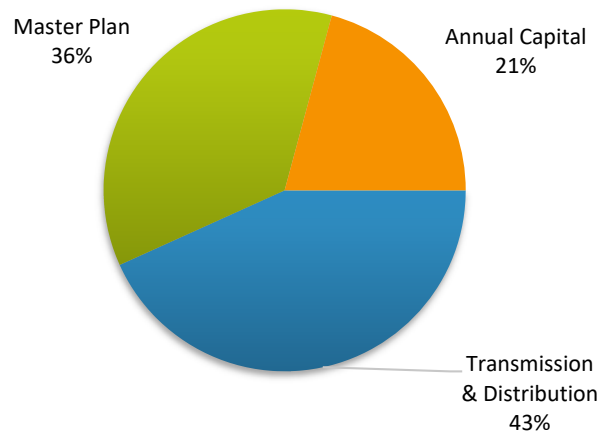
TOTAL CIP

CIP Funding



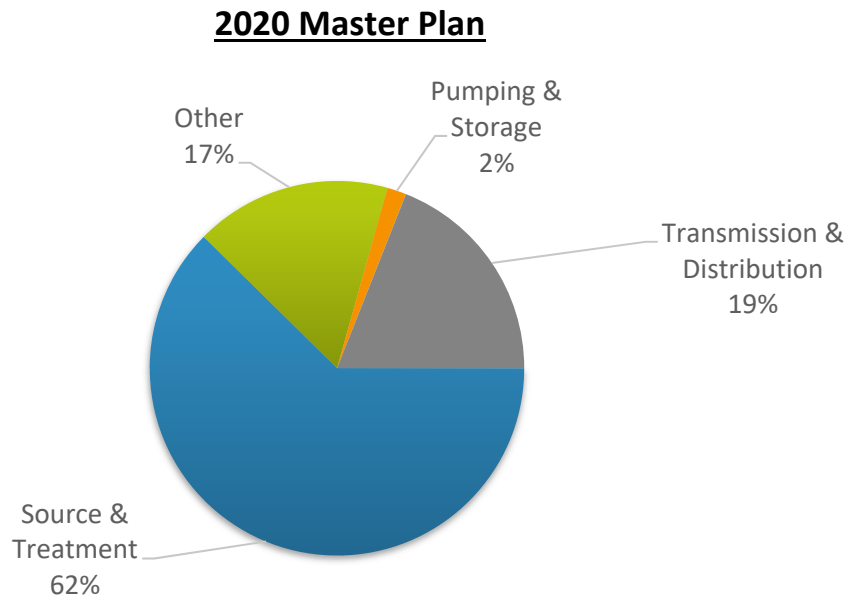
FUNDING	2020	2021	2022	2023	2024	2025	Total
Water Rates	\$43.0	\$43.0	\$44.4	\$45.7	\$47.3	\$48.5	\$272.0
SDCs	7.0	7.6	8.2	8.8	9.4	10.0	50.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL FUNDING	\$50.0	\$50.5	\$52.6	\$54.5	\$56.7	\$58.5	\$322.8

CIP Expenditures



EXPENDITURES	2020	2021	2022	2023	2024	2025	Total
Master Plan	\$16.7	\$17.6	\$28.1	\$10.1	\$13.0	\$25.1	\$110.6
T&D	18.2	19.7	21.2	22.8	24.6	26.5	133.0
Annual Capital	9.4	10.7	11.0	11.3	11.7	12.0	66.2
TOTAL EXPENDITURES	\$44.4	\$47.9	\$60.3	\$44.3	\$49.3	\$63.6	\$309.8

Numbers may not add due to rounding

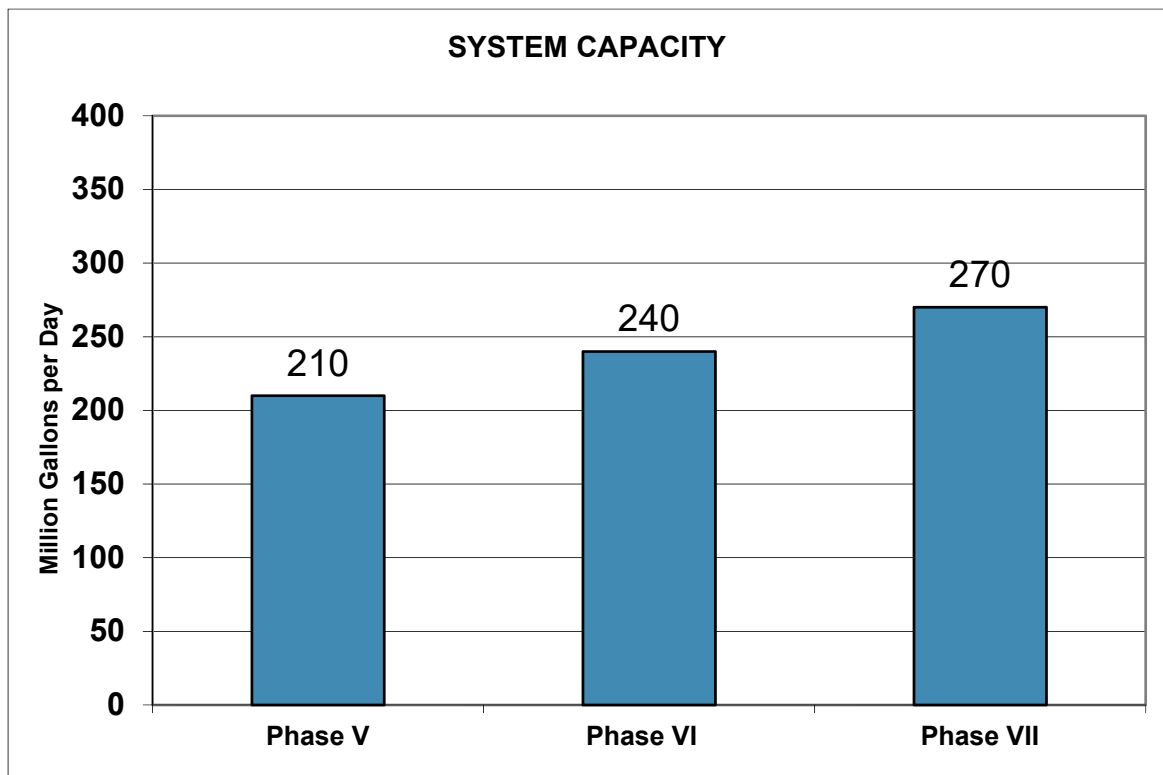


Master Plan Purpose and Funding

- **Pumping and Storage** – These facilities consist of equipment and structures including pumps, pump stations, underground and ground level reservoirs as well as elevated storage in water towers. Pumping provides hydraulic pressure to the distribution system in order to meet Board policy requirements. Storage is primarily needed to maintain adequate supply during peak demand periods, for fire protection, and to serve as emergency pressure to the system in the event of equipment failure or power interruption. There is currently 90 million gallons of storage capacity in the distribution system.
- **Source & Treatment** - These facilities consist of structures including river intakes, collector wells, a river weir, reservoirs, residual monofills, supply mains and treatment plants. WaterOne's raw water is derived from several sources: the Kansas well field, an intake on the Kansas River, an intake on the Missouri River, and a collector well on the Missouri River. These four sources provide 200 million gallons per day (mgd).
- **New & Replacement Transmission Mains and New Distribution Mains** – These facilities include water mains, pressure reducing valves, and appurtenances for the mains. Transmission mains are defined as greater than 16" in diameter. Distribution mains are 16" in diameter and smaller. New or replacement mains included in the Master Plan are primarily related to the latest Water Supply Master Plan developed by WaterOne's consulting engineers.
- **Other** – This category includes all projects that do not fit within the scope of the Pumping and Storage, Source and Treatment, or New & Replacement Transmission Mains and New Distribution Mains categories. This includes projects such as remodeling or replacements at administration facilities and upgrades to Advanced Metering Infrastructure (AMI).

TOTAL CIP

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



The largest project planned in 2020 is Phase II of the KS Well Units Replacement for approximately \$6.7M. The construction of a second horizontal collector well will increase total estimated winter and summer yield of both wells to 8MGD and 11.5MGD respectively and ensure that sufficient warm water is available to mitigate icing on the KS River Intake bar rack, and on the Hansen Treatment Plant basins. The other large projects in 2020 are the replacement of a 30" Transmission Main at I-635 Crossing and 51st Street for approximately \$3.2M and the Remodel of the P1 Building for approximately \$2.8M.

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.

2020 Master Plan Projects (Award Basis)

Pumping & Storage

MP-20015	Redundant Power for Wyss Pumping Station	\$276,346
		Pumping & Storage
		\$276,346

Source & Treatment

MP-20008	KS Well Units Replacement Phase II	\$6,674,532
MP-19772	SCADA Control Center and Server Room Upgrades	1,420,067
MP-19773	SCADA HMI Upgrade Migration	1,367,769
MP-20771	Electronic Document Management and Logbook	756,434
MP-21121	Wolcott Membrane Module Replacement	208,000
		Source & Treatment
		\$10,426,802

Distribution & Transmission

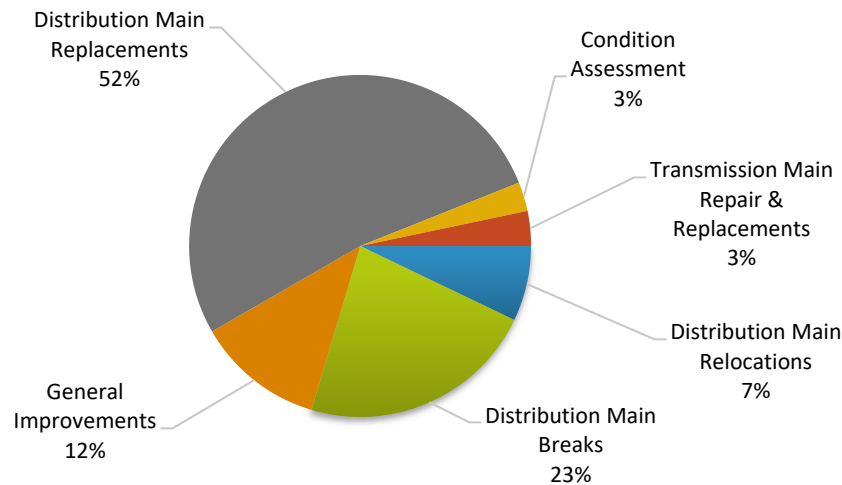
MP-19000	30" TM Replc I-635 Crossing & 51st Street	\$3,173,754
		Distribution & Transmission
		\$3,173,754

Other Facilities

MP-20035	Remodel of P1 Building/AHQ	\$2,837,501
		Other Facilities
		\$2,837,501

Total Master Plan (Award Basis)	\$16,714,403
--	---------------------

2020 Transmission & Distribution Funding



Transmission & Distribution Purpose and Funding

- **Distribution Main Replacements** - Main replacements are budgeted based on the results of a water main asset management project that was developed in 2003 with the most recent update completed in 2018. The objective of the project was to produce a financial model that would identify the appropriate level of main replacement due to “wear-out”. The goal is to replace all assets, including water mains, at the time which produces the lowest life-cycle cost of that particular asset. The decision as to which main replacement projects are the highest priority is determined by a decision matrix that includes many factors, some of which are:

- The number of breaks per mile per year
- Condition assessment
- A risk analysis of the consequence of failure
- Coordinating replacements with municipal street improvement projects

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

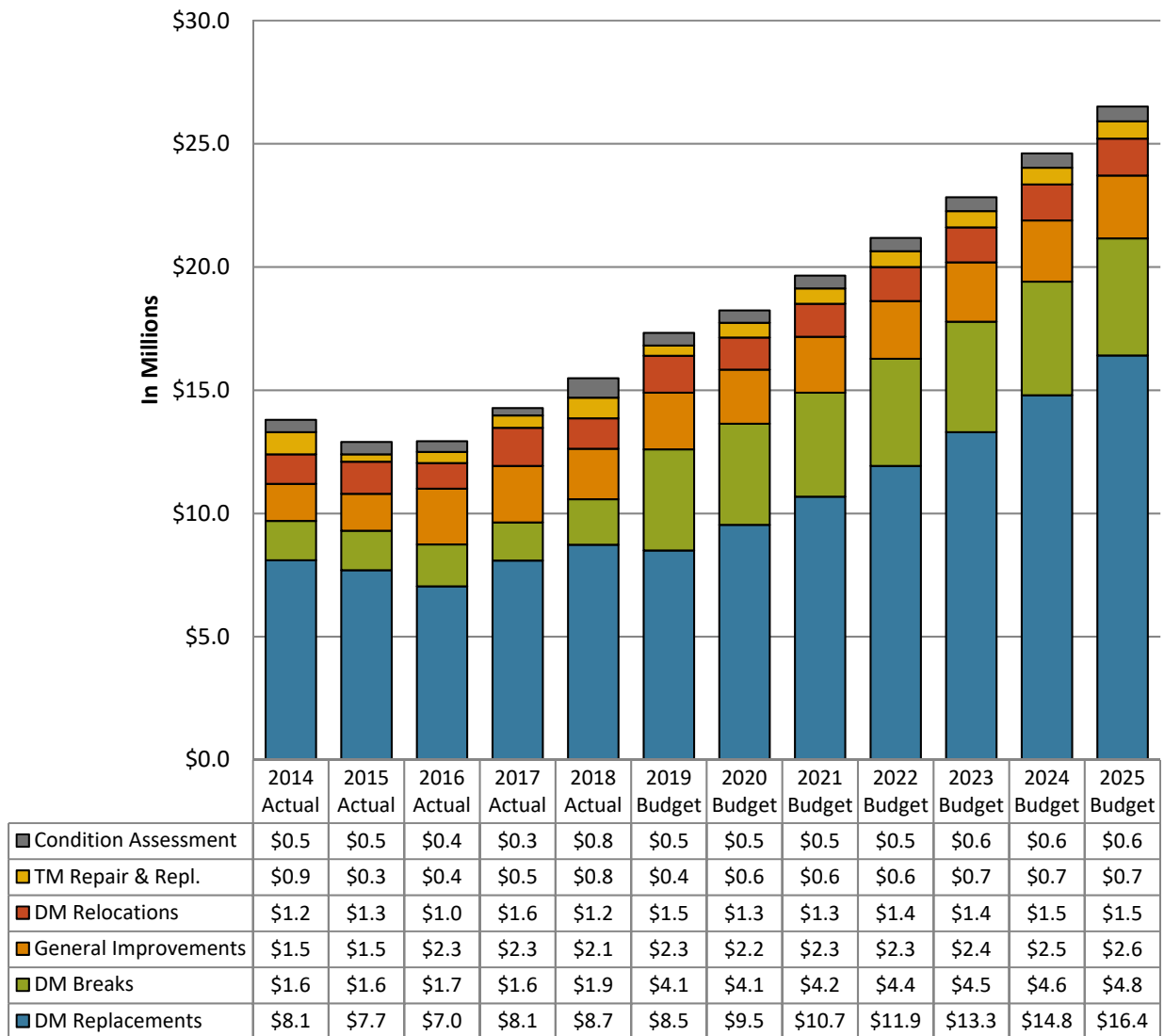
- **General Improvements** - General system improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants. WaterOne has approximately 149,000 service connections which are the pipe and related material that connect the 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

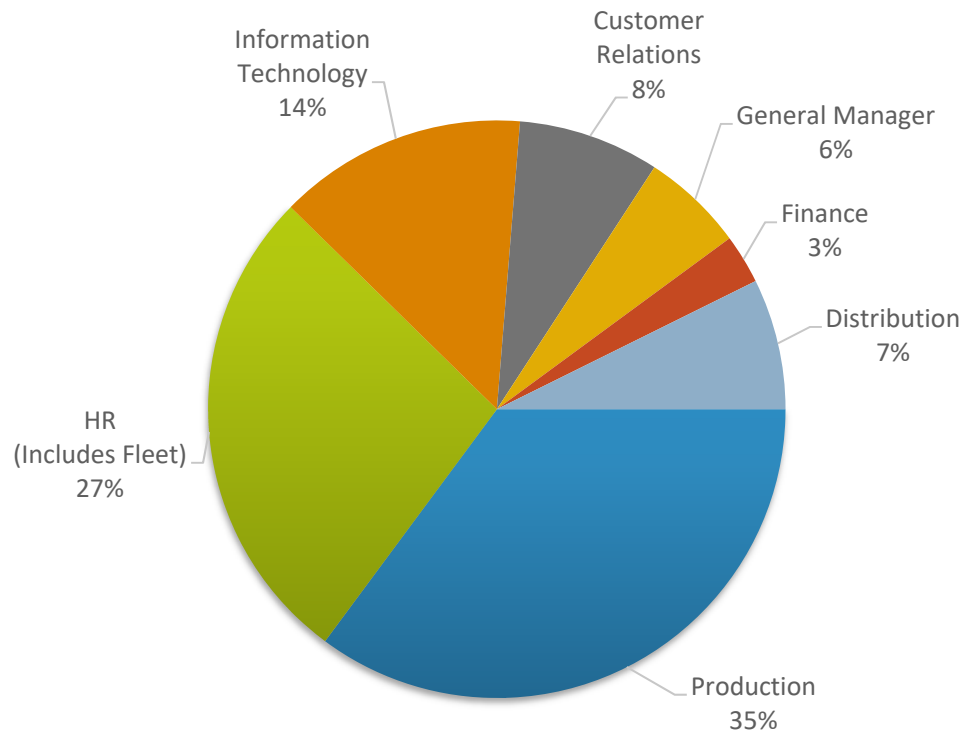
TOTAL CIP

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 our aging infrastructure, the number of capital main breaks has increased over time and is expected to continue to increase into the future. WaterOne takes steps to minimize the rate of increase in breaks through a replacement program, which is described above in the Main Replacements section.
- **Distribution Main Relocations** - These projects are constructed in coordination with street improvement projects planned by the municipalities that WaterOne serves. As the municipalities' populations grow, those municipalities' street improvement projects require main relocation, so they are not in conflict with future streets. Mains that are in public right-of-way are paid for by WaterOne, while mains in private easement are paid for by the requesting city.
- **Transmission Main Repair & Replacements** - This category includes transmission main breaks, minor replacements, relocations, or general improvements to a transmission main not funded in the Master Plan. New installations and extensive replacements of transmission mains are funded in the Master Plan.
- **Condition Assessment** - This category includes hiring contractors to assess transmission main condition as well as assessments completed by WaterOne staff.

Transmission & Distribution by Category



2020 Annual Capital by Division**Annual Capital Purpose and Funding**

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

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

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.

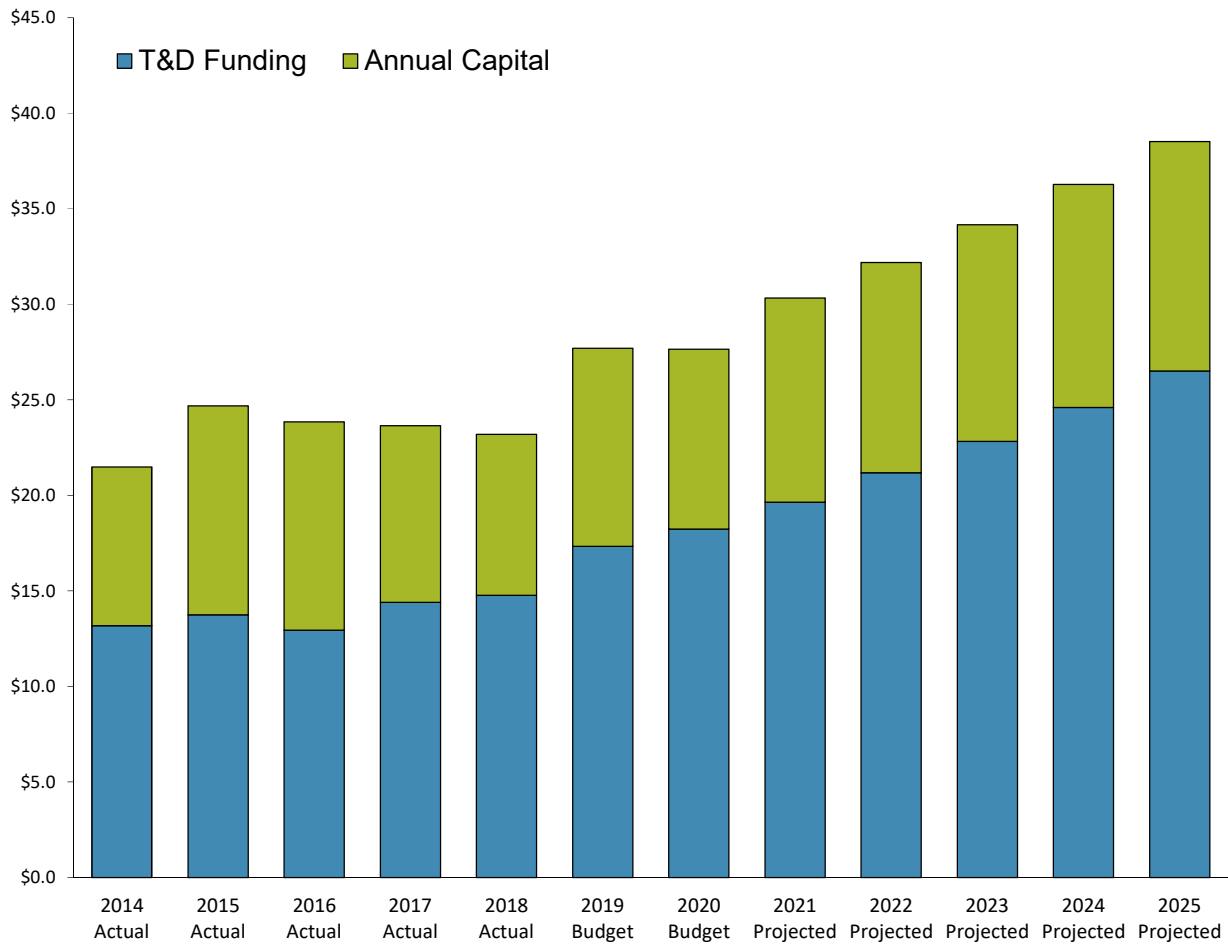
Typically, replacement projects require similar labor and maintenance expenses as the existing assets and do not have a significant net operating impact. In 2020, approximately 94% of annual capital projects are replacement projects and the operating impact is projected to be minimal.

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	2020 Budget	Net Operating Impact					
		2020	2021	2022	2023	2024	2025
New							
Production	\$ 110,845	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500	\$ 10,500
Distribution	491,091	-	-	-	-	-	-
Customer Relations	161,280	36,340	36,340	36,340	36,340	36,340	36,340
Finance	260,486	(17,989)	(17,855)	(17,721)	(17,588)	(17,456)	(17,325)
Human Resources/Administration	461,893	5,420	7,880	8,780	8,780	8,780	8,780
Information Technology	221,690	22,200	22,200	22,200	22,200	22,200	22,200
New - Total	\$ 1,707,285	\$ 56,471	\$ 59,066	\$ 60,099	\$ 60,232	\$ 60,364	\$ 60,495
Replacement							
General Manager	\$ 539,293	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production	3,199,949	-	-	-	-	-	-
Distribution	198,413	-	-	-	-	-	-
Customer Relations	583,275	-	-	-	-	-	-
Human Resources/Administration	2,099,961	(14,832)	(9,432)	(4,464)	(4,032)	(4,032)	(4,032)
Information Technology	1,091,824	-	-	-	-	-	-
Replacement - Total	\$ 7,712,715	\$ (14,832)	\$ (9,432)	\$ (4,464)	\$ (4,032)	\$ (4,032)	\$ (4,032)
Annual Capital Total	\$ 9,420,000	\$ 41,639	\$ 49,634	\$ 55,635	\$ 56,200	\$ 56,332	\$ 56,463

HISTORY & PROJECTION OF TOTAL ANNUAL CAPITAL

In Millions



T&D Funding	\$13.17	\$13.74	\$12.94	\$14.41	\$14.78	\$17.33	\$18.24	\$19.65	\$21.18	\$22.83	\$24.61	\$26.51
Annual Capital	\$8.31	\$10.95	\$10.91	\$9.24	\$8.41	\$10.38	\$9.42	\$10.69	\$11.01	\$11.34	\$11.67	\$12.02
Total Annual Capital	\$21.49	\$24.69	\$23.85	\$23.65	\$23.19	\$27.71	\$27.66	\$30.34	\$32.19	\$34.17	\$36.28	\$38.53

ANNUAL CAPITAL BY DIVISION/DEPARTMENT

DIVISION/DEPARTMENT	2019 CAPITAL REQUESTS	2020 CAPITAL REQUESTS	PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2020 CAPITAL REQUESTS
PRODUCTION				
Facilities Engineering	\$ 3,962,243	\$ 2,485,147	\$ 4,597,961	\$ 7,083,108
Facilities Maintenance	724,245	660,486	-	660,486
Operations	885,303	105,303	966,792	1,072,095
Water Quality Laboratory	-	59,858	-	59,858
TOTAL PRODUCTION	\$ 5,571,791	\$ 3,310,794	\$ 5,564,753	\$ 8,875,547
DISTRIBUTION				
Distribution Engineering	\$ 17,511,837	\$ 18,240,000	\$ 5,000	\$ 18,245,000
Construction, Maintenance, Valving & Services	233,294	689,504	48,311	737,815
TOTAL DISTRIBUTION	\$ 17,745,131	\$ 18,929,504	\$ 53,311	\$ 18,982,815
CUSTOMER RELATIONS				
Meter Services	\$ 604,429	\$ 638,698	\$ 341,408	\$ 980,106
Customer Service	-	105,857	-	105,857
TOTAL CUST. RELATIONS	\$ 604,429	\$ 744,555	\$ 341,408	\$ 1,085,963
FINANCE				
Financial Planning & Analysis	-	260,486	-	260,486
TOTAL FINANCE	\$ -	\$ 260,486	\$ -	\$ 260,486
HUMAN RESOURCES/ADMINISTRATION				
Fleet Services	1,665,898	\$ 2,561,854	\$ 1,683,263	\$ 4,245,117
Safety & Security	-	-	-	-
TOTAL HUMAN RESOURCES/ADMIN	\$ 1,665,898	\$ 2,561,854	\$ 1,683,263	\$ 4,245,117
INFORMATION TECHNOLOGY				
Applications (Office of Director)	\$ 875,328	\$ 443,380	\$ 533,134	\$ 976,514
Infrastructure Services	631,566	759,289	-	759,289
Geospatial Services	110,801	110,845	53,379	164,224
TOTAL INFORMATION TECHNOLOGY	\$ 1,617,695	\$ 1,313,514	\$ 586,513	\$ 1,900,027
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 27,204,944	\$ 27,120,707	\$ 8,229,248	\$ 35,349,955
Capital Contingencies (1.9% of Total) (a)	\$ 505,056	\$ 539,293	\$ -	\$ 539,293
TOTAL OFFICE OF GENERAL MANAGER	\$ 505,056	\$ 539,293	\$ -	\$ 539,293
GRAND TOTAL CAPITAL REQUESTS	\$ 27,710,000	\$ 27,660,000	\$ 8,229,248	\$ 35,889,248

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 2020

		*2019 Budget	12-31-2019 Unspent	Budget Carry- Over to 2020
PRODUCTION				
AC-19302	SCADA Task Methodology & Lifecycle Mgmt	\$ 243,763	\$ 160,253	\$ 297,131
AC-19301	SCADA Historian ODMS#1 & Data Validation	222,711	188,023	279,620
AC-19304	SCADA Org & Sup/Standard Specs/Chg Mgmt	332,403	(117,261)	181,132
AC-15037	SCADA Replacement & Upgrades	815,804	286,011	171,011
AC-19303	SCADA Alarm Event Rationalization/Plan	86,426	(16,096)	37,898
Operations Department Subtotal		\$ 1,701,107	\$ 500,930	\$ 966,792
AC-19040	2019 Mechanical Electrical Improvements	\$ 1,401,632	\$ 1,401,632	\$ 1,401,632
AC-17023	Missouri River Intake Pump #3 Rebuild	551,059	528,715	445,000
AC-19127	MO Presed Pump #3 Rebuild	443,204	443,204	443,204
AC-19022	KS Presed Pump #6 Replacement	554,005	526,370	400,000
AC-19044	Hansen Lighting Improvements Phase II	387,803	387,802	387,802
AC-17035	Missouri River Presed Pump #6 Rebuild	545,334	315,451	315,451
AC-18016	Missouri River Facility Valve Replacement	831,267	277,443	277,443
AC-14100	Administrative Offices Space Study & Reconfiguration	243,122	230,046	230,046
AC-19042	Vehicle Storage Garage HVAC Improvements	138,501	138,351	195,000
AC-18034	Production Facilities PLC Replacement	289,054	190,112	190,112
AC-19043	Wolcott HVAC Controls Upgrade	55,400	55,400	150,000
AC-19045	Facilities Concrete Repair and Sealant	66,481	66,335	66,335
AC-18035	Production Offices Furniture Replacement	38,793	14,733	44,400
OC-19002	Repairs to Final Basin No. 2 Launder Trough Supports	36,624	36,624	36,624
OC-19010	AHQ Conference Room Leak Repairs	26,242	14,912	14,912
Facilities Engineering Department Subtotal		\$ 5,608,521	\$ 4,627,130	\$ 4,597,961
PRODUCTION TOTAL		\$ 7,309,627	\$ 5,128,060	\$ 5,564,753

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2020

		*2019 Budget	12-31-2019 Unspent	Budget Carry- Over to 2020
DISTRIBUTION				
AC-19009	Replace Leak Correlator/Detection Equip	\$ 77,561	\$ 77,561	\$ 25,000
AC-19012	Lunch Room Chair Repl (150 ea.) - AHQ	8,311	8,311	23,311
Construction and Maintenance Department Subtotal		\$ 85,872	\$ 85,872	\$ 48,311
OC-19012	24" PCCP Repairs, 67th St West of I-35	\$ 231,251	\$ (74,162)	\$ 5,000
Distribution Engineering Department Subtotal		\$ 231,251	\$ (74,162)	\$ 5,000
DISTRIBUTION TOTAL		\$ 317,123	\$ 11,710	\$ 53,311
HUMAN RESOURCES				
AF-17066	2 Ton Service Body (Replace 5110)	\$ 194,359	\$ 194,359	\$ 194,359
AF-17131	2 Ton Service Body (Replace 5070)	194,359	194,359	194,359
AF-19056	Service Body (Repl 5120) CMVS	187,808	187,769	187,769
AF-19260	Service Body (Repl 5260) CMVS	187,808	187,769	187,769
AF-19590	Service Body (Repl 5090) CMVS	187,808	187,769	187,769
AF-18032	Service Body (Replace 5060)	177,338	177,338	177,338
AF-18065	Service Body (Replace 5100)	177,338	177,338	177,338
AF-18133	Service Body (Replace 5080)	177,338	177,338	177,338
AF-19710	Tractor (Repl 7720) CMVS	57,617	57,578	57,578
AF-19091	Sign Trailer (Repl 7219) CMVS	33,240	33,240	33,240
OC-19555	Replacement Bobcat 60" Forestry Cutter	5,549	24,062	21,906
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-19600	Tandem Dump Truck (Repl 6140) CMVS	204,982	83,858	13,000
AC-16201	Floor Machine Replacement	12,000	12,000	12,000
AF-19222	Trailer (Repl 7222) CMVS	6,981	6,981	7,200
Fleet Department Subtotal		\$ 1,858,824	\$ 1,756,058	\$ 1,683,263
HUMAN RESOURCES TOTAL		\$ 1,858,824	\$ 1,756,058	\$ 1,683,263

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2020

		*2019 Budget	12-31-2019 Unspent	Budget Carry- Over to 2020
INFORMATION TECHNOLOGY				
AC-19905	Records Information Mgmt Implementation	\$ 221,602	\$ 221,602	\$ 247,131
AC-19050	System Upgrades and Enhancements	443,204	173,982	213,982
AC-19801	Peak Call Volume Management Solution	44,321	44,321	44,321
AC-19700	Electronic Signature Application (New)	27,700	27,700	27,700
Applications (Office of Director) Subtotal		\$ 736,827	\$ 467,605	\$ 533,134
AC-19003	GIS Upgrades and Enhancements	\$ 150,000	\$ 150,000	\$ 53,379
Geospatial Services Department Subtotal		\$ 150,000	\$ 150,000	\$ 53,379
INFORMATION TECHNOLOGY TOTAL		\$ 886,827	\$ 617,605	\$ 586,513
CUSTOMER RELATIONS				
AC-19006	Annual Meter Replacement	\$ 585,593	\$ 3,529	\$ 341,408
CUSTOMER RELATIONS TOTAL		\$ 585,593	\$ 3,529	\$ 341,408
GRAND TOTAL CARRY-OVERS		\$ 10,957,995	\$ 7,516,962	\$ 8,229,248

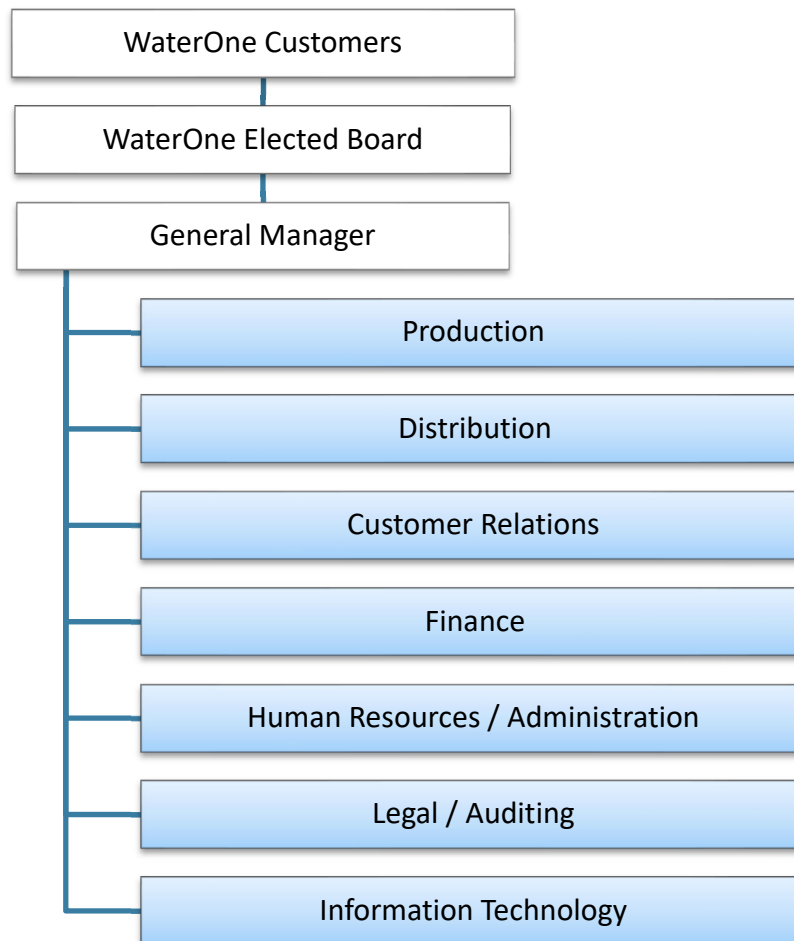
Numbers may not total due to rounding

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

*2020 Budget amount represents the approved 2020 budget amount or carryover amount for all projects that were requested for carryover into 2020.

This page intentionally left blank.

GENERAL MANAGER



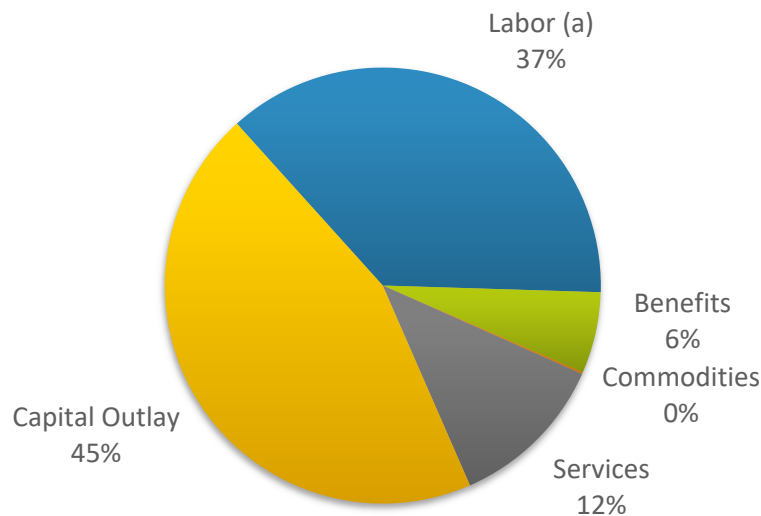
Office of the General Manager

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*

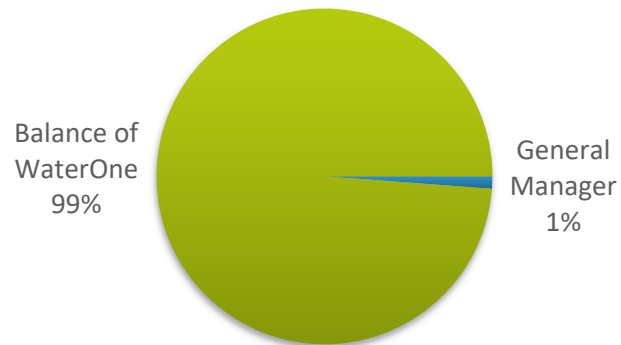
	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$464,794	\$459,413	\$454,558	<\$4,855>	<1.1%>
Benefits	96,242	82,613	72,607	<10,006>	<12.1%>
<i>Personnel Costs</i>	\$561,036	\$542,026	\$527,165	<\$14,861>	<2.7%>
Commodities	1,557	1,250	1,425	175	14.0%
Services	138,636	125,287	141,901	16,614	13.3%
Transfers	<12,387>	<12,644>	<8,120>	4,524	<35.8%>
Total O&M	\$688,842	\$655,919	\$662,371	\$6,452	1.0%
Capital Outlay (b)	0	505,056	539,293	34,237	6.8%
Total	\$688,842	\$1,160,975	\$1,201,664	\$40,689	3.5%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$414,625	\$399,413	\$394,558	<\$4,855>	<1.2%>
Benefits	96,242	82,613	72,607	<10,006>	<12.1%>
Water Board Salaries	60,175	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	46,821	45,836	47,800	1,964	4.3%
Dues & Local Meetings	27,815	19,200	35,855	16,655	86.7%
WaterOne Memberships	28,770	36,095	32,403	<3,692>	<10.2%>
Subtotal	\$674,448	\$643,157	\$643,223	\$66	0.0%
All Other Accounts	26,781	25,406	27,268	1,862	7.3%
Less Transfers	<12,387>	<12,644>	<8,120>	4,524	<35.8%>
Total O&M	\$688,842	\$655,919	\$662,371	\$6,452	1.0%

Numbers may not add due to rounding

GENERAL MANAGER

GENERAL MANAGER	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2019 Budget	2	-	-	2	2.0
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-
New Positions (2020)	-	-	-	-	-
Reclass/PT Hour Adj (2020)	-	-	-	-	-
Eliminations	-	-	-	-	-
2020 Budget	2	-	-	2	2.0

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted.

Employee Benefits (Transferred)

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

Water Board Salaries

Board salaries are \$700/month for Board Members and \$800/month for the Board 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 2020 budget is based on gallons produced in 2018 which were more than gallons produced in 2017.

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. The increase is due primarily to planned Board worksessions, an annual employee town hall meeting, and moving the educational foundation meetings from the "General Expense" account.

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 decrease in the budget is primarily due to no planned support request from the Missouri River Public Water Supply organization in 2020. The requested support from the organization can vary each year depending on river events.

Annual Capital

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



OC-20000	(a)	2020 Omissions & Contingencies	\$ 539,293
----------	-----	--------------------------------	------------

Total Annual Capital	\$ 539,293
-----------------------------	-------------------

- 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 2020 Budget

GENERAL MANAGER

Replace

Project Description

2020 Omissions & Contingencies

Year

2020

Project

OC-20000

Plan

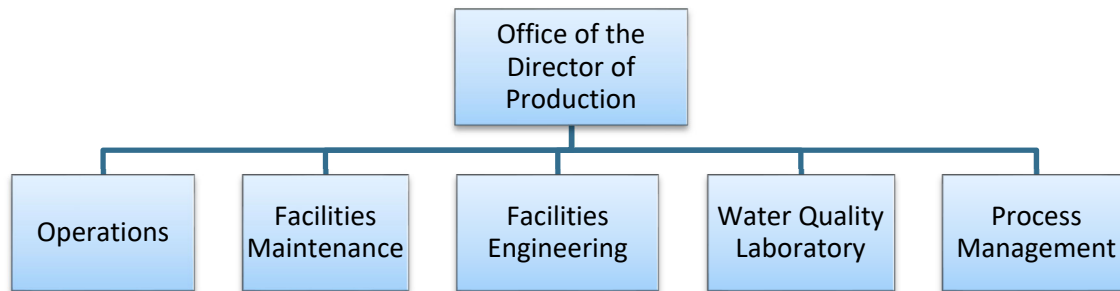
\$539,293

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.

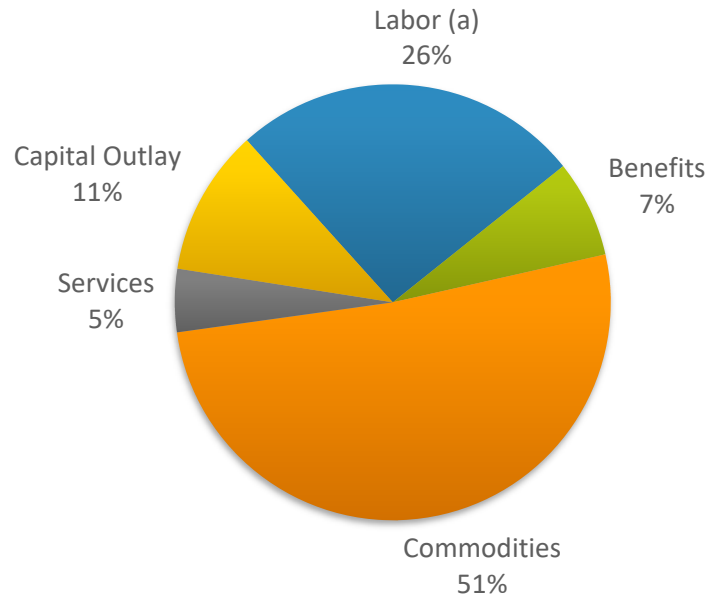
Division Objective

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 "2020 Operational Goals By Division" pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

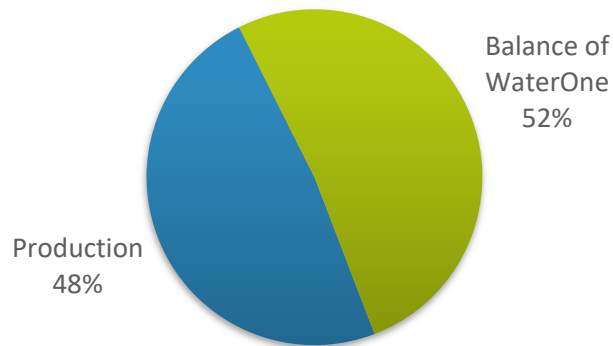
	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$7,628,851	\$8,037,683	\$8,466,554	\$428,871	5.3%
Benefits	2,546,748	2,255,155	2,191,095	<64,060>	<2.8%>
Personnel Costs	\$10,175,600	\$10,292,838	\$10,657,649	\$364,811	3.5%
Commodities	16,720,358	15,618,102	15,637,324	19,222	0.1%
Services	1,439,925	1,287,597	1,419,854	132,256	10.3%
Transfers	<648,076>	<607,651>	<556,064>	51,586	<8.5%>
Total O&M	\$27,687,806	\$26,590,886	\$27,158,762	\$567,876	2.1%
Capital Outlay	4,576,750	5,571,791	3,310,794	<2,260,997>	<40.6%>
Total	\$32,264,556	\$32,162,677	\$30,469,556	<\$1,693,121>	<5.3%>

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$7,557,017	\$7,774,201	\$8,203,616	\$429,415	5.5%
Labor - OT	270,483	263,482	262,938	<544>	<0.2%>
Benefits	2,546,748	2,255,155	2,191,095	<64,061>	<2.8%>
Power - Transmission	4,754,177	4,767,404	4,817,806	50,402	1.1%
Chemicals - Water Treatment	5,770,648	5,096,548	4,726,433	<370,115>	<7.3%>
Power - Source	2,541,776	2,389,199	2,391,361	2,162	0.1%
Power - Distribution	1,741,049	1,753,118	1,796,767	43,649	2.5%
Material & Supplies	801,762	752,700	758,450	5,750	0.8%
Generators - Natural Gas - Wolcott	481,976	304,443	521,118	216,675	71.2%
Maintenance Services	197,699	198,680	286,083	87,403	44.0%
BPU Water Purchased	214,785	163,235	228,629	65,394	40.1%
Mowing and Landscaping	155,396	182,500	194,425	11,925	6.5%
KS River Water Assurance Dist.	152,988	147,421	153,318	5,897	4.0%
Laboratory Services	53,846	124,449	95,449	<29,000>	<23.3%>
Subtotal	\$27,240,350	\$26,172,535	\$26,627,488	\$454,953	1.7%
All Other Accounts	1,095,532	1,026,002	1,087,339	61,337	6.0%
Less Transfers	<648,076>	<607,651>	<556,064>	51,587	<8.5%>
Total O&M	\$27,687,806	\$26,590,886	\$27,158,762	\$567,876	2.1%

Numbers may not add due to rounding

PRODUCTION

PRODUCTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2019 Budget	107	-	5	112	108.25	
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-	
New Positions (2020)	1	-	-	1	1.0	(a)
Reclass/PT Hour Adj (2020)	1	-	-	1	1.0	(b)
Eliminations	-	-	-	-	-	
2020 Budget	109	-	5	114	110.25	

a) Budgeted New Position: Electrician

b) Mid-Year Reclass 2019: Vacant Dispatcher position in Distribution transferred to Production for Lab Tech

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

Overtime is required for plant operators that work holidays, replace employees who are sick, or on vacation, and as part of their normal schedule. Facilities maintenance requires overtime for after-hour emergency repairs to WaterOne facilities. The decrease in 2020 is based on a slight decrease in planned OT hours in Facilities Maintenance.

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 due to a true up to 2019 rates. No BPU rate increase is budgeted for 2020.

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

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 operational changes that increase production at the Missouri Intake while

PRODUCTION

the Kansas Intake is out of service due to planned maintenance. No BPU rate increase is budgeted for 2020.

Power - Distribution

This budget is for power primarily from Kansas City Power & Light (KCP&L) at the pump stations throughout the distribution system. The budget for this account is based on an analysis of the historical trends for power use at each of the large pump stations. The budget is increasing due to a true-up to actual usage at Wyss, Woodson, and Crouthers Pump Stations. There is no rate increase projected in 2020.

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. There is a slight increase in the 2020 budget due to the purchase of additional lab testing supplies.

Generators Natural Gas - 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 increased due to increased forecasted usage in 2020 of the natural gas engine generators at the Wolcott facility.

Maintenance Services

This account is for routine maintenance services and condition assessments of the Water Quality Laboratory equipment and production facilities. This budget is increasing primarily due to electrical switchgear and substation maintenance that is performed every three years and was last performed in 2017.

BPU Water Purchased

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

Mowing and Landscaping

This budget is for contracted mowing and landscaping services at 31 facilities including treatment plants, pump stations, river intakes, well fields, and administrative facilities. The budget is based on current quoted rates of service.

Kansas River Water Assurance District (KRWAD)

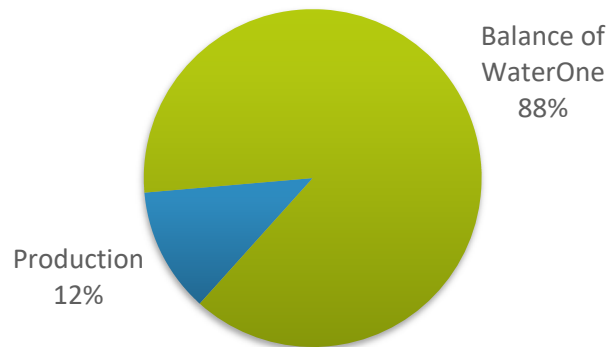
KRWAD is a group of municipalities and industries that pool their resources to obtain water storage from three Kansas reservoirs; when needed, water can be released. The budget is increasing due to an estimated 4% inflation over 2019 actuals.

Lab Services

This account is for outsourced lab testing 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 decrease is due to the completion of the UCMR IV EPA testing requirements that started in 2018 and the elimination of lab tests that are no longer required.

Annual Capital

Division in Relation to
Total WaterOne Annual Capital Budget



New

AC-20304	SCADA O&M Performance Management	\$105,303
AP-20100	Workstation - DE Project Engineer	5,542
Annual Capital - New		\$110,845

Replacement / Refurbish

AC-20019	Emergency Equipment Replacements	\$400,000
AC-20018	Missouri Intake HVAC Improvements	387,958
AC-20037	Ridgway Reservoir Top Slab Sealant	387,958
AC-20015	2020 Mechanical Electrical Improvements	332,535
AC-20031	Administrative Headquarters Paving	310,366
AC-20020	Online Analyzers-Treatment/Distribution	260,486
AC-20022	AHQ Plumbing Improvements	221,690
AC-20016	Turbidimeter Replacements	218,365
AC-20201	Facility 2 Filter Effluent Valve Repl.	177,352
AC-20017	Wolcott Residuals System Modifications	166,268
AC-20204	AHQ Data Center UPS Replacement	110,845
AC-20021	Water Quality Lab Humidifier Replacement	88,676
AC-20200	Wolcott SCADA Equipment Upgrade	55,423
AC-20601	Water Quality Lab Deionization Units	33,255

PRODUCTION

AC-20602	Water Quality Lab Refrigerators	26,603
AC-20023	Wolcott Conference Room Furniture	22,169
Annual Capital - Replace / Refurbish		\$3,199,949
Total Annual Capital		\$3,310,794

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-20440	(f)	Oil Truck (Repl 4440) Fac Maint	\$79,808
AP-20201	(f)	Van (New Electrician) Production	48,772

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

Master Plan

MP-20015	Redundant Power for Wyss Pumping Station	\$276,346
Pumping & Storage		\$276,346
MP-20008	KS Well Units Replacement Phase II	\$6,674,532
MP-19772	SCADA Control Center and Server Room Upgrades	1,420,067
MP-19773	SCADA HMI Upgrade Migration	1,367,769
MP-20771	Electronic Document Management and Logbook	756,434
MP-21121	Wolcott Membrane Module Replacement	208,000
Source & Treatment		\$10,426,802
MP-20035	Remodel of P1 Building/AHQ	\$2,837,501
Other Facilities		\$2,837,501
Total Master Plan (Award Basis)		\$13,540,649
Total Capital		\$16,851,443

WaterOne 2020 Budget

PRODUCTION DIVISION New

Project Description

SCADA O&M Performance Management

Year

2020

Project #

AC-20304

Plan

\$105,303



Justification

WaterOne strives to accurately measure and monitor their key performance indicators (KPIs) to understand how well the goals identified with its mission are being delivered. This SCADA Performance Management tool will calculate and present these KPIs in near real-time and will give operations and maintenance staff members the ability to visualize the impact of decisions on WaterOne's goals and take corrective actions, if necessary, in a timely manner.

Project Description

Workstation - DE Project Engineer

Year

2020

Project #

AP-20100

Plan

\$5,542



Justification

Additional workspace will be required for a new Project Engineer because there are no cubicles left in Distribution Engineering to accommodate additional personnel.

PRODUCTION DIVISION

Replace

Project Description

Emergency Equipment Replacements

Year

2020

Project

AC-20019

Plan

\$400,000



Justification

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

Project Description

Missouri Intake HVAC Improvements

Year

2020

Project

AC-20018

Plan

\$387,958



Justification

The Missouri River Intake Facility is currently cooled by outside air through ventilation fans and louvers and has been cooled this way since its construction. Using this method of cooling, a large amount of air movement is needed. However, this volume of air movement limits the filtering capabilities through the existing louvers. This results in excessive dust and debris entering the facilities and contaminating the electrical motor control centers, adjustable frequency drive (AFD) equipment, as well as contributing to an unclean facility that requires time to clean. This project will identify and install the most effective and adequate cooling system for the facility.

PRODUCTION DIVISION

Replace

Project Description

Ridgway Reservoir Top Slab Sealant

Year

2020

Project

AC-20037

Plan

\$387,958



Justification

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

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

2020 Mechanical Electrical Improvements

Year

2020

Project

AC-20015

Plan

\$332,535



Justification

This project combines four smaller projects that will be included in a single construction contract. This method of combining projects helps reduce overhead costs and provides a more desirable project for contractors. Each of these projects are a result of the asset management process where asset condition and life are evaluated to determine the proper replacement schedule. (1) O&M BUILDING HOUSE WATER VALVES & METER REPLACEMENT. (\$75,000) The valves and meters that serve the O&M building are original to the 1990 construction and have a expected useful life of 20 years. The valves have become difficult to operate and do not seal adequately in the event of downstream repairs. The meter will be replaced with an updated magnetic flow meter that has an anticipated life of 25-30 years. (2) SODA ASH STORAGE BIN ISOLATION VALVE REPLACEMENT. (\$100,000) The existing valves at Plant 2 are 6 years old. The design of these valves is causing binding and difficulties during operation. The valves must be operated during each chemical delivery and all maintenance activity. The replacement valves have an improved design to prevent binding and allow proper isolation. The replacement valves have an expected useful life of 25 years. (3) FACILITY 2 SOUTH COOLING WATER RETURN LINE. (\$75,000) The existing return line for the cooling system that serves the Facility 2 South High Service Pump Room, currently discharges into the secondary splitter box which feeds the south basins. When circumstances dictate that Plant 2 South basins be taken out of service, this cooling water discharges into the basins, making maintenance and cleaning activities difficult. Modifications to this return line will allow for an alternative discharge point that will not affect the offline basins. (4) FACILITY 2 WASH WATER TANK ISOLATION VAVLE REPLACEMENT. (\$50,000) The existing isolation valve is 37 years old, has become difficult to operate, and is at risk of seizing in place. The inability to operate this valve would prohibit the proper isolation of the wash water tank in the event of maintenance or emergency conditions.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

Administrative Headquarters Paving

Year

2020

Project

AC-20031

Plan

\$310,366



Justification

The front employee parking lot was last paved in 2011 making it 9 years old with an expected useful life of 10 years. Normal wear and tear of vehicle traffic combined with the freeze-thaw cycles of several harsh winters have deteriorated the pavement to the point where replacement is needed. Milling the top 2-inches and repaving the area with new asphalt will protect the subgrade and reduce the risk of further costly damage. Minor concrete work including spalling sidewalk sections and curb & gutter will also be addressed as a part of this project.

Project Description

Online Analyzers-Treatment/Distribution

Year

2020

Project

AC-20020

Plan

\$260,486



Justification

The analyzer shop currently operates 12 online auto titrators that measure calcium hardness, total hardness, p alkalinity, and total alkalinity. This project will replace two units. The expected useful life of this equipment is 10-12 years, and these units are 10 years old. Upgrading to the newest version of the instrument will reliably provide operations the process critical measurements. The newest versions provide greater communications solutions to diagnose a problem and monitor the physical operation of the instrument remotely.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

AHQ Plumbing Improvements

Year

2020

Project

AC-20022

Plan

\$221,690



Justification

There are several plumbing improvements required at the administrative offices that have been identified as necessary and are being combined into this one project. The plumbing is original to the building that was constructed in 2001. (1) There are multiple areas within the heating and cooling water piping systems that require drains to be installed to facilitate maintenance activities that are required on a routine basis. (2) There have been multiple issues with a drain system that serves multiple area sink locations. This drain system is located below the concrete floor slab and will take significant effort to access and repair. (3) The original building design included drain and supply piping above the permanent document storage area which requires specific environmental controls and protections. These plumbing systems will be moved or modified to reduce the risk of water damage to the permanent document storage area.

Project Description

Turbidimeter Replacements

Year

2020

Project

AC-20016

Plan

\$218,365



Justification

The turbidimeters being replaced in this project are 10 years old and are no longer being supported by the manufacturer. These 44 devices located at Facility 1, Facility 2, and outlying stations provide critical regulatory compliance data to operations staff to ensure water quality is meeting such standards. Replacement of these units will ensure proper data is being captured and monitored and have an expected useful life of 10 years.

PRODUCTION DIVISION

Replace

Project Description

Facility 2 Filter Effluent Valve Repl.

Year

2020

Project

AC-20201

Plan

\$177,352



Justification

The filter effluent valves control the flow through each of the 16 filters at Facility 2. This series of valves are used very frequently compared to other valves and are therefore subject to more wear in a shorter amount of time. Due to this frequency of use these valves have an expected useful life of 20 years. These valves are critical because they provide isolation between the filter and the finished water clearwell. In the event there is an issue with water quality in any filter, these valves must be able to shut tightly to prevent lower quality water reaching the finished water supply. These valves vary in age from 20-25 years and have experienced hardening of the valve seats that prevent them from operating properly. Additionally, design improvements have occurred that allow for the new valve to seal better at this critical water quality control location.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Residuals System Modifications

Year

2020

Project

AC-20017

Plan

\$166,268



Justification

The residual piping system at the Wolcott Facility conveys the settled materials (residuals) from the basins to the pipeline that eventually leads to the lime residual treatment facilities. The piping system is 10 years old and has become restricted by the build-up of the residual material inside the piping. This project will replace the affected piping and incorporate improvements that will allow more frequent cleaning and inspection activities that will extend the life of the overall residual piping system.

Project Description

AHQ Data Center UPS Replacement

Year

2020

Project

AC-20204

Plan

\$110,845



Justification

The two uninterruptable power supplies (UPS) that serve the data center at the Administrative Headquarters are approaching the end of their useful life. The newer of the two units was installed in 2010 and the expected useful life is 10 years. These units provide back up power in the event of a utility outage, and are necessary to ensure the data center equipment is not damaged by power surges or poor quality power. The replacement of these units reduce the risk of a communications/network failure that would affect most business processes.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

Water Quality Lab Humidifier Replacement

Year

2020

Project

AC-20021

Plan

\$88,676



Justification

The existing humidifier in the Water Quality Lab Building is original to the 2010 construction of the building and is no longer operating reliably. This type of HVAC equipment is expected to last 20-25 years, however, maintenance staff have experienced multiple problems with this unit and are now struggling to keep this unit operating consistently. Proper humidity levels are critical in a lab environment to ensure processes and equipment operate as designed. Replacement of this equipment will ensure proper environmental conditions are provided to the laboratory environment.

Project Description

Wolcott SCADA Equipment Upgrade

Year

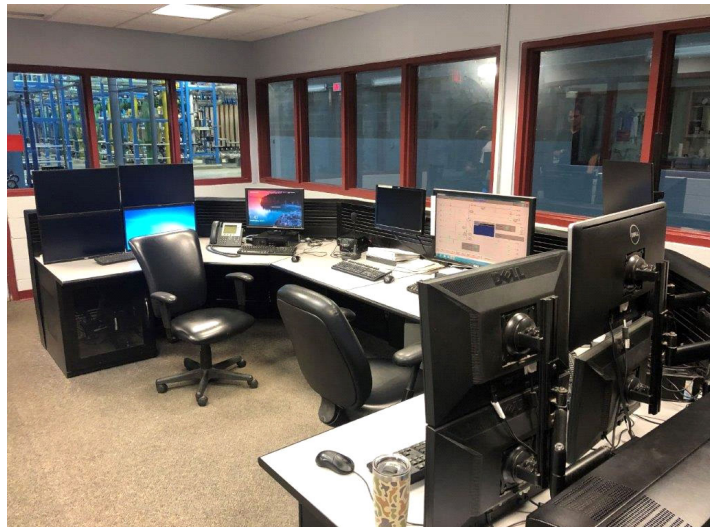
2020

Project

AC-20200

Plan

\$55,423



Justification

This project has been identified in the SCADA Master Plan as a project that is necessary to support the comprehensive plan to upgrade the SCADA system to the newly chosen software platform. Upgrades include network and input/output switching devices that will be necessary for the new communications platform to operate.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

Water Quality Lab Deionization Units

Year

2020

Project

AC-20601

Plan

\$33,255



PURELAB flex 2

Justification

This project is for three water deionization units which are used to produce water of a quality that is required for numerous laboratory testing methods. The existing units have reached the end of their estimated useful life and have begun to experience failures. They will be replaced with deionization units matching the requirements of the existing equipment and will have an estimated useful life of 10 years.

Project Description

Water Quality Lab Refrigerators

Year

2020

Project

AC-20602

Plan

\$26,603



Justification

This project is for three refrigerators for use in the water quality lab. These refrigerators are used for storing laboratory samples and/or supplies that have specific temperature requirements. The units to be replaced have reached their estimated useful life of 10 years and have begun to experience failures. They will be replaced with refrigerators matching the requirements and useful life of the existing equipment.

WaterOne 2020 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Conference Room Furniture

Year

2020

Project

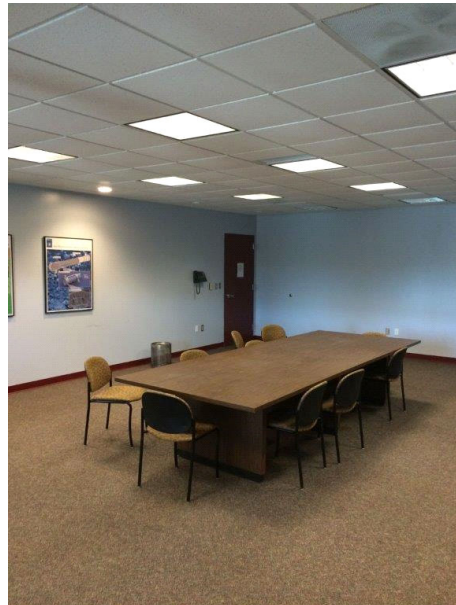
AC-20023

Plan

\$22,169

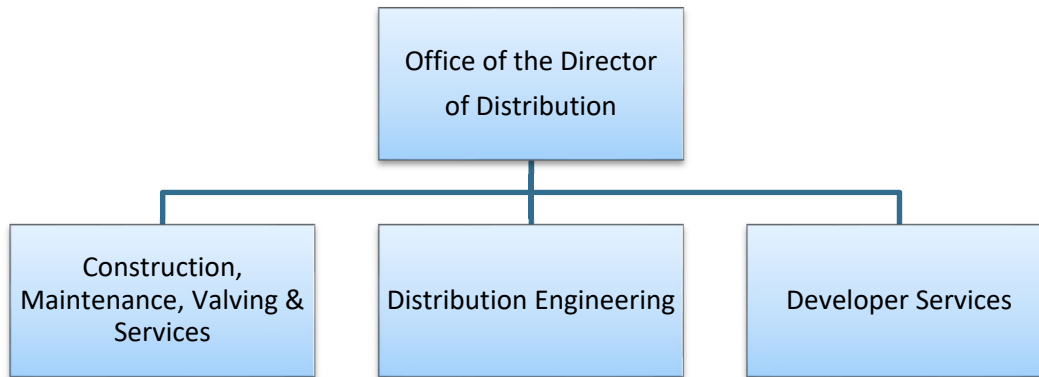
Justification

The conference room at Wolcott is utilized as a meeting area and focal point for tours and WaterOne events. The table and chairs currently used in the conference room were repurposed from other facilities, are over 20 years old, and do not provide for efficient use of the space. New furnishings will improve the functionality of the space.



DISTRIBUTION DIVISION

Division Organization



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

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

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

Division Objective

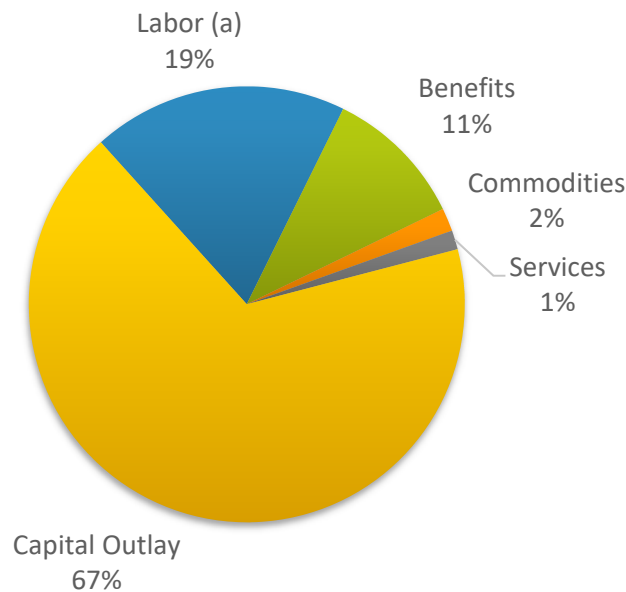
Deliver high-quality drinking water to customers in quantities required to meet their needs, reliably and efficiently, in a manner consistent with excellent customer service. Provide engineering services to the various cities served by WaterOne and the development community in a professional and timely 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 “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

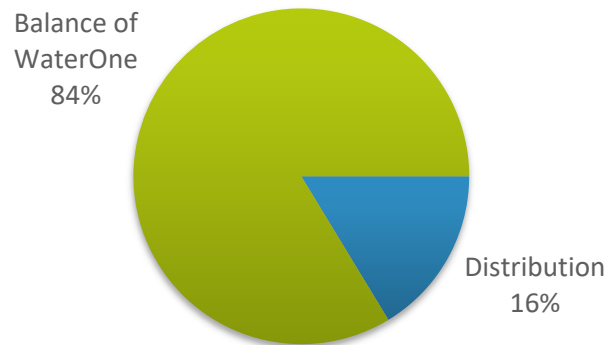
	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$10,397,240	\$10,397,321	\$11,144,428	\$747,107	7.2%
Benefits	3,478,175	2,979,070	2,948,736	<30,334>	<1.0%>
Personnel Costs	\$13,875,415	\$13,376,391	\$14,093,164	\$716,773	5.4%
Commodities	699,119	505,550	483,898	<21,652>	<4.3%>
Services	1,644,611	385,963	395,269	9,306	2.4%
Transfers	<4,796,471>	<5,393,398>	<5,818,855>	<425,457>	7.9%
Total O&M	\$11,422,674	\$8,874,506	\$9,153,476	\$278,971	3.1%
Capital Outlay	14,940,686	17,745,131	18,929,504	1,184,373	6.7%
Total	\$26,363,361	\$26,619,637	\$28,082,980	\$1,463,344	5.5%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget (b)	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$9,716,075	\$9,721,621	\$10,454,428	\$732,807	7.5%
Labor - OT	942,536	675,700	690,000	14,300	2.1%
Benefits	3,478,175	2,979,070	2,948,736	<30,334>	<1.0%>
Inventory Withdrawals	371,942	226,700	231,000	4,300	1.9%
Contracted Services	115,552	130,800	131,200	400	0.3%
Uniforms	63,501	56,850	82,148	25,298	44.5%
Materials & Supplies	123,163	83,050	79,000	<4,050>	<4.9%>
Small Tools & Equipment	53,664	111,100	62,600	<48,500>	<43.7%>
Pavement Repair	999,416	43,500	37,500	<6,000>	<13.8%>
Clean Up (a)	223,551	30,900	29,400	<1,500>	<4.9%>
Subtotal	\$16,087,575	\$14,059,291	\$14,746,012	\$686,721	4.9%
All Other Accounts	131,570	208,613	226,319	17,706	8.5%
Less Transfers	<4,796,471>	<5,393,398>	<5,818,855>	<425,457>	7.9%
Total O&M	\$11,422,674	\$8,874,506	\$9,153,476	\$278,970	3.1%

Numbers may not add due to rounding

(a) Clean Up is the combination of the Clean Up and Topsoil accounts.

(b) Prior to 2019, smaller main breaks were expensed. In 2019, those costs were transferred to the Transmission & Distribution Funding annual capital project under the category 'Distribution Main Breaks'.

DISTRIBUTION

DISTRIBUTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2019 Budget	149	1	10	160	152.175	
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-	
New Positions (2020)	5	-	-	5	5.0	(a)
Reclass/PT Hour Adj (2020)	<-1>	-	-	<-1>	<-1>	(b)
Eliminations	-	-	-	-	-	
2020 Budget	153	1	10	164	156.175	

a) Budgeted New Positions: 1 Foreman-Utility and 2 Distribution Technicians (Change Over Crew); Project Engineer; CAD Technician

b) Mid-Year Reclass 2019: Vacant Dispatcher position transferred to Production for Lab Tech

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted. The budget includes a net of four new positions shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

The majority of overtime planned in CMVS is related to main breaks and will be transferred to capital.

Employee Benefits (Transferred)

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

Inventory Withdrawals

Inventory consists of 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 increase is a true-up based on historical trends.

Contracted Services

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

Uniforms

Most of the increase in this budget is due to a change in tax treatment. The budget increase in payroll tax for uniforms is budgeted in this account. Costs have also trended up over time and are reflected in the budget.

Material & Supplies

This account includes various items such as hardware tools, batteries, mulch bags, measuring wheels, paint, chainsaw chains, and other materials. The budget decrease is a true-up based on historical trends.

DISTRIBUTION

Small Tools & Equipment

Small Tools & Equipment consists of specialty construction equipment, hand tools, small power equipment, and other repair items used in the maintenance of the transmission and distribution system. The 2020 budget decreased to reflect the average actual history.

Pavement Repair

This account includes the restoration of pavement, curbs, and sidewalks damaged because of maintenance work related to services and fire hydrants. The budget decrease is a true-up based on historical trends reflecting a lower quantity of pavement repair.

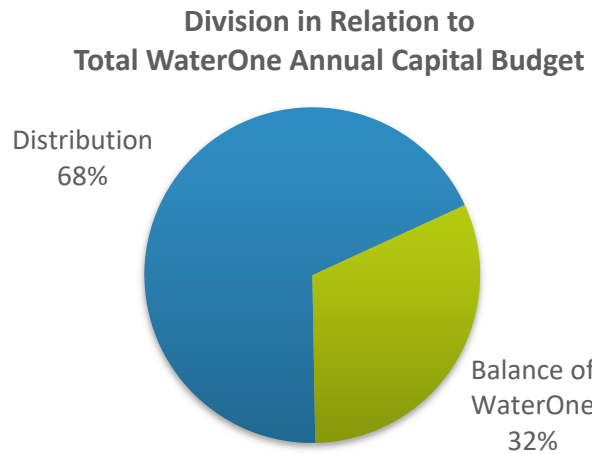
Clean Up

Clean Up includes the removal of construction debris, addition of topsoil, site grading as well as reseeding or sod replacement. The budget decrease is a true-up based on historical trends reflecting a lower demand for services.

Transfers

Transfers are increasing due to the labor previously associated with maintenance of main breaks being capitalized and the additional capitalized labor associated with the new change over crew.

DISTRIBUTION

Annual Capital**New**

AC-20101	Large Directional Drilling Machine	\$ 471,091
AC-20014	New Services Cost Standard Difference	20,000
Annual Capital - New		\$ 491,091

Replacement / Refurbish

RV-20001	2020 Transmission & Distribution Funding	\$18,240,000
AC-20103	Shoring Equipment Replacement	105,303
AC-20009	Leak Correlator/Detection Equipment Replacement	66,507
AC-20104	GPS Equipment Replacement	26,603
Annual Capital - Replace / Refurbish		\$ 18,438,413
Total Annual Capital		\$ 18,929,504

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-20556	(f)	Excavator (Repl 7556) CMVS	\$360,246
AF-20040	(f)	Service Body (Repl 5040) CMVS	205,063
AF-20050	(f)	Service Body (Repl 5050) CMVS	205,063
AF-20202	(f)	Service Body (Repl 5250) CMVS	205,063
AP-20301	(f)	Service Body (New Change Over Crew) CMVS	188,437
AF-20004	(f)	Valve/Vac Truck (Repl 4703) CMVS	175,135
AF-20017	(f)	Backhoe Loader (Repl 7455) CMVS	121,930
AF-20454	(f)	Backhoe Loader (Repl 7454) CMVS	121,930
AP-20302	(f)	Backhoe (New Change Over Crew) CMVS	121,930
AP-20300	(f)	Service Body (New Change Over Crew) CMVS	48,772
AF-20053	(f)	Trench Compactor (Repl 7053) CMVS	38,796
AF-20235	(f)	Backhoe Trailer (Repl 7235) CMVS	31,037
AF-20239	(f)	Backhoe Trailer (Repl 7239) CMVS	31,037
AP-20304	(f)	Trailer (New Change Over Crew) CMVS	29,929
AP-20305	(f)	Breaker (New Change Over Crew) CMVS	24,053
AP-20100	(p)	Workstation - DE Project Engineer	5,542

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

(p) Facility improvements are listed in the 'Production Division'

Master Plan Capital

MP-19000	30" TM Replc I-635 Crossing & 51st Street	3,173,754
Total Master Plan (Award Basis)		\$3,173,754
Total Capital		\$22,103,258

WaterOne 2020 Budget

DISTRIBUTION DIVISION

New

Project Description

Large Directional Drilling Machine

Year

2020

Project

AC-20101

Plan

\$471,091



Justification

Directional drills are used to install piping. Advantages of directional drilling versus conventional construction include less disruption to the installation area, quicker installation, less generation of spoil materials, the flexibility of installation around or under obstacles and less surface restoration. There are more jobs that could be done with directional drilling than present capacity allows. Currently, WaterOne has one directional drill machine and uses one full-time contractor for directional drilling. (See payback analysis under Supplemental Schedules)

Project Description

New Services Cost Standard Difference

Year

2020

Project

AC-20014

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 2020 Budget

DISTRIBUTION DIVISION

Replace

Project Description

2020 Transmission & Distribution Funding

Year

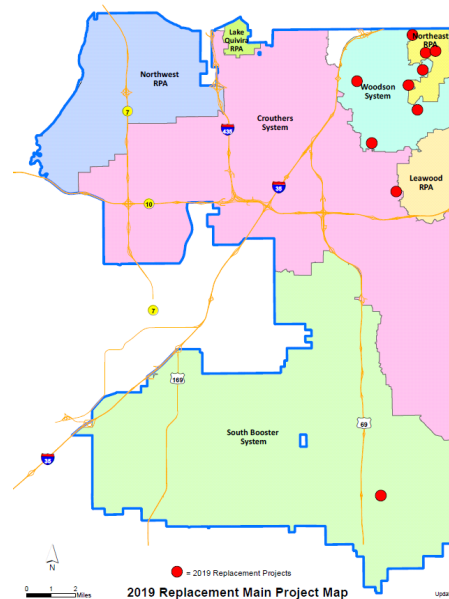
2020

Project

RV-20001

Plan

\$18,240,000



Justification

Replacements - \$9,540,000; Main Breaks - \$4,100,000; GI - \$2,200,000; Relocations - \$1,300,000; TM Capital - \$600,000; Condition Assessment - \$500,000

Project Description

Shoring Equipment Replacement

Year

2020

Project

AC-20103

Plan

\$105,303



Justification

Shoring materials are used to protect the workforce while they are working in excavations. WaterOne maintains an inventory of shoring equipment in various sizes and configurations to best serve its needs. Equipment that has been damaged or is showing wear will be replaced. Current shoring equipment varies from 5 to 10 years old. The expected life of this type of equipment is 7 years.

WaterOne 2020 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Leak Correlator/Detection Equipment Repl

Year

2020

Project

AC-20009

Plan

\$66,507



Justification

Leak correlators and pods are used to pinpoint leaks in the Distribution System and to survey for leaks before they surface. These activities help to minimize service disruptions to customers and to lessen the amount of damage caused by leaks erupting and resulting excavations. This project is to replace one correlator and pods that are five years old and have reached the end of their useful life.

Project Description

GPS Equipment Replacement

Year

2020

Project

AC-20104

Plan

\$26,603

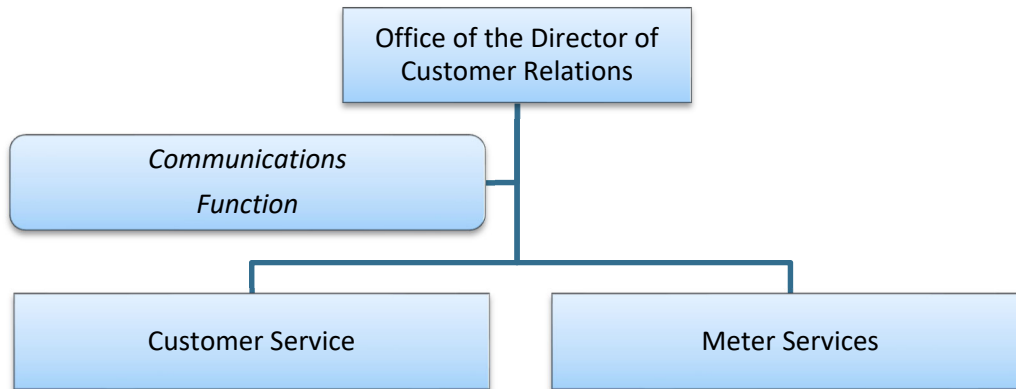


Justification

WaterOne has twenty-five GPS receivers and this project will replace two of these receivers as needed. This is a new annual program to replace units as they fail.

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

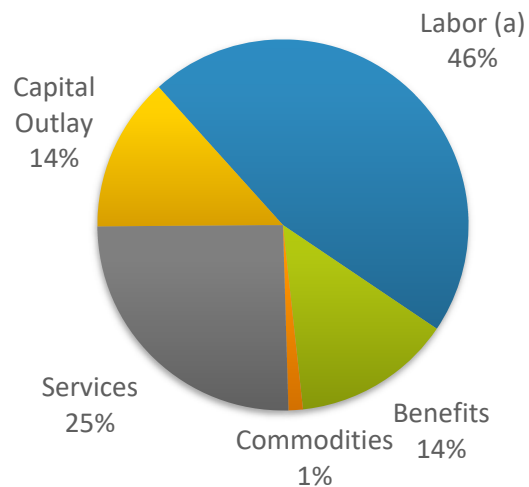
Division Objective

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

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

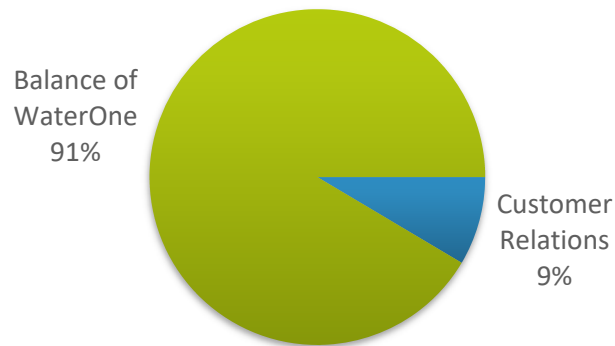
	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,573,896	\$2,812,353	\$2,639,730	<\$172,623>	<6.1%>
Benefits	975,986	896,765	764,456	<132,309>	<14.8%>
Personnel Costs	\$3,549,882	\$3,709,118	\$3,404,186	<\$304,932>	<8.2%>
Commodities	55,208	79,650	69,280	<10,370>	<13.0%>
Services	955,033	922,176	1,402,104	479,928	52.0%
Transfers	<68,049>	<73,391>	<86,916>	<13,525>	18.4%
Total O&M	\$4,492,073	\$4,637,553	\$4,788,654	\$151,101	3.3%
Capital Outlay	970,184	604,429	744,555	140,126	23.2%
Total	\$5,462,257	\$5,241,982	\$5,533,209	\$291,227	5.6%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,625,094	\$2,801,853	\$2,628,416	<\$173,437>	<6.2%>
Benefits	975,986	896,765	764,456	<132,309>	<14.8%>
Water Billing Services	459,311	474,000	450,000	<24,000>	<5.1%>
AMI Services	71,502	50,000	313,502	263,502	527.0%
Non-Employee Overload	51,621	-	232,960	232,960	NA
Uncollectible Accounts	156,106	150,000	153,750	3,750	2.5%
Communications Services	-	-	107,907	107,907	NA
PC Software & Maintenance	2,051	-	9,600	9,600	NA
Contracted Services-Other	40,357	98,080	2,650	<95,430>	<97.3%>
Subtotal	4,382,029	4,470,698	4,663,241	192,543	4.3%
All Other Accounts	178,093	240,246	212,329	<27,917>	<11.6%>
Less Transfers	<68,049>	<73,391>	<86,916>	<13,525>	18.4%
Total O&M	\$4,492,073	\$4,637,553	4,788,654	151,101	3.3%

Numbers may not add due to rounding.

CUSTOMER RELATIONS

CUSTOMER RELATIONS	Full Time	Part Time	Summ/Temp	Headcount	FTE	
2019 Budget	48	-	3	51	49.1	
Mid-Year Reclass/Transfers (2019)	+1;<1>	-	-	-	-	(a)
New Positions (2020)	-	-	1	1	0.5	(b)
Reclass/PT Hour Adj (2020)	+2;<2>	-	-	-	-	(c)
Eliminations	<8>	-	-	<8>	<8.0>	(d)
2020 Budget	40	-	4	44	41.6	

a) Mid-Year Reclass 2019 (due to AMI implementation): Meter Reader to AMI Data Analyst

b) Budgeted New Position: Communications Intern

c) Budgeted Reclass 2020 (due to AMI implementation): 2 Meter Readers to 2 AMI Technicians

d) Eliminated positions (due to AMI implementation): 7 Meter Readers, 1 Field Rep

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted. The budget includes one new position shown in the table above and eight planned eliminations related to the implementation of Advanced Metering Infrastructure (AMI). See PERSONNEL tab for more information on budgeted additional personnel.

Employee Benefits (Transferred)

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

Water Billing Services

This account is for the outsourced printing and mailing of water bills. There are two items in this budget. The first is water bills, which includes regular, corrected, and final bills. As more customers switch to electronic billing, the expense associated with paper bills is expected to decrease. The second part of the budget is for dunning notices. The budget for dunning notices has increased slightly.

AMI Services

The 2020 Budget for Advanced Metering Infrastructure (AMI) includes the amortization of fees related to the network, software, data management, and customer portal for a portion of the year. The budget for 2019 included costs related to Automated Meter Reading (AMR).

Non-Employee Overload

This account is for the temporary use of Non-Employee Overload anticipated in the budget year 2020. As AMI implementation continues, contract meter reading personnel will be utilized.

Uncollectible Accounts

This is the estimated cost for uncollected water bills. Final bills that are unpaid are referred to an outside agency for collection, considered uncollectible, and written off. The budget is based on a percentage of total water sales revenue.

CUSTOMER RELATIONS

Communications Services

This account was created in 2019 to better capture costs that were previously coded to Contract Services-Other. The charges for customer satisfaction surveys, communications-specific contract services, and technology tools and platforms are now budgeted in this account.

PC Software and Maintenance

The 2020 Budget reflects maintenance charges for PhoneEx, the call counting and tracking software as well as maintenance for the meter test bench. These costs were previously charged in IT 82000 Manager Network – Expense.

Contracted Services-Other

The large reduction from 2019 costs is a result of the shift towards using Communication Services in lieu of this account.

Annual Capital

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

**New**

AC-20501	Integrated Customer Experience Dashboard	105,857
AC-20500	Remote Disconnect Meters - Pilot Project	55,423
Annual Capital - New		\$ 161,280

Replacement / Refurbish

AC-20006	Annual Meter Replacement	583,275
Annual Capital - Replace / Refurbish		\$ 583,275
Total Annual Capital		\$ 744,555

Numbers may not add due to rounding

CUSTOMER RELATIONS DIVISION

New

Project Description

Integrated Customer Experience Dashboard

Year

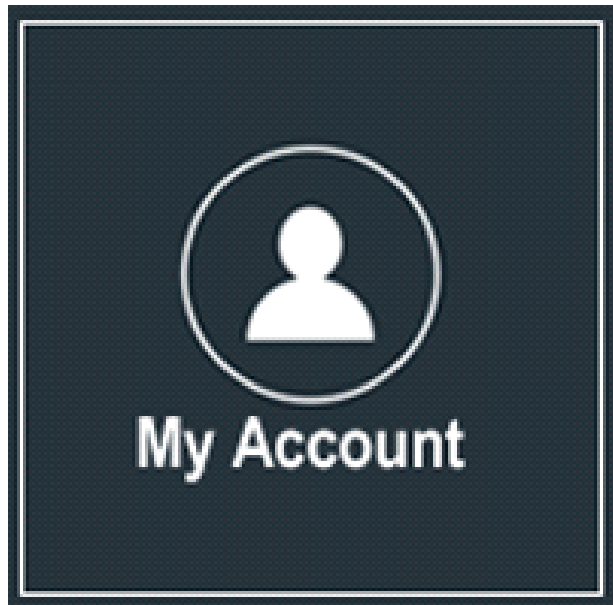
2020

Project

AC-20501

Plan

\$105,857



Justification

The integrated customer experience dashboard provides a true "My Account" dashboard on WaterOne.org that allows customers a single sign-on path to KUBRA and Harris SmartWorks Connect (customer usage and alerts portal). This advancement allows customers to seamlessly and securely navigate among WaterOne's online environments. Additional functionality includes projects identified by the division's existing roadmap, including automated forms, work order integration with ERP, chatbot, live chat, and customer/rep screen sharing. Implementation can be scaled, as desired.

CUSTOMER RELATIONS DIVISION

New

Project Description

Remote Disconnect Meters Pilot Project

Year

2020

Project

AC-20500

Plan

\$55,423



Justification

This project includes the purchase of 125 Remote Disconnect Meters. Remote Disconnect Meters will automate the disconnect, reconnect, and move-in/move-out activity for customers with numerous occurrences each year as well as those most frequently delinquent accounts. Based on average activity for the 125 selected accounts, these meters will payback in less than 6 years through the continued collection of fees for disconnections/reconnections and cost savings from reduced site visits. The payback is primarily soft dollar savings, there are no planned reductions in FTEs related to this project. These meters are also able to provide pressure and temperature data which may be useful to Production and Distribution in the future. The expected useful life for the meters is 15 years. Sensus currently only manufactures a Remote Disconnect Meter with a 1" fitting. WaterOne requires a fitting for the 5/8" meter and this specification is in the production phase at Sensus (see payback analysis under Supplemental Schedules).

WaterOne 2020 Budget

CUSTOMER RELATIONS DIVISION

Replace

Project Description

Annual Meter Replacement

Year

2020

Project

AC-20006

Plan

\$583,275



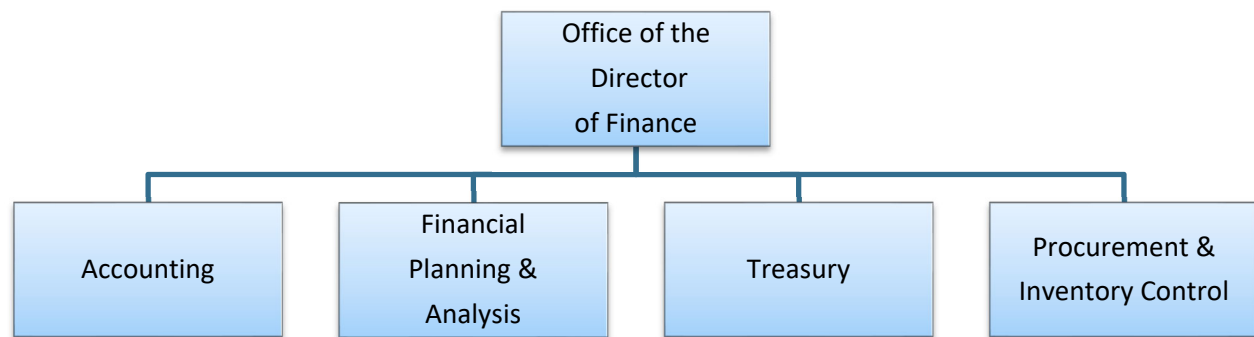
Justification

This project is the annual program for the replacement of defective and old meters. This project is the normal replacement plan for all meters which is approximately 4,430 meters for 2020. The focus of this replacement program will be on 40B Sensus meters 2002 and older with 1,000-gallon resolution.

This page intentionally left blank.

FINANCE DIVISION

Division Organization



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

The Financial Planning & Analysis Department develops annual and long-term financial plans utilizing various modeling tools. The department analyzes the revenue structure to maintain equitable rates and to ensure adequate funds are available to achieve WaterOne’s strategic goals. The department is also responsible for cash flow planning and investing available funds with the goal of ensuring the safety of principal, maintaining adequate liquidity, and maximizing yield.

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

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.

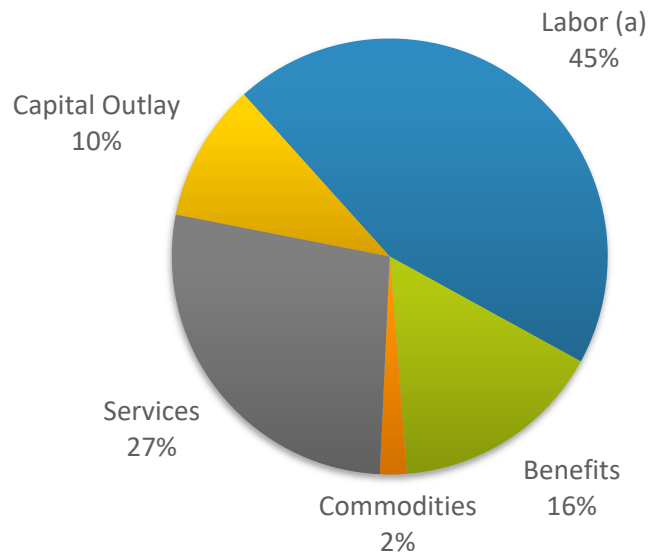
Division Objective

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 “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

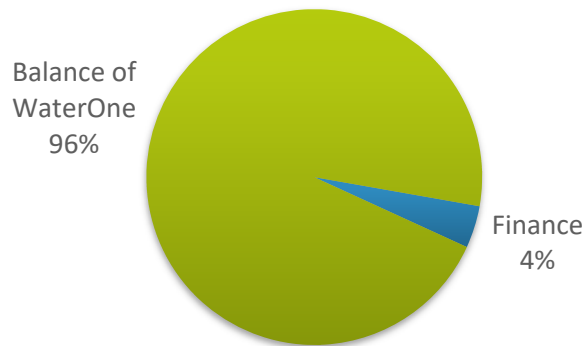
	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,409,994	\$1,500,528	\$1,568,210	\$67,682	4.5%
Benefits	484,218	419,402	400,763	<18,639>	<4.4%>
<i>Personnel Costs</i>	\$1,894,211	\$1,919,930	\$1,968,973	\$49,043	2.6%
Commodities	47,054	53,605	50,380	<3,225>	<6.0%>
Services	889,518	896,869	923,649	26,780	3.0%
Transfers	<706,277>	<688,472>	<659,600>	28,872	<4.2%>
Total O&M	\$2,124,506	\$2,181,932	\$2,283,402	\$101,470	4.7%
Capital Outlay	0	0	260,486	260,486	NA
Total	\$2,124,506	\$2,181,932	\$2,543,888	\$361,956	16.6%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,449,273	\$1,497,528	\$1,565,210	67,682	4.5%
Benefits	484,218	419,402	400,763	<18,639>	<4.4%>
Clean Drinking Water Fee	594,080	599,556	593,545	<6,012>	<1.0%>
Special Assessment and Fees	106,265	96,316	122,067	25,750	26.7%
Checking Acct Service Fees	67,868	70,000	68,000	<2,000>	<2.9%>
Bank Lockbox Fees	41,150	40,000	43,000	3,000	7.5%
Kitchen Supplies	39,093	37,800	39,000	1,200	3.2%
Interest on Security Deposits	7,299	9,383	15,000	5,617	59.9%
Subtotal	2,789,246	2,769,985	2,846,584	76,598	2.8%
All Other Accounts	41,537	100,419	96,418	<4,001>	<4.0%>
Less Transfers	<706,277>	<688,472>	<659,600>	28,872	<4.2%>
Total O&M	\$2,124,506	\$2,181,932	2,283,402	101,470	4.7%

Numbers may not add due to rounding

FINANCE

FINANCE	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2019 Budget	19	-	1	20	19.25
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-
New Positions (2020)	-	-	-	-	-
Reclass/PT Hour Adj (2020)	-	-	-	-	-
Eliminations	-	-	-	-	-
2020 Budget	19	-	1	20	19.25

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted.

Employee Benefits (Transferred)

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

Clean Drinking Water Fee

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

Special Assessment and Fees

The increase is due primarily to rate increases from Johnson County Wastewater and the addition of a Unified Government stormwater 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 current rates charged for typical services and the historical levels that are utilized. The budget is decreasing as a result of the closure of two accounts that are no longer in use.

Bank Lockbox Fees

These are fees that are charged for data communication, imaging, and items deposited in the lockbox. The budget is based on the current rates charged for these services and the historical levels that we utilize those services. The budget is increasing as true-up to historical trends and to account for the portion of customer growth still using the lockbox payment method.

Kitchen Supplies

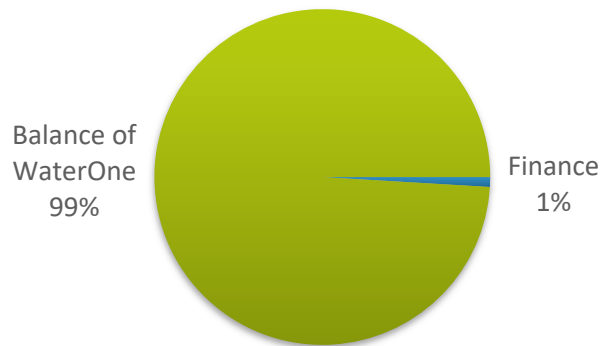
This account is for kitchen supplies such as disposable cups, plates, and silverware used by employees. The budget is based on historical costs as well as current contracts with supplies vendors. The budget increase is based on the historical usage experienced.

FINANCE

Interest on Security Deposits

The balance of security deposits held and interest rates have increased consequently increasing the amount of interest due on security deposits.

Division in Relation to Total WaterOne Annual Capital Budget



AC-20800	Solar Panel License - BPU		260,486
		Annual Capital - New	\$ 260,486

none

Total Annual Capital \$ 260,486

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.

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

WaterOne 2020 Budget

FINANCE DIVISION

New

Project Description

Solar Panel License - BPU

Year

2020

Project

AC-20800

Plan

\$260,486



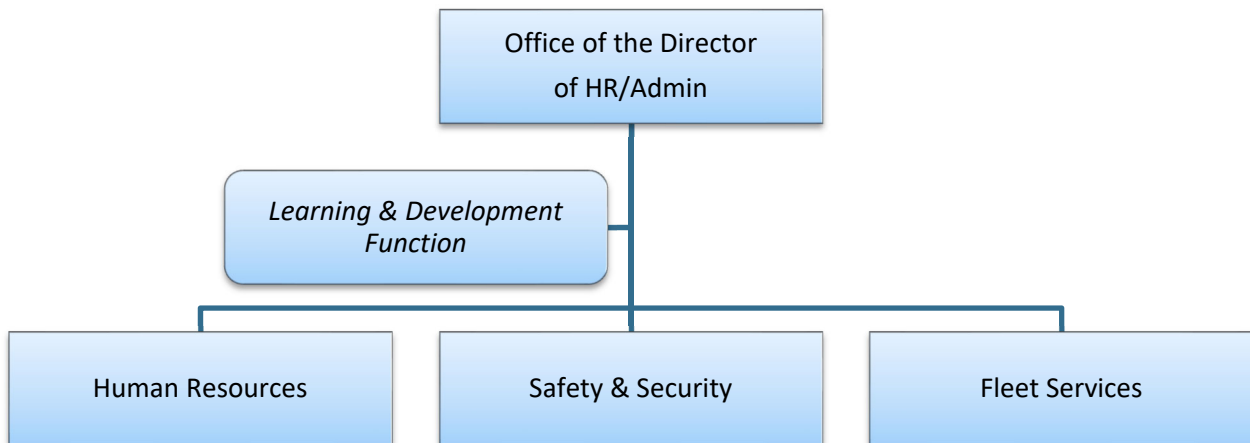
Justification

The Board of Public Utilities (BPU) is offering a renewable energy program utilizing solar panels. The cost to participate in the program is \$470 per solar panel license. WaterOne plans to license the maximum number of units allowed at 500 solar panels. This is a one-time fee to participate in the program until 2042. Participants receive an \$0.08 credit per kilowatt hours obtained through the solar energy program. The solar panel license is for 22 years and is expected to pay back in 19 years (see payback analysis under Supplemental Schedules).

This page intentionally left blank.

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.

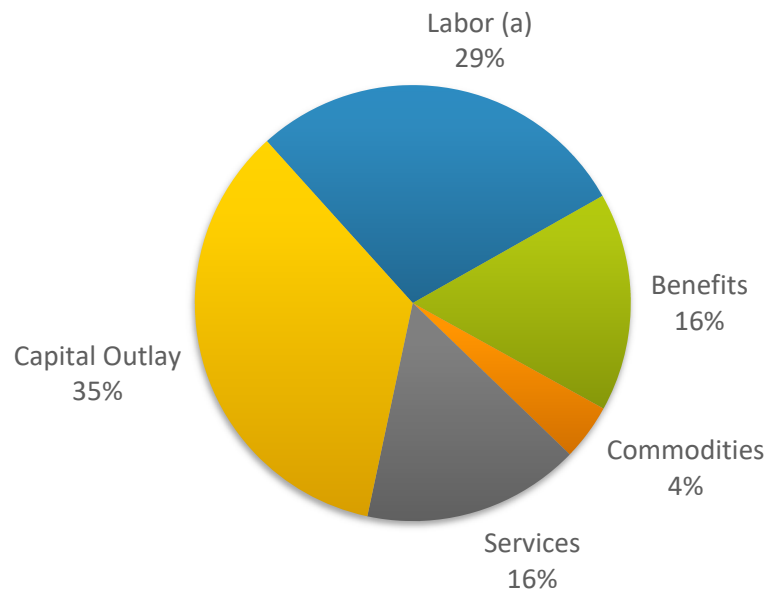
Division Objective

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 “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,925,156	\$2,056,390	\$2,264,194	\$207,804	10.1%
Benefits	922,908	1,191,394	1,188,599	<2,795>	<0.2%>
<i>Personnel Costs</i>	\$2,848,064	\$3,247,784	\$3,452,793	\$205,009	6.3%
Commodities	1,394,506	1,235,429	1,219,932	<15,497>	<1.3%>
Services	1,098,556	1,129,419	1,188,763	59,344	5.3%
Transfers	<955,181>	<1,074,342>	<1,100,706>	<26,364>	2.5%
Total O&M	\$4,385,945	\$4,538,289	\$4,760,782	\$222,493	4.9%
Capital Outlay	2,318,644	1,665,898	2,561,854	895,956	53.8%
Total	\$6,704,589	\$6,204,187	\$7,322,636	\$1,118,449	18.0%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,881,504	\$1,970,690	\$2,208,444	\$237,754	12.1%
Labor - OT	90,679	85,700	55,750	<29,950>	<34.9%>
Benefits	922,908	1,191,394	1,188,599	<2,795>	<0.2%>
Inventory Withdrawals	683,556	585,311	592,150	6,839	1.2%
Material & Supplies	530,703	479,640	464,725	<14,915>	<3.1%>
Security / Security Guards	455,870	462,172	463,059	887	0.2%
P&L Insurance	107,877	111,800	114,235	2,435	2.2%
Training	104,588	91,600	106,600	15,000	16.4%
Contracted Services	75,307	100,292	105,032	4,740	4.7%
Subtotal	\$4,852,992	\$5,078,599	\$5,298,594	\$219,995	4.3%
All Other Accounts	488,134	534,033	562,894	28,861	5.4%
Less Transfers	<955,181>	<1,074,343>	<1,100,706>	<26,364>	2.5%
Total O&M	\$4,385,945	\$4,538,289	\$4,760,782	\$222,493	4.9%

Numbers may not add due to rounding.

HUMAN RESOURCES/ADMINISTRATION

HUMAN RESOURCES/ADMINISTRATION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2019 Budget	26	3	2	31	28.605	
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-	
New Positions (2020)	1	-	-	1	1.0	(a)
Reclass/PT Hour Adj (2020)	-	-	-	-	-	
Eliminations	-	-	-	-	-	
2020 Budget	27	3	2	32	29.605	

a) Budgeted New Position: Custodian

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted. The budget includes one new position shown in the table above. See PERSONNEL tab for more information on budgeted additional personnel. Additionally, the entire 2020 equity adjustment related to the results of the 2017 Compensation Study is budgeted in this division until the distribution for each division is determined.

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 \$2.19 in 2019 to \$2.30 for 2020. The total number of budgeted gallons decreased by 2.9% due to the planned Meter Reading department elimination. The remaining budget is for non-fuel inventory withdrawals. It is developed based on history and is mainly used for scheduled preventative maintenance.

Material & Supplies

There are three components of this budget. The three components are Fleet non-inventory vehicle repair parts, car wash repair parts, and shop supplies; custodial supplies for maintaining facilities; and district-wide training supplies. The budget decrease is primarily due to a budget transfer from Material & Supplies to Training under the District Wide Training cost center.

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 is based on expected new pricing for 2020.

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 2019 will be in effect for the first half of the 2020 budget. The budget includes a 3% projected increase in premiums for the second half of the 2020 budget. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

Training

This account includes training for the division and WaterOne-wide training. The budget is based on a multi-year average. The budget is increasing due to a transfer from Material & Supplies. The transferred costs are for speakers and facilities associated with leadership programs.

Contracted Services

Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. In the Fleet Department, WaterOne contracts for fuel system maintenance and vehicle GPS services. For training, a tour bus is contracted for district tours. The Custodian function uses outside services for various cleaning jobs. The budget increase is due to the addition of computer maintenance of the fuel system.

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-20301	Service Body (New Change Over Crew) CMVS	\$188,437
AP-20302	Backhoe (New Change Over Crew) CMVS	121,930
AP-20201	Van (New Electrician) Production	48,772
AP-20300	Service Body (New Change Over Crew) CMVS	48,772
AP-20304	Trailer (New Change Over Crew) CMVS	29,929
AP-20305	Breaker (New Change Over Crew) CMVS	24,053
Annual Capital - New		\$461,893

Replacement / Refurbish

AF-20200	Light Duty Fleet Program	\$365,790
AF-20556	Excavator (Repl 7556) CMVS	360,246
AF-20040	Service Body (Repl 5040) CMVS	205,063
AF-20050	Service Body (Repl 5050) CMVS	205,063

WATERONE 2020 BUDGET

HUMAN RESOURCES/ADMINISTRATION

AF-20202	Service Body (Repl 5250) CMVS	205,063
AF-20004	Valve/Vac Truck (Repl 4703) CMVS	175,135
AF-20017	Backhoe Loader (Repl 7455) CMVS	121,930
AF-20454	Backhoe Loader (Repl 7454) CMVS	121,930
AC-20070	Fuel Dispenser Replacement - AHQ	105,303
AF-20440	Oil Truck (Repl 4440) Fac Maint	79,808
AF-20900	Stand Up Fork Lift (Repl 7615) Inv Cntl	53,760
AF-20053	Trench Compactor (Repl 7053) CMVS	38,796
AF-20235	Backhoe Trailer (Repl 7235) CMVS	31,037
AF-20239	Backhoe Trailer (Repl 7239) CMVS	31,037
Annual Capital - Replace / Refurbish		\$2,099,961
Total Annual Capital		\$2,561,854

Numbers may not add due to rounding

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV New

Project Description

Service Body (New Change Over Crew) CMVS

Year

2020

Project

AP-20301

Plan

\$188,437



Justification

2 Ton Service Body for new change over crew.

Project Description

Backhoe (New Change Over Crew) CMVS

Year

2020

Project

AP-20302

Plan

\$121,930



Justification

Backhoe for new change over crew.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV New

Project Description

Van (New Electrician) Production

Year

2020

Project

AP-20201

Plan

\$48,772



Justification

Van for new Electrician.

Project Description

Service Body (New Change Over Crew) CMVS

Year

2020

Project

AP-20300

Plan

\$48,772



Justification

3/4 Ton Service Body for Foreman on new change over crew.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV New

Project Description

Trailer (New Change Over Crew) CMVS

Year

2020

Project

AP-20304

Plan

\$29,929



Justification

Equipment trailer for new change over crew.

Project Description

Breaker (New Change Over Crew) CMVS

Year

2020

Project

AP-20305

Plan

\$24,053



Justification

Hydraulic pavement breaker for the new change over crew.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Light Duty Fleet Program

Year

2020

Project

AF-20200

Plan

\$365,790



Justification

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

Project Description

Excavator (Repl 7556) CMVS

Year

2020

Project

AF-20556

Plan

\$360,246



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7556 is 8 years old and has 4,016 hours as of 4/2019. This unit will meet the age and hours criteria in 2020. The replacement unit will be configured the same.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Service Body (Repl 5040) CMVS

Year

2020

Project

AF-20040

Plan

\$205,063



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5040 is 14 years old and has 9,070 hours as of 4/2019. This unit will meet the age and hours criteria in 2020. The replacement unit will be configured the same.

Project Description

Service Body (Repl 5050) CMVS

Year

2020

Project

AF-20050

Plan

\$205,063



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5050 is 14 years old and has 8,968 hours as of 4/2019. This unit will meet the age and hours criteria in 2020. The replacement unit will be configured the same.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Service Body (Repl 5250) CMVS

Year

2020

Project

AF-20202

Plan

\$205,063



Justification

WaterOne Fleet Replacement Standard for Heavy Trucks: 15 years and 9,000 hours. Unit 5250 is 13 years old and has 10,403 hours as of 4/2019. This unit will meet the hours criteria in 2020. The replacement unit will be configured the same.

Project Description

Valve/Vac Truck (Repl 4703) CMVS

Year

2020

Project

AF-20004

Plan

\$175,135



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4703 is 9 years old and has 123,784 miles as of 4/2019. This unit will exceed the mileage criteria in 2020. The replacement unit will increase in size from a one ton truck to a 1 1/4 ton truck to allow for more capacity.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Backhoe Loader (Repl 7455) CMVS

Year

2020

Project

AF-20017

Plan

\$121,930



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7455 is 8 years old and has 4,074 hours as of 4/2019. This unit will meet the age and hours criteria in 2020. The replacement unit will be configured the same.

Project Description

Backhoe Loader (Repl 7454) CMVS

Year

2020

Project

AF-20454

Plan

\$121,930



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7454 is 8 years old and has 3,976 hours as of 4/2019. This unit will meet the age and hours criteria in 2020. The replacement unit will be configured the same.

WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Fuel Dispenser Replacement - AHQ

Year

2020

Project

AC-20070

Plan

\$105,303



Justification

This project will replace five dispensers and refurbish the fuel dispenser island located at the Administrative Offices. The dispensers are 19 years old. The manufacturer is phasing out support of the current dispenser model. Parts sourcing is also becoming more challenging.

Project Description

Oil Truck (Repl 4440) Fac Maint

Year

2020

Project

AF-20440

Plan

\$79,808



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4440 is 11 years old and has 105,380 miles as of 4/2019. This unit will meet the age and mileage criteria in 2020. The replacement unit will be configured the same.

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Stand Up Fork Lift (Repl 7615) Inv Cntl

Year

2020

Project

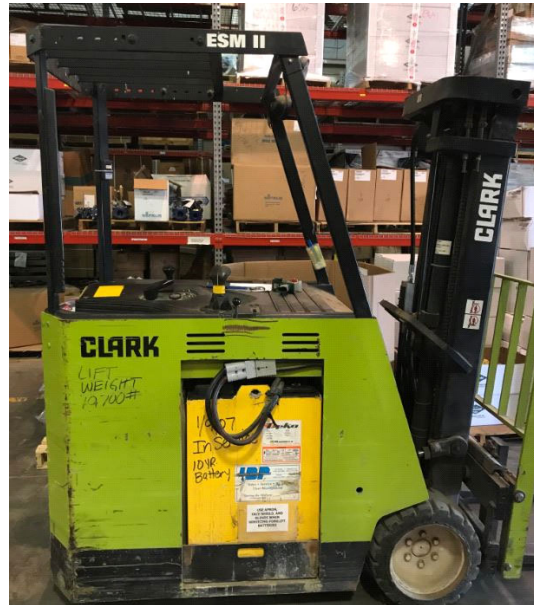
AF-20900

Plan

\$53,760

Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. This unit is utilized in the warehouse. The unit is 23 years old and has 1,591 hours. The unit will meet the age criteria in 2020. Though the hours standard will not be met, the repair rate has continued to increase due to the age of the unit.



Project Description

Trench Compactor (Repl 7053) CMVS

Year

2020

Project

AF-20053

Plan

\$38,796

Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit is 15 years old as of 4/2019. The hours counter is nonfunctioning due to the condition of the unit. The unit will meet the age criteria in 2020. The replacement unit will be configured the same.



WaterOne 2020 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Backhoe Trailer (Repl 7235) CMVS

Year

2020

Project

AF-20235

Plan

\$31,037



Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7235 is 11 years old as of 4/2019. This unit will meet the age criteria in 2020. The replacement unit will be configured the same.

Project Description

Backhoe Trailer (Repl 7239) CMVS

Year

2020

Project

AF-20239

Plan

\$31,037



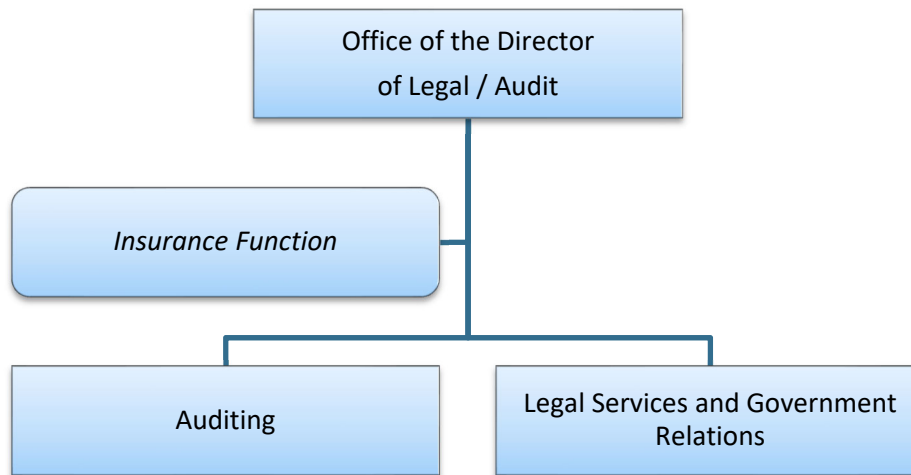
Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7239 is 11 years old as of 4/2019. This unit will meet the age criteria in 2020. The replacement unit will be configured the same.

This page intentionally left blank.

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, Regulation, and Board Policies.

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

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

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

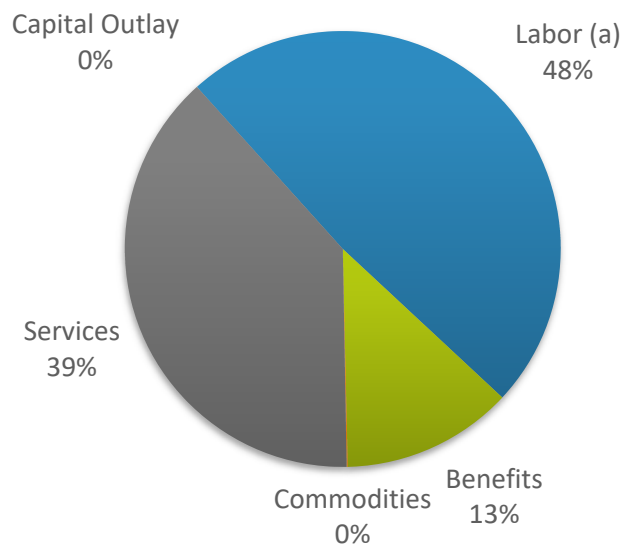
Division Objective

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

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$847,109	\$891,918	\$927,084	\$35,166	3.9%
Benefits	268,403	235,786	223,129	<12,657>	<5.4%>
<i>Personnel Costs</i>	\$1,115,511	\$1,127,704	\$1,150,213	\$22,509	2.0%
Commodities	1,539	1,650	1,500	<150>	<9.1%>
Services	684,171	723,974	778,905	54,931	7.6%
Transfers	<181,691>	<184,259>	<173,244>	11,016	<6.0%>
Total O&M	\$1,619,530	\$1,669,069	\$1,757,374	\$88,305	5.3%
Capital Outlay	0	0	0	0	NA
Total	\$1,619,530	\$1,669,069	\$1,757,374	\$88,305	5.3%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$864,558	\$891,918	\$927,084	\$35,166	3.9%
Benefits	268,403	235,786	223,129	<12,657>	<5.4%>
Property & Liability Insurance	489,258	530,432	580,957	50,525	9.5%
Property & Liability - Self Ins.	65,955	60,000	60,000	0	0.0%
Auditing Fees	46,587	48,080	45,965	<2,115>	<4.4%>
Subtotal	\$1,734,761	\$1,766,216	\$1,837,135	\$70,919	4.0%
All Other Accounts	66,460	87,112	93,483	6,371	7.3%
Less Transfers	<181,691>	<184,259>	<173,244>	11,016	<6.0%>
Total O&M	\$1,619,530	\$1,669,069	\$1,757,374	\$88,305	5.3%

Numbers may not add due to rounding

LEGAL / AUDIT	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2019 Budget	10	-	-	10	10.0
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-
New Positions (2020)	-	-	-	-	-
Reclass/PT Hour Adj (2020)	-	-	-	-	-
Eliminations	-	-	-	-	-
2020 Budget	10	-	-	10	10.0

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted.

Employee Benefits (Transferred)

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

Property & Liability Insurance

The budget includes insurance premiums for General Liability, Property, Pollution, Umbrella, Crime, Licenses & Bonds, Fiduciary Insurance, Cyber Liability, and broker fees. The Property & Liability insurance policy renews in July of each year so premiums that are effective beginning in July 2019 will be in effect for the first half of the 2020 budget. The budget includes a 3% projected premium increase in premiums for the second half of the 2020 budget. The 2020 budget increase is primarily due to premium increases and additional coverage for crime and cyber liability. The budget does not include auto coverage which is budgeted in Fleet.

Property & Liability - Self Insurance

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

Auditing Fees

The budget for auditing fees includes the fee for the annual external audit, the Kansas filing fee for the Division of Accounts and Reports, and the publication of the annual financial statement. Audit fees are established through the RFP process and approved by the Board. The RFP process and approval were completed in 2019. The 2020 budget is decreasing primarily due to a decrease in the audit fees.

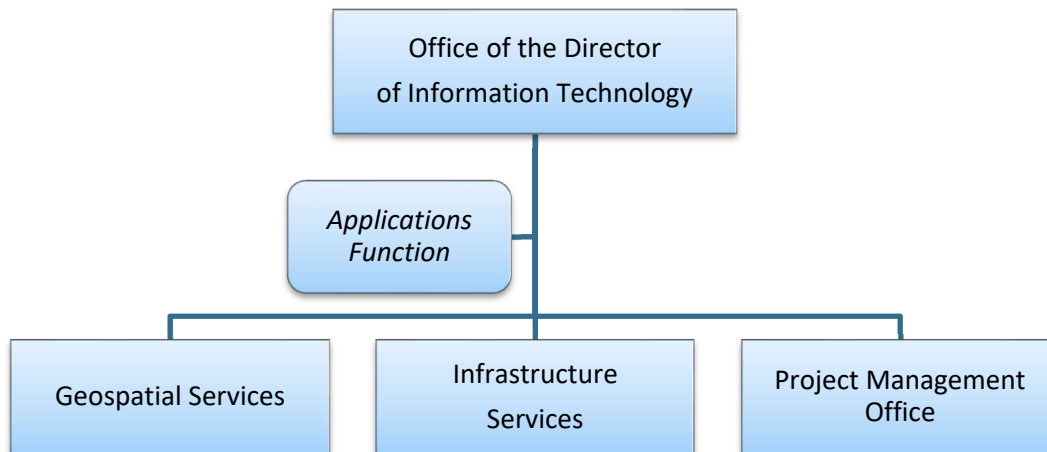
Annual Capital

This division has no capital requirements.

This page intentionally left blank.

INFORMATION TECHNOLOGY DIVISION

Division Organization



Geospatial Services is primarily responsible for Geographic Information Systems (GIS) support. The GIS support role is facilitating WaterOne's mapping and spatial data needs by leveraging GIS software development and assisting with the many GPS related business processes.

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

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

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

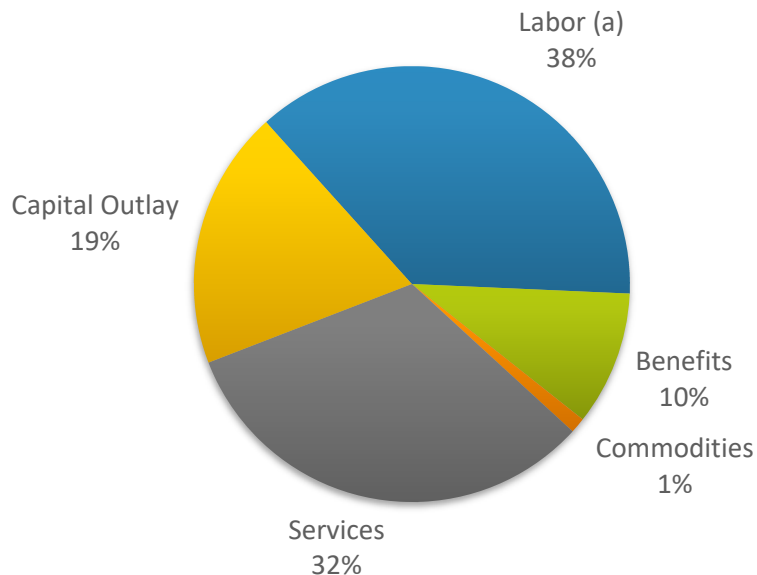
Division Objective

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

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2020 Operational Goals By Division” pages 32-35. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 43-44.

Expenditures by Major Category



Net of Transfers

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,098,431	\$2,758,645	\$2,935,952	\$177,307	6.4%
Benefits	725,978	713,391	682,286	<31,104>	<4.4%>
<i>Personnel Costs</i>	\$2,824,409	\$3,472,036	\$3,618,238	\$146,203	4.2%
Commodities	81,150	77,660	74,550	<3,110>	<4.0%>
Services	1,826,785	1,888,123	2,361,075	472,952	25.0%
Transfers	<472,747>	<406,099>	<524,510>	<118,411>	29.2%
Total O&M	\$4,259,597	\$5,031,720	\$5,529,353	\$497,634	9.9%
Capital Outlay	1,545,711	1,617,695	1,313,514	<304,181>	<18.8%>
Total	\$5,805,308	\$6,649,415	\$6,842,867	\$193,453	2.9%

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 2020 Significant Cost Elements are described below.

	2018 Actual	2019 Budget	2020 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT (a)	\$2,137,917	\$2,753,145	\$2,928,952	\$175,807	6.4%
Benefits	725,978	713,391	682,286	<31,105>	<4.4%>
PC Software License & Maintenance	741,701	977,715	1,400,572	422,857	43.2%
Telecom	431,336	457,080	451,680	<5,400>	<1.2%>
Contracted Services	198,251	148,300	197,900	49,600	33.4%
Non-Employee Overload	154,153	113,400	103,800	<9,600>	<8.5%>
IT Hardware Maintenance	55,223	67,400	69,050	1,650	2.4%
Training	89,055	55,300	65,700	10,400	18.8%
Subtotal	\$4,533,614	\$5,285,731	\$5,899,940	\$614,209	11.6%
All Other Accounts	198,730	152,088	153,923	1,835	1.2%
Less Transfers	<472,747>	<406,099>	<524,510>	<118,411>	29.2%
Total O&M	\$4,259,597	\$5,031,720	\$5,529,353	\$497,633	9.9%

Numbers may not add due to rounding

INFORMATION TECHNOLOGY	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2019 Budget	29	-	1	30	29.25
Mid-Year Reclass/Transfers (2019)	-	-	-	-	-
New Positions (2020)	-	-	-	-	-
Reclass/PT Hour Adj (2020)	-	-	-	-	-
Eliminations	-	-	-	-	-
2020 Budget	29	-	1	30	29.25

Gross Labor (Non-Overtime)

A 4.0% performance compensation increase is budgeted.

Employee Benefits (Transferred)

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

PC Software License & Maintenance

This account covers WaterOne's software licenses and maintenance on that software. The budget increase is due to the following:

- WaterOne is plans to utilize cloud hosting for its GIS environment. This includes contracting with a qualified vendor to host, administer, maintain and support the ArcGIS environment in a Managed Cloud Services agreement. Managed Cloud Services provides benefits including offloading the administration and maintenance of the GIS environment to a qualified partner freeing up IT resources to administer and maintain other business systems such as SAP, leveraging a partner to upgrade to the most current version of ArcGIS software, providing a resilient GIS landscape including disaster recovery capabilities, and providing the capability to allow WaterOne staff and stakeholders (contractors, cooperating agencies, customers) to access and use GIS resources from anywhere at any time on any device which is currently not possible with on-premises infrastructure. This accounts for \$155,000 of the increased 2020 budget.
- WaterOne plans to expand its agreement with ESRI to an Enterprise Agreement, including an Enterprise Advantage Program agreement, to include a much more robust package of software and services. The ESRI Enterprise Agreement (EA) provides GIS software licensing flexibility and lower cost/unit pricing and includes access to additional required GIS Software licensing to accommodate recent growth and planned future expansion with WaterOne's GIS. The Enterprise Advantage Program (EAP), included with the EA, provides access to ESRI professional services and training to allow WaterOne to work directly with the software vendor on specialty scopes of work requiring ESRI's unique expertise and experience and to obtain training specific to WaterOne's requirements. This increased agreement with ESRI accounts for \$151,600 of the increased 2020 budget.

INFORMATION TECHNOLOGY

- The implementation of the software related to the Records Information Management program requires annual maintenance beginning in 2020. This accounts for a \$45,000 increase to the 2020 Budget.
- The Microsoft Annual Maintenance agreement was renewed with updated pricing. This represents a \$30,000 increase to the 2020 budget.
- A Human Resources Information System (HRIS) is budgeted to begin in August of 2020. This system will provide a means for managing WaterOne's workforce from pre-hire to retire. Processes including recruiting, onboarding, training, benefits, performance and compensation will all benefit from this implementation. This represents a \$25,800 increase to the 2020 budget.

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 decrease is due to a reduction in the estimated cost for providing phone service to the Horizontal Collector Well based on historical data and was partially offset by an expectation of new costs associated with communication lines that will be needed at the newly constructed NWRPA elevated tank.

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 2020 budget increased due to additional hours budgeted for SAP IS-Utility support, Applications Development support, and Matrix Gemini LIMS support.

Non-Employee Overload

This account is for temporary personnel. The budget decrease is due to a decrease in the cost per hour estimated for Help Desk Tier 1 support.

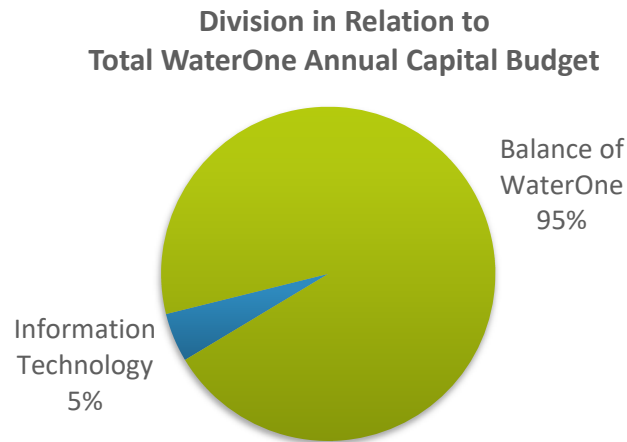
IT Hardware Maintenance

This account is for the recurring maintenance contracts for network hardware. The 2018 upgrade of the SAN included Avamar, SAN and Data Domain maintenance costs for three years. Annual maintenance will begin again in 2021. The budget increase is due to a new contract service that removes all data from devices at the end of its useful life. This is done so they may be disposed of without the risk of exposing WaterOne data in the future.

Training

This account is for any seminars, conferences, or continuing education training opportunities that provide staff with the knowledge they need to perform their job. The training budget is increasing based on historical trends.

Annual Capital



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

New

AC-20052	SAP Tool for Process Refinement	\$221,690
Annual Capital - New		\$221,690

Replacement / Refurbish

AC-20002	PC Replacement Program	\$349,162
AC-20050	System Upgrades and Enhancements	221,690
AC-20001	Network Upgrades	188,437
AC-20039	Server Replacement Program	177,352
AC-20013	GIS Upgrades and Enhancements	110,845
AC-20005	Printer Replacement Program	44,338
Annual Capital - Replace / Refurbish		\$1,091,824
Total Annual Capital		\$1,313,514

Numbers may not add due to rounding

INFORMATION TECHNOLOGY DIVISION

New

Project Description

SAP Tool for Process Refinement

Year

2020

Project

AC-20052

Plan

\$221,690



Justification

This project will evaluate and select an Enterprise Integration Platform Solution. An Enterprise Integration platform solution will provide the ability to integrate enterprise solutions with the cloud, connect and unify data flows between systems, and communicate with external partner's systems securely. Currently IT supports over 70 integrations with internal and external WaterOne applications as well as external service providers. These integrations require hundreds of hours in development time and maintenance time. This tool will provide the ability to connect on premise and cloud applications as well as business partners in one central location and will help to streamline complex integration flows, improve efficiencies, and reduce IT development and support resources.

WaterOne 2020 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

PC Replacement Program

Year

2020

Project

AC-20002

Plan

\$349,162



Justification

This program replaces desktop computers 4 years or older as they become non-functional or obsolete. This timeframe is aligned with the manufacturer warranty for hardware. It is estimated that 100 computers will be replaced in this budget year. The program also includes requests for new laptops or monitors. New laptop requests have increased to allow mobilization of staff. In addition there are 28 GPS tablets that are planned for replacement under this program.

Project Description

System Upgrades and Enhancements

Year

2020

Project

AC-20050

Plan

\$221,690



Justification

Annual program to upgrade and enhance SAP for end users. In 2020, upgrades and enhancements will include GIS integration, conversions for cloud services, process improvements in SAP, and consulting services to help determine the best ERP path.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Network Upgrades

Year

2020

Project

AC-20001

Plan

\$188,437



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

2020

Project

AC-20039

Plan

\$177,352



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

GIS Upgrades and Enhancements

Year

2020

Project

AC-20013

Plan

\$110,845



Justification

This program is to support development requirements for GIS and related applications. The budgeted items consist of hardware, software and/or development, upgrade and enhancement needs for GIS and associated applications in response to user requests.

Project Description

Printer Replacement Program

Year

2020

Project

AC-20005

Plan

\$44,338



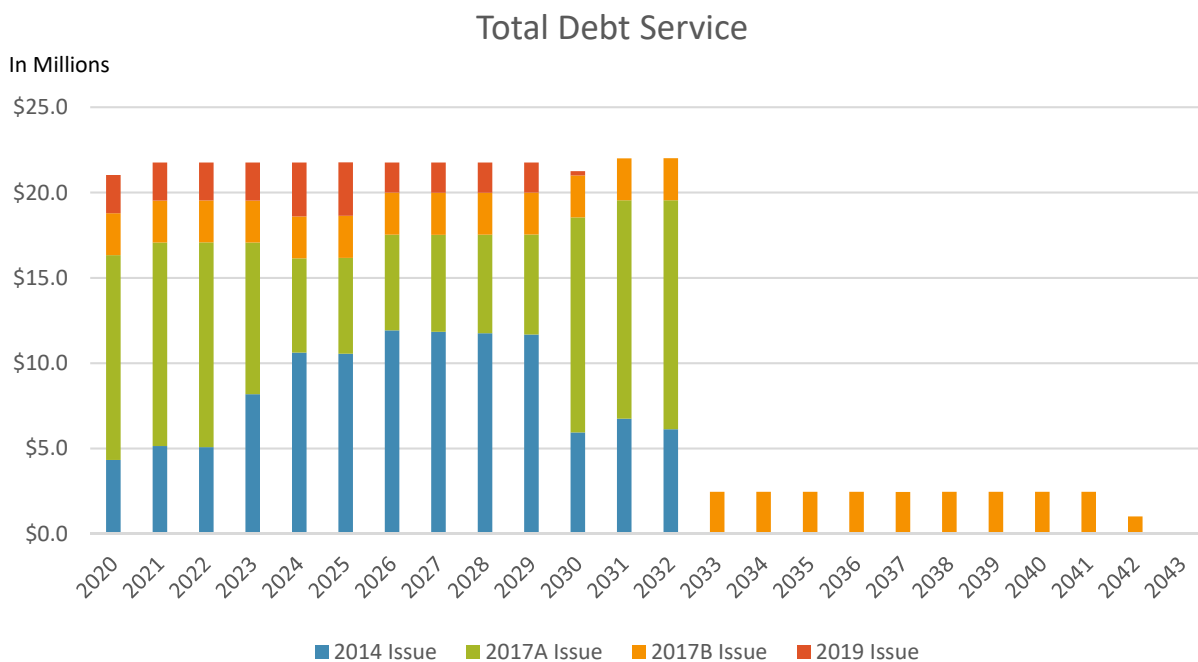
Justification

Annual program to replace printers that are technically deficient (one or more functions does not work or has a very high cost of operation due to its age), functionally obsolete (does not meet the needs of the users or applications), or failure critical (may fail at any point and would be prohibitively expensive to repair). Whenever possible, printers are consolidated which reduces the total number of printers supported, however, the new printer may be a more expensive printer to handle the increased demands and to provide greater functionality. Although the number of printers replaced per year varies based on what is needed, 3-6 per year would be typical.

Debt Service

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

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.



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.

Original Amount of Bonds issued	\$86,350,000
Outstanding Bonds on Jan. 1, 2020	84,770,000
Debt Service Requirement for 2020	4,329,644
Funding in 2020 for Principal to be Retired	1,155,000
First Callable Maturity	1/1/2024
True Interest Cost (TIC) at time of original bond issue	3.4495%

Water Revenue Refunding Bonds, Series 2017A

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

Original Amount of Bonds issued	\$110,205,000
Outstanding Bonds on Jan. 1, 2020	94,730,000
Debt Service Requirement for 2020	12,000,000
Funding in 2020 for Principal to be Retired	8,435,000
First Callable Maturity	1/1/2027
True Interest Cost (TIC) at time of original bond issue	2.4651%

Water Revenue Bonds, Series 2017B

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

Original Amount of Bonds issued	\$40,105,000
Outstanding Bonds on Jan. 1, 2020	38,625,000
Debt Service Requirement for 2020	2,459,956
Funding in 2020 for Principal to be Retired	1,115,000
First Callable Maturity	1/1/2027
True Interest Cost (TIC) at time of original bond issue	3.0565%

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.

Original Amount of Bonds issued	<u>\$18,610,000</u>
Outstanding Bonds on Jan. 1, 2020	<u>18,610,000</u>
Debt Service Requirement for 2020	<u>2,232,978</u>
Funding in 2020 for Principal to be Retired	<u>1,480,000</u>
First Callable Maturity	<u>1/1/2027</u>
True Interest Cost (TIC) at time of original bond issue	<u>1.7294%</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 does not include any additional bond issues in the 5-year projected timeframe. Any debt service for projected future bond issues would be included in the WaterOne Financial Overview (WFO) schedule on the Debt Service Funding line (see 'Overview' section). The WFO would also show projected Net Bond Proceeds in the Master Plan Capital Fund section.

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

As of January 1	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	2019 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	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2014	164,750,000	14,880,000	28,035,000	5,735,000	-	-	-	-	213,400,000
2015	155,780,000	10,550,000	27,465,000	4,765,000	86,150,000	-	-	-	284,710,000
2016	146,690,000	7,465,000	26,895,000	3,220,000	85,950,000	-	-	-	270,220,000
2017	137,115,000	5,165,000	25,510,000	2,910,000	85,750,000	-	-	-	256,450,000
2018	(refunded)	3,725,000	24,065,000	2,340,000	85,170,000	110,205,000	40,105,000	-	265,610,000
2019	-	-	22,545,000	1,170,000	84,970,000	102,565,000	39,605,000	-	250,855,000
2020	-	-	-	-	84,770,000	94,730,000	38,625,000	18,610,000	236,735,000
2021	-	-	-	-	83,615,000	86,295,000	37,510,000	17,130,000	224,550,000
2022	-	-	-	-	81,600,000	77,510,000	36,340,000	15,555,000	211,005,000
2023	-	-	-	-	79,585,000	68,220,000	35,110,000	13,920,000	196,835,000
2024	-	-	-	-	74,405,000	61,580,000	33,815,000	12,210,000	182,010,000
2025	-	-	-	-	66,540,000	57,965,000	32,455,000	9,510,000	166,470,000
2026	-	-	-	-	58,385,000	54,075,000	31,025,000	6,725,000	150,210,000
2027	-	-	-	-	48,605,000	49,995,000	29,525,000	5,195,000	133,320,000
2028	-	-	-	-	38,540,000	45,715,000	27,975,000	3,595,000	115,825,000
2029	-	-	-	-	28,185,000	41,255,000	26,395,000	1,935,000	97,770,000
2030	-	-	-	-	17,545,000	36,615,000	24,780,000	250,000	79,190,000
2031	-	-	-	-	12,270,000	25,100,000	23,120,000	-	60,490,000
2032	-	-	-	-	5,945,000	13,045,000	21,410,000	-	40,400,000
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.

H:\Finance\FINSHARE\1BUDGET\2020 Budget\FINAL Budget Book\17-Debt Funding\[DSSCHD 2020-Final 2019 Bonds.xlsx]Debt Service

DEBT SERVICE - TOTAL

Years	2007 Bonds	2009 Bonds	(c) 2010 Bonds	2012 Bonds	(a) 2014 Bonds	2017A Bonds	(b) 2017B Bonds	2019 Bonds	Total All Bonds
	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020 ...	-	-	(refunded)	-	4,329,644	12,000,000	2,459,956	2,232,978	21,022,579
2021 ...	-	-	-	-	5,142,594	11,928,250	2,458,456	2,227,000	21,756,300
2022 ...	-	-	-	-	5,082,144	11,994,000	2,459,206	2,224,000	21,759,350
2023 ...	-	-	-	-	8,186,694	8,879,500	2,461,831	2,233,600	21,761,625
2024 ...	-	-	-	-	10,617,494	5,522,500	2,461,456	3,155,200	21,756,650
2025 ...	-	-	-	-	10,552,644	5,616,750	2,462,456	3,132,200	21,764,050
2026 ...	-	-	-	-	11,918,669	5,612,250	2,460,081	1,765,800	21,756,800
2027 ...	-	-	-	-	11,839,422	5,684,850	2,461,131	1,774,600	21,760,003
2028 ...	-	-	-	-	11,750,181	5,778,625	2,459,597	1,770,600	21,759,003
2029 ...	-	-	-	-	11,679,944	5,858,900	2,459,081	1,757,400	21,755,325
2030 ...	-	-	-	-	5,940,825	12,598,450	2,458,463	255,000	21,252,738
2031 ...	-	-	-	-	6,751,113	12,793,000	2,458,288	-	22,002,401
2032 ...	-	-	-	-	6,125,300	13,421,350	2,461,838	-	22,008,488
2033 ...	-	-	-	-	-	-	2,461,863	-	2,461,863
2034 ...	-	-	-	-	-	-	2,462,263	-	2,462,263
2035 ...	-	-	-	-	-	-	2,461,013	-	2,461,013
2036 ...	-	-	-	-	-	-	2,461,325	-	2,461,325
2037 ...	-	-	-	-	-	-	2,458,550	-	2,458,550
2038 ...	-	-	-	-	-	-	2,461,625	-	2,461,625
2039 ...	-	-	-	-	-	-	2,462,075	-	2,462,075
2040 ...	-	-	-	-	-	-	2,459,900	-	2,459,900
2041 ...	-	-	-	-	-	-	2,460,100	-	2,460,100
2042 ...	-	-	-	-	-	-	1,017,500	-	1,017,500
2043 ...	-	-	-	-	-	-	-	-	-

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

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

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

DEBT SERVICE - PRINCIPAL

Years	2007 Bonds	2009 Bonds	(c) 2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	2019 Bonds	Total All Bonds	Principal As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2014 ...	8,980,000	4,330,000	570,000	970,000	200,000	-	-	-	15,050,000	63.43%
2015 ...	9,090,000	3,085,000	570,000	1,545,000	200,000	-	-	-	14,490,000	64.05%
2016 ...	9,655,833	2,300,000	1,385,000	310,000	200,000	-	-	-	13,850,833	56.16%
2017 ...	9,616,667	1,440,000	1,445,000	570,000	580,000	142,857	35,714	-	13,830,238	57.54%
2018 ...	(refunded)	785,000	1,520,000	1,170,000	200,000	7,497,143	464,286	-	11,636,429	56.90%
2019 ...	-	-	1,570,000	1,170,000	200,000	7,835,000	980,000	-	11,755,000	57.34%
2020 ...	-	-	(refunded)	-	1,155,000	8,435,000	1,115,000	1,480,000	12,185,000	57.96%
2021 ...	-	-	-	-	2,015,000	8,785,000	1,170,000	1,575,000	13,545,000	62.26%
2022 ...	-	-	-	-	2,015,000	9,290,000	1,230,000	1,635,000	14,170,000	65.12%
2023 ...	-	-	-	-	5,180,000	6,640,000	1,295,000	1,710,000	14,825,000	68.12%
2024 ...	-	-	-	-	7,865,000	3,615,000	1,360,000	2,700,000	15,540,000	71.43%
2025 ...	-	-	-	-	8,155,000	3,890,000	1,430,000	2,785,000	16,260,000	74.71%
2026 ...	-	-	-	-	9,780,000	4,080,000	1,500,000	1,530,000	16,890,000	77.63%
2027 ...	-	-	-	-	10,065,000	4,280,000	1,550,000	1,600,000	17,495,000	80.40%
2028 ...	-	-	-	-	10,355,000	4,460,000	1,580,000	1,660,000	18,055,000	82.98%
2029 ...	-	-	-	-	10,640,000	4,640,000	1,615,000	1,685,000	18,580,000	85.40%
2030 ...	-	-	-	-	5,275,000	11,515,000	1,660,000	250,000	18,700,000	87.99%
2031 ...	-	-	-	-	6,325,000	12,055,000	1,710,000	-	20,090,000	91.31%
2032 ...	-	-	-	-	5,945,000	13,045,000	1,765,000	-	20,755,000	94.30%
2033 ...	-	-	-	-	-	-	1,820,000	-	1,820,000	73.93%
2034 ...	-	-	-	-	-	-	1,875,000	-	1,875,000	76.15%
2035 ...	-	-	-	-	-	-	1,930,000	-	1,930,000	78.42%
2036 ...	-	-	-	-	-	-	1,990,000	-	1,990,000	80.85%
2037 ...	-	-	-	-	-	-	2,055,000	-	2,055,000	83.59%
2038 ...	-	-	-	-	-	-	2,130,000	-	2,130,000	86.53%
2039 ...	-	-	-	-	-	-	2,205,000	-	2,205,000	89.56%
2040 ...	-	-	-	-	-	-	2,280,000	-	2,280,000	92.69%
2041 ...	-	-	-	-	-	-	2,360,000	-	2,360,000	95.93%
2042 ...	-	-	-	-	-	-	1,000,000	-	1,000,000	98.28%
2043 ...	-	-	-	-	-	-	-	-	-	

DEBT SERVICE - INTEREST

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(a) 2014 Bonds	(b) 2017A Bonds	2017B Bonds	2019 Bonds	Total All Bonds	Interest As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
2014 (a) .	7,084,573	402,425	1,089,788	101,625	-	-	-	-	8,678,410	36.57%
2015 (a) .	6,663,426	313,563	1,078,388	79,125	-	-	-	-	8,134,501	35.95%
2016 . . .	6,275,755	222,250	1,056,638	58,763	3,199,244	-	-	-	10,812,649	43.84%
2017 (b) .	5,373,457	168,175	1,011,138	53,213	3,195,244	403,474	-	-	10,204,699	42.46%
2018 (b) .	(refunded)	59,550	952,638	40,950	3,183,144	4,577,717	-	-	8,813,999	43.10%
2019 (b) .	-	-	895,213	16,500	3,178,644	3,956,750	697,666	-	8,744,772	42.66%
2020 . . .	-	-	(refunded)	-	3,174,644	3,565,000	1,344,956	752,978	8,837,578	42.04%
2021 . . .	-	-	-	-	3,127,594	3,143,250	1,288,456	652,000	8,211,300	37.74%
2022 . . .	-	-	-	-	3,067,144	2,704,000	1,229,206	589,000	7,589,350	34.88%
2023 . . .	-	-	-	-	3,006,694	2,239,500	1,166,831	523,600	6,936,625	31.88%
2024 . . .	-	-	-	-	2,752,494	1,907,500	1,101,456	455,200	6,216,650	28.57%
2025 . . .	-	-	-	-	2,397,644	1,726,750	1,032,456	347,200	5,504,050	25.29%
2026 . . .	-	-	-	-	2,138,669	1,532,250	960,081	235,800	4,866,800	22.37%
2027 . . .	-	-	-	-	1,774,422	1,404,850	911,131	174,600	4,265,003	19.60%
2028 . . .	-	-	-	-	1,395,181	1,318,625	879,597	110,600	3,704,003	17.02%
2029 . . .	-	-	-	-	1,039,944	1,218,900	844,081	72,400	3,175,325	14.60%
2030 . . .	-	-	-	-	665,825	1,083,450	798,463	5,000	2,552,738	12.01%
2031 . . .	-	-	-	-	426,113	738,000	748,288	-	1,912,400	8.69%
2032 . . .	-	-	-	-	180,300	376,350	696,838	-	1,253,488	5.70%
2033 . . .	-	-	-	-	-	-	641,863	-	641,863	26.07%
2034 . . .	-	-	-	-	-	-	587,263	-	587,263	23.85%
2035 . . .	-	-	-	-	-	-	531,013	-	531,013	21.58%
2036 . . .	-	-	-	-	-	-	471,325	-	471,325	19.15%
2037 . . .	-	-	-	-	-	-	403,550	-	403,550	16.41%
2038 . . .	-	-	-	-	-	-	331,625	-	331,625	13.47%
2039 . . .	-	-	-	-	-	-	257,075	-	257,075	10.44%
2040 . . .	-	-	-	-	-	-	179,900	-	179,900	7.31%
2041 . . .	-	-	-	-	-	-	100,100	-	100,100	4.07%
2042 . . .	-	-	-	-	-	-	17,500	-	17,500	1.72%
2043 . . .	-	-	-	-	-	-	-	-	-	

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

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

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

This page intentionally left blank.

2020 Initial Forecast in 2019 Budget vs 2020 Budget
2020 Water Rate Increase = 1.4%

	2020 Initial Forecast @ 2.5%	2020 Adopted Budget @ 1.4%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 OPERATING REVENUES:				
3 Sales of Water - Retail	\$ 118,060,573	\$ 115,992,602	\$ (2,067,971)	-1.8%
4 Sales of Water - Wholesale	-	-	-	N/A
5 TOTAL SALES OF WATER	\$ 118,060,573	\$ 115,992,602	\$ (2,067,971)	
6 Delayed Payment Charges	\$ 620,000	\$ 600,000	\$ (20,000)	-3.2%
7 Field Service Charges	362,000	350,000	(12,000)	-3.3%
8 Other Operating Revenues	620,000	680,000	60,000	9.7%
9 TOTAL OTHER OPERATING REVENUES	\$ 1,602,000	\$ 1,630,000	\$ 28,000	1.8%
10 Investment Income (General and P&I Funds)	\$ 2,980,000	\$ 2,730,000	\$ (250,000)	-8.4%
11 Investment Income (Construction Fund)	-	-	-	N/A
12 Investment Income (SDC Fund)	-	-	-	N/A
13 TOTAL INVESTMENT INCOME	\$ 2,980,000	\$ 2,730,000	\$ (250,000)	-8.4%
14 TOTAL REVENUES PROVIDED	\$ 122,642,573	\$ 120,352,602	\$ (2,289,971)	-1.9%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 55,634,208	\$ 56,094,175	\$ 459,967	0.8%
17 Annual Capital	\$ 12,220,000	\$ 9,420,000	\$ (2,800,000)	-22.9%
18 T&D Funding	18,640,000	18,240,000	(400,000)	-2.2%
19 TOTAL ANNUAL CAPITAL	\$ 30,860,000	\$ 27,660,000	\$ (3,200,000)	-10.4%
20 TOTAL DEBT SERVICE FUNDING	\$ 21,271,256	\$ 21,022,578	\$ (248,678)	-1.2%
21 Master Plan Designated	\$ 13,967,109	\$ 15,345,849	\$ 1,378,740	9.9%
22 Investment Income (Construction & SDC Funds)	-	-	-	N/A
23 Repayment to Master Plan for Bond Payoff	-	-	-	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 13,967,109	\$ 15,345,849	\$ 1,378,740	9.9%
25 Bond Covenant Required Reserves	\$ 620,000	\$ 230,000	\$ (390,000)	-62.9%
26 Negative Cash Flow Reserve	290,000	-	(290,000)	-100.0%
27 TOTAL REQUIRED RESERVE FUNDING	\$ 910,000	\$ 230,000	\$ (680,000)	-74.7%
28 TOTAL REVENUE REQUIREMENTS	\$ 122,642,573	\$ 120,352,602	\$ (2,289,971)	-1.9%
29 NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 67,008,365	\$ 64,258,427	\$ (2,749,938)	-4.1%
30 REQUIRED DEBT SERVICE (Ln 20)	\$ 21,271,256	\$ 21,022,578	\$ (248,678)	-1.2%
31 DEBT SERVICE COVERAGE (Ln 29 / Ln 30)	3.15	3.06	-0.09	
32 ADJUSTMENT TO WATER RATES	2.5%	1.4%	-1.1%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2020
Based on a 1.4% Rate Increase

			2019 ADOPTED BUDGET	2020 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:					
1	INCREASED OPERATIONS & MAINTENANCE EXPENSES:		\$ 54,179,874	\$ 56,094,175	\$ 1,914,301
	Gross Payroll (Includes Overtime)	\$ 1,486,463	5.2%		
	Health	\$ 48,546	1.1%		
	Power (Includes Natural Gas Generators)	\$ 307,471	3.4%		
	Chemicals	\$ (370,115)	-7.3%		
	Pension DB & DC	\$ (709,217)	-18.8%		
	Other	\$ 1,151,153	10.7%		
2	DECREASED CAPITAL:		\$ 27,710,000	\$ 27,660,000	\$ (50,000)
	Annual Capital	\$ (960,000)			
	T&D Funding	\$ 910,000			
3	INCREASED DEBT SERVICE FUNDING:		\$ 20,499,772	\$ 21,022,578	\$ 522,806
4	DECREASED TRANSFERS TO MASTER PLAN:		\$ 16,034,577	\$ 15,345,849	\$ (688,728)
	Master Plan Designated	\$ 171,772			
	Investment Income (Construction & SDC Funds)	\$ -			
	Repayment to Master Plan for Bond Payoff	\$ (860,500)			
5	DECREASED FUNDING TO REQUIRED RESERVES:		\$ 580,000	\$ 230,000	\$ (350,000)
	Bond Covenant Required Reserves	\$ (350,000)			
	Negative Cash Flow Reserve	\$ -			
6	TOTAL INCREASE IN REVENUE REQUIREMENTS		\$ 119,004,223	\$ 120,352,602	\$ 1,348,379
CHANGES IN REVENUES AVAILABLE:					
7	DECREASED INVESTMENT INCOME:		\$ 2,840,000	\$ 2,730,000	\$ (110,000)
	Investment Income (General and P&I Funds)	\$ (110,000)			
	Investment Income (Construction & SDC Funds)	\$ -			
8	INCREASED REVENUE FROM OTHER OPER REVENUE:		\$ 1,588,000	\$ 1,630,000	\$ 42,000
	Other Operating Revenue	\$ 60,000			
	Field Service Charges	\$ (8,000)			
	Delayed Payment Charges	\$ (10,000)			
9	DECREASED REVENUE FROM REVENUE ADJUSTMENTS:		\$ -	\$ (1,364,473)	\$ (1,364,473)
	Lower R1 Gallons per Customer	\$ (460,125)			
	Lower M1 Gallons per Customer	\$ (159,351)			
	Lower C2 Gallons per Customer	\$ (704,084)			
	True-up of 2018 Actual Customers	\$ (64,783)			
	Meter Mix True Up	\$ 23,870			
10	INCREASED REVENUE FROM 2020 NEW CUSTOMERS @ 2019 RATES:		\$ -	\$ 1,157,629	\$ 1,157,629
11	TOTAL DECREASE IN REVENUES AVAILABLE		\$ 4,428,000	\$ 4,153,156	\$ (274,844)
12	ADJUSTMENT TO WATER RATES IN 2020 (Line #6 - #11)			Rate Adjustment 1.4%	\$ 1,623,223

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)							(I/ (G+H))	(J/ (G+H))
1 Residential	(R1)	136,469	85,833	11,713,544	9,605,106	2,108,438	\$ 52,617,238	\$ 19,668,347	73%	27%
2 Multi Family	(M1)	4,877	435,000	2,121,495	1,866,916	254,579	9,351,550	2,025,802	82%	18%
3 Small Commercial	(C1)	5,077	210,000	1,066,170	533,085	533,085	5,266,881	1,203,599	81%	19%
4 Large Commercial	(C2)	3,349	1,450,000	4,856,052	3,399,236	1,456,815	22,629,199	2,787,036	89%	11%
5 Subtotal		149,772	131,916	19,757,260	15,404,343	4,352,918	\$ 89,864,868	\$ 25,684,784	78%	22%
6 Temp. Commercial	(C3)	243	133,500	31,907	13,420	18,487	\$ 179,953	\$ 262,996	41%	59%
7 Total Retail		150,015	131,915	19,789,167	15,417,763	4,371,404	\$ 90,044,821	\$ 25,947,780	78%	22%

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue \$115,992,602

Customer Growth by Customer Type with SDC Revenue

Customer Type		CUSTOMER GROWTH			SDC's	
		2019 Budget	2019 Est. Actual	2020 Budget	2020 Rate	2020 Budget
8 Residential	(R1)	1,255	1,255	1,270	\$5,000	\$6,350,000
9 Multi Family	(M1)	55	55	65	\$5,000	\$325,000
10 Small Commercial	(C1)	45	45	20	\$5,000	\$100,000
11 Large Commercial	(C2)	45	45	45	\$5,000	\$225,000
12 TOTAL		1,400	1,400	1,400		\$7,000,000

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2019 BUDGET COMPARED TO ADOPTED 2020 BUDGET

	ADOPTED 2019 BUDGET			ADOPTED 2020 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	135,320		136,469	0.9%		
3	% of Total Customers Served	90.98		90.97			
4	Thousand Gallons Sold	11,732,244	86,700	11,713,544	-0.2%		85,833
5	% of Total Gallons Sold	59.0%		59.2%			
6	Service Charge Revenue	\$ 19,256,279	\$ 1.64	\$ 19,668,347	2.1%	\$ 1.68	\$ 144.12
7	Volume Charge Revenue	51,955,070	4.43	52,617,239	1.3%	4.49	385.56
8	Total Water Sales Revenue	\$ 71,211,349	\$ 6.07	\$ 72,285,586	1.5%	\$ 6.17	\$ 529.69
9	% of Volume Water Sales	58.26%		58.43%			
10	% of Total Water Sales	62.15%		62.32%			

11 MULTI-FAMILY - RESIDENTIAL (M1):

12	Average Customers Served	4,812		4,877	1.4%		
13	% of Total Customers Served	3.24		3.25			
14	Thousand Gallons Sold	2,129,996	442,643	2,121,495	-0.4%		435,000
15	% of Total Gallons Sold	10.7%		10.7%			
16	Service Charge Revenue	\$ 1,975,419	\$ 0.93	\$ 2,025,802	2.6%	\$ 0.95	\$ 415.38
17	Volume Charge Revenue	9,256,112	4.35	9,351,550	1.0%	4.41	1,917.48
18	Total Water Sales Revenue	\$ 11,231,531	\$ 5.27	\$ 11,377,352	1.3%	\$ 5.36	\$ 2,332.86
19	% of Volume Water Sales	10.4%		10.4%			
20	% of Total Water Sales	9.8%		9.8%			

21 SMALL COMMERCIAL (C1):

22	Average Customers Served	5,057		5,077	0.4%		
23	% of Total Customers Served	3.40		3.38			
24	Thousand Gallons Sold	1,061,970	210,000	1,066,170	0.4%		210,000
25	% of Total Gallons Sold	5.3%		5.4%			
26	Service Charge Revenue	\$ 1,176,636	\$ 1.11	\$ 1,203,599	2.3%	\$ 1.13	\$ 237.07
27	Volume Charge Revenue	5,171,793	4.87	5,266,880	1.8%	4.94	1,037.40
28	Total Water Sales Revenue	\$ 6,348,429	\$ 5.98	\$ 6,470,479	1.9%	\$ 6.07	\$ 1,274.47
29	% of Volume Water Sales	5.8%		5.9%			
30	% of Total Water Sales	5.5%		5.6%			

31 LARGE COMMERCIAL (C2):

32	Average Customers Served	3,304		3,349	1.4%		
33	% of Total Customers Served	2.22		2.23			
34	Thousand Gallons Sold	4,922,989	1,490,009	4,856,052	-1.4%		1,450,000
35	% of Total Gallons Sold	24.8%		24.5%			
36	Service Charge Revenue	\$ 2,704,502	\$ 0.55	\$ 2,787,036	3.1%	\$ 0.57	\$ 832.20
37	Volume Charge Revenue	22,616,213	4.59	22,629,200	0.1%	4.66	6,757.00
38	Total Water Sales Revenue	\$ 25,320,715	\$ 5.14	\$ 25,416,236	0.4%	\$ 5.23	\$ 7,589.20
39	% of Volume Water Sales	25.4%		25.1%			
40	% of Total Water Sales	22.1%		21.9%			

41 SUB-TOTAL RETAIL:

42	Average Customers Served	148,493		149,772	0.9%		
43	% of Total Customers Served	99.84		99.84			
44	Thousand Gallons Sold	19,847,200	133,657	19,757,260	-0.5%		131,916
45	% of Total Gallons Sold	99.8%		99.8%			
46	Service Charge Revenue	\$ 25,112,836	\$ 1.27	\$ 25,684,784	2.3%	\$ 1.30	\$ 171.49
47	Volume Charge Revenue	88,999,188	4.48	89,864,869	1.0%	4.55	600.01
48	Total Water Sales Revenue	\$ 114,112,024	\$ 5.75	\$ 115,549,653	1.3%	\$ 5.85	\$ 771.50
49	% of Volume Water Sales	99.8%		99.8%			
50	% of Total Water Sales	99.6%		99.6%			

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2019 BUDGET COMPARED TO ADOPTED 2020 BUDGET

	ADOPTED 2019 BUDGET			ADOPTED 2020 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	237		243	2.5%		
53	% of Total Customers Served	0.16		0.16			
54	Thousand Gallons Sold	31,907	134,627	31,907	0.0%		131,302
55	% of Total Gallons Sold	0.2%		0.2%			
56	Service Charge Revenue	\$ 286,800	\$ 8.99	\$ 262,996	-8.3%	\$ 8.24	\$ 1,082.29
57	Volume Charge Revenue	177,399	5.56	179,953	1.4%	5.64	740.55
58	Total Water Sales Revenue	\$ 464,199	\$ 14.55	\$ 442,949	-4.6%	\$ 13.88	\$ 1,822.84
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	148,730		150,015	0.9%		
63	% of Total Customers Served	100.00		100.00			
64	Thousand Gallons Sold	19,879,106	133,659	19,789,167	-0.5%		131,915
65	% of Total Gallons Sold	100.0%		100.0%			
66	Service Charge Revenue	\$ 25,399,636	\$ 1.28	\$ 25,947,780	2.2%	\$ 1.31	\$ 172.97
67	Volume Charge Revenue	89,176,587	4.49	90,044,822	1.0%	4.55	600.24
68	Total Water Sales Revenue	\$ 114,576,223	\$ 5.76	\$ 115,992,602	1.2%	\$ 5.86	\$ 773.21
69	% of Volume Water Sales	100.0%		100.0%			
70	% of Total Water Sales	100.0%		100.0%			

71 WHOLESALE (W1):

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

78 TOTAL ALL CUSTOMER CLASSES:

79	Average Customers Served	148,730		150,015	0.9%		
80	Thousand Gallons Sold	19,879,106	133,659	19,789,167	-0.5%		131,915
81	Service Charge Revenue	\$ 25,399,636	\$ 1.28	\$ 25,947,780	2.2%	\$ 1.31	\$ 172.97
82	Volume Charge Revenue	89,176,587	4.49	90,044,822	1.0%	4.55	600.24
83	Total Water Sales Revenue	\$ 114,576,223	\$ 5.76	\$ 115,992,602	1.2%	\$ 5.86	\$ 773.21

Notes:

- 1 Reflects a 1.4% revenue increase due to a change in water rates to be effective 1-1-2020.
- 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	\$20
Reconnection Trip Charge	\$20
After Hours Reconnection Trip Charge	\$80
Returned Check Charge	\$25

SYSTEM DEVELOPMENT CHARGES

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

Meter Size/Type (a)

5/8" Displacement Meter (BASE)	\$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.

CAPITAL PROJECT COST BENEFIT ANALYSIS

BUDGET YEAR 2020

Originator: Greg Johnson Capital Number: AC-20101
 Capital Item Requested: Directional Drill Machine

Cost: \$471,091 Estimated Life: 10 Date: 13-Jun-19

PAYBACK PERIOD

End of Year	0	1	2	3	4	5
	2020	2021	2022	2023	2024	2025

PROPOSED COSTS:

	Equipment	\$471,091				
	Material					
	Labor	\$28,183	\$29,028	\$29,899	\$30,796	\$31,720
78% X Labor	Related Overhead	\$21,983	\$22,642	\$23,321	\$24,021	\$24,742
	Restoration Costs	\$91,920	\$94,678	\$97,518	\$100,443	\$103,457
	Other					
Total		\$613,177	\$146,348	\$150,739	\$155,261	\$159,919

CURRENT COSTS:

	Material					
	Labor					
78% X Labor	Related Overhead	\$0	\$0	\$0	\$0	\$0
	Restoration Costs	\$243,900	\$251,217	\$258,754	\$266,516	\$274,512
	Other					
Total		\$243,900	\$251,217	\$258,754	\$266,516	\$274,512

Net Cashflow/Savings	Positive sign indicates net savings					
Current Less Proposed Costs	(\$369,277)	\$104,869	\$108,015	\$111,255	\$114,593	\$118,031
Cumulative	(\$369,277)	(\$264,408)	(\$156,393)	(\$45,138)	\$69,455	\$187,485

Payback Years: 3.4 PB+

Benefit Analysis Assumptions:

- Assumes 6,000 feet of pipe per year.
- Assumes open cut cost of \$40.65/ft for restoration costs (based on actual job costs).
- Assumes directional drill cost of \$15.32/ft for restoration costs (based on actual job costs).
- Assumes 101 ft./day for open cut and 72 ft./day for directional drilling (adds labor to directional drilling)
- Assumes no reduction in contracted services, an HDD contractor will continue to be utilized as needed.
- Assumes a 3% inflation rate for restoration costs.
- No soft dollar time savings assumed, no soft dollar maintenance costs assumed.
- Routine repairs and maintenance will be performed by WaterOne personnel.

CAPITAL PROJECT COST BENEFIT ANALYSIS **BUDGET YEAR 2020**

Originator: Dana Sargent-Buhl Capital Number: AC-20500
 Capital Item Requested: Remote Disconnect Meters
 Cost: \$55,473 Estimated Life: 20 Years Date: 01-May-19

PAYBACK PERIOD

End of Year	0	2	4	6	8	10	12	14	16	18	20
	2020	2022	2024	2026	2028	2030	2032	2034	2036	2038	2040
PROPOSED COSTS:											
Meters	\$37,500										
Labor	\$9,058										
38% X Labor											
Related Benefits	\$8,915	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Annual Trip Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Costs	\$55,473	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
CURRENT COSTS:											
Average Number of Trips	458	916	916	916	916	916	916	916	916	916	916
Average Cost per Trip	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20	\$20
Total Annual Trip Cost	\$9,160	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320
Net Cashflow/Savings	Positive sign indicates net savings										
Current Less Proposed Costs	(\$46,313)	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320	\$18,320
Cumulative	(\$46,313)	(\$27,993)	(\$9,673)	\$8,647	\$26,967	\$45,287	\$63,607	\$81,927	\$100,247	\$118,567	\$136,887
Payback Years:				6	PB+	PB+	PB+	PB+	PB+	PB+	PB+

Benefit Analysis Assumptions:

Assumes the purchase of 125 remote disconnect meters at \$300 each.

The average annual number of trips assumes 3.7 trips per account. The number of trips is based on a 5 year average for the selected accounts.

Without a remote disconnect meter, a trip is required for all move-in, move-out, disconnection, and reconnection transactions.

The payback is primarily soft-dollar savings, there are no projected reductions in FTEs related to this project.

CAPITAL PROJECT COST BENEFIT ANALYSIS **BUDGET YEAR 2020**

Originator: Natalie Morrison Capital Number: AC-20800
 Capital Item Requested: Solar Panel License - BPU
 Cost: \$260,486 Estimated Life: 22 Years Date: 01-May-19

PAYBACK PERIOD

End of Year	0	2	4	6	8	10	12	14	16	18	20	22
	2020	2022	2024	2026	2028	2030	2032	2034	2036	2038	2040	2042
PROPOSED COSTS:												
License Cost per BPU Solar Panel	\$470											
# of WaterOne Panel Licenses	500											
Overheads	25,486											
Total	\$260,486	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
PROPOSED SAVINGS:												
Total BPU Solar Field Power Supply (kWh)	1,700,000	3,361,846	3,311,607	3,262,119	3,213,371	3,165,351	3,118,049	3,071,454	3,025,555	2,980,341	2,935,804	2,891,932
Degradation of Solar Panels	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
% of Total Panels Licensed by WaterOne	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%	13.23%
Power Available to WaterOne (kWh)	224,868	444,689	438,043	431,497	425,049	418,697	412,440	406,277	400,206	394,225	388,334	382,531
Energy Credit per kWh	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Discount Rate	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
WaterOne Energy Credit	\$17,989	\$35,575	\$35,043	\$34,520	\$34,004	\$33,496	\$32,995	\$32,502	\$32,016	\$31,538	\$31,067	\$30,602
Positive sign indicates net savings												
Net Cashflow/Savings	(\$242,497)	\$35,575	\$35,043	\$34,520	\$34,004	\$33,496	\$32,995	\$32,502	\$32,016	\$31,538	\$31,067	\$30,602
Net Present Value	(\$242,497)	(\$208,211)	(\$176,065)	(\$145,925)	(\$117,666)	(\$91,171)	(\$66,330)	(\$43,038)	(\$21,201)	(\$726)	\$18,471	\$36,470
Payback Years:											19.00	Add'l PB+

Benefit Analysis Assumptions:

Assumes 500 panels licensed, the maximum number allowed by BPU. The total panels available in the solar field is 3,780.
 Assumes O&M credit of \$0.08 per kWh.
 Assumes the degradation of a panel at a rate of 0.75% yearly.
 Assumes total power supply of 1,700,000 kW as a base provided by BPU.
 Assumes a 2.5% discount rate.
 If BPU were to pro-rate the cost of the panels based on life expectancy, the cost of the panels as of January 2020 would be \$426 resulting in a payback of 16 years.

This page intentionally left blank.

**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.

I. OVERVIEW	204
101. FORMATION OF WATERONE.....	204
102. REASONABLE AND PRUDENT PERSON STANDARD	204
103. ETHICAL STANDARDS	204
104. FISCAL YEAR	205
105. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES	205
106. FINANCIAL REPORTING	205
107. FINANCIAL ADVISORS	205
II. FINANCIAL PLANNING POLICIES	206
201. RESPONSIBILITIES	206
202. ANNUAL BUDGETING.....	206
203. FIVE YEAR BUDGET	207
204. MULTI-YEAR FORECASTING	207
III. REVENUE POLICIES	209
301. DEVELOPING WATER RATES	209
302. RATE CLASSIFICATIONS	209
303. PEAK MANAGEMENT STRUCTURE	210
304. SYSTEM DEVELOPMENT CHARGES (SDCs).....	210

FISCAL POLICIES & PROCEDURES

305. WATER SYSTEM GENERAL FUND	211
IV. EXPENDITURE POLICIES (OPERATION & MAINTENANCE EXPENSE)	212
401. EXPENDITURES - GENERAL	212
402. PENSION	212
403. INSURANCE	212
404. PROCUREMENT CONTRACTS	213
405. CHANGE ORDERS	213
406. EXPENSE REIMBURSEMENT POLICY	213
V. DEBT MANAGEMENT POLICIES	214
501. DEBT ISSUANCE POLICY	214
502. DEBT STRUCTURE	214
503. FUNDING MAJOR CAPITAL PROJECTS WITH DEBT	215
504. REFUNDING / REFINANCING	215
VI. BONDS & OPERATING FUND INVESTMENT POLICY	216
[60-] 1.1 INVESTMENT AUTHORITY	216
[60-] 1.2 POLICY STATEMENT	216
[60-] 1.2.1 Safety	216
[60-] 1.2.1a Credit Risk	216
[60-] 1.2.1b Interest Rate Risk	216
[60-] 1.2.2 Liquidity	217
[60-] 1.2.3 Yield	217
[60-] 1.3 ADOPTION OF POLICY	217
[60-] 1.4 SCOPE	217
[60-] 1.5 POOLING OF FUNDS	217
[60-] 1.6 SUITABLE AND AUTHORIZED INVESTMENT PARAMETERS	217
[60-] 1.6.1 Authorized Investments for Operating Funds and Bond / Construction Funds	218
[60-] 1.7 COLLATERALIZATION	219
[60-] 1.8 DIVERSIFICATION	219
[60-] 1.9 MAXIMUM MATURITIES	220
[60-] 1.10 INTENT TO HOLD TO MATURITY	220
[60-] 1.11 INVESTMENTS MATURITY MANAGEMENT	220
[60-] 1.12 PORTFOLIO MANAGEMENT	221
[60-] 1.13 CASH MANAGEMENT & INVESTMENT PRACTICES	221
[60-] 1.14 TRADING AUTHORIZATION	221
[60-] 1.15 BOND AND OPERATING FUND INVESTMENT POLICY REVIEW AND REVISIONS	221
[60-] 1.16 ARBITRAGE	221
[60-] 1.17 REASONABLE AND PRUDENT PERSON STANDARD	221
[60-] 1.18 ETHICS AND CONFLICTS OF INTEREST	221
[60-] 1.19 DELEGATION OF AUTHORITY	222
[60-] 1.20 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS	222
[60-] 1.21 COMPETITIVE PLACEMENT	222
[60-] 1.22 DELIVERY VS. PAYMENT	222
[60-] 1.23 SAFEKEEPING AND CUSTODY	222
[60-] 1.24 INTERNAL CONTROLS	223
[60-] 1.25 REPORTING	223
[60-] 1.25.1 Report Contents	223
[60-] 1.26 PERFORMANCE STANDARDS / BENCHMARKING	223
[60-] 1.27 MARKING TO MARKET	223

FISCAL POLICIES & PROCEDURES

[60-] 1.28 USE OF EXTERNAL CONSULTANTS / ADVISERS	223
[60-] 1.29 POLICY EXEMPTIONS.....	224
VII. RESERVE POLICIES	225
701. PURPOSE	225
702. FUNDING ORDER.....	225
703. FUND BALANCE.....	226
704. RESERVES	226
704.1 Bond Resolution Section 703 Operating Contingency	226
704.2 Negative Cash Flow Reserves	227
704.3 Rate Stabilization Reserve	228
VIII. CAPITAL	230
801. TOTAL CAPITAL IMPROVEMENTS	230
802. ANNUAL CAPITAL.....	230
803. MASTER PLAN	230
803.1 Annual Designation of Water Sales Revenue to Master Plan.....	231
804. TRANSMISSION AND DISTRIBUTION	232
IX. POST BOND ISSUANCE COMPLIANCE	235
901. TRANSCRIPTS	235
901.1. Provision by Bond Counsel and Content.....	235
901.2. Retention.....	235
902. FEDERAL TAX LAW REQUIREMENTS	235
902.1. Use of Proceeds	235
902.2. Arbitrage Rebate.....	236
902.3. Unused Proceeds Following Completion of the Project.....	238
902.4. Facilities and Use of the Facilities Financed with Proceeds, Private Use.....	238
902.5. Records Retention	239
903. ONGOING DISCLOSURE	239

I. OVERVIEW

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

101. Formation of WaterOne

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

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

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

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

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

102. Reasonable and Prudent Person Standard

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

103. Ethical Standards

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

WaterOne Personnel Policy Manual

104. Fiscal Year

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

105. Generally Accepted Accounting Principles

- WaterOne follows Generally Accepted Accounting Principles (GAAP) on the modified accrual basis of accounting when preparing financial reports. Revenues are recognized when earned. Expenditures are recognized when the liability is incurred or deferred charges are amortized.

106. Financial Reporting

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

107. Financial Advisors

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

II. FINANCIAL PLANNING POLICIES

201. Responsibilities

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

202. Annual Budgeting

- WaterOne's 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 with two accounts. Defined Benefit Pension expenses and Other Post Employment Benefits (OPEB) expenses are budgeted to match WaterOne's expected funding requirement for the budget year rather than the expected accounting based "expense" amount.
- Funding, designated for capital spending that is not complete at the end of the budget year, may be set aside for use in future years to complete authorized capital projects.
- Funding associated with operating and maintenance expense may not be used in future years.
- Year-end general fund balance, in excess of reserve requirements, may be designated by the Board for future use.
- WaterOne annually adopts a balanced budget where Total Revenues Provided equals Total Revenue Requirements including designations to reserve funds.

FISCAL POLICIES & PROCEDURES

- The current year budget is projected based on a “normal” year. Historical revenue and expenditure trends are analyzed to define “normal”.
- WaterOne’s annual operating budget is developed using a line item format and includes:
 - a. Revenues
 - Water Sales Revenues
 - Other Operating Revenues
 - Investment Income
 - b. Operating and Maintenance Expense (including Staffing Levels)
 - c. Total Annual Capital
 - d. Debt Service Funding
 - e. Transfers to Master Plan
 - f. Funding to Reserves
- Water rate increases are “smoothed” over a period of years to avoid rate spikes. WaterOne’s objective is to structure composite debt service to be approximately level on a year-to-year basis where appropriate, which avoids significant roller-coaster types of increases and decreases in debt service and enables water rates to remain relatively stable (smoothed) over time.
- Should revenues not materialize in a given year, expenditures 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

- 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

FISCAL POLICIES & PROCEDURES

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.
- Interest income is developed based on current market conditions, advice of financial advisors, and trending for future years.
- One-time revenues should not be used to fund normal, ongoing operations and consequently are not included as a revenue source in the development of the annual budget.

302. Rate Classifications

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

303. Peak Management Structure

- Effective in 1994, the Board approved using Peak Management Rates (PMR) as the fee structure for water rates. PMR is an inclining rate structure. The goal is to reduce usage peaks. Reducing peak usage allows investment in additional capacity to be delayed. It also promotes equity among rate payers as high peak usage customers pay for the additional capacity they use.
Rules & Regulations Rule II. Definitions
Rules & Regulations Rule VII. Water Rates
- The PMR structure differs from the traditional inclining block structure in that each customer's block charges are individualized based on their personal average winter consumption (AWC).
Rules & Regulations, Rule II
- Block I equals 125% of AWC, Block II is usage in excess of 125%. Default AWCs are used for each class so customers with relatively low consumption will not be penalized.
Rules & Regulations, Rule VII
- For revenue stability, the following budget results are targeted:
 - a. 80% +/- 2% of revenue generated from Block I plus service charge
 - b. 20% +/- 2% of revenue generated from Block II
 - c. Between 20% and 25% of revenue generated from service charge

304. System Development Charges (SDCs)

- Water One has a philosophy of "growth pays for growth".
- System Development Charges (SDCs) are impact fees charged to new customers who connect onto the Water System. SDC Revenues are NOT part of the annual budget. SDC funds generated are used for the building or replacement of supply, treatment, transmission, and distribution facilities, or for the retirement of debt issued for that purpose.
Rules & Regulations, Rule II
- For every new retail Service Connection Application such new service connection shall be subject (in addition to the service connection charge) to a System Development Charge to compensate for the applicable costs of investment required for existing and future water supply, treatment, transmission and distribution facilities.
Rules and Regulations Rule XI. Retail System Development Charge, Purpose and Amount

FISCAL POLICIES & PROCEDURES

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

305. Water System General Fund

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

IV. EXPENDITURE POLICIES (Operation & Maintenance Expense)

401. Expenditures - General

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

402. Pension

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

403. Insurance

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

Bond Covenants – Section 905. Insurance

404. 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 Chairman or Vice Chairman, 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 November 12, 2019)**

[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

FISCAL POLICIES & PROCEDURES

the entire range of investments that WaterOne will consider and which shall be authorized for the investment, by WaterOne, of aforementioned funds.

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

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

- Funds needed for ongoing daily operations are to be held in a fully collateralized interest-bearing Time Deposit Account or Demand Deposit Account.
- Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)
- Debt obligations of the following United States Government Sponsored Enterprises (GSE):
 - Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)
 - Federal Home Loan Bank (FHLB)
- Mortgage Backed Securities (MBS) the principal of and interest on which are unconditionally guaranteed by the United States of America.
- Collateralized Repurchase Agreements backed at 100% by acceptable collateral limited to the following:
 - Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)
 - Debt obligations of the following United States Government Sponsored Enterprises (GSE):
 - Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)
 - Federal Home Loan Bank (FHLB)
- Guaranteed Investment Contracts (GIC) with any bank, non-bank financial institution or insurance company that has long-term debt (or claims paying ability for insurance companies) rated at least “A” or “A2” by Standard & Poor’s or Moody’s respectively. In the case of a guaranteed corporation, the long-term debt

FISCAL POLICIES & PROCEDURES

(or claims paying ability for insurance companies) of the guarantor must be rated at least “A” or “A2” by Standard & Poor’s and Moody’s respectively. Upon downgrade below these ratings, the GIC provider must either post collateral or assign the agreement to a provider meeting the rating qualifications above. Acceptable collateral and margin requirements, if any, are to be specified in the GIC agreement.

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

[60-] 1.7 Collateralization

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

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

Acceptable collateral includes:

- Direct obligations of the United States of America or any agency thereof, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.
 - US Treasuries
 - Debt obligations of Government National Mortgage Association (Ginnie Mae)
- Debt obligations of the following United States Government Sponsored Enterprises (GSE):
 - Federal Home Loan Mortgage Company (Freddie Mac)
 - Federal National Mortgage Association (Fannie Mae)
 - Federal Home Loan Bank (FHLB)
- Mortgage Backed Securities (MBS) the principal of and interest on which are unconditionally guaranteed by the United States of America.

[60-] 1.8 Diversification

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

FISCAL POLICIES & PROCEDURES

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

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

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

[60-] 1.9 Maximum Maturities

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

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

A portion of the portfolio shall be invested in an authorized investment providing readily available funds such as Time Deposit or Demand Deposit accounts, KMIP and Overnight Repurchase Agreements to 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 Treasury Manager and any revisions to the Policy must be approved by the WaterOne Board as specified in Board Policy No. 11.

[60-] 1.16 Arbitrage

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

[60-] 1.17 Reasonable and Prudent Person Standard

The standard of care to be used by the investment officials shall be the "reasonable and prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this Policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this Policy.

[60-] 1.18 Ethics and Conflicts of Interest

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

transactions with the same individual with whom business is conducted on behalf of WaterOne.

[60-] 1.19 Delegation of Authority

Authority to manage the investment program is granted to the Director of Finance who shall delegate responsibility for the operation of the investment program 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

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

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

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

[60-] 1.21 Competitive Placement

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

[60-] 1.22 Delivery vs. Payment

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

[60-] 1.23 Safekeeping and Custody

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

[60-] 1.24 Internal Controls

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

The internal controls shall address the following points:

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

[60-] 1.25 Reporting

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.

FISCAL POLICIES & PROCEDURES

1. An amount equal to not less than the pro rata amount of principal and interest of debt service funding that will become due on the next succeeding payment date.
 2. The bond covenants state that, “all amounts deposited to the Principal and Interest Fund...shall be expended and used...for the sole purpose of paying the principal of and interest...when the same become due.”
 3. Any amount due for replenishment of the Bond Reserve Funds in the event of a draw or other shortfall.
- c. Additional Reserves – The establishment of a reserve for extraordinary renewal and replacement cost contingencies, Operation and Maintenance Expenses, necessary material purchase requirements and unfunded contracts and commitments in an amount equal to 1/6th of the Revenues exclusive of Water System development charges for the current Fiscal Year as shown in the adopted budget of the Board.
- An increase to the 703 Reserve is budgeted annually as an 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.

FISCAL POLICIES & PROCEDURES

- Each year when the budget is prepared, a cash flow needs analysis will be completed based on input from department managers. The timing of annual capital purchases, capital carryovers, infrastructure replacements, and ongoing operating needs will be used to determine the amount of negative cash flow reserve requirements for the coming year and the subsequent reserve funding level.
- The Negative Cash Flow Reserve cannot be replenished until after the Section 703 Reserves are fully funded. Once this occurs, and current monthly cash flow needs are satisfied, then the Negative Cash Flow Reserve can be replenished up to the current Board approved funding level.
- Rebuilding the reserve usually begins early in the third quarter as actual summer water sales begin to materialize as cash.

704.3 Rate Stabilization Reserve

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

Board Policy #27 & #33
- The Rate Stabilization Reserve is the most flexible of the reserves and can be used to meet a variety of needs.
- This fund is used for extraordinary circumstances after all other funding avenues have been evaluated.
- Should any unanticipated shortages in revenues be deemed to be recurring, such as a permanent power rate increase, adjustments will be made in the following budget year to reflect revised revenue or expenditure expectations.
- Formal Board approval is required prior to fund usage.
- Budgeted operating expenditures are funded with budgeted revenues, both of which are planned on a “normal year” basis. A “normal year” being defined as a year in which weather conditions are neither wet nor dry and expenditures are not intended to cover catastrophic conditions.

FISCAL POLICIES & PROCEDURES

- The level of this fund should be such that if conditions outside the “norm” as described above do occur, then a source of funding will be available. Funding levels for this reserve will be set by the Board.
- The appropriate level of this reserve will be analyzed on an annual basis as part of the operating budget development cycle and the year-end uncommitted funds evaluation.
- The Board will be notified when the reserve reaches a minimum level as determined by the Board.
- Replenishment of this fund is defined by Board Policy and will be funded as-needed when year-end funds are available or from other sources as approved by the Board.
- Annually, the Rate Stabilization Reserve is the last reserve funded and may take several years to replenish depending on the level of depletion.

VIII. CAPITAL

801. Total Capital Improvements

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

802. Annual Capital

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

803. Master Plan

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

FISCAL POLICIES & PROCEDURES

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

803.1 Annual Designation of Water Sales Revenue to Master Plan

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

FISCAL POLICIES & PROCEDURES

- 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 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.

FISCAL POLICIES & PROCEDURES

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.

FISCAL POLICIES & PROCEDURES

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.
- 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;

FISCAL POLICIES & PROCEDURES

- d. Preference arrangements (in which WaterOne permits a third party preference, such as parking in a public parking lot); and.
- e. Joint-ventures, limited liability companies or partnership arrangements.

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

902.5. Records Retention

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

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

903. Ongoing Disclosure

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

- a. The Compliance Officer will monitor compliance by WaterOne with its undertakings including an annual filing of operating and financial information.
- b. The Compliance Officer will monitor events which might require WaterOne to file notice of a listed "material event" in the Rule. The Compliance Officer will

FISCAL POLICIES & PROCEDURES

consult WaterOne's bond counsel if a "material event" is identified, will cause to be filed any required disclosure, and will timely notify the Board of such disclosure.

- c. The Compliance Officer will maintain as part of the issue's Post Issuance Compliance and Disclosure Record:
 - i. An annual disclosure monitoring and compliance checklist,
 - ii. A record of the annual filing of operating and financial information,
 - iii. A record of any material event disclosures, and
 - iv. A record of any voluntary continuing disclosures.

ABOUT WATERONE

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

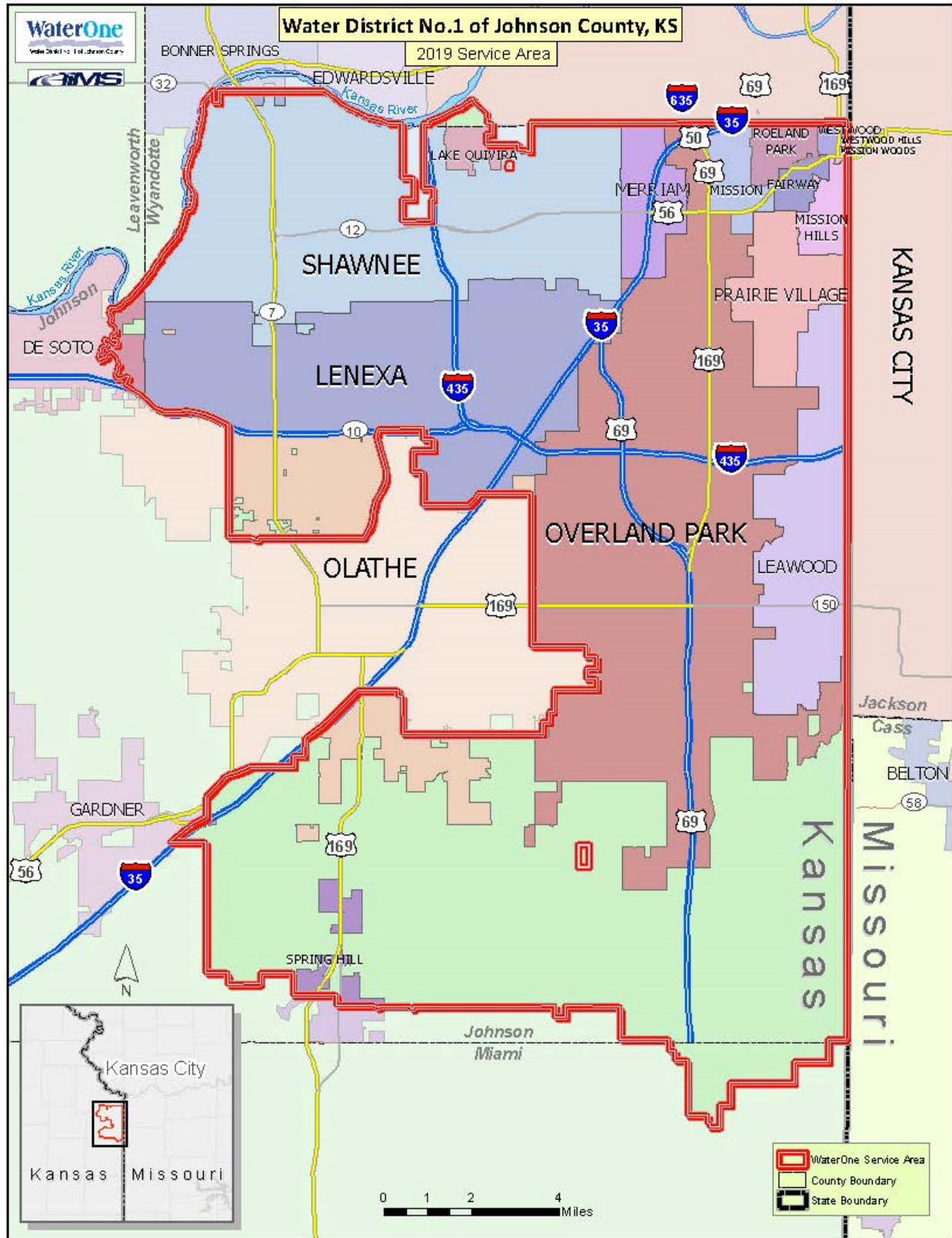
Organized in 1953, WaterOne commenced operations in 1957. Initially, WaterOne had a four million gallon per day (mgd) summer peaking treatment plant supported by wells. In addition, WaterOne purchased wholesale water from Kansas City, Missouri and Kansas City, Kansas. In the years following, WaterOne's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

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

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

SERVICE AREA

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

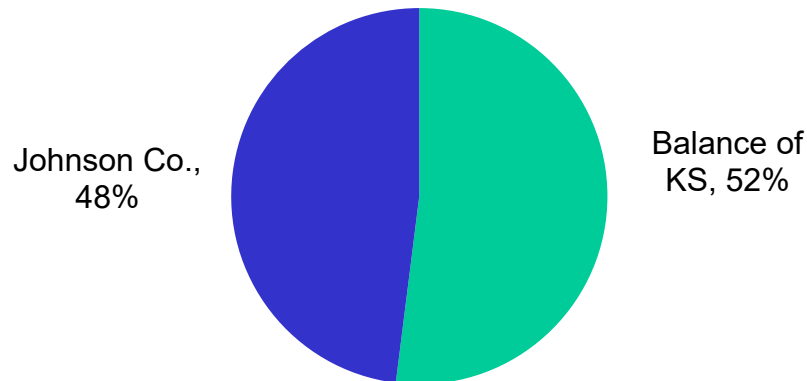


JOHNSON COUNTY DEMOGRAPHICS POPULATION

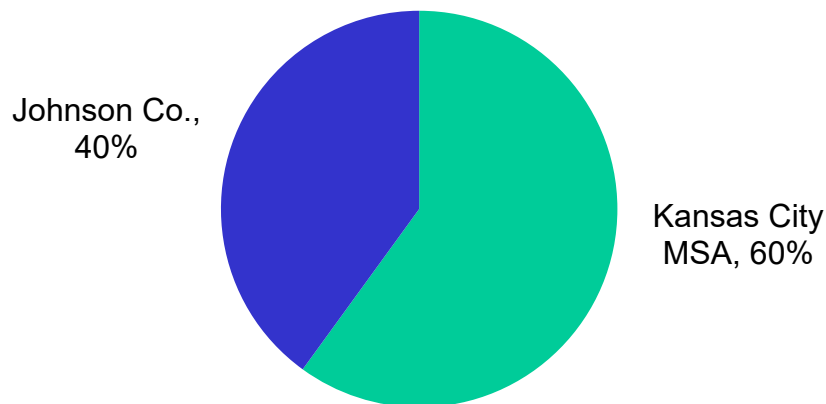
POPULATION GROWTH 2006 to 2016 ⁽¹⁾

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

Kansas Population Growth: 2006 to 2016



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



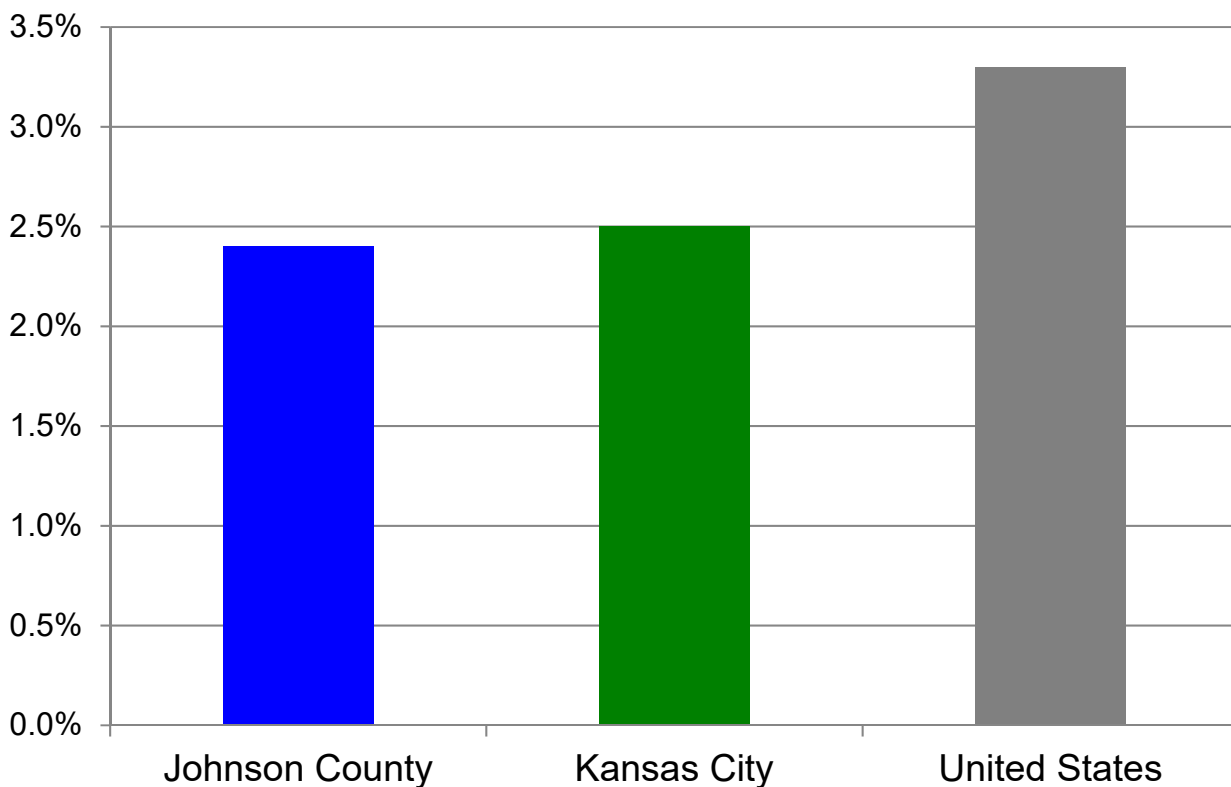
Johnson County Population

2000 (3)	451,086
2010 (3)	544,179
2018(4)	596,767

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

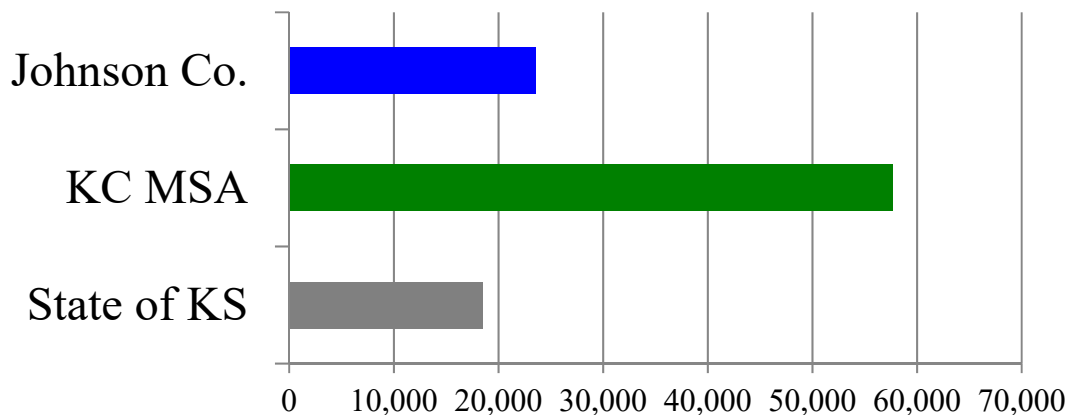
JOHNSON COUNTY DEMOGRAPHICS EMPLOYMENT AND JOB GROWTH

Unemployment Rate as of September 2019⁽¹⁾



JOB GROWTH 2007 TO 2017 ⁽²⁾

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

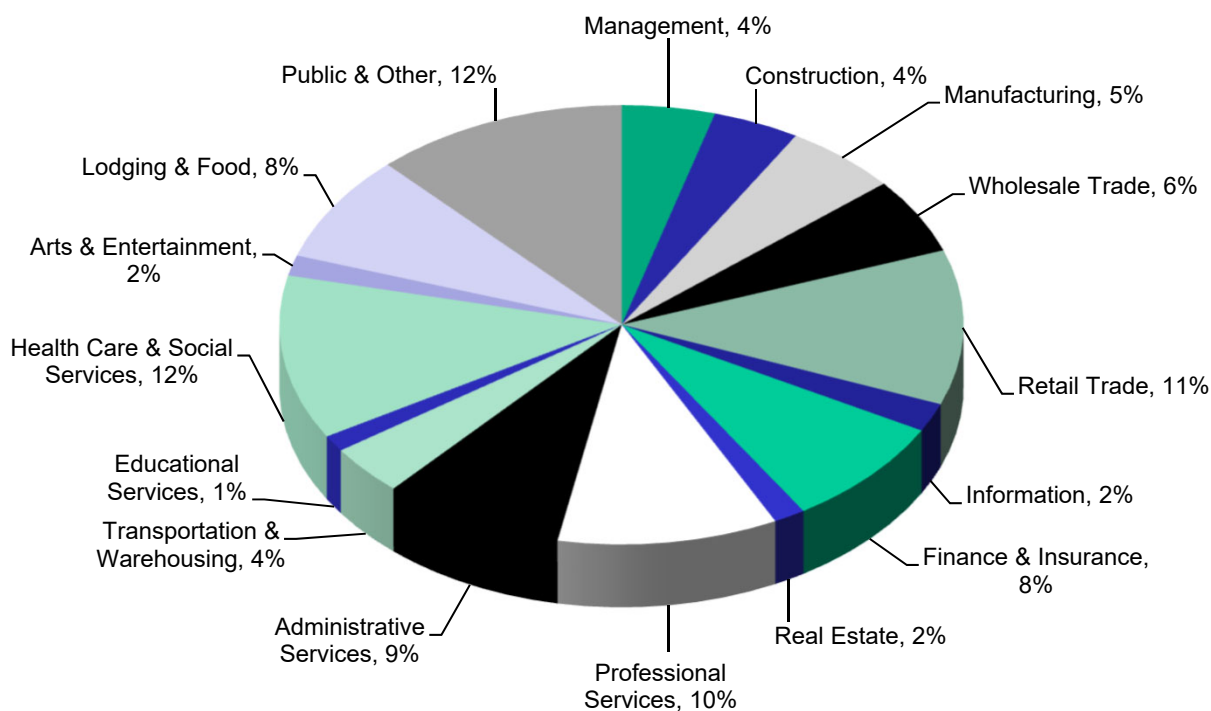


1. Source: County Economic Research Institute, November 2019 Johnson County Indicators

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

3. MSA is Metropolitan Statistical Area of Kansas City.

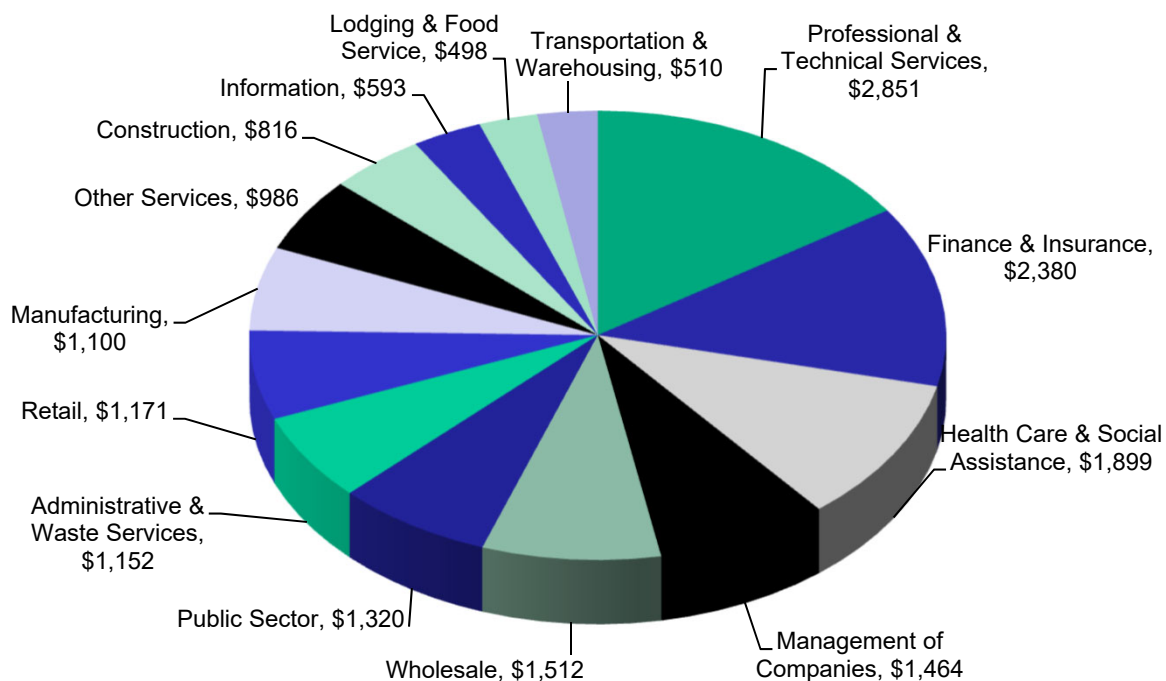
JOHNSON COUNTY DEMOGRAPHICS NON-FARM EMPLOYMENT BY INDUSTRY: 2015



Source: County Economic Research Institute, 2018 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS PAYROLL BY INDUSTRY: 2016

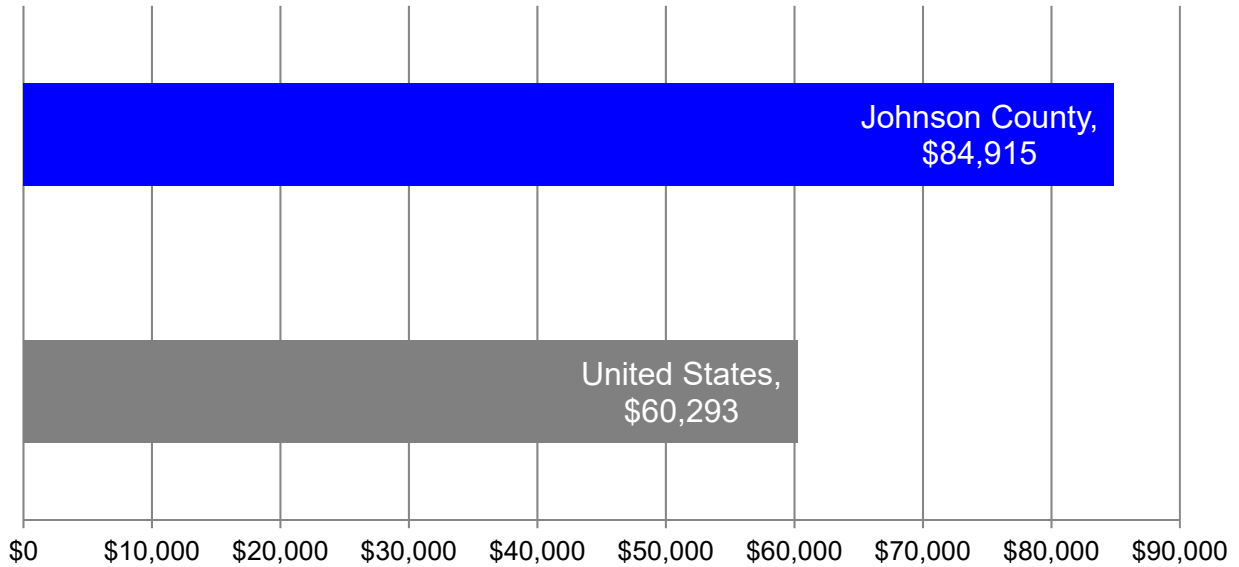
In millions



Source: County Economic Research Institute, 2017 Economic Primer

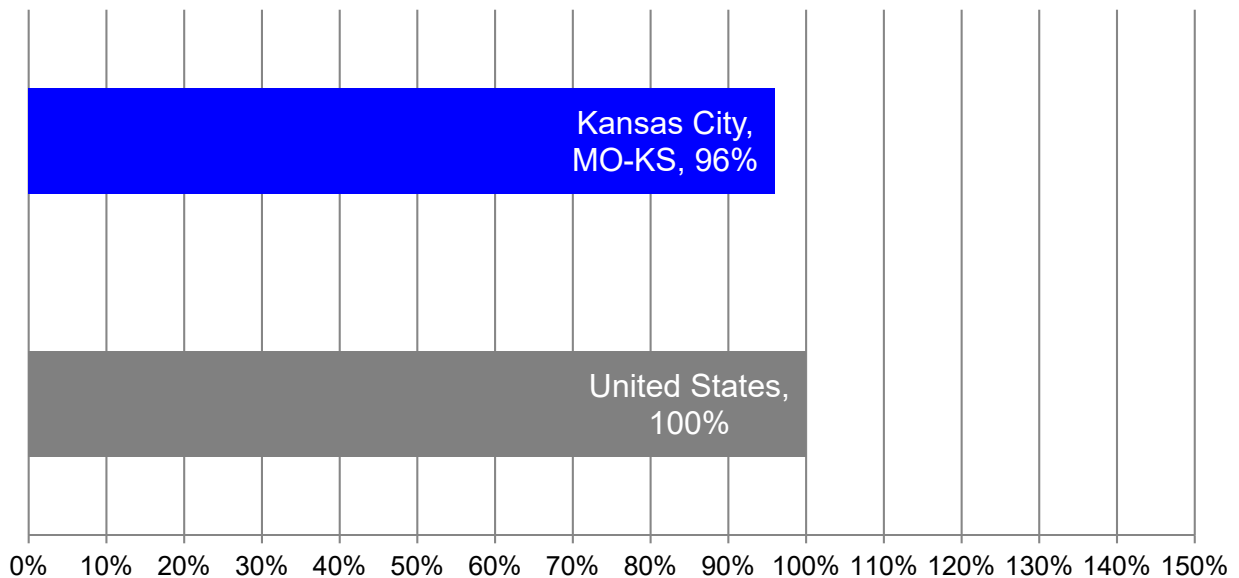
JOHNSON COUNTY DEMOGRAPHICS QUALITY OF LIFE

2018 Median Household Income



Source: United States Census Bureau

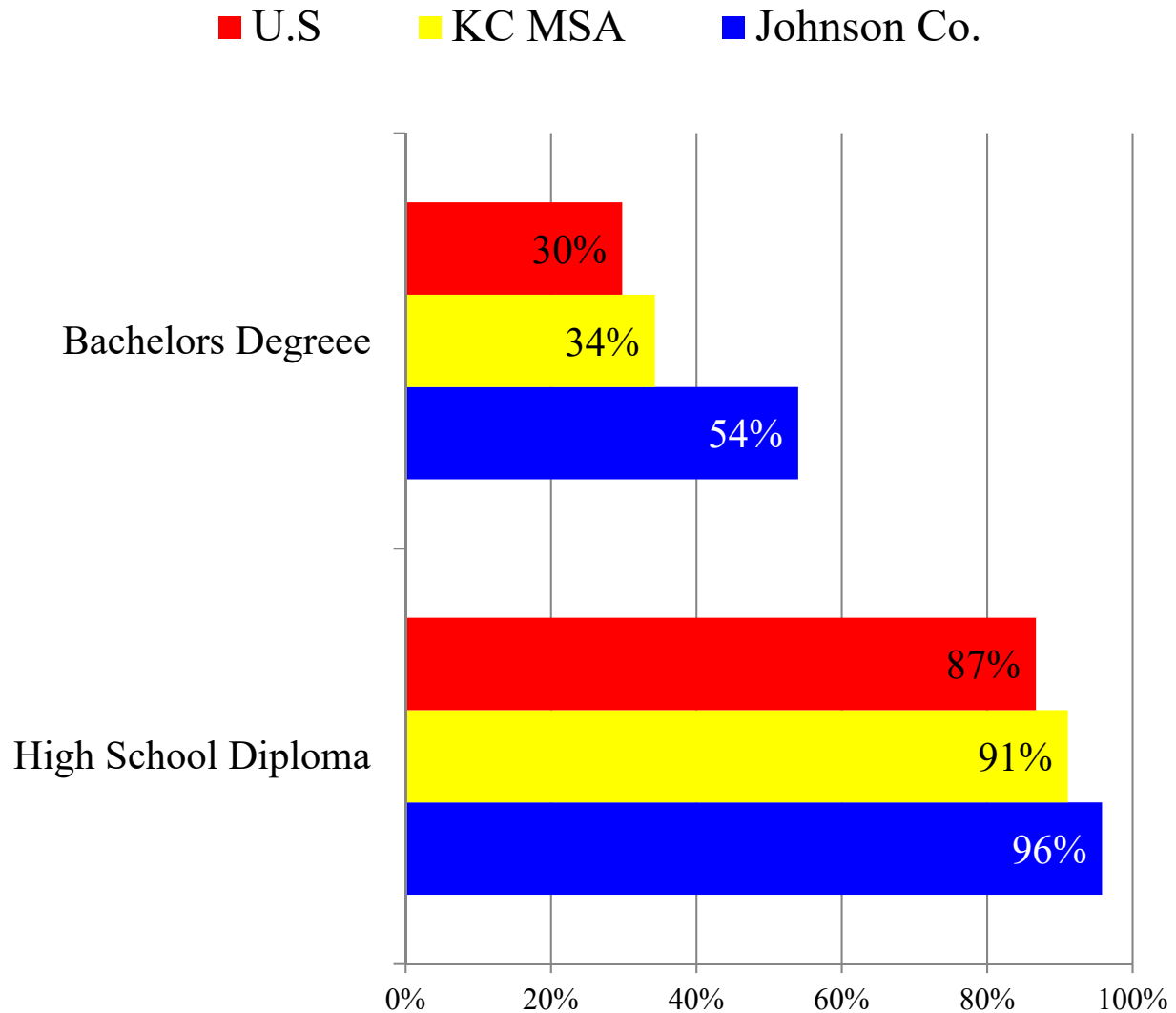
Cost of Living Index



Source: Missouri Economic Research and Information Center

JOHNSON COUNTY DEMOGRAPHICS EDUCATION

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



Source: County Economic Research Institute, 2018 Economic Primer

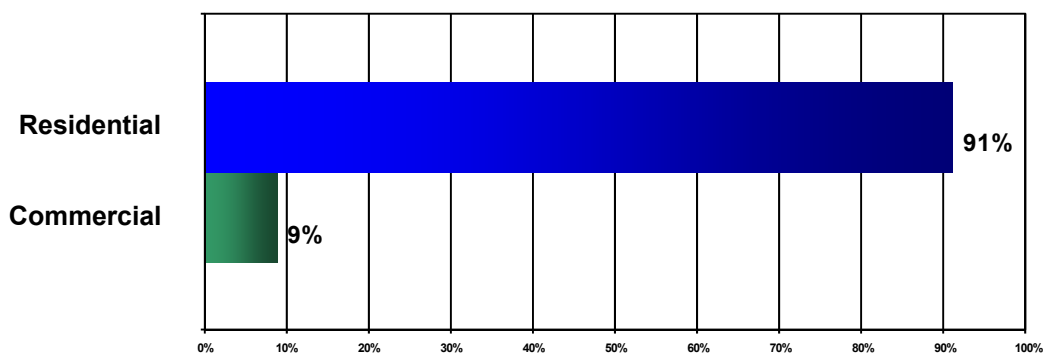
CUSTOMER BASE INFORMATION (2019)

Top 15 Customers

1	COCA COLA BOTTLING
2	JOHNSON COUNTY WASTEWATER
3	BLUE VALLEY SCHOOL DISTRICT
4	CITY OF OVERLAND PARK
5	SHAWNEE MISSION MEDICAL CENTER
6	SHAWNEE MISSION SCHOOL DISTRICT
7	MALKIN PROPERTIES
8	CORPORATE WOODS
9	CEVA BIOMUNE
10	BAYER CORP
11	J A PETERSON REALTY
12	CITY OF LENEXA
13	LAKEVIEW VILLAGE
14	MEADOWLARK HILLS APT
15	SHASTA BEVERAGES

Top 15 accounts make up 3.8% of revenue

Customer Base



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

GLOSSARY

703

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

Accrual

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

ArcGIS

GIS software application and mapping and analytics platform.

Adopted Budget

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

AHQ

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

AIMS

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

Amortized

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

AMI

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

GLOSSARY

AMR

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

Annual Capital Budget

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

Arbitrage

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

AWC

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

AWWA

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

Balanced Budget

Annual financial plan in which revenues equals expenditures.

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.

GLOSSARY

BPU

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

Budget

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

C1

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

C2

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

C3

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

CAD

Computer-Aided Design. Using computers to design projects.

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.

CMVS

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

GLOSSARY

COS

Cost of Service.

CPI

Consumer Price Index.

Cynobacteria

Microscopic single-celled organisms found naturally in water. Also called blue-green algae,

DB

Defined Benefit.

DC

Defined Contribution.

Debt Service

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

Debt Service Coverage Ratio

The sum of 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

GLOSSARY

WaterOne may designate larger sizes as Distribution Mains depending on their function.

Distribution Technician Program

A competencies-based program for construction and maintenance crew personnel. The program allows for employment progression based on the individual's demonstrated skills and knowledge.

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

ESRI

Environmental Systems Research Institute, Inc. is a provider of mapping and special analytics software and applications.

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.

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

GLOSSARY

year for WaterOne begins on January 1st of every year and ends on December 31st of that same year.

FTE

Full Time Equivalent. A measurement of employee staffing expressed as a ratio to a full time employee. One FTE is equal to 2,080 hours calculated as a full time employee's base paid hours which for 40 hours per week for 52 weeks.

Fund Balance

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

GASB

Government Accounting Standards Board. The independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP). Standard issued by GASB are referred to by number (e.g., GASB 31).

General Fund

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

General Improvements

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

GIS

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

GPS

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

GLOSSARY

Hansen

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

HMI

Human Machine Interface.

HVAC

Heating, Ventilation and Air Conditioning.

HVAC/R

Heating, Ventilation, Air Conditioning and Refrigeration.

Kansas River Water Assurance District

A group of municipalities and industries who have rights to water from a river below Federal Reservoirs who pool their resources to purchase storage space in the reservoirs. This space and the water contained within that space is used or released to assure that the members of the District will have enough water to meet their demands.

KMIP

Kansas Municipal Investment Pool.

KPIs

Key Performance Measures.

KRWAD Kansas River Water Assurance District

Kansas River Water Assurance District.

Labor Vac Gross

Labor Vacation Earned Gross. Accrued Vacation represents the value of employees' earned but untaken vacation as of December 31 of the budget year. At the time the budget is constructed it is an estimated amount based on the current employee base and historical balances. The change between years reflect the patterns of employees using more or less vacation during the fiscal year and the retirement of long-term employees with large vested vacation balances.

LAN

Local-Area Network. A LAN is a computer network that spans a relatively small area.

GLOSSARY

LIMS

Laboratory Information Management System. Software system for management of laboratory testing.

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.

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.

GLOSSARY

Net Bond Proceeds

Portion of the proceeds from a bond issue which are set aside in a construction fund to pay for Master Plan projects.

Notify JoCo

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

NPV

Net Present Value. The present value of the expected future cash flows minus the cost.

O&M

Operation & Maintenance.

O&M Building

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

OPEB

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

OT

Overtime (Labor).

Ozone Treatment Facility

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

P1 Building

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

P&I

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

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.

PLC

Programmable Logic Controller.

PMR

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

Potable Water

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

Presed

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

Principal and Interest Fund

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

PRV

Pressure Reducing Valve.

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.

SAAS

Software as a Service.

SAN

Storage Area Network.

SAP

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

SCADA

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

SDC Fund

The fund where SDC revenue is collected to pay for SDC-qualified facilities or to retire bonds which were issued for SDC-qualified facilities.

SDCs

System Development Charges. SDCs represent a capital contribution from new customers to be used by WaterOne for the construction, refurbishment, or replacement of major projects related to additional supply, treatment, and transmission and major distribution facilities, or the redemption of bonds issued to pay for those facilities.

GLOSSARY

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.

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.

Turbidimeter

Instrument that measures the turbidity, or suspended solids, in the water.

UCMR IV

The fourth Unregulated Contaminant Monitoring Rule. UCMR IV requires monitoring for 30 unregulated chemical contaminants by public water systems between 2018 and 2020 using analytical methods developed by EPA and consensus organizations. This monitoring provides a basis for future regulatory actions to protect public health.

GLOSSARY

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.

USGS

Unified States Geological Survey, a scientific agency and bureau of the United States Department of the Interior.

WAN

Wide-Area Network. A WAN spans a relatively large geographical area and typically consists of two or more LANs.

Water Revenue Bonds

Debt instruments issued by a state or local government in order to raise money which are secured solely by specified revenue and not by tax revenue.

Water Sales Revenue

Income derived from customers for the delivery of water, including service charges and metered volume-based charges.

Wolcott Facility

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

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.

This page intentionally left blank.