

10747 Renner Boulevard
Lenexa, Kansas 66219

2021

*Greetings From
Beautiful*

WATERONE

*Setting the Standard
for Utility Excellence!*

WaterOne

Water District No. 1 of Johnson County

BUDGET

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2021 Budget

Adopted December 8, 2020
by the Board of Water District No. 1 of Johnson County, Kansas

BOARD:

Brenda Cherpitel, Chair
Kay Heley, Vice Chair
Melanie Kraft
Greg Mitchell
Mark Parkins
Robert P. Reese
Whitney Wilson

FINANCE COMMITTEE:

Robert P. Reese, Committee Chair
Kay Heley
Greg Mitchell

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, 2020. 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, 2020

Christopher P. Morill

Executive Director

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EXECUTIVE SUMMARY

Looking back at 2020 ...

WaterOne experienced lower than projected water sales in 2020 due to higher than average rainfall, slow customer growth, and continued declines in indoor water use. Operation and maintenance expenses exceeded the budget primarily due to unanticipated expenditures related to the COVID-19 Pandemic. Expenses included premium pay for essential employees who are required to report to WaterOne facilities, additional vehicle rentals to maintain recommended social distance, safety supplies including masks and sanitizer and technology and equipment to better facilitate remote work.

New customer growth for 2020 was under budget. Growth continues to be modest and 2020 is below the pace of growth experienced over the past five years. Customer growth is expected to increase slowly over the next few years.

Investment income was lower than projected in 2020 due to a significant decline in short term rates for treasuries. Economic concerns due to the spread of the COVID 19 pandemic caused the Federal Reserve to decrease the Fed Funds Rate. It is projected that rates will remain at historically low levels through 2021 with a slow, gradual increase over the five-year plan.

Looking ahead to 2021 ...

The rate increase is 2.8% as projected in last year's budget. The significant decrease in investment income was offset by lower than projected capital expenditures. Projected debt service funding was also reduced in 2021 due to savings from the advanced refunding of the series 2014 Bonds.

The 2021 rate increase will allow WaterOne to execute its strategic goals including the goal to ensure financially stable and predictable rates.

Why the increase?

The largest increase in the budget is a \$2.8M or 5.0% increase in operating and maintenance expenses. This increase is driven primarily by a rise in the projected payroll, health insurance, retirement benefits, 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, the reduction in gallons sold, is lowering revenue by 1.0%. Indoor water use continues to decline, which is reflected in the lower budgeted gallons sold for Single Family Residential (R1), Large Commercial (C2), 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 and is an important factor in projected future water rate increases. WaterOne's largest customers include organizations such as governmental entities, production facilities (i.e. bottling),

EXECUTIVE SUMMARY

and golf courses. Increased efforts by customers to conserve water and operate more efficiently are likely the predominant factors driving this trend.

Capital funding is remaining stable from 2020 to 2021 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 ...

2021 REVENUE PROVIDED: \$121.13M

2021 revenues are projected to increase by \$0.77M, or 0.6%, over 2020 primarily due to the 2.8% overall increase in water rates. The addition of 1,200 new customers provides increased water sales revenues which are offset by declining water use. Investment income is declining 89.0% due to the assumed interest rate decreasing from 2.20% to 0.25%.

Comparison of Revenues				
In Millions				
Revenues	2020 Budget	2021 Budget	\$ Inc <Dec>	% Inc <Dec>
Sales of Water	\$115.99	\$119.28	\$3.29	2.8%
Other Operating Revenue	1.63	1.54	<0.09>	<5.3%>
Investment Income	2.73	0.30	<2.43>	<89.0%>
Total Revenue	\$120.35	\$121.13	\$0.77	0.6%
Numbers may not total due to rounding				

Where the money goes ...

2021 REVENUE REQUIREMENTS: \$121.13M

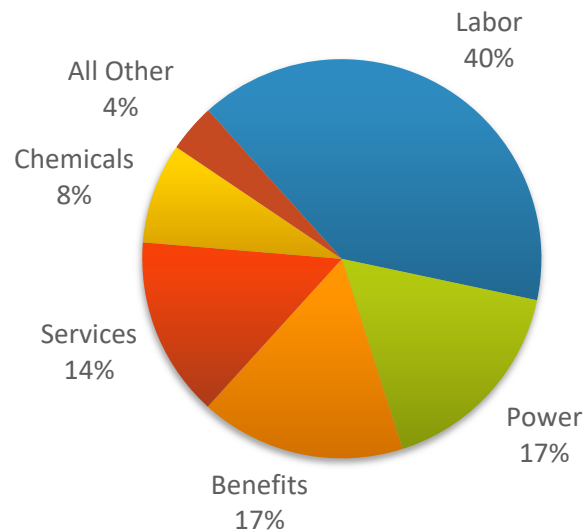
The revenue requirements for 2021 increased by \$0.77M, or 0.6%, over 2020. As shown in the following table the largest increase is in operations & maintenance expense while the largest decrease is to funding designated to Master Plan. All categories are discussed in more detail in the following sections.

Comparison of Revenue Requirements				
In millions				
Revenue Requirements	2020 Budget	2021 Budget	\$ Inc <Dec>	% Inc <Dec>
Operations & Maintenance Expense	\$56.09	\$58.88	\$2.79	5.0%
Total Annual Capital	27.66	27.60	<0.06>	<0.2%>
Debt Service	21.02	21.19	0.17	0.8%
Designated to Master Plan	15.35	13.24	<2.10>	<13.7%>
Reserve Funding	0.23	0.21	<0.02>	<8.7%>
Total Revenue Requirements	\$120.35	\$121.13	\$0.77	0.6%
Numbers may not total due to rounding				

EXECUTIVE SUMMARY

OPERATIONS & MAINTENANCE EXPENSES: \$58.88M

Operations and Maintenance (O&M) expenses represent 49% of the 2021 budget, which is similar to 2020. O&M increased 5.0% year-over-year due to increases in projected labor, benefits, and power expenses.

Total Operations & Maintenance Expense

The following table shows the breakdown of the significant O&M expenses including the difference between 2020 and 2021 followed by further discussion of the major operating costs.

Total Operations & Maintenance Expense

In millions				
O&M	2020 Budget	2021 Budget	\$ Inc <Dec>	% Inc <Dec>
Labor	\$22.86	\$23.55	\$0.69	3.0%
Power ^(a)	9.39	9.86	0.47	5.0%
Benefits	8.47	9.80	1.33	15.6%
Services	8.13	8.59	0.46	5.6%
Chemicals	4.73	4.79	0.06	1.3%
All Other	2.51	2.29	<0.22>	<8.8%>
Total	\$56.09	\$58.88	\$2.79	5.0%

Numbers may not total due to rounding

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

EXECUTIVE SUMMARY

Labor

Labor costs include:

- The annual true-up to the 2020 base to reflect the actual outcome of payroll after turn-over, retirements, and vacancies
- A 3.0% performance compensation adjustment
- An 0.2% equity adjustment related to the 2017 Compensation Study
- Overtime
- Transfers of labor costs to capital projects
- A net increase of 0.75 Full-Time Equivalent (FTE) positions

All positions are assessed based on operational needs including those related to customer growth. Five new full-time positions, four full-time eliminations, one intern elimination are included in this budget request.

Requested Positions

- Customer Relations Administrative Assistant – Full-Time
- Facilities Engineering Technician – Full-Time
- Inventory Control Specialist/Buyer – Full-Time
- Learning & Development Specialist – Full-Time
- Supervisor of Customer Care – Full-Time

Eliminated Positions

- (2) Distribution Technicians – Full-Time
- Right of Way Coordinator- Full-Time
- Account Administration Coordinator – Full-Time
- Inventory Control Specialist - Intern

Power

The power budget increased \$0.47M or 5.0%. Power is increasing primarily due to a true-up to peaking demands at the Hansen Treatment Facility which results in higher peaking charges from the Board of Public Utilities (BPU). No rate increases are projected from WaterOne's power suppliers, BPU and Evergy. As a result of a merger in 2018, Evergy has committed to freeze rates through 2023. Discussions with BPU staff have indicated that a 2021 rate increase is not planned at this time due to recent rate increases and changes to its rate structure that have resulted in revenues adequate to fund its objectives.

Benefits

Employee benefits (net of transfers) are increasing \$1.33M or 15.6%. The drivers of the increase are related to pension account contributions and health insurance. Pension account contributions are increasing \$0.81M or 26.5% primarily related to the amortization of assumptions changes recommended in the 2020 experience study. Health insurance is increasing \$0.41M or 9% due to a premium increase, changes to the coverage mix and additional personnel.

EXECUTIVE SUMMARY

Services

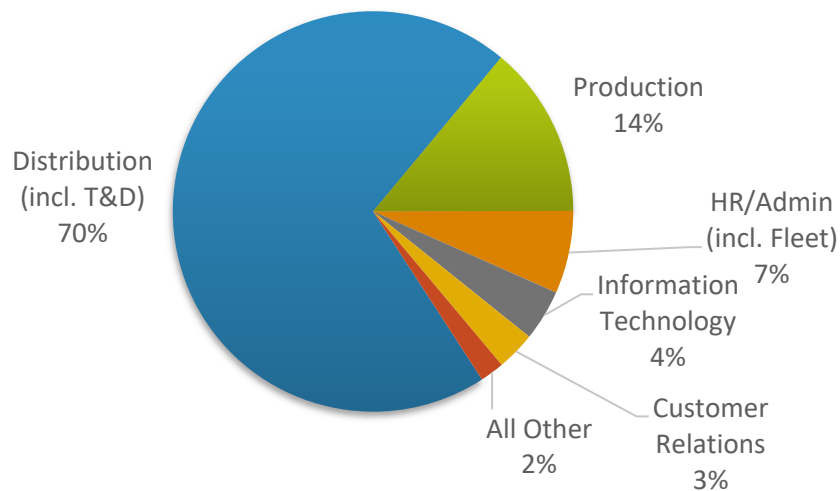
Services (net of transfers) increased \$0.46M or 5.6%. 2021 is increasing primarily due to increasing cost of the cloud data center, increases for maintenance relating to the new SCADA software platform, new security software licenses, and expanded support and upgrades for hydraulic modeling software.

Chemicals

The chemical budget increased \$0.06M, or 1.3%. The increase is due to an increase in price and dose for treatment chemicals as well as a change in the operation plan due to a construction project at the Wolcott Treatment Facility in 2021. These increases are partially offset by the planned use of the new Ozone Treatment Facility which will reduce the need for disinfection chemicals at the river intake facilities and the Hansen Treatment Facility.

TOTAL ANNUAL CAPITAL: \$27.6M

The Total Annual Capital budget for 2021 decreased \$0.06M from 2020. Approximately 97% of the budget is used to replace current facilities and equipment. These needs are continually evaluated to determine the proper time to replace versus repair.

Total Annual Capital by Division**Total Annual Capital**

In millions

	2020 Budget	2021 Budget	\$ Inc <Dec>	% Inc <Dec>
Production	\$3.31	\$3.84	\$0.53	15.9%
Human Resources/Admin. (incl. Fleet)	2.56	1.85	<0.72>	<27.9%>
Information Technology	1.31	1.14	<0.18>	<13.5%>
Customer Relations	0.74	0.87	0.12	16.3%
Distribution	0.69	0.23	<0.46>	<66.3%>

EXECUTIVE SUMMARY

All Other	0.80	0.54	<0.26>	<33.1%>
Annual Capital	\$9.42	\$8.46	<\$0.97>	<10.2%>
Transmission & Distribution	\$18.24	\$19.15	\$0.91	5.0%
Total Annual Capital	\$27.66	\$27.60	<\$0.06>	<0.2%>

Numbers may not total due to rounding

Annual Capital decreased for 2021 by \$0.97M. 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 mobile concrete mixer and related facilities, a Missouri intake pump replacement, fleet replacements and annual IT capital replacement programs. These requests vary annually and are based on the asset management plan.

The Transmission & Distribution (T&D) budget has increased by \$0.91M to \$19.15M. The increase is due to 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	2020 Budget	2021 Budget	\$ Inc <Dec>	% Inc <Dec>
Distribution Main Replacements	\$9.54	\$9.54	\$0.00	0.0%
Distribution Main Breaks	4.10	4.49	0.39	9.4%
General Improvements	2.20	2.50	0.30	13.6%
Distribution Main Relocations	1.30	1.40	0.10	7.7%
Transmission Main Capital	0.60	0.70	0.10	16.7%
Condition Assessment	0.50	0.52	0.02	4.0%
Subtotal T&D Funding	\$18.24	\$19.15	\$0.91	5.0%

DEBT SERVICE: \$21.19M

Debt Service increased \$0.17M, or 0.8% over 2020. While WaterOne has a strategy to maintain a level total debt structure. The 2021 debt service includes the refunding of a portion of the 2014 Bonds.

DESIGNATED TO MASTER PLAN: \$13.24M

Funds designated to the Master Plan Capital Fund decreased \$2.10M or 13.7%. "Designated to Master Plan" is funding from current revenues to help fund major capital improvements. This debt management strategy recognizes that current customers benefit from Master Plan projects and contributes a percentage of annual water sales accordingly. These funds also reduce reliance on future debt. The 2021 budget of \$13.24M is 10.9% of total revenue. The target minimum contribution is 5.0% of total revenue.

EXECUTIVE SUMMARY

RESERVE FUNDING: \$0.21M

Reserve funding decreased \$0.02M or 8.7%. 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 aging infrastructure, WaterOne's financial position continues to be strong thanks to its capital investment strategy, quality staff, and capacity to adapt to the variability of weather. WaterOne remains committed to its track record of steady and predictable rate adjustments which provide stability for residential customers and the business community.

The 2021 budget provides the resources needed to deliver on WaterOne's vision of *"Setting the Standard for Utility Excellence."*

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OVERVIEW

Budget Review and Approval Process

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

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

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

Capital projects are submitted by managers to FP&A who review amounts and justifications. For specialized requests (such as computer equipment, modifications to facilities, and fleet), the department responsible for the asset's installation and/or maintenance works closely with the requestor to ensure that it meets the stated needs and that the amount is appropriate. Five year plans are also updated for capital and personnel.

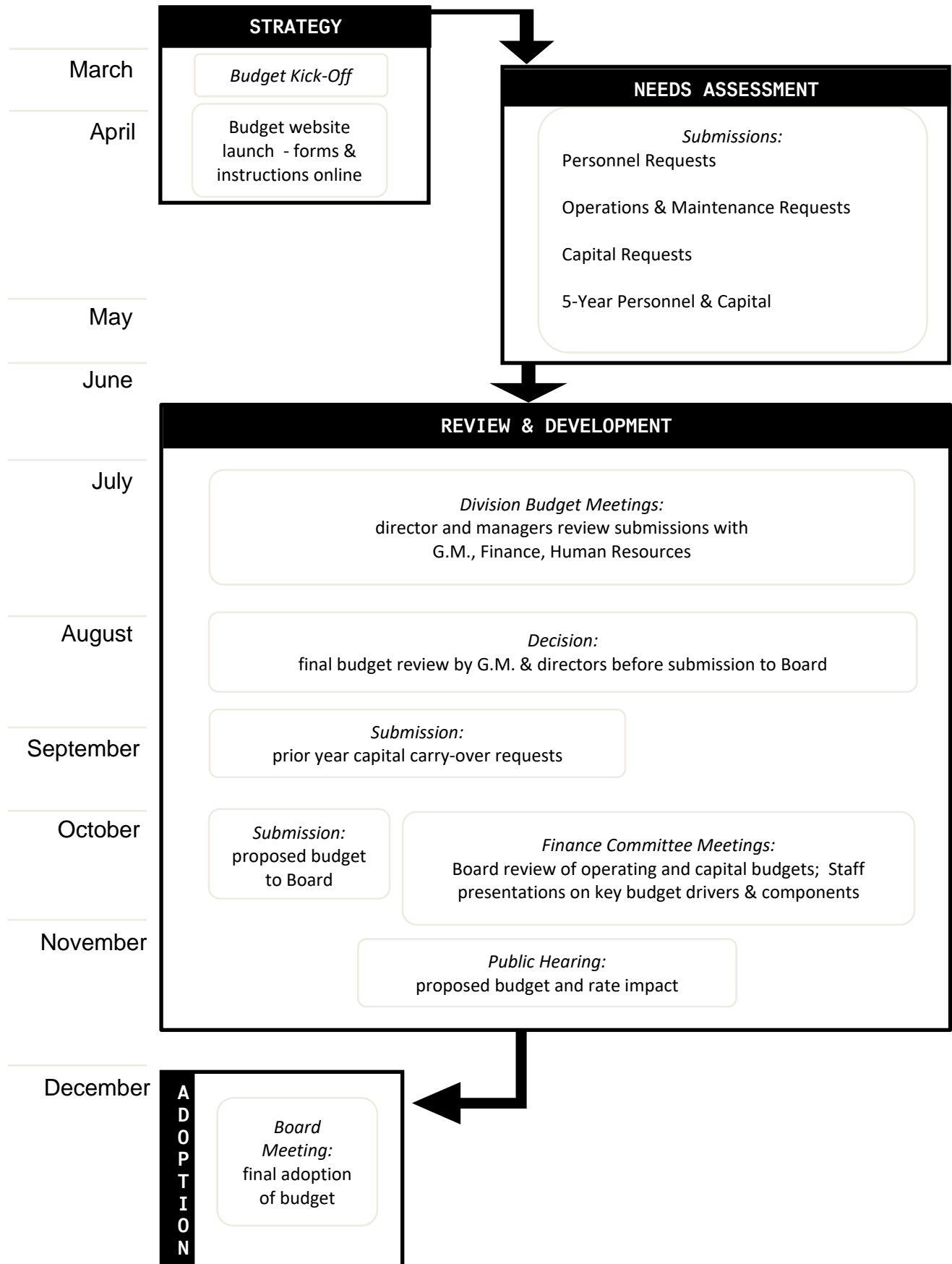
At this point, directors review, provide input, and after any additional changes, approve the current year and five year requests. Financial modeling is then updated with the latest budget submissions and any other revised assumptions and the water rates required to support the budget are produced.

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

The Board reviews the recommended budget in two work sessions in the fall. Once the Board has fully reviewed the recommended budget and provided direction to management, a public hearing is held in November. Additional adjustments to the recommended budget may be made at that time. The final budget is approved at the regularly scheduled December Board meeting. Water rates to support the budget become effective with water used on or after the beginning of the new fiscal year on January 1.

OVERVIEW

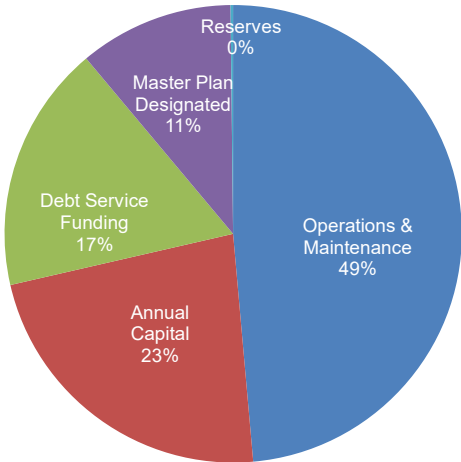
BUDGET PROCESS



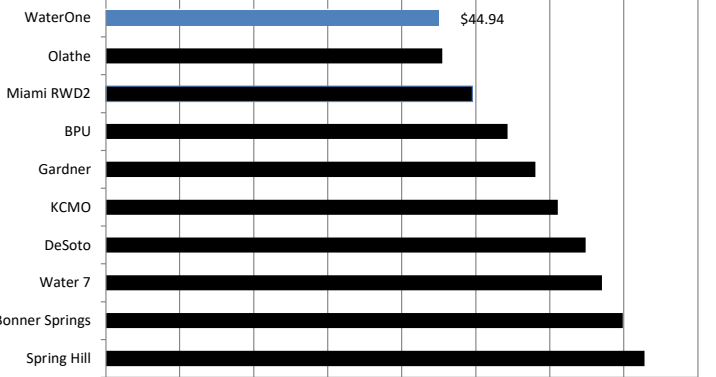
WATERONE FINANCIAL OVERVIEW

TOTAL ANNUAL OPERATING BUDGET	3.8%	2.5%	1.8%	0.0%	1.9%	1.4%	2.8%	3.6%*	3.6%*	3.6%*	3.6%*	3.8%*	WATER RATES						
	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	2019 ACTUAL	2020 BUDGET	2021 BUDGET	2022 PROJECTION	2023 PROJECTION	2024 PROJECTION	2025 PROJECTION	2026 PROJECTION	LONG TERM MODEL PROJECTION ASSUMPTIONS						
REVENUES PROVIDED: Sales Of Water Sales Of Water - Wholesale Other Operating Revenues Total Operating Revenues Investment Income (General and P&I Funds) Investment Income (Construction & SDC Funds) Total Investment Income	\$ 94,775,765	\$ 108,586,314	\$ 105,837,757	\$ 115,631,746	\$ 102,833,800	\$ 115,992,602	\$ 119,283,371	\$ 123,949,812	\$ 128,761,895	\$ 133,819,278	\$ 139,092,798	\$ 144,816,724	Budgeted Customer Growth per Year						
	-	-	-	-	-	-	-	-	-	-	-	-	2021	2022	2023	2024	2025	2026	
	1,289,499	1,329,856	1,359,342	1,466,752	1,378,032	1,630,000	1,543,000	1,546,000	1,559,000	1,572,000	1,586,000	1,600,000	1,200	1,300	1,400	1,500	1,600	1,700	
	96,229,765	109,916,170	107,197,099	117,098,498	104,211,832	117,622,602	120,826,371	125,495,812	130,320,895	135,391,278	140,678,798	146,416,724	Actual Customer Growth per Year						
	358,053	572,595	1,238,639	2,248,496	3,295,390	2,730,000	300,000	540,000	880,000	1,170,000	1,750,000	2,380,000	2015	2016	2017	2018	2019	2020	
	189,725	230,189	127,894	499,607	352,426	-	-	70,000	80,000	-	-	20,000	1,409	1,367	1,289	1,393	1,161	1,400	
	547,778	802,784	1,366,533	2,748,103	3,647,816	2,730,000	300,000	610,000	960,000	1,170,000	1,750,000	2,400,000	(Est)						
														Gallons Per Customer Per Year:					
														Residential Single Family (R1) 83,258 gallons					
														Multi-Family (M1) 425,000 gallons					
													Small Commercial (C1) 210,000 gallons						
													Large Commercial (C2) 1,420,821 gallons						
													Interest % Yield on Investment Income						
													2021	2022	2023	2024	2025	2026	
													0.25%	0.50%	0.75%	1.00%	1.50%	2.00%	
													O&M Assumptions (2022-2026)						
													Payroll 3.75%						
													Power 5.0%						
													Chemicals 4.0%						
													Health Ins. 10.0%						
													All Other O&M 3.0%						
													Annual Capital Assumptions						
													Inflation rate at 3%						
													</						

2021 REVENUE REQUIREMENTS

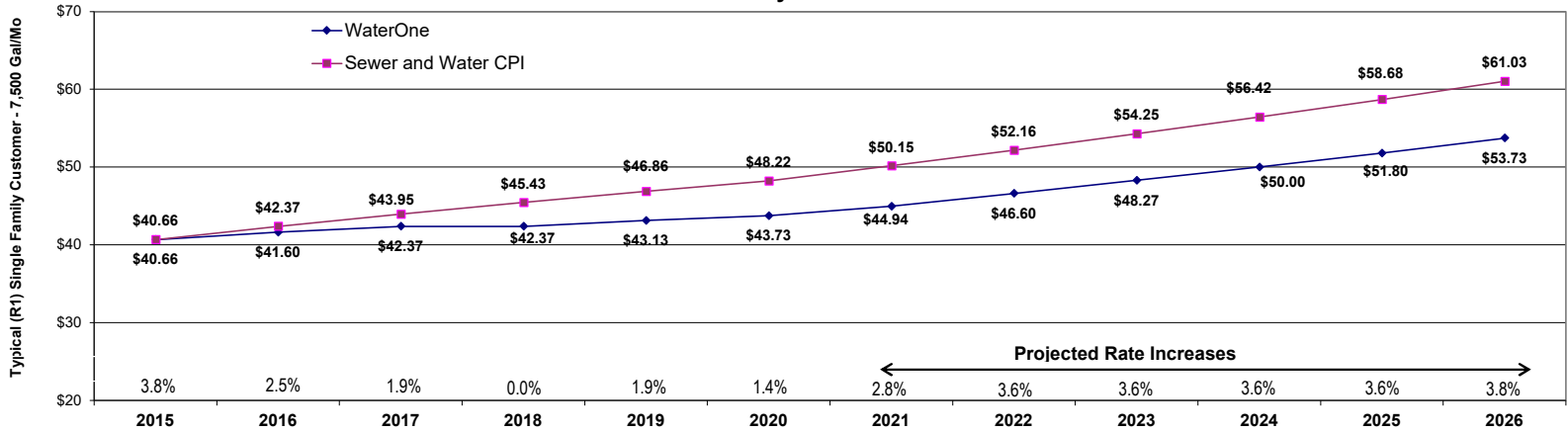


Average Monthly Water Bill for Typical Customer at 7,000 Gal



2021 rates are shown when available. In instances where 2021 rates are not yet determined, current 2020 rates are shown.

National Water & Sewer Index
WaterOne vs. All Cities Water & Sewer System Maintenance CPI



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2021 Budget to 2020 Budget
2021 Water Rate Increase = 2.8%

	2020 ADOPTED BUDGET @ 1.4%	2021 ADOPTED BUDGET @ 2.8%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 Water Sales @ Prior Year Rates	\$ 115,992,602	\$ 115,992,602	\$ -	0.0%
3 Add'l Revs by New Custs @ Prior Year Rates	na	1,185,638	1,185,638	1.0%
4 Revenue Adjustments (See Exhibit 2, Line 9)	na	(1,162,360)	(1,162,360)	-1.0%
5 Increase Required from Rate Adjustment	na	3,267,491	3,267,491	2.8%
6 TOTAL SALES OF WATER	\$ 115,992,602	\$ 119,283,371	\$ 3,290,769	2.8%
7 Delayed Payment Charges	\$ 600,000	\$ 550,000	\$ (50,000)	-8.3%
8 Field Service Charges	350,000	353,000	3,000	0.9%
9 Other Operating Revenues	680,000	640,000	(40,000)	-5.9%
10 TOTAL OTHER OPERATING REVENUES	\$ 1,630,000	\$ 1,543,000	\$ (87,000)	-5.3%
11 Investment Income (General and P&I Funds)	\$ 2,730,000	\$ 300,000	\$ (2,430,000)	-89.0%
12 Investment Income (Construction & SDC Funds)	-	-	-	N/A
13 TOTAL INVESTMENT INCOME	\$ 2,730,000	\$ 300,000	\$ (2,430,000)	-89.0%
14 TOTAL REVENUES PROVIDED	\$ 120,352,602	\$ 121,126,371	\$ 773,769	0.6%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 56,094,175	\$ 58,879,511	\$ 2,785,336	5.0%
17 Annual Capital	\$ 9,420,000	\$ 8,455,000	\$ (965,000)	-10.2%
18 T&D Funding	18,240,000	19,145,000	905,000	5.0%
19 TOTAL ANNUAL CAPITAL	\$ 27,660,000	\$ 27,600,000	\$ (60,000)	-0.2%
20 TOTAL DEBT SERVICE FUNDING	\$ 21,022,578	\$ 21,192,738	\$ 170,160	0.8%
21 Master Plan Designated	\$ 15,345,849	\$ 13,244,122	\$ (2,101,727)	-13.7%
22 Investment Income (Construction & SDC Funds)	-	-	-	N/A
23 Repayment to Master Plan for Bond Payoff	-	-	-	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 15,345,849	\$ 13,244,122	\$ (2,101,727)	-13.7%
25 Bond Covenant Required Reserve	\$ 230,000	\$ 210,000	\$ (20,000)	-8.7%
26 Negative Cash Flow Reserve	-	-	-	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 230,000	\$ 210,000	\$ (20,000)	-8.7%
28 TOTAL REVENUE REQUIREMENTS	\$ 120,352,602	\$ 121,126,371	\$ 773,769	0.6%
29 Net Income Available for Debt Service (Ln #14 - Ln #16)	\$ 64,258,427	\$ 62,246,860	\$ (2,011,567)	-3.1%
30 Debt Service (Line #20)	\$ 21,022,578	\$ 21,192,738	\$ 170,160	0.8%
31 DEBT SERVICE COVERAGE (Ln #29 / Ln #30)	3.06	2.94		
32 ADJUSTMENT TO WATER RATES	1.4%	2.8%		

Percentages may not add due to rounding

OVERVIEW

FUND STRUCTURE

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

General Fund:

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

Master Plan:

The major sources of funding are:

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

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

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

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

Transmission and Distribution:

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

Debt Service:

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

Bond Reserve:

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

Rate Stabilization:

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

Fund Balance Summary by Fund

	General Fund	Master Plan	Transmission & Distribution	Debt Service	Rate Stabilization	Negative Cash Flow	Total
Fund Balance at 12/31/2020	\$ 37,971,357	\$ 69,417,258	\$ 1,467,155	\$ 891,327	\$ 11,000,000	\$ 8,000,000	\$ 128,747,097
Water Sales	119,283,371	-	-	-	-	-	119,283,371
Other Operating Revenues	1,543,000	-	-	-	-	-	1,543,000
Investment Income	300,000	-	-	-	-	-	300,000
System Development Charges	-	6,000,000	-	-	-	-	6,000,000
Bond Proceeds	-	-	-	-	-	-	-
Transfers from Rate Stabilization Reserve	-	-	-	-	-	-	-
Transfers from General Fund	-	13,244,122	19,145,000	21,192,738	-	-	53,581,860
Total Revenue & Transfers In	\$ 121,126,371	\$ 19,244,122	\$ 19,145,000	\$ 21,192,738	\$ -	\$ -	\$ 180,708,231
Operations & Maintenance Expense	58,879,511	-	-	-	-	-	58,879,511
Capital Spending	8,455,000	39,721,979	19,145,000	-	-	-	67,321,979
Debt Service Payments	-	-	-	21,192,738	-	-	21,192,738
Transfer to Debt Service	21,192,738	-	-	-	-	-	21,192,738
Transfer to Bond Reserve	-	-	-	-	-	-	-
Transfers to Transmission & Distribution	19,145,000	-	-	-	-	-	19,145,000
Transfers to Master Plan	13,244,122	-	-	-	-	-	13,244,122
Total Expenditures & Transfers Out	\$ 120,916,371	\$ 39,721,979	\$ 19,145,000	\$ 21,192,738	\$ -	\$ -	\$ 200,976,088
Projected Fund Balance at 12/31/2019	\$ 38,181,357	\$ 48,939,401	\$ 1,467,155	\$ 891,327	\$ 11,000,000	\$ 8,000,000	\$ 108,479,240
Increase (Decrease) in Fund Balance	\$ 210,000	\$ (20,477,857)	\$ -	\$ -	\$ -	\$ -	\$ (20,267,857)
Percent Change in Fund Balance	0.6%	-29.5%	0.0%	0.0%	0.0%	0.0%	-15.7%

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 Facility 1 improvements.

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

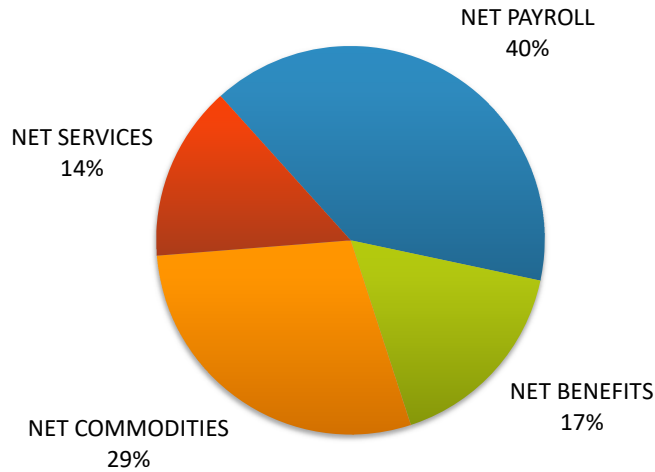
Debt Service: There is normally very little change in the fund balance.

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

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

2021 O&M Budget
Compared to 2020 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

	2020 Budget	2021 Budget	\$ Inc/(Decr)	% Inc/ (Decr)
NET PAYROLL	\$22,861,618	\$23,553,719	\$692,101	3.0%
NET BENEFITS	8,471,670	9,797,102	1,325,432	15.6%
NET COMMODITIES	16,626,093	16,937,320	311,227	1.9%
NET SERVICES	8,134,794	8,591,369	456,575	5.6%
Total	\$56,094,175	\$58,879,511	\$2,785,336	5.0%

(numbers may not add due to rounding)

**2021 Budget Compared to 2020 Budget
By Category**

ACCOUNTS - BY CATEGORY

8/25/2020

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
PAYROLL				
Labor - Non OT	29,310,708	30,461,517	1,150,809	3.9%
Labor-Non OT Gross includes projected payroll costs for all authorized WaterOne employees. To project labor, it is assumed that all current authorized positions are filled as of January 1, 2021. Budgeted salaries have a reduction of 1.0% for slippage.				
		% Chg from 2020 Budget		
2020 Budget Gross Payroll	\$ 29,310,708			
Annual True-Up of 2020 Base	127,435	0.4%		
2021 Beginning Base	\$ 29,438,143			
Reclassifications	21,395	0.1%		
Eliminated Positions	(228,353)	-0.8%		
New Authorizations	296,546	1.0%		
	\$ 29,527,731			
Equity Adjustment (a)	50,000	0.2%		
Performance Compensation	883,786	3.0%		
Total Projected 2021 Labor Budget	\$ 30,461,517	3.9%		

Numbers may not add due to rounding.

(a) A 0.2% equity adjustment is budgeted related to the results of the 2017 Compensation Study.

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

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
The significant budget factors are:				
1) <i>Annual True-Up of Beginning Base</i>		\$127,435		
The increase to the beginning base is made up of the following factors:				
<ul style="list-style-type: none"> • 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 \$96,632. • A true-up based on the 2017 Compensation Study equity adjustments, 2020 actual performance compensation adjustments and implementation of the Distribution Technician Program resulted in an increase of \$30,803. 				
2) <i>Eliminations/New Authorizations/Relcasses</i>		\$89,588		
<ul style="list-style-type: none"> • A total of 5 new full-time positions are requested for a total of \$296,546. • A total of 4 full-time positions and 1 intern position is being eliminated for a total savings of \$228,353. • One reclassification is requested for a total of \$21,395. 				
3) <i>Equity Adjustment from 2017 Compensation Study</i>		\$50,000		
<ul style="list-style-type: none"> • An equity adjustment based on the Compensation Study is budgeted at \$50,000. This adjustment is related to employees that are meeting performance expectations and have remained in the lowest one-third of their salary range. 				
4) <i>Performance Compensation Adjustments</i>		\$883,786		
<ul style="list-style-type: none"> • A performance adjustment increase of 3.0% is budgeted. 				
Labor - OT	1,030,002	1,144,275	114,273	11.1%
Overtime budget is increasing due to true-up based on overtime trends.				
All Other PAYROLL Accounts	60,000	60,000	-	0.0%
PAYROLL Transfers	(7,539,092)	(8,112,073)	(572,981)	7.6%
Net PAYROLL	22,861,618	23,553,719	692,101	3.0%

BENEFITS

Employee Insurance - Health	4,547,534	4,957,974	410,440	9.0%
The budgeted components of health insurance include a budgeted 7.25% premium rate increase, additional personnel and changes to the employee coverage mix.				

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

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Total Pension Accounts	3,053,340	3,863,927	810,587	26.5%

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

	<u>2021 Budget</u>	<u>% Change from 2020 Budget</u>
<i>Defined Benefit (DB) Plans</i>		
412010 - Pension DB – Final Pay Plan	2,298,176	49.4%
412050 - Pension DB – Cash Balance Plan	62,917	1.9%
Total DB Plans	2,361,093	
<i>Defined Contribution (DC) Plans</i>		
412020 - Pension DC – WaterOne	404,646	0.0%
412052 - Pension DC – (New) WaterOne	469,796	3.7%
Total DC - Base	874,442	
412030 - Pension DC – Match	284,871	0.0%
412051 - Pension DC – (New) Match	343,521	10.5%
Total DC - Match	628,392	
<i>Grand Total Pension</i>	<u>3,863,927</u>	26.5%

The Pension Components are:

1) Defined Benefit

Pension DB – Final Pay Plan	1,538,219	2,298,176	759,957	49.4%
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Adjustments to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The budget is increasing primarily due to the amortization of assumption changes in the 2020 experience study. This plan was closed to new participants effective January 1, 2014 (see 'Pension DB – Cash Balance Plan for costs related to employees hired on or after that date).

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Pension DB – Cash Balance Plan	61,760	62,917	1,157	1.9%
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	404,543	404,646	103	0.0%
This budget covers WaterOne's contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive an amount equal to 2.5% of base pay in the previous calendar year into their account. The budget is based on the eligible full-time employee base salary. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) WaterOne' for costs related to employees hired after that date). Payroll increases are offset by reduced participation in the plan.				
Pension DC – (New) WaterOne	453,088	469,796	16,708	3.7%
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.				

3) Defined Contribution - Match

Pension DC – Match	284,798	284,871	73	0.0%
This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account. Eligible participants receive a 50% match on the first 4% of base pay the employee contributes. The budget is based on projected payroll and participation rates of eligible employees. This plan is closed to new participants hired January 1, 2014, and after (see 'Pension DC - (New) Match' for costs related to employees hired after that date). Payroll increases are offset by reduced participation in the plan.				

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Pension DC – (New) Match	310,932	343,521	32,589	10.5%
This budget covers WaterOne’s matching contribution to the employees’ voluntary Defined Contribution retirement account for all employees hired on and after January 1, 2014. Eligible participants receive a 100% match on the first 2% of base pay plus 50% of the next 5% of base pay the employee contributes. The budget is based on the projected payroll and participation rates of eligible full-time employees. The budget increase is due to additional participants entering the plan, payroll increases, and increased participation rates.				
FICA	2,227,256	2,321,104	93,848	4.2%
The budget increase is due to the higher projected payroll and increased overtime.				
Retirees Insurance - Health	349,888	315,656	(34,232)	(9.8%)
The budget is based on a 7.25% premium rate increase. The budget decrease is due to fewer retirees being in the plan than projected.				
All Other BENEFITS Accounts	1,276,784	1,297,084	20,300	1.6%
BENEFITS Transfers	(2,983,132)	(2,958,643)	24,489	(0.8%)
Net BENEFITS	8,471,670	9,797,102	1,325,432	15.6%

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

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
COMMODITIES				
Total Power (next 4 accounts)	9,388,732	9,859,527	470,795	5.0%
<i>Power costs used for the treatment and distribution of water are shown in the next 4 accounts:</i>				
Power - Transmission	4,817,806	5,382,412	564,606	11.7%
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 peaking demands at the Hansen Treatment Facility which results in higher peaking charges. No BPU rate increase is budgeted for 2021.				
Power - Source	2,391,361	2,284,558	(106,803)	(4.5%)
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 decreasing primarily due to operational changes that increase production at the Kansas Intake and decrease utilization of the Missouri Intake. No BPU rate increase is budgeted for 2021.				
Power - Distribution	1,796,767	1,796,767	-	0.0%
This budget is for power from Evergy at the pump stations throughout the distribution system. The budget for this account is based on an analysis of the historical trends for power use at each of the large pump stations. The budget is flat due to no projected rate increase and no significant changes in power usage at the pump stations in 2021.				
Generator Natural Gas – Wolcott	382,798	395,790	12,992	3.4%
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 primarily due to more usage during off-season months for the natural gas generators at the Wolcott facility.				
Chemicals - Water Treatment	4,726,433	4,788,906	62,473	1.3%
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 is increasing primarily due to an increase in the price and dose of chemicals. The increase is partially offset by the planned use of the new Ozone Treatment Facility which will reduce the need for disinfection chemicals at the Kansas Intake, the Missouri Intake and at the Hansen Treatment Facility.				

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

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Material & Supplies	1,370,145	1,377,295	7,150	0.5%
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	886,600	666,804	(219,796)	(24.8%)
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 decreased from \$2.30 in 2020 to \$1.48 for 2021. Additionally, toner is now being supplied through the printer contract and is no longer part of inventory.				
All Other COMMODITIES Accounts	1,166,379	1,147,976	(18,403)	(1.6%)
COMMODITIES Transfers	(912,196)	(903,188)	9,008	(1.0%)
Net COMMODITIES	16,626,093	16,937,320	311,227	1.9%

SERVICES

PC Software License & Maintenance	1,432,302	1,700,568	268,266	18.7%
This account covers WaterOne's software licenses and maintenance on that software. The budget increase is primarily due to focusing more on cloud-based data storage and utilizing services for a cloud data center. In addition, there are increases for maintenance services relating to the new SCADA software platform, new security software licenses, a new Human Resource Information System (HRIS) and expanded support and upgrades for hydraulic modeling software.				
Property & Liability Insurance	695,192	752,296	57,104	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 2020 will be in effect for the first half of the 2021 budget. The budget includes a 3% projected increase in premiums for the second half of 2021.				
Contracted Services	597,287	668,449	71,162	11.9%
These are services that are not cost-effective to complete in-house. This account varies from year-to-year based on need. The increase is primarily due to increased outsourced IT services, and amortization of the AWIA Study.				

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

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Clean Drinking Water Fee	593,545	585,015	(8,530)	(1.4%)
<p>The clean drinking water fee is assessed by the State of Kansas at three cents per thousand gallons sold. The fee was put in place in lieu of sales tax in 2002. Approximately 50% of the fee is transferred to capital expenditures through an overhead. The budget is based on the projected number of retail gallons sold in a normal year. This account is included here because it makes up more than 5% of the 'Services' category.</p>				
AMI Services	313,502	537,432	223,930	71.4%
<p>The 2021 budget for Advanced Metering Infrastructure (AMI) includes all fees related to the network, software, data management, and customer portal for the year.</p>				
Security / Security Guards	463,059	463,059	-	0.0%
<p>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.</p>				
Maintenance Services	320,083	289,731	(30,352)	(9.5%)
<p>This budget is decreasing primarily due to a decrease in contracted costs for variable speed drive inspection and maintenance, reduction in maintenance of the Kansas River vertical wells which have been replaced by a horizontal collector well, and a reduction in the annual maintenance costs for the security card system.</p>				
Cleaning & Inspecting Facilities	134,115	210,536	76,421	57.0%
<p>This budget is for the amortization of cleaning and inspection contracts for facilities such as storage tanks, basins, horizontal collector wells, and reservoirs. The increase is due to the primary and final basin cleanings in 2019 which began amortization in 2020 and plans for additional cleaning and inspecting at multiple locations in 2020 which will be amortized over three years.</p>				
Uncollectible Accounts	153,750	179,854	26,104	17.0%
<p>This is the estimated cost for uncollected water bills. Unpaid final bills are referred to an outside agency for collection, considered uncollectible, and written off. Due to rising unemployment rates and negative economic projections, this percentage has been raised to 0.15% of total water sales revenue.</p>				
IT Hardware Maintenance	69,050	157,900	88,850	128.7%
<p>This account is for the recurring maintenance contracts for network hardware. The 2021 budget increase is primarily due to the renewal of a 3-year contract for the data center, storage and backup systems maintenance. There are also six firewalls due for renewal.</p>				
Non-Employee Overload	336,760	133,232	(203,528)	(60.4%)
<p>The budget decreased due to the elimination of temporary meter readers which were budgeted in 2020 during the transition to AMI.</p>				

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

8/25/2020

	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
Environmental & Risk Mgmt	18,505	47,930	29,425	159.0%
This budget is for weekly inspections, quarterly waste collections, and hazardous waste audits to ensure WaterOne effectively manages environmental risk factors. The increase is due to services being outsourced which were previously completed in-house.				
IT Maint - Printers	8,920	40,000	31,080	348.4%
This account is for the outsourcing of maintenance on printers and the replacement of used printer toner cartridges. In 2020, WaterOne handled replacement of printer toner cartridges and maintenance on printers through internal staff and withdrawal from a toner inventory. There is an offsetting decrease in inventory withdrawals for toner cartridges.				
All Other SERVICES Accounts	3,475,451	3,492,847	17,396	0.5%
SERVICES Transfers	(476,726)	(667,480)	(190,754)	40.0%
Net SERVICES	8,134,794	8,591,369	456,575	5.6%
GRAND TOTAL	56,094,175	58,879,511	2,785,336	5.0%

Numbers may not add due to rounding

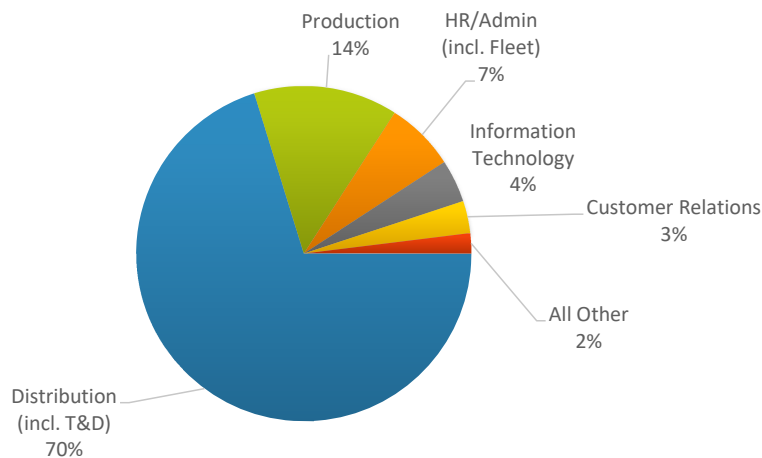
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Significant Account:
5% of category OR
change of \$25k+/- and 5%+/-

TOTAL ANNUAL CAPITAL BUDGET BY DIVISION

Comparison of 2020 & 2021

Division	2020 Adopted Budget	2021 Adopted Budget	Dif \$	Dif %	% of Total Capital Requests	
					2020	2021
Distribution (incl. T&D)	\$ 18,929,504	\$ 19,377,678	\$ 448,174	2.4%	68.4%	70.2%
Production	3,310,794	3,838,227	527,433	15.9%	12.0%	13.9%
Human Resources / Admin. (incl. Fleet)	2,561,854	1,846,724	(715,130)	(27.9%)	9.3%	6.7%
Information Technology	1,313,514	1,136,149	(177,365)	(13.5%)	4.7%	4.1%
Customer Relations	744,555	865,815	121,260	16.3%	2.7%	3.1%
Finance	260,486	-	(260,486)	(100.0%)	0.9%	0.0%
Omissions and Contingencies	539,293	535,407	(3,886)	(0.7%)	1.9%	1.9%
Total Annual Capital	\$ 27,660,000	\$ 27,600,000	\$ (60,000)	(0.2%)	100%	100%

2021 ANNUAL CAPITAL

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

	2020	2021	\$ Incr/(Decr)	% Incr/(Decr)
Distribution Main Replacements	\$ 9,540,000	\$ 9,540,000	\$ -	0.0%
Distribution Main Breaks	4,100,000	4,485,000	385,000	9.4%
General Improvements	2,200,000	2,500,000	300,000	13.6%
Distribution Main Relocations	1,300,000	1,400,000	100,000	7.7%
Transmission Main Capital	600,000	700,000	100,000	16.7%
Condition Assessment	500,000	520,000	20,000	4.0%
Subtotal T&D Funding	\$ 18,240,000	\$ 19,145,000	\$ 905,000	5.0%

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, diverse, and engaged workforce.
- Provide a competitive total compensation package.
- Train, develop, mentor, and plan for succession of employee talent.
- Foster an equitable and inclusive culture so employees have opportunity to thrive.
- Promote open employee communication.

Goal 4: Ensure financial stability and predictable rates

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

Strategic Plan

Goal 5: Continuously improve business processes

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

Goal 6: Proactively manage infrastructure

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

Goal 7: Be good stewards of the environment

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

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

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

Strategic Plan

2021 Operational Goals and how they relate to the Strategic Goals

2021 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
Production									
1	Complete ozone treatment facility	X				X		X	
2	Execute SCADA master plan	X				X	X		X
3	Begin space needs study design engineering			X		X	X		X
4	Develop data governance strategy					X			
5	Complete Johnson Drive Tank & Pipeline	X	X			X	X	X	
6	Complete two new elevated tanks	X	X			X	X	X	
7	Expansion of Nall Ave pump station	X	X			X	X		
8	Initiate Facility 1 improvements at Hansen Treatment Plant	X				X	X		
9	Expand inventory program				X	X	X		
10	Replace membranes at Wolcott Treatment Plant	X				X	X		
11	Begin hydro power generation facility design engineering				X	X		X	

2021 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:									
Distribution									
1	Complete Johnson Drive Tank & Pipeline	X	X			X	X	X	
2	Complete two new elevated tanks	X	X			X	X	X	
3	Expansion of Nall Ave Pump Station	X	X			X	X		
4	Reclamation of north 90-acre property				X	X	X	X	
5	Phase II Woodson 30" transmission main replacement						X		
Customer Relations									
1	Implementation of Advance Meter Infrastructure		X			X	X	X	
2	Implementation of cloud call center		X			X			
3	Develop data governance strategy					X			
4	Replace customer payment platform		X			X	X		
5	Upgrade WaterOne website		X	X	X	X	X	X	

2021 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
Finance									
1	Request and evaluate proposals for financial advisory services				X				
2	Expand inventory program				X	X	X		
3	Evaluate banking services		X		X	X			
Human Resources									
1	Implement Learning Management System		X	X		X			X
2	Human Resources Information System improvements		X	X		X			
3	Vulnerability assessment					X			X
Legal/Audit									
1	Implementation of records information management initiative					X			
2	Enhance contract review process					X			
3	Update construction contract forms and complete training					X			

Strategic Plan

2021 Operational Goals By Division		Strategic Goals							
		Quality Water 1	Customer Service 2	Employer of Choice 3	Financial Stability 4	Process Improvement 5	Asset Management 6	Environmental Stewardship 7	Safety & Security 8
Information Technology									
1	Execute SCADA master plan	X				X	X		X
2	Enhance business continuity and disaster planning					X			
3	Implementation of records information management initiative					X			
4	Human Resources Information System improvements		X	X		X			
5	Develop data governance strategy					X			
6	Develop strategy for ERP upgrade		X		X	X	X		
7	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.

> STRATEGIC GOAL 1

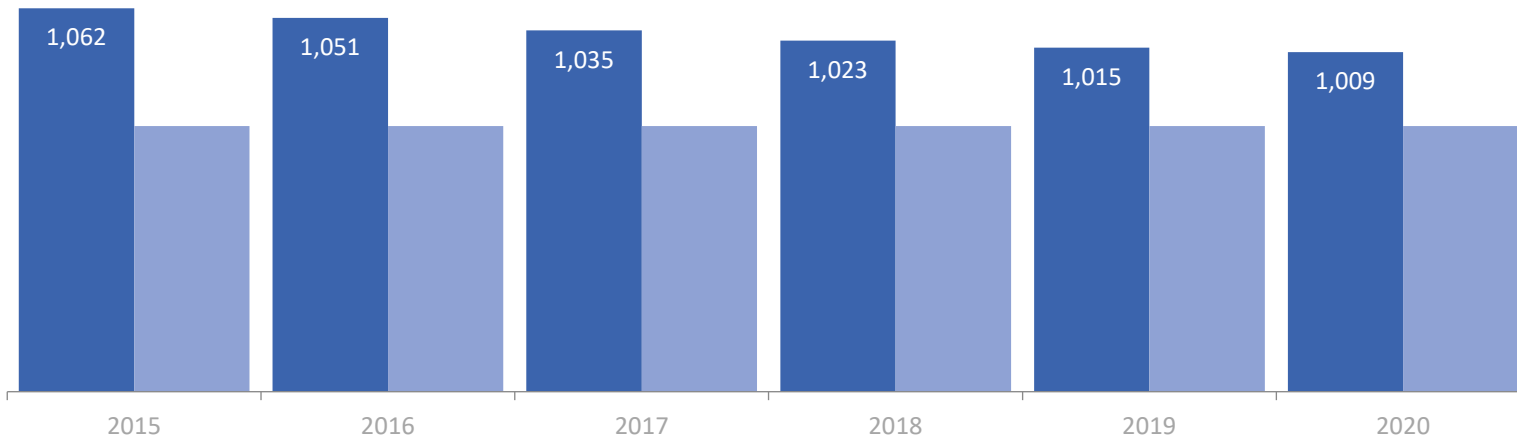
Ensure a Safe, Reliable, High Quality Water Supply

↑ 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%	100%	G ↔	
3. Production Facilities' Capacity of Available Max Day Gallons Per Customer. Annual. (See graph below.)	920	1,009	B ↓	

Max Day Gallons Per Customer



WATER QUALITY KPI's

Process	Parameter	December 2020 Range	Performance Rating	Target Range	Frequency	Comments
Settled	Odor (MIB & Geosmin)	0 - 2		< 10 ng/l	Weekly	
Membrane Combined Effluent	Turbidity	100.0%		96% < 0.2 ntu	5 Minute	
Filter (Start Up)	Turbidity	100.0%		99% < 0.8 ntu	15 Minute	
Filter (After Seat In)	Turbidity	100.0%		99% < 0.3 ntu	15 Minute	
Tap	Turbidity	100.0%		96% < 0.2 ntu	5 Minute	
Tap	Calcium Hardness	90.0%		90% > 60 mg/L	Daily	
Tap	Total Hardness	139 - 144		100 - 145 mg/L	Running Annual Average	
Tap	Total Alkalinity	100.0%		90% > 45 mg/L	Daily Avg	
Tap	pH	100.0%		90 % Between 9.3 - 9.7	Daily Avg	
Tap	Total Chlorine	100.0%		90% Between 2.5 - 3.25 mg/L	Daily Avg	
Tap	Bromate	100.0%		99% < 0.6 mg/L	Daily	
Tap	Odor (MIB & Geosmin)	0 - 3.1		< 5 ng/l	Weekly	
Tap	Total Coliforms	100.0%		100% Negative	Weekly	
Tap	E. Coliforms	0.0%		0 positive	Weekly	
Tap	Fluoride	100.0%		90% Between 0.5 - 0.8 mg/L	Daily Avg	
Distribution	Total Chlorine	99.0%		90% Between 2.25 - 3.80 mg/L	Daily	
Distribution	Total Coliforms	100.0%		98% Negative	>200/Month	
Distribution	E. Coliforms	0.0%		0 positive	>200/Month	
Distribution	pH	93.0%		90% Between 9.3 - 9.7	Daily	
Distribution	Lead	100.0%		95% < 0.01 mg/L	Annual Percentile	



GREEN: All Parameters Meet Goals



YELLOW: 1 to 3 Parameters do not meet goals



RED: 4 or more Parameters do not meet goals

> STRATEGIC GOAL 2

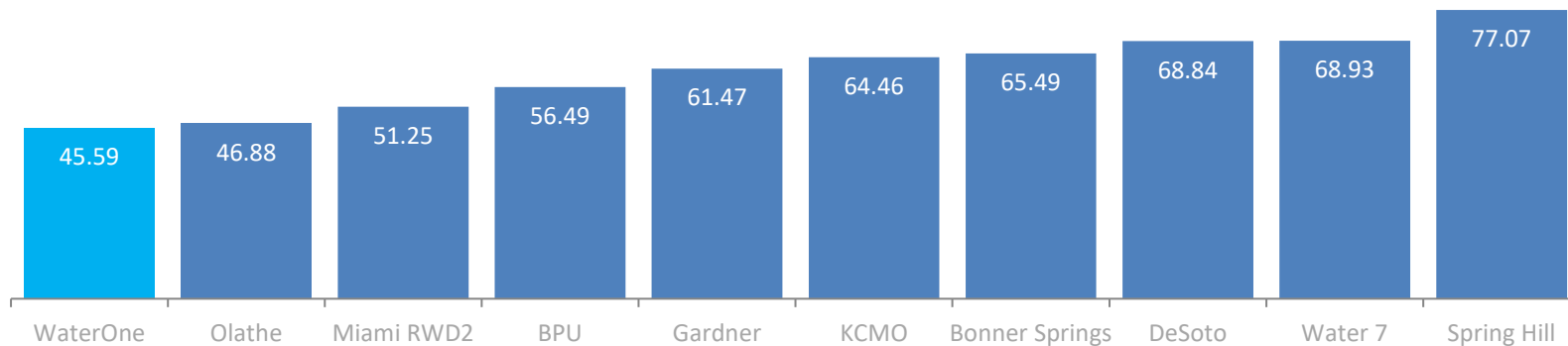
Provide Excellent Customer Service

↑ Increase
↔ No Change
↓ Decrease

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

KPI	Target	Actual	Status	Management Comment
4. Composite Customer Satisfaction Performance Rating - (CCR) based upon an index of various customer service and water service components common to utilities across the nation.	80.0	82.7	Y ↓	
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	4.3	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 ↔	
7. Billing Accuracy - (CCR) 12MTD Expression of error-driven billing adjustments per 10,000 bills.	7.2	13.6	R ↑	Use of Contract work has provided challenges.

2020 Average Monthly Amount for 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 dates lost due to injury. Rate per 100 employees.		7.5	B ↑	
9. Turnover Rate - (HR) Expression of the performance and stability of the workforce. YTD.		5.4%	G ↔	Voluntary - 8 Involuntary - 2 Retirements - 11 Other - 0



> STRATEGIC GOAL 4

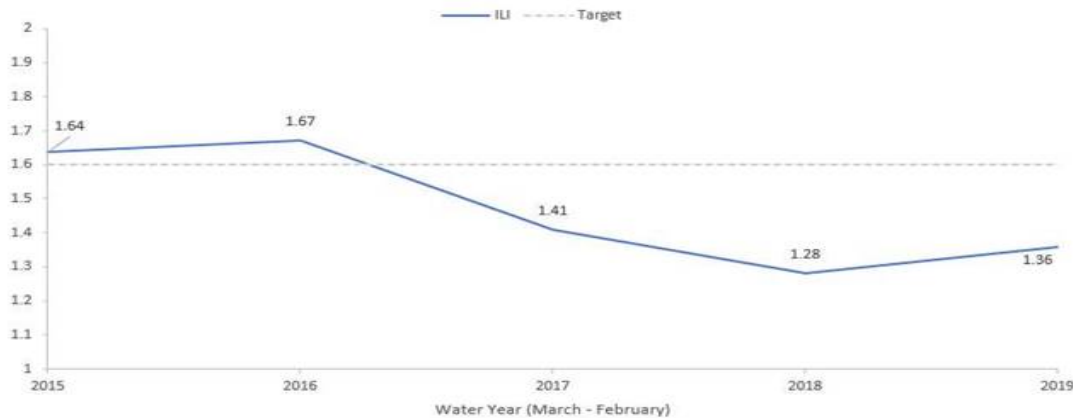
Ensure Financial Stability and Predictable Rates.

↑ 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. Infrastructure Leakage Index (ILI). Ratio of actual losses to expected losses. The ILI is an effective KPI for comparing utilities' operational management of real water losses.	1.60	1.36	B ↓	This KPI was changed in 10/20 from Real Losses as a % of budgeted water produced.
11. O&M Cost Per Million Gallons Produced. - YTD	\$ 2,468	\$ 2,704	R ↑	Million Gallons Produced was 5.73% less than budgeted.
12. O&M Cost per Customer Account - O&M Costs divided by number of customer accounts that were billed during the reporting period. YTD	\$ 373	\$ 386	Y ↓	
13. Actual vs. Budgeted Water Sales Revenue. - YTD	\$ 115,992,602	\$ 114,852,298	G ↓	
14. O&M Budget to Actual Expenditures (Post-Transfers) - YTD	\$ 56,094,175	\$ 57,932,645	Y ↓	Required DB & OPEB GASB entries added \$2.18M expense.
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.		437	Y ↑	
16. Debt Ratio - Quantifies the utilities level of indebtedness.	26.3%	17.9%	B ↑	

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



> 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

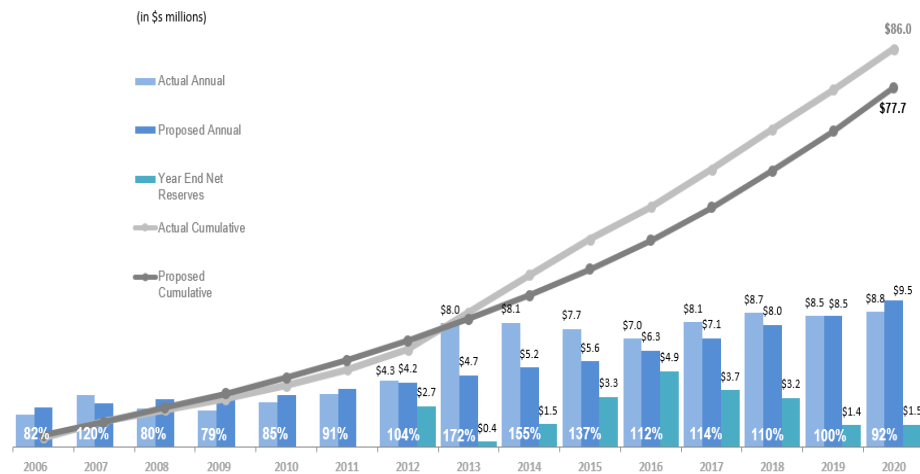
Proactively Manage Infrastructure

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.")	90%	92.00%	B 	In 2020, the target was reduced to 90% given the lower trend of main breaks and robust replacement in past years.	
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.")	23.6	22.0	B 		
19. Active Customer Accounts vs. Projected - (FIN) Actual growth in the number of bill paying customers compared to estimated growth.	1,400	1,268	R 	Customer growth has continued to be below budget for 2020. Staff is lowering the growth budget for 2021.	
20. Of the customers that experienced a water outage, the percent of affected customers that were out of service for:	0-4 Hours 4-12 Hours >12 Hours	> = 80% < = 20% 0%	82.0% 16.1% 1.9%	  	Valve problems delayed shutdown. Main was > 12 ft deep.
21. Total annual minutes of service outage divided by the annual weighted average number of customers will not exceed 20 minutes.	20	12	B 		

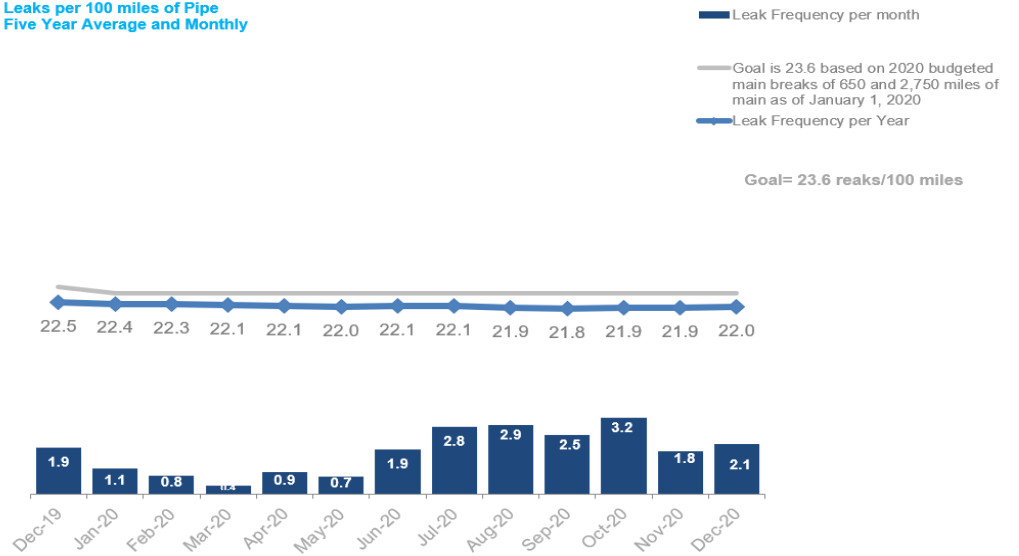
Strategic Goal 6 Continued

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 ↔	
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 ↔	
24. Annual Capital Projects - (FIN) Annual Capital Projects not on-time / on-budget.	\$ 9,419,640	\$ 4,418,507	G ↔	
25. Master Plan Projects - (FIN) Master Plan Projects not on-time / on-budget.	\$ 248,718,023	\$ 178,234,766	G ↔	
26. Facilities Maintenance - % of "Planned" Man-Hours	85%	93%	B ↑	
27. Facilities Maintenance - % Man-Hours on Emergency Work Orders	5%	0.5%	B ↑	

Piping Replacement - Proposed vs. Actual



Leaks per 100 miles of Pipe
Five Year Average and Monthly



> STRATEGIC GOAL 7

Be Good Stewards of the Environment.

No KPIs developed at this time

> STRATEGIC GOAL 8

Promote a Safe Work Environment &
Establish a Security Conscious Culture

MONTHLY & QUARTERLY KPI DETAIL REPORT

Reporting Division	WaterOne Key Performance Measures	Measurement As Of December 31, 2019	2020 Goal As Of Dec 31	2020 YTD or 12 Months to Date Dec 31, 2020	Variance (- / +) %	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)	97.2%	100.0%	100.0%	0.00%	100.0%	100.0%	G ↔
CCR	Composite Customer Satisfaction Performance Rating (qtrly)	85.0%	80.0%	82.7%	3.37%			Y ↓
CCR	Technical Water Quality Complaints/1,000 Accounts (12 MTD - Est.)	4.1	8.0	4.3	-46.25%	0.7	0.2	B ↔
CCR	Billing Accuracy - Bill Adj/10,000 Bills (12 MTD)	15.9	7.2	13.6	88.89%	7.2	30.1	R ↑
HR	Turnover Rate (YTD)	8.6%		5.4%				G ↔
FIN	O&M Cost per Million Gallons Produced	\$ 2,793	\$ 2,468	\$ 2,704	9.55%	\$ 4,406	\$ 6,542	R ↑
FIN	O&M Cost per Customer Account	\$ 365	\$ 373	\$ 386	3.37%	\$ 37	\$ 51	Y ↓
FIN	Actual vs. Budgeted Water Sales Revenue	\$ 102,833,800	\$ 115,992,602	\$ 114,852,298	-0.98%	\$ 6,787,653	\$ 6,377,319	G ↓
FIN	O&M Budget to Actual Expenses	\$ 54,398,113	\$ 56,094,175	\$ 57,932,645	3.28%	\$ 5,597,050	\$ 7,656,195	Y ↓
DST	Water Distribution System Integrity - Avg leaks/100 miles (5 yr rolling)	22.5	23.6	22.0	-6.78%	2.0	2.1	B ↓
FIN	Active Customer Accounts vs. Projected	1,161	1,400	1,268	-9.43%	104	133	R ↑
FIN	Annual Capital Projects	\$ 4,500,050	\$ 9,419,640	\$ 4,418,507				G ↔
FIN	Master Plan Projects	\$ 175,796,902	\$ 248,718,023	\$ 178,234,766				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	93.9%	85.0%	92.7%	9.09%	85.0%	92.7%	B ↑
PRD	Facilities Maintenance - % Man-hours on Emergency Workorders	0.4%	5.0%	0.5%	-89.58%	5.0%	0.5%	B ↑

· 2020 Key Performance Indicators (KPI)

Measured Performance as of December, 2020

↑ 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	2016 Final	2017 Final	2018 Final	2019 Final	2020 Final	2020 Target	Performance Rating
	Reported Annually							
PRD	Max Day Facilities per Customer (gal per customer)	1,051	1,035	1,023	1,015	1,009	920	B ↓
FIN	Residential Cost of Water	\$ 43.37	\$ 44.17	\$ 44.17	\$ 44.97	\$ 45.59	\$ 45.59	G ↔
HR	Employee Health & Safety Severity Rate	19.7	10.6	7.6	94.9	7.5		B ↑
DST	Infrastructure Leak Index (actual losses compared to expected)	1.67	1.41	1.28	1.36	*	1.60	B ↓
DST	Number of Minutes of Water Outage per Total System Customers	11	9	14	11	12	20	B ↓
DST	Of the customers that experienced a water outage for the year, the percent of affected customers that were out of service > 12 hours.	0.0%	1.7%	0.5%	0.3%	1.9%	0.0%	Y ↓
HR	Customers Served per Employee	454	421	445	427	437		Y ↑
FIN	Debt Ratio	21.7%	21.7%	21.1%	18.6%	17.9%	26.3%	B ↑
DST	System Renewal Rate - Distribution	112.0%	114.0%	110.0%	100.0%	92.0%	90.0%	B ↑

Final 2020 Key Performance Indicators (KPI) Measured Performance

* The 2020 ILI will not be available until summer of 2021.

↑ Increase
↔ No Change
↓ Decrease

■ **BLUE:** Exceeds Target > 2%
■ **GREEN:** +/- 2% < Target
■ **YELLOW:** 2% - 5% < Target
■ **RED:** 5% < Target

2021 REVENUE SUMMARY**OPERATING REVENUE ASSUMPTIONS****Comparison of Revenues**

Revenue Type	2020 Budget	2021 Budget	\$ Inc<Dec>	% Inc<Dec>
Sales of Water	\$115,992,602	\$119,283,371	\$3,290,769	2.8%
Other Operating Revenues	1,630,000	1,543,000	<87,000>	<5.3%>
Investment Income	2,730,000	300,000	<2,430,000>	<89.0%>
Total	\$120,352,602	\$121,126,371	\$773,769	0.6%

Sales of Water

Sales of Water in 2021 are projected to increase by \$3,290,769 or 2.8%.

- A 2.8% rate increase will provide \$3,267,491 in additional revenue.
- 1,200 new customers will provide additional revenue of \$1,185,638. WaterOne projects new customer growth by analyzing the long term historical average as well as the recent growth trends.
- A 3.0% 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 \$1,794,529.
- A change in the percentage of R1 gallons that were allocated to Block 1 was changed based on recent trends from 82% to 75% which resulted in a net increase in revenue of \$1,153,285.
- 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 decrease in revenue of \$521,116.

Volume Charge vs. Service Charge

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

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

Other Operating RevenuesDelayed Payment Charges

Delayed Payment Charges are applied to water bills paid after the due date. Budgeted revenues from this source are \$550,000 which is \$50,000 or 8.3% less than the 2020 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 2021 are budgeted to be \$353,000 which is a slight increase from the 2020 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 \$640,000, which is \$40,000 or 5.9% less than the 2020 budget. This budget has been decreased due to lower anticipated checking account interest rates.

Investment Income

Investment income is earned on investments made with cash that is not needed for daily operation. Investment income in 2021 is budgeted to be \$300,000. This is a decrease of \$2,430,000 or 89.0% less than the 2020 budget. The decrease is due to the assumed interest rate decreasing from 2.20% to 0.25%.

NON-OPERATING REVENUE (not a funding source for the Annual Budget)**System Development Charges (SDCs)**

SDCs are paid by new customers when they apply for a service connection permit. They cannot be used for operating expenses and therefore the revenue is not included as a funding source for the annual budget. SDCs are used to fund Master Plan, and they could be utilized to retire debt. For 2021, SDC income is budgeted at \$6,000,000 which is \$1,000,000 or 14.3% less than the 2020 budget. The decrease is due to a reduction in new customer growth. SDCs are conservatively budgeted by assuming that all of the customer growth will be 5/8" service connections. The SDC is budgeted at \$5,000, remaining flat.

WATER RATE STRUCTURE

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

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

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

Block	Gallons	2021 Rates per 1,000 gallons	Total
1	5,250	\$4.36	\$22.89
2	1,750	\$5.80	\$10.15
Service Charge	NA	\$11.90	\$11.90
	7,000		\$44.94

There is a 2.8% rate increase for 2021 and no change to the rate structure. The typical customer's bill will increase \$1.21 to \$44.94 per month.

**Comparison of Volume Rates and Service Charges
2020 to 2021
2.8% Rate Increase**

		Meter Size	Actual 2020 Rates	Adopted 2021 Rates	\$ Increase	% Increase
Retail Service Charges:						
Single Family Residential			Bi-monthly			
Monthly	\$11.90	5/8"	\$23.20	\$23.80	\$0.60	2.6%
	\$15.65	3/4"	\$30.40	\$31.30	\$0.90	3.0%
	\$23.30	1"	\$45.30	\$46.60	\$1.30	2.9%
	\$43.25	1 1/2"	\$84.10	\$86.50	\$2.40	2.9%
	\$64.70	2"	\$125.90	\$129.40	\$3.50	2.8%
	\$156.35	3"	\$304.20	\$312.70	\$8.50	2.8%
	\$245.75	4"	\$478.10	\$491.50	\$13.40	2.8%
All Other			Monthly			
		5/8"	\$14.40	\$14.80	\$0.40	2.8%
		3/4"	\$18.00	\$18.50	\$0.50	2.8%
		1"	\$25.50	\$26.20	\$0.70	2.7%
		1 1/2"	\$44.80	\$46.10	\$1.30	2.9%
		2"	\$65.80	\$67.60	\$1.80	2.7%
		3"	\$154.90	\$159.20	\$4.30	2.8%
		4"	\$241.80	\$248.60	\$6.80	2.8%
		6"	\$512.20	\$526.50	\$14.30	2.8%
Temporary Commercial (All Meter Sizes)			\$91.70	\$94.30	\$2.60	2.8%

Retail Volume Charges per 1,000 Gallons:

Block 1 (0 to 125% of AWC):

All Classes	\$4.24	\$4.36	\$0.12	2.9%
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Block 2 (Over 125% of AWC):

All Classes	\$5.64	\$5.80	\$0.16	2.8%
-------------	--------	---------------	--------	------

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

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

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

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

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

Monthly Bill Impact
By Rate Class and Meter Size

Rate Class	Meter Size	Monthly Consumption (In Gallons)	Block 1 Gallon %	2020 Avg Bill	2021 Avg Bill	% Increase (Decrease)	Monthly Increase (Decrease)
<i>Average Residential</i>	5/8"	7,000	75%	\$ 43.73	\$ 44.94	2.8%	\$ 1.21

Single Family Residential

Low Usage	5/8"	3,475	99%	\$ 26.39	\$ 27.11	2.7%	\$ 0.72
Moderate Usage	5/8"	7,205	82%	\$ 43.94	\$ 45.16	2.8%	\$ 1.22
High Usage	5/8"	11,920	60%	\$ 68.84	\$ 70.76	2.8%	\$ 1.92

Low Usage	1"	3,629	94%	\$ 38.36	\$ 39.46	2.9%	\$ 1.10
Moderate Usage	1"	9,041	69%	\$ 64.94	\$ 66.79	2.8%	\$ 1.85
High Usage	1"	25,699	37%	\$ 154.25	\$ 158.63	2.8%	\$ 4.38

Multi-Family Residential

Low Usage	1"	9,448	100%	\$ 65.60	\$ 67.44	2.8%	\$ 1.84
Moderate Usage	1"	19,539	96%	\$ 109.37	\$ 112.44	2.8%	\$ 3.07
High Usage	1"	43,442	78%	\$ 223.13	\$ 229.43	2.8%	\$ 6.30

Low Usage	1 1/2"	20,849	100%	\$ 133.25	\$ 137.05	2.9%	\$ 3.80
Moderate Usage	1 1/2"	37,902	97%	\$ 206.84	\$ 212.73	2.8%	\$ 5.89
High Usage	1 1/2"	86,702	77%	\$ 440.12	\$ 452.62	2.8%	\$ 12.50

Low Usage	2"	24,423	100%	\$ 169.44	\$ 174.17	2.8%	\$ 4.73
Moderate Usage	2"	47,178	98%	\$ 266.84	\$ 274.33	2.8%	\$ 7.49
High Usage	2"	120,189	74%	\$ 619.61	\$ 637.09	2.8%	\$ 17.48

Small Commercial

Low Usage	5/8"	587	100%	\$ 16.89	\$ 17.36	2.8%	\$ 0.47
Moderate Usage	5/8"	2,625	92%	\$ 25.83	\$ 26.55	2.8%	\$ 0.72
High Usage	5/8"	17,203	64%	\$ 96.02	\$ 98.73	2.8%	\$ 2.71

Low Usage	3/4"	1,344	99%	\$ 23.71	\$ 24.37	2.8%	\$ 0.66
Moderate Usage	3/4"	7,350	74%	\$ 51.83	\$ 53.29	2.8%	\$ 1.46
High Usage	3/4"	40,917	44%	\$ 223.48	\$ 229.80	2.8%	\$ 6.32

Low Usage	1"	2,574	98%	\$ 36.48	\$ 37.49	2.8%	\$ 1.01
Moderate Usage	1"	12,019	80%	\$ 79.86	\$ 82.09	2.8%	\$ 2.23
High Usage	1"	49,868	54%	\$ 268.95	\$ 276.55	2.8%	\$ 7.60

Large Commercial

Low Usage	1 1/2"	13,594	88%	\$ 104.65	\$ 107.65	2.9%	\$ 3.00
High Usage	1 1/2"	99,521	64%	\$ 516.59	\$ 531.26	2.8%	\$ 14.67

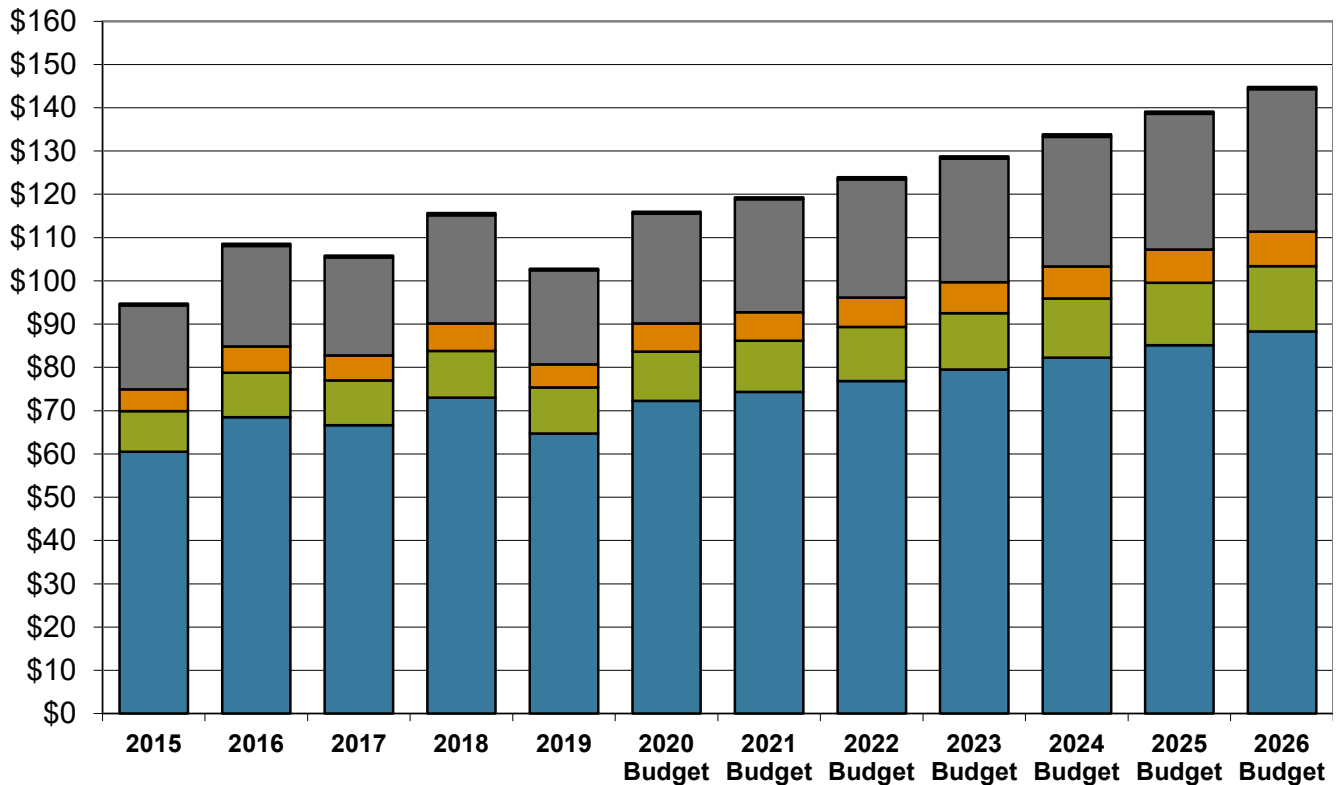
Low Usage	2"	23,017	93%	\$ 165.67	\$ 170.30	2.8%	\$ 4.63
High Usage	2"	181,346	73%	\$ 904.31	\$ 929.86	2.8%	\$ 25.55

Low Usage	3"	99,296	89%	\$ 590.88	\$ 607.52	2.8%	\$ 16.64
High Usage	3"	514,449	74%	\$ 2,523.42	\$ 2,594.81	2.8%	\$ 71.39

Low Usage	4"	173,417	97%	\$ 984.84	\$ 1,012.67	2.8%	\$ 27.83
High Usage	4"	941,875	76%	\$ 4,551.82	\$ 4,680.68	2.8%	\$ 128.86

HISTORY OF WATER SALES BY RATE CLASS

In millions



In Million \$'s		Wet 2015	Normal 2016	Wet 2017	Semi-Dry 2018	Wet 2019	Normal 2020	Normal 2021	Normal 2022	Normal 2023	Normal 2024	Normal 2025	Normal 2026
R1		\$ 60.5	\$ 68.5	\$ 66.7	\$ 73.0	\$ 64.7	\$ 72.3	\$ 74.3	\$ 76.9	\$ 79.5	\$ 82.2	\$ 85.2	\$ 88.3
M1		\$ 9.4	\$ 10.3	\$ 10.4	\$ 10.8	\$ 10.7	\$ 11.4	\$ 11.9	\$ 12.5	\$ 13.1	\$ 13.7	\$ 14.4	\$ 15.1
C1		\$ 5.0	\$ 6.0	\$ 5.7	\$ 6.4	\$ 5.3	\$ 6.5	\$ 6.6	\$ 6.8	\$ 7.1	\$ 7.4	\$ 7.7	\$ 8.0
C2		\$ 19.4	\$ 23.2	\$ 22.6	\$ 25.0	\$ 21.7	\$ 25.4	\$ 26.1	\$ 27.3	\$ 28.6	\$ 29.9	\$ 31.3	\$ 32.9
C3		\$ 0.4	\$ 0.6	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.6
W1		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total		\$ 94.7	\$ 108.6	\$ 105.8	\$ 115.6	\$ 102.8	\$ 116.0	\$ 119.3	\$ 123.9	\$ 128.8	\$ 133.8	\$ 139.1	\$ 144.8

R1 = Single Family Residential

M1 = Multi-Family Residential

C1 = Small Commercial

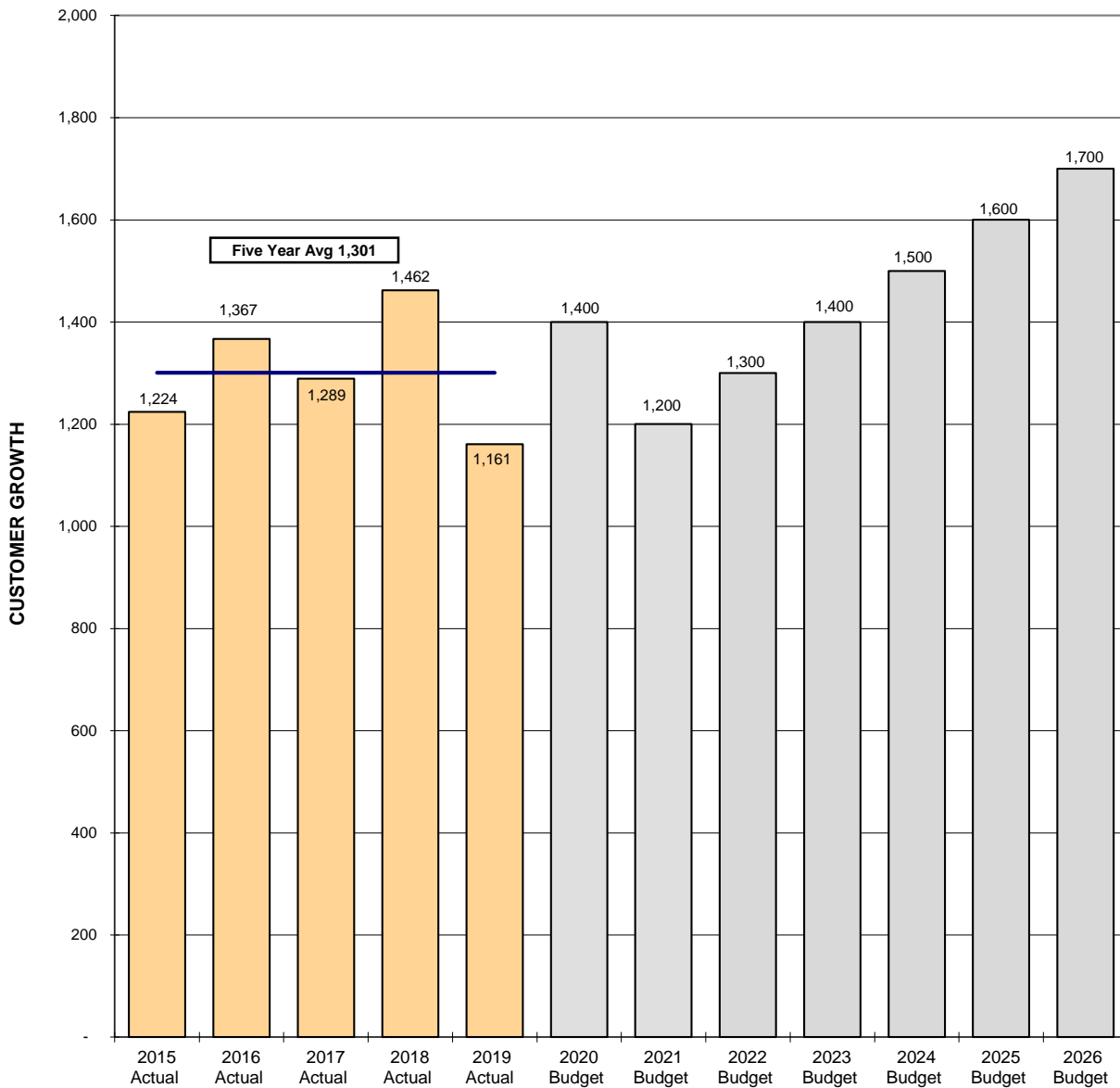
C2 = Large Commercial

C3 = Temporary Commercial

W1 = Wholesale

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

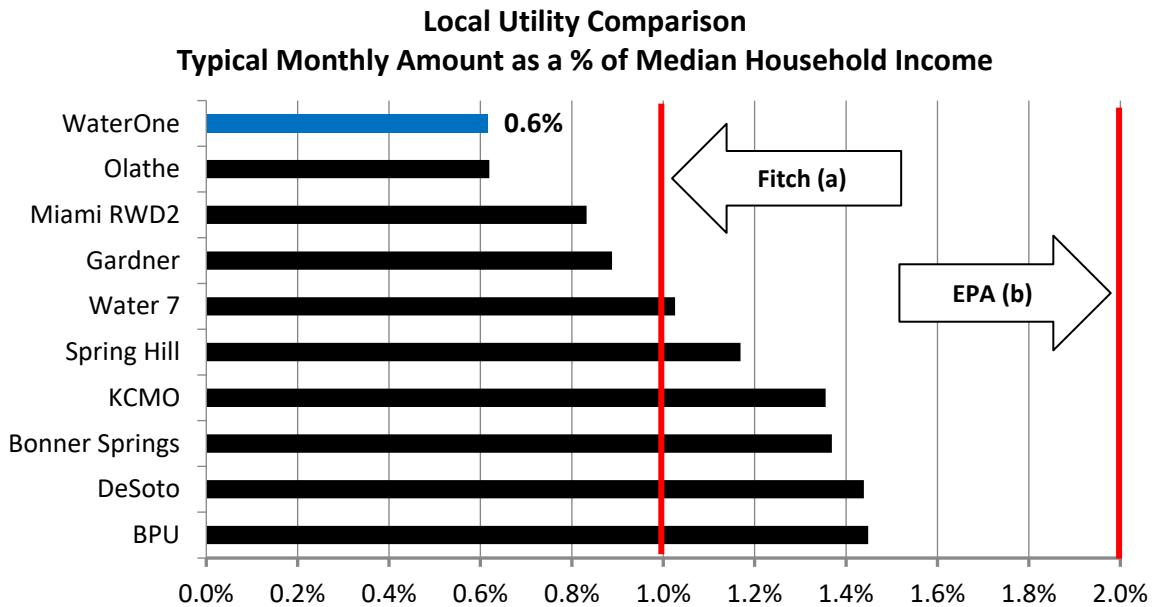
CUSTOMER GROWTH



5 Year Average (2015 to 2019) of Customer Growth = 1,301

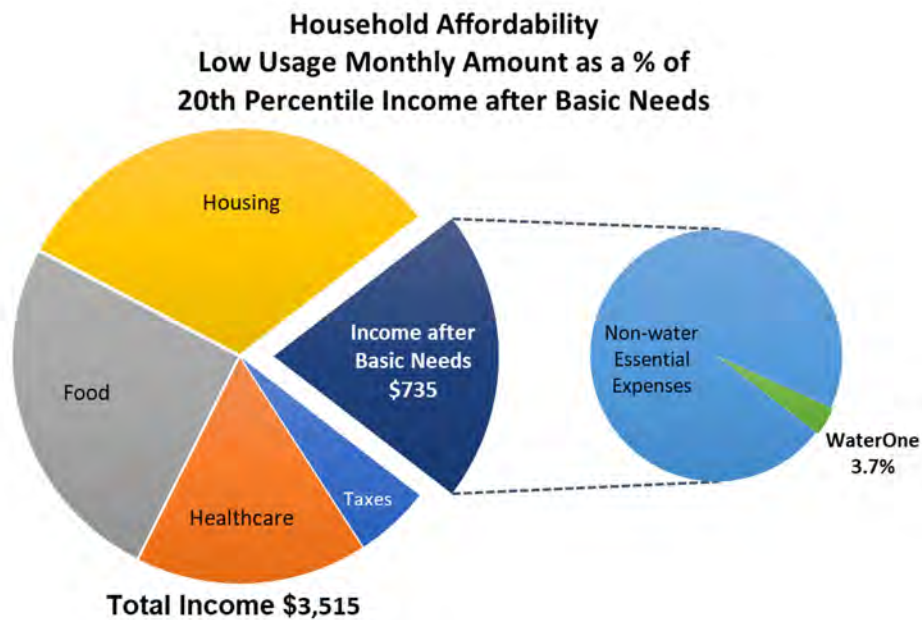
Commercial Temporary (C3) customers are excluded from the annual customer growth amounts.

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



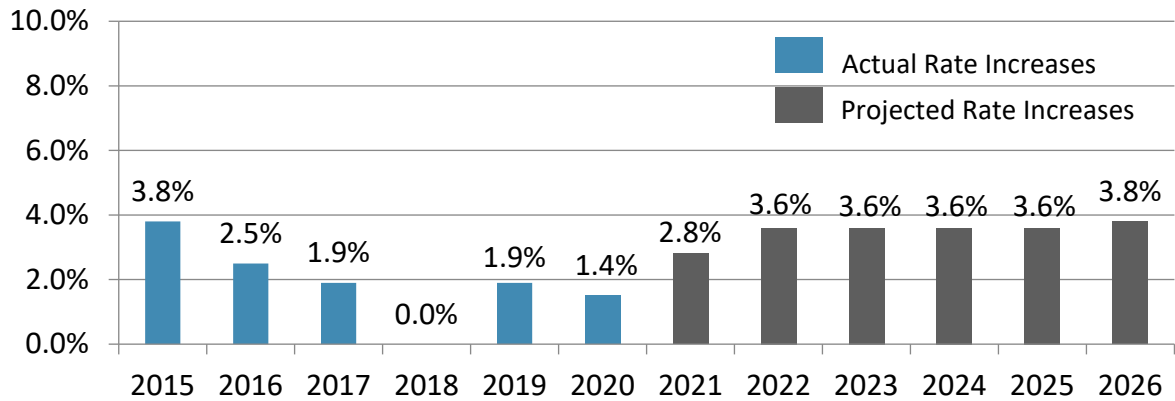
- a) Local economic and demographic factors affect a community's financial capacity to support and pay for drinking water service. Fitch Ratings has indicated that it considers rates that are higher than 1% for an individual water utility to be financially burdensome (Fitch, 2012).
- b) The US Environmental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

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



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

Water Rate Increases

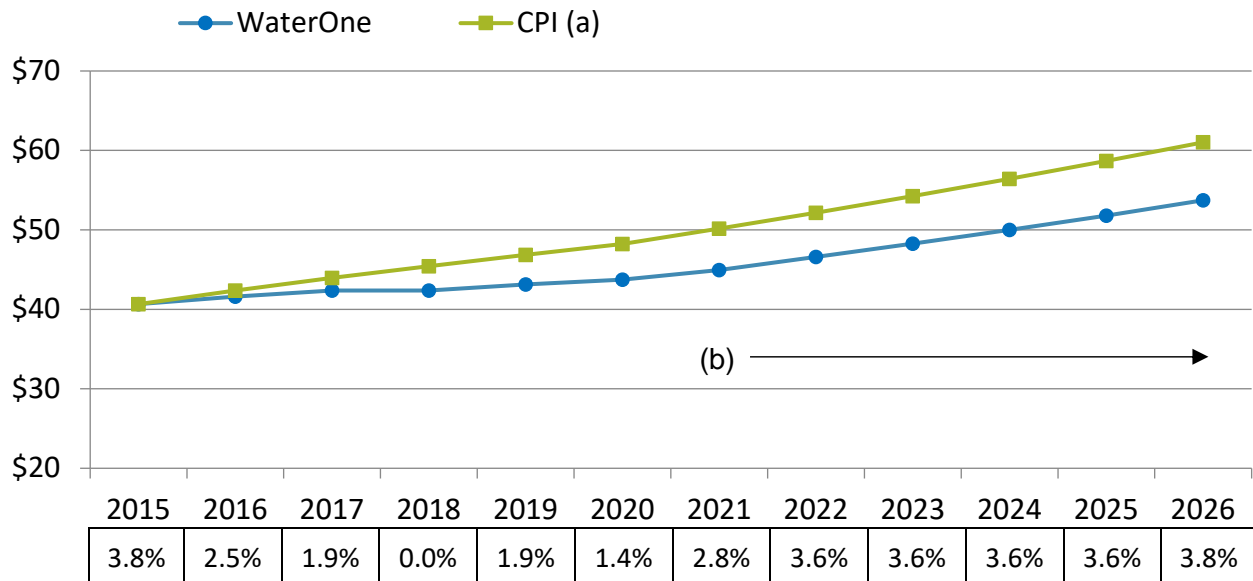


Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.

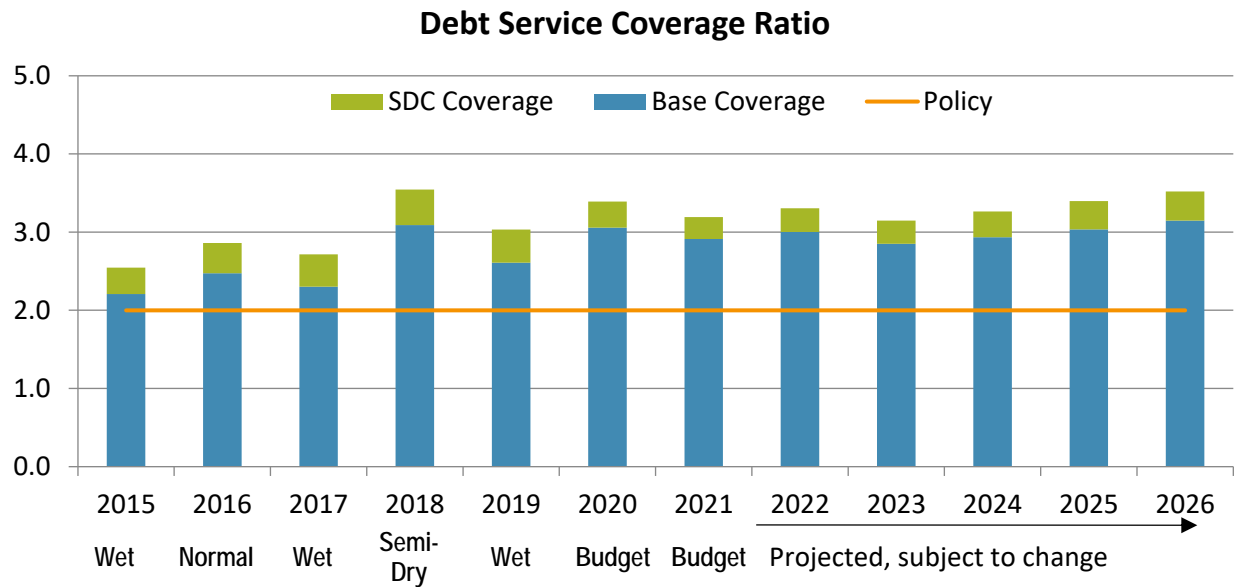
National Water & Sewer Index

WaterOne vs. All Cities Water & Sewer System Maintenance CPI

Typical Single Family Customer – 7,000 Gal./ Mo.



- a) Actual CPI comes from the Department of Labor. CPI estimated at 2.9% in 2020 which is the one year change from July 2019 to July 2020. CPI estimated at 4.0% for 2021 through 2026 which is the 5 year average. All projections on the assumed CPI rates are subject to change.
- b) Rate increases beyond the current year are not formally adopted by the Board and are subject to change in the future.



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

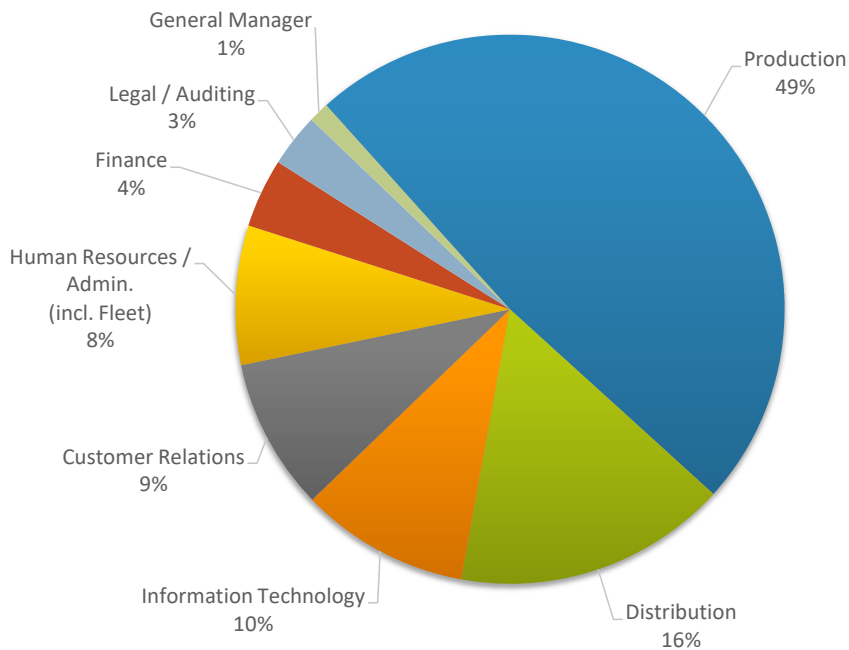
WaterOne Board Policy Number 16 requires a budgeted debt service coverage ratio of at least 2.0 without SDCs. SDCs are used to enhance coverage above the policy level.

OPERATIONS & MAINTENANCE BUDGET BY DIVISION
Comparison of 2020 & 2021

Division	2020 Budget	2021 Budget	\$ Dif	% Dif	% of Total O&M Requests	
					2020	2021
Production	\$ 27,158,762	\$ 28,496,129	\$ 1,337,367	4.9%	48.4%	48.4%
Distribution	9,153,476	9,490,055	336,579	3.7%	16.3%	16.1%
Information Technology	5,529,353	5,867,833	338,480	6.1%	9.9%	10.0%
Customer Relations	4,788,654	5,245,917	457,263	9.5%	8.5%	8.9%
Human Resources / Admin.	4,760,782	4,840,533	79,751	1.7%	8.5%	8.2%
Finance	2,283,402	2,389,587	106,184	4.7%	4.1%	4.1%
Legal / Auditing	1,757,374	1,845,789	88,416	5.0%	3.1%	3.1%
General Manager	662,371	703,668	41,296	6.2%	1.2%	1.2%
TOTAL	\$ 56,094,175	\$ 58,879,511	\$ 2,785,336	5.0%	100%	100%

(totals may not add due to rounding)

PERCENT OF TOTAL BUDGET BY DIVISION



2021 Budget Compared to 2020 Budget

O&M ACCOUNTS BY CATEGORY

8/25/2020

	Account Number	2020	2021	\$ DIF	% DIF
PAYROLL					
Labor - Non OT	410010	29,310,708	30,461,517	1,150,809	3.9%
Labor - OT	410015	1,030,002	1,144,275	114,273	11.1%
Water Board Salaries	410080	60,000	60,000	-	0.0%
TOTAL PAYROLL BEFORE TRANSFERS		30,400,710	31,665,792	1,265,082	4.2%
PAYROLL Transfers		(7,539,092)	(8,112,073)	(572,981)	7.6%
Net PAYROLL		22,861,618	23,553,719	692,101	3.0%

BENEFITS					
Employee Insurance - Health	413010	4,547,534	4,957,974	410,440	9.0%
Pension DB – Final Pay Plan	412010	1,538,219	2,298,176	759,957	49.4%
Pension DB – Cash Balance Plan	412050	61,760	62,917	1,157	1.9%
Pension DC – WaterOne	412020	404,543	404,646	103	0.0%
Pension DC – (New) WaterOne	412052	453,088	469,796	16,708	3.7%
Pension DC – Match	412030	284,798	284,871	73	0.0%
Pension DC – (New) Match	412051	310,932	343,521	32,589	10.5%
FICA	411010	2,227,256	2,321,104	93,848	4.2%
Worker's Compensation	411020	311,070	330,170	19,100	6.1%
Retirees Insurance - Health	413050	349,888	315,656	(34,232)	-9.8%
Employee Insurance - Dental	413020	209,150	210,338	1,188	0.6%
Other Tangible Employee Benefits	414030	152,630	153,250	620	0.4%
Retirees Insurance - Health Subsidy	413052	153,000	153,000	-	0.0%
Employee Health - Retiree Subsidy	413015	(153,000)	(153,000)	-	0.0%
Employee Insurance - Life	413030	118,356	123,192	4,836	4.1%
Employee Insurance - Disability	413040	112,062	116,378	4,316	3.9%
Car Allowance - Employees	426065	80,700	85,500	4,800	5.9%
Compensation & Benefits Consulting Services	414020	74,493	66,000	(8,493)	-11.4%
Employees Association Activity	414040	41,300	41,500	200	0.5%
Employee Insurance - Vision	413025	48,834	40,294	(8,540)	-17.5%
Health Related Training & Counseling	414060	32,600	32,600	-	0.0%
Unemployment Insurance	411050	29,379	30,544	1,165	4.0%
Service Awards	414070	17,000	20,000	3,000	17.6%
Retirees Insurance - Life	413060	17,010	17,638	628	3.7%
Tuition Reimbursement	414100	20,000	17,000	(3,000)	-15.0%
WOW & Water Spout Awards	414090	13,000	13,000	-	0.0%

Bold = See 'Overview' for more

WATERONE 2021 BUDGET

O&M OVERVIEW

	Account Number	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
125D Flexible Benefit Plan	414010	4,800	5,280	480	10.0%
Flowers, Cards, Memorials	414050	1,400	1,400	-	0.0%
Worker's Comp - Returns Of Premium/Divid	411030	(7,000)	(7,000)	-	0.0%
TOTAL BENEFITS BEFORE TRANSFERS		11,454,802	12,755,745	1,300,943	11.4%
BENEFITS Transfers		(2,983,132)	(2,958,643)	24,489	-0.8%
Net BENEFITS		8,471,670	9,797,102	1,325,432	15.6%

COMMODITIES

Power - Transmission	424030	4,817,806	5,382,412	564,606	11.7%
Power - Source	424020	2,391,361	2,284,558	(106,803)	-4.5%
Power - Distribution	424010	1,796,767	1,796,767	-	0.0%
Generator Natural Gas – Wolcott	424045	382,798	395,790	12,992	3.4%
Chemicals - Water Treatment	424070	4,726,433	4,788,906	62,473	1.3%
Material & Supplies	421070	1,370,145	1,377,295	7,150	0.5%
Inventory Withdrawals	421010	886,600	666,804	(219,796)	-24.8%
Electricity	424040	242,900	233,600	(9,300)	-3.8%
BPU Water Purchased In-House	424065	228,629	212,043	(16,586)	-7.3%
Natural Gas	424050	148,602	153,147	4,545	3.1%
Uniforms	421160	128,880	127,473	(1,407)	-1.1%
Small Tools & Equipment	421130	116,825	112,950	(3,875)	-3.3%
On-Line Analyzer Supplies	421090	72,500	72,000	(500)	-0.7%
Safety Equipment & Supplies	421110	63,200	69,150	5,950	9.4%
Kitchen Supplies	421040	69,000	69,000	-	0.0%
Office Supplies	421080	34,990	32,730	(2,260)	-6.5%
Other General Settlement	599000	18,703	19,083	380	2.0%
Postage	426280	15,650	16,100	450	2.9%
Elec. Communication Device	423150	8,000	12,000	4,000	50.0%
Paper & Print Supplies	421100	6,550	7,650	1,100	16.8%
Medical & First Aid Supplies	421060	5,500	5,500	-	0.0%
Crushed Rock	421020	4,400	4,400	-	0.0%
OT Meals	426230	3,250	3,850	600	18.5%
Envelopes	421030	2,600	2,600	-	0.0%
Proactive Safety Recognition	421120	2,600	2,100	(500)	-19.2%
Topsoil	421150	400	400	-	0.0%
Cash Discount Taken	426560	(6,800)	(7,800)	(1,000)	14.7%
TOTAL COMMODITIES BEFORE TRANSFERS		17,538,289	17,840,508	302,219	1.7%
COMMODITIES Transfers		(912,196)	(903,188)	9,008	-1.0%
Net COMMODITIES		16,626,093	16,937,320	311,227	1.9%

Bold = See 'Overview' for more

O&M OVERVIEW

	Account Number	<u>2020</u>	<u>2021</u>	<u>\$ DIF</u>	<u>% DIF</u>
SERVICES					
PC Software License & Maintenance	426250	1,432,302	1,700,568	268,266	18.7%
Property & Liability Insurance	425010	695,192	752,296	57,104	8.2%
Contracted Services	422090	597,287	668,449	71,162	11.9%
Clean Drinking Water Fee	426070	593,545	585,015	(8,530)	-1.4%
AMI Services	422260	313,502	537,432	223,930	71.4%
Security / Security Guards	422340	463,059	463,059	-	0.0%
Water Billing Services	422430	450,000	456,908	6,908	1.5%
Telecom	423030	451,680	451,680	-	0.0%
Training	426340	397,800	397,800	-	0.0%
Maintenance Services	422240	320,083	289,731	(30,352)	-9.5%
Telecom - Cell Phones	423120	218,048	231,598	13,550	6.2%
Cleaning & Inspecting Facilities	422080	134,115	210,536	76,421	57.0%
Mowing & Landscaping	422270	194,425	196,375	1,950	1.0%
Uncollectible Accounts	426350	153,750	179,854	26,104	17.0%
IT Hardware Maintenance	423022	69,050	157,900	88,850	128.7%
Kansas River Water Assurance Dist. (KRWAD)	426190	153,318	156,465	3,147	2.1%
Dues & Local Meetings	426120	132,754	144,506	11,752	8.9%
Non-Employee Overload	426210	336,760	133,232	(203,528)	-60.4%
Communication Services	422085	107,907	108,907	1,000	0.9%
Special Assessment & Fees	426290	122,067	106,400	(15,667)	-12.8%
Engineering	422100	95,000	105,000	10,000	10.5%
Clean Up	422070	79,000	98,000	19,000	24.1%
Laboratory Services	422170	95,449	84,370	(11,079)	-11.6%
Subscriptions & Reference Materials	426330	55,669	77,345	21,676	38.9%
Vehicle Repair Services	422420	77,700	75,200	(2,500)	-3.2%
KS State Water Analysis	422160	61,975	65,000	3,025	4.9%
Checking Account Service Fees	426040	68,000	63,000	(5,000)	-7.4%
Property & Liability Insurance - Self Ins.	425030	60,000	60,000	-	0.0%
Vehicle & Equipment Rental	426360	64,500	50,750	(13,750)	-21.3%
Environmental & Risk Mgmt	426140	18,505	47,930	29,425	159.0%
Printing Services	422330	46,705	46,700	(5)	0.0%
Recruitment Costs	426130	46,000	46,000	-	0.0%
Auditing Fees	422030	45,965	45,815	(150)	-0.3%
AWWA Research Foundation Fees	426030	47,800	45,033	(2,767)	-5.8%
Bank Lockbox Processing Fees	426060	43,000	56,000	13,000	30.2%
IT Maint - Printers	423024	8,920	40,000	31,080	348.4%
Pavement Repair	422290	37,500	37,500	-	0.0%
WaterOne Memberships	426390	32,403	32,730	327	1.0%

Bold = See 'Overview' for more

WATERONE 2021 BUDGET

O&M OVERVIEW

	Account Number	2020	2021	\$ DIF	% DIF
Payroll Processing	422300	11,822	21,840	10,018	84.7%
Trash Removal Services	422400	11,000	22,000	11,000	100.0%
Legal Services	422180	20,000	20,000	-	0.0%
Help Wanted Ads	426160	18,000	18,000	-	0.0%
Cathodic Protection	422060	26,694	17,824	(8,870)	-33.2%
Answering Service	422020	16,755	16,953	198	1.2%
Pre-Employment Services	422320	16,000	16,000	-	0.0%
Radio Charges	423075	15,800	15,800	-	0.0%
Equipment Repair Services	422110	13,600	12,900	(700)	-5.1%
Financial Advisory Services	422120	28,947	12,100	(16,847)	-58.2%
Delivery Charges (UPS/Fed Ex/Local)	426110	11,846	12,083	237	2.0%
Post Offer Physicals	426270	11,200	10,000	(1,200)	-10.7%
Maintenance - Itron System	422190	8,200	8,200	-	0.0%
Advertising	422010	7,340	7,340	-	0.0%
Commitment To Excellence Award	426080	6,000	7,000	1,000	16.7%
Permit & Easement Fees	426260	7,500	6,750	(750)	-10.0%
Interest On Security Deposits	426170	15,000	6,500	(8,500)	-56.7%
Medical Testing Services	422250	1,500	6,400	4,900	326.7%
Vehicle License & Registration	426370	41,607	5,000	(36,607)	-88.0%
General Expenses & Miscellaneous	426150	3,725	3,775	50	1.3%
Bank Account Reconciliation Fees	426020	3,800	3,600	(200)	-5.3%
Other Services Settlement	539100	2,350	3,050	700	29.8%
Storage Expenses	422380	2,500	2,500	-	0.0%
Barricade Rental	422040	2,600	2,350	(250)	-9.6%
Indoor Plants Services	422150	2,000	2,000	-	0.0%
Kansas One Call Fee	422165	500	500	-	0.0%
Spoil Removal	422075	400	400	-	0.0%
Water Rights	426380	200	200	-	0.0%
Job Work Revenue Credits	426180	(16,100)	(7,300)	8,800	-54.7%
TOTAL SERVICES BEFORE TRANSFERS		8,611,520	9,258,849	647,329	7.5%
SERVICES Transfers		(476,726)	(667,480)	(190,754)	40.0%
Net SERVICES		8,134,794	8,591,369	456,575	5.6%
GRAND TOTAL		56,094,175	58,879,511	2,785,336	5.0%

Numbers may not add due to rounding

H:\Finance\FINSHARE\1BUDGET\2021 Budget\O&M\[District Level O_M Comparison-21B.xlsx]By Category-ALL ACCTS

2020 Approved and 2021 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2020

Explanations are provided when there is a \$10,000 and 10% 2021 Budget Increase <Decrease> from the 2020 Estimated Actual.

		2020 APPROVED BUDGET			2021 ADOPTED BUDGET			
Cost Elements	2020 ESTIMATED ACTUAL	2020 Budget	2020 Estimated Actual Over <Under> 2020 Budget	% Over <Under> Budget	2021 Budget	2021 Budget Increase <Decrease> from 2020 Estimated Actual	% Increase <Decrease>	
PERSONNEL COSTS								
	410010 Labor - Gross	\$ 29,133,803	\$ 29,310,708	\$ (176,905)	-0.6%	\$ 30,461,517	\$ 1,327,714	4.6%
	410015 Labor - OT Gross	1,112,413	1,030,002	82,411	8.0%	1,144,275	31,862	2.9%
	410080 Water Board Salary	60,000	60,000	-	0.0%	60,000	-	0.0%
P1	413010 Employee Insurance - Health	4,359,915	4,547,534	(187,619)	-4.1%	4,957,974	598,059	13.7%
P2	412010 Pension DB - Final Pay Plan	1,678,571	1,538,219	140,352	9.1%	2,298,176	619,605	36.9%
	412050 Pension DB - Cash Balance Plan	53,368	61,760	(8,392)	-13.6%	62,917	9,549	17.9%
	412020 Pension DC - District	412,567	404,543	8,024	2.0%	404,646	(7,921)	-1.9%
	412052 Pension DC - District (New)	437,321	453,088	(15,767)	-3.5%	469,796	32,475	7.4%
	412030 Pension DC - Match	299,007	284,798	14,209	5.0%	284,871	(14,136)	-4.7%
	412051 Pension DC - Match (New)	332,623	310,932	21,691	7.0%	343,521	10,898	3.3%
	411010 FICA - Gross	2,215,619	2,227,256	(11,637)	-0.5%	2,321,104	105,485	4.8%
	411020 Worker's Comp	304,793	304,070	723	0.2%	323,170	18,377	6.0%
	413050 Retiree Insurance - Health	292,121	349,888	(57,767)	-16.5%	315,656	23,535	8.1%
P3	413020 Employee Insurance - Dental	181,648	209,150	(27,502)	-13.1%	210,338	28,690	15.8%
	414030 Employee Benefits - Other	141,276	152,630	(11,354)	-7.4%	153,250	11,974	8.5%
	413052 Retiree Insurance - Health Subsidy	153,000	153,000	-	0.0%	153,000	-	0.0%
	413015 Employee Insurance - Health Subsidy	(153,000)	(153,000)	-	0.0%	(153,000)	-	0.0%
	413030 Employee Insurance - Life	118,063	118,356	(293)	-0.2%	123,192	5,129	4.3%
	413040 Employee Insurance - LT & ST Disability	111,590	112,062	(472)	-0.4%	116,378	4,788	4.3%
P4	426065 Car Allowance	115,767	80,700	35,067	43.5%	85,500	(30,267)	-26.1%
P5	414020 Compensation & Benefit Consulting Svcs	80,780	74,493	6,287	8.4%	66,000	(14,780)	-18.3%
	414040 Employee Association Activity	31,920	41,300	(9,380)	-22.7%	41,500	9,580	30.0%
	413025 Employee Insurance - Vision	39,427	48,834	(9,407)	-19.3%	40,294	867	2.2%
	414060 Health Training/Counseling	25,966	32,600	(6,634)	-20.3%	32,600	6,634	25.5%
	411050 Unemployment Insurance	29,349	29,379	(30)	-0.1%	30,544	1,195	4.1%
	414070 Service Awards	18,472	17,000	1,472	8.7%	20,000	1,528	8.3%
	413060 Retiree Insurance - Life	17,534	17,010	524	3.1%	17,638	104	0.6%
	414100 Tuition Reimbursement	14,600	20,000	(5,400)	-27.0%	17,000	2,400	16.4%
	414090 Wow & Spout Awards	12,342	13,000	(658)	-5.1%	13,000	658	5.3%
	414010 125D Plan - Gross	5,076	4,800	276	5.8%	5,280	204	4.0%
	414050 Flowers, Cards, Memorials	975	1,400	(425)	-30.3%	1,400	425	43.5%
TOTAL PERSONNEL COSTS		\$ 41,636,905	\$ 41,855,512	\$ (218,607)	-0.5%	\$ 44,421,537	\$ 2,784,632	6.7%

P1 The budgeted components of health insurance include a 7.25% premium rate increase, additional personnel, and changes to the employee coverage mix.

P2 The budget is increasing primarily due to the amortization of assumption changes in the 2020 experience study.

P3 A premium credit was received in 2020 due to low claims during the state of KS stay at home order.

P4 The 2020 estimated actual includes additional car allowance costs due to social distancing recommendations.

P5 The budget decrease is due to the end of the amortization period for the 2017 compensation study.

2020 Approved and 2021 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2020

Explanations are provided when there is a \$10,000 and 10% 2021 Budget Increase <Decrease> from the 2020 Estimated Actual.

Cost Elements			2020 ESTIMATED ACTUAL	2020 APPROVED BUDGET			2021 ADOPTED BUDGET		
				2020 Budget	2020 Estimated Actual Over <Under> 2020 Budget	% Over <Under> Budget	2021 Budget	2021 Budget Increase <Decrease> from 2020 Estimated Actual	
								% Increase <Decrease>	
COMMODITIES									
C1	424070	Chemicals - Water Treatment	\$ 5,911,493	\$ 4,726,433	\$ 1,185,060	25.1%	\$ 4,788,906	\$ (1,122,587)	-19.0%
	424030	Power - Transmission	4,908,284	4,817,806	90,478	1.9%	5,382,412	474,128	9.7%
	424020	Power - Source	2,376,183	2,391,361	(15,178)	-0.6%	2,284,558	(91,625)	-3.9%
C2	424010	Power - Distribution	1,600,853	1,796,767	(195,914)	-10.9%	1,796,767	195,914	12.2%
C3	424046	Gen Nat'l Gas Trans	120,157	229,679	(109,522)	-47.7%	237,474	117,317	97.6%
C3	424045	Gen Nat'l Gas Source	80,104	153,119	(73,015)	-47.7%	158,316	78,212	97.6%
	424050	Natural Gas	140,074	148,602	(8,528)	-5.7%	153,147	13,073	9.3%
	421070	Material & Supplies	1,456,083	1,370,145	85,938	6.3%	1,377,295	(78,788)	-5.4%
	421010	Inventory Withdrawals	687,706	886,600	(198,894)	-22.4%	666,804	(20,902)	-3.0%
	424040	Electricity	221,290	242,900	(21,610)	-8.9%	233,600	12,310	5.6%
	424065	Water Purchased In House	226,912	228,629	(1,717)	-0.8%	212,043	(14,869)	-6.6%
	421160	Uniforms	117,056	128,880	(11,824)	-9.2%	127,473	10,417	8.9%
	421130	Small Tools & Equipment	109,451	116,825	(7,374)	-6.3%	112,950	3,499	3.2%
	421090	On-Line Analyzer Supplies	68,899	72,500	(3,601)	-5.0%	72,000	3,101	4.5%
C4	421040	Kitchen Supplies	50,192	69,000	(18,808)	-27.3%	69,000	18,808	37.5%
C5	421110	Safety Equip & Supplies	44,654	63,200	(18,546)	-29.3%	69,150	24,496	54.9%
	421080	Office Supplies	24,501	34,990	(10,489)	-30.0%	32,730	8,229	33.6%
C6	599000	Other General Settlement	47,255	18,703	28,552	152.7%	19,083	(28,172)	-59.6%
	426280	Postage	17,518	15,650	1,868	11.9%	16,100	(1,418)	-8.1%
	423150	Electronic Communication Device	5,800	8,000	(2,200)	-27.5%	12,000	6,200	106.9%
	421100	Paper	3,740	6,550	(2,810)	-42.9%	7,650	3,910	104.5%
	421060	Med/1st Aid Supplies	4,827	5,500	(673)	-12.2%	5,500	673	13.9%
	519210	Crushed Rock	2,816	4,400	(1,584)	-36.0%	4,400	1,584	56.3%
	426230	OT Meals	2,285	3,250	(965)	-29.7%	3,850	1,565	68.5%
	421030	Envelopes	4,536	2,600	1,936	74.4%	2,600	(1,936)	-42.7%
	421120	Proactive Safety Recognition	1,317	2,600	(1,283)	-49.4%	2,100	783	59.5%
	421150	Topsoil	133	400	(267)	-66.7%	400	267	200.0%
	426560	Cash Discounts Taken	(6,505)	(6,800)	295	-4.3%	(7,800)	(1,295)	19.9%
TOTAL COMMODITIES			\$ 18,227,490	\$ 17,538,289	\$ 689,201	3.9%	\$ 17,840,508	\$ (386,982)	-2.1%

- C1 2020 is overbudget primarily due to river conditions requiring higher doses of water softening chemicals.
- C2 2020 is under budget due to lower than projected water production. The 2021 budget increase is based on increased peaking charges in a normal year.
- C3 2020 is under budget due to lower than projected variable rates and lower water production during peak periods of the summer when the generators are planned to be utilized.
- C4 Kitchen supplies have been utilized less in 2020 due to personnel working from home.
- C5 This budget is primarily related to safety shoes and drug/alcohol testing and is utilized as needed.
- C6 2020 is over budget due to the CMVS crews being reassigned to hydrant and valve maintenance in order to comply with social distancing recommendations.

2020 Approved and 2021 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2020

Explanations are provided when there is a \$10,000 and 10% 2021 Budget Increase <Decrease> from the 2020 Estimated Actual.

10% 2021 Budget Increase <Decrease> from the 2020 Estimated Actual.

Cost Elements		2020 ESTIMATED ACTUAL	2020 APPROVED BUDGET			2021 ADOPTED BUDGET		
			2020 Budget	2020 Estimated Actual Over <Under> 2020 Budget	% Over <Under> Budget	2021 Budget	2021 Budget Increase <Decrease> from 2020 Estimated Actual	% Increase <Decrease>
SERVICES								
S1	426250 PC Software & Maint	\$ 1,348,352	\$ 1,432,302	\$ (83,950)	-5.9%	\$ 1,700,568	\$ 352,216	26.1%
	425010 P&L Insurance	734,304	695,192	39,112	5.6%	752,296	17,992	2.5%
	422090 Contracted Services	621,603	597,287	24,316	4.1%	668,449	46,846	7.5%
	426070 Clean Water Fee	559,712	593,545	(33,833)	-5.7%	585,015	25,303	4.5%
	422340 Security	461,153	463,059	(1,906)	-0.4%	463,059	1,906	0.4%
	422430 Water Billing Services	441,853	450,000	(8,147)	-1.8%	456,908	15,055	3.4%
	423030 Telecom	415,911	451,680	(35,769)	-7.9%	451,680	35,769	8.6%
S2	426340 Training	168,234	397,800	(229,566)	-57.7%	397,800	229,566	136.5%
S3	422240 Maint Svcs	251,729	320,083	(68,354)	-21.4%	289,731	38,002	15.1%
S4	422260 AMI Services	272,291	313,502	(41,211)	-13.1%	537,432	265,141	97.4%
	423120 Telecom - Cell Phones	235,636	218,048	17,588	8.1%	231,598	(4,038)	-1.7%
S5	422080 Clean/Inspect Facilities	173,554	134,115	39,439	29.4%	210,536	36,982	21.3%
	422270 Mowing & Landscaping	178,798	194,425	(15,627)	-8.0%	196,375	17,577	9.8%
S6	426350 Uncollectible Accounts	146,042	153,750	(7,708)	-5.0%	179,854	33,812	23.2%
S7	423022 IT Hardware Maintenance	73,620	69,050	4,570	6.6%	157,900	84,280	114.5%
S8	426190 KS River Assurance District	130,732	153,318	(22,586)	-14.7%	156,465	25,733	19.7%
S9	426120 Dues & Local Meetings	82,839	132,754	(49,915)	-37.6%	144,506	61,667	74.4%
S10	426210 Non-Employee Overload	629,076	336,760	292,316	86.8%	133,232	(495,844)	-78.8%
S11	422085 Communication Services	82,015	107,907	(25,892)	-24.0%	108,907	26,892	32.8%
	426290 Spec. Assessment & Fees	114,922	122,067	(7,145)	-5.9%	106,400	(8,522)	-7.4%

- S1 The budget in 2021 is increasing due to focusing on more cloud-based data storage and utilizing services for a cloud data center.
- S2 The 2020 utilization of training has decreased due to social distancing and travel restrictions.
- S3 This budget is decreasing due to a reduction in contracted costs for variable speed drive inspection and maintenance, reduction in maintenance of the Kansas River vertical wells, and a reduction in the annual maintenance costs of the security card system.
- S4 The 2021 budget for Advanced Metering Infrastructure (AMI) includes all fees related to the network, software, data management, and customer portal for the year.
- S5 The 2021 budget includes the cleaning and inspection of the primary and final basin which were not previously budgeted.
- S6 Due to rising unemployment rates and negative economic projections, this budget has been increased to 0.15% of total water sales revenue.
- S7 The 2021 budget increase is due to the renewal of a 3-year contract for the data center, storage and backup systems maintenance.
- S8 The 2021 budget is based on the KRAD proposed budget and prior contribution percentage of 23% by WaterOne. The 2020 budget was based on the 2019 budget with added inflation.
- S9 The utilization of this account in 2020 has been reduced due to travel restrictions and social distancing recommendations. The 2021 budget increase is due to increases in dues for local meetings.
- S10 2020 is over budget due to temporary needs in Customer Service, Human Resources and IT. This budget decreased in 2021 due to the elimination of temporary meter readers which were budgeted in 2020 during the transition to AMI.
- S11 This budget includes school outreach which was impacted by schools adapting a virtual approach for a portion of 2020. Additionally, the budget for contracted freelance writing and graphic design has been underutilized.

2020 Approved and 2021 Adopted O&M Budget
ESTIMATED ACTUAL AS OF 8/31/2020

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Cost Elements				2020 APPROVED BUDGET			2021 ADOPTED BUDGET		
				2020 Budget	2020 Estimated Actual Over <Under> 2020 Budget	% Over <Under> Budget	2021 Budget	2021 Budget Increase <Decrease> from 2020 Estimated Actual	
								% Increase <Decrease>	
SERVICES (Cont'd)									
S12	422100	Engineering	\$ 125,979	\$ 95,000	\$ 30,979	32.6%	\$ 105,000	\$ (20,979)	-16.7%
S13	422070	Clean Up	78,697	79,000	(303)	-0.4%	98,000	19,303	24.5%
S14	422170	Laboratory Services	70,891	95,449	(24,558)	-25.7%	84,370	13,479	19.0%
S15	426330	Subs & Reference Material	61,051	55,669	5,382	9.7%	77,345	16,294	26.7%
S16	422420	Vehicle Repair Services	109,768	77,700	32,068	41.3%	75,200	(34,568)	-31.5%
	422160	KS Water Analysis	56,761	61,975	(5,214)	-8.4%	65,000	8,239	14.5%
	426040	Checking Account Service Fees	64,160	68,000	(3,840)	-5.6%	63,000	(1,160)	-1.8%
S17	425030	P&L Ins - Self	36,237	60,000	(23,763)	-39.6%	60,000	23,763	65.6%
S18	426060	Bank Lockbox Fees	39,038	43,000	(3,962)	-9.2%	56,000	16,962	43.5%
S19	426360	Vehicle & Equipment Rental	86,867	64,500	22,367	34.7%	50,750	(36,117)	-41.6%
S20	426140	Environ & Risk Management	24,541	18,505	6,036	32.6%	47,930	23,389	95.3%
S21	422330	Printing Services	62,088	46,705	15,383	32.9%	46,700	(15,388)	-24.8%
	426130	Recruitment Costs	53,153	46,000	7,153	15.6%	46,000	(7,153)	-13.5%
	422030	Auditing Fees	46,151	45,965	186	0.4%	45,815	(336)	-0.7%
	426030	AWWA Research Foundation Fees	48,392	47,800	592	1.2%	45,033	(3,359)	-6.9%
S22	423024	IT Maint - Printers	16,409	8,920	7,489	84.0%	40,000	23,591	143.8%
S23	519270	Pavement Repair	14,781	37,500	(22,719)	-60.6%	37,500	22,719	153.7%
	426390	WaterOne Membership	26,506	32,403	(5,897)	-18.2%	32,730	6,224	23.5%
	422400	Trash Removal Services	12,782	11,000	1,782	16.2%	22,000	9,218	72.1%
	422300	Payroll Processing	18,481	11,822	6,659	56.3%	21,840	3,359	18.2%

- S12 An unbudgeted zebra mussel study was performed in 2020.
- S13 In 2021, the budget includes the additional cleaning of the Wolcott basins.
- S14 Outsourced laboratory services are under budget due to increased testing in-house.
- S15 The increase represents an increase in the Info-Tech subscription.
- S16 Actuals vary year to year based on need. 2020 actual charges included two large repairs.
- S17 This budget is for deductibles and claims that are not covered by insurance. Claims vary significantly from year to year.
- S18 A new banking service agreement has been negotiated and implemented which will result in increased service fees.
- S19 Vehicle and equipment rental utilization varies annually. Increased spending occurred in 2020 due to social distancing recommendations.
- S20 The 2021 budget increase is a result of in-house services being outsourced.
- S21 Printing Services was utilized more than budgeted in 2020 due to additional messaging related to the refresh your water campaign.
- S22 In 2021 WaterOne will begin a maintenance contract that includes toner replacement, a cost previously charged to Inventory Withdrawals.
- S23 Actuals can vary in a given year depending on location of required maintenance. In 2020 more pavement repair has been attributed to capital projects than maintenance.

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Cost Elements		2020 ESTIMATED ACTUAL	2020 APPROVED BUDGET			2021 ADOPTED BUDGET		
			2020 Budget	2020 Estimated Actual Over <Under> 2020 Budget	% Over <Under> Budget	2021 Budget	2021 Budget Increase <Decrease> from 2020 Estimated Actual	% Increase <Decrease>
SERVICES (Cont'd)								
S24	422180 Legal Services	\$ 8,061	\$ 20,000	\$ (11,939)	-59.7%	\$ 20,000	\$ 11,939	148.1%
	426160 Help Wanted Ads	22,664	18,000	4,664	25.9%	18,000	(4,664)	-20.6%
	422060 Cathodic Protection	20,370	26,694	(6,324)	-23.7%	17,824	(2,546)	-12.5%
	422020 Answering Service	15,465	16,755	(1,290)	-7.7%	16,953	1,488	9.6%
	422320 Pre-Employment Services	24,335	16,000	8,335	52.1%	16,000	(8,335)	-34.3%
	423075 Radio Charges (Fleet)	11,850	15,800	(3,950)	-25.0%	15,800	3,950	33.3%
	422110 Equip Repair Svcs	16,238	13,600	2,638	19.4%	12,900	(3,338)	-20.6%
S25	422120 Financial Services	29,017	28,947	70	0.2%	12,100	(16,917)	-58.3%
	426110 Delivery Charges	11,051	11,846	(795)	-6.7%	12,083	1,032	9.3%
	426270 Post Offer Physical	9,489	11,200	(1,711)	-15.3%	10,000	511	5.4%
	426370 Vehicle License & Registration	3,819	41,607	(37,788)	-90.8%	5,000	1,181	30.9%
	422190 Maint -Itron System	5,978	8,200	(2,222)	-27.1%	8,200	2,222	37.2%
	422010 Advertising	7,592	7,340	252	3.4%	7,340	(252)	-3.3%
	426080 Commitment To Excellence Program	9,492	6,000	3,492	58.2%	7,000	(2,492)	-26.3%
	426260 Permit & Easement Fees	6,875	7,500	(625)	-8.3%	6,750	(125)	-1.8%
	426170 Interest On Security Deposit	15,285	15,000	285	1.9%	6,500	(8,785)	-57.5%
	422250 Medical Testing Services	2,503	1,500	1,003	66.9%	6,400	3,897	155.7%
	426150 General Expense & Miscellaneous	2,007	3,725	(1,718)	-46.1%	3,775	1,768	88.1%
	426020 Bank Account Reconciliation Fees	3,560	3,800	(240)	-6.3%	3,600	40	1.1%
	539100 Other Serv Settlement	12,229	2,350	9,879	420.4%	3,050	(9,179)	-75.1%
	422380 Storage Expenses	3,366	2,500	866	34.7%	2,500	(866)	-25.7%
	519240 Barricade Rental	3,407	2,600	807	31.0%	2,350	(1,057)	-31.0%
	422150 Indoor Plants Svcs	2,129	2,000	129	6.4%	2,000	(129)	-6.1%
	422165 Kansas One Call	667	500	167	33.3%	500	(167)	-25.0%
	519250 Spoil Removal	133	400	(267)	-66.7%	400	267	200.0%
	426380 Water Rights	137	200	(63)	-31.3%	200	63	45.6%
	426180 Job Work Revenue Credit	(8,625)	(16,100)	7,475	-46.4%	(7,300)	1,325	-15.4%
TOTAL SERVICES		\$ 8,414,204	\$ 8,611,520	\$ (197,316)	-2.3%	\$ 9,258,849	\$ 844,644	10.0%

S24 This budget is for outside legal services for specialty areas and varies year to year.
S25 2020 was the final year of amortization for the Raftelis Cost of Service Review.

TOTAL TRANSFERS	(\$13,104,412)	(\$11,911,146)	(\$1,193,266)	10.0%	(\$12,641,383)	\$463,029	-3.5%
TOTAL O&M	\$ 55,174,188	\$ 56,094,175	\$ (919,987)	-1.6%	\$ 58,879,511	\$ 3,705,323	6.7%

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 2021, a total of 390 full-time, four part-time, and 22 temporary/summer positions are budgeted. This includes five new full-time positions, 4 full-time eliminations, one intern elimination, and one reclassification. The total FTEs after all adjustments are 398.88 which is an increase of 0.75 versus the 2020 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 \$398,665.

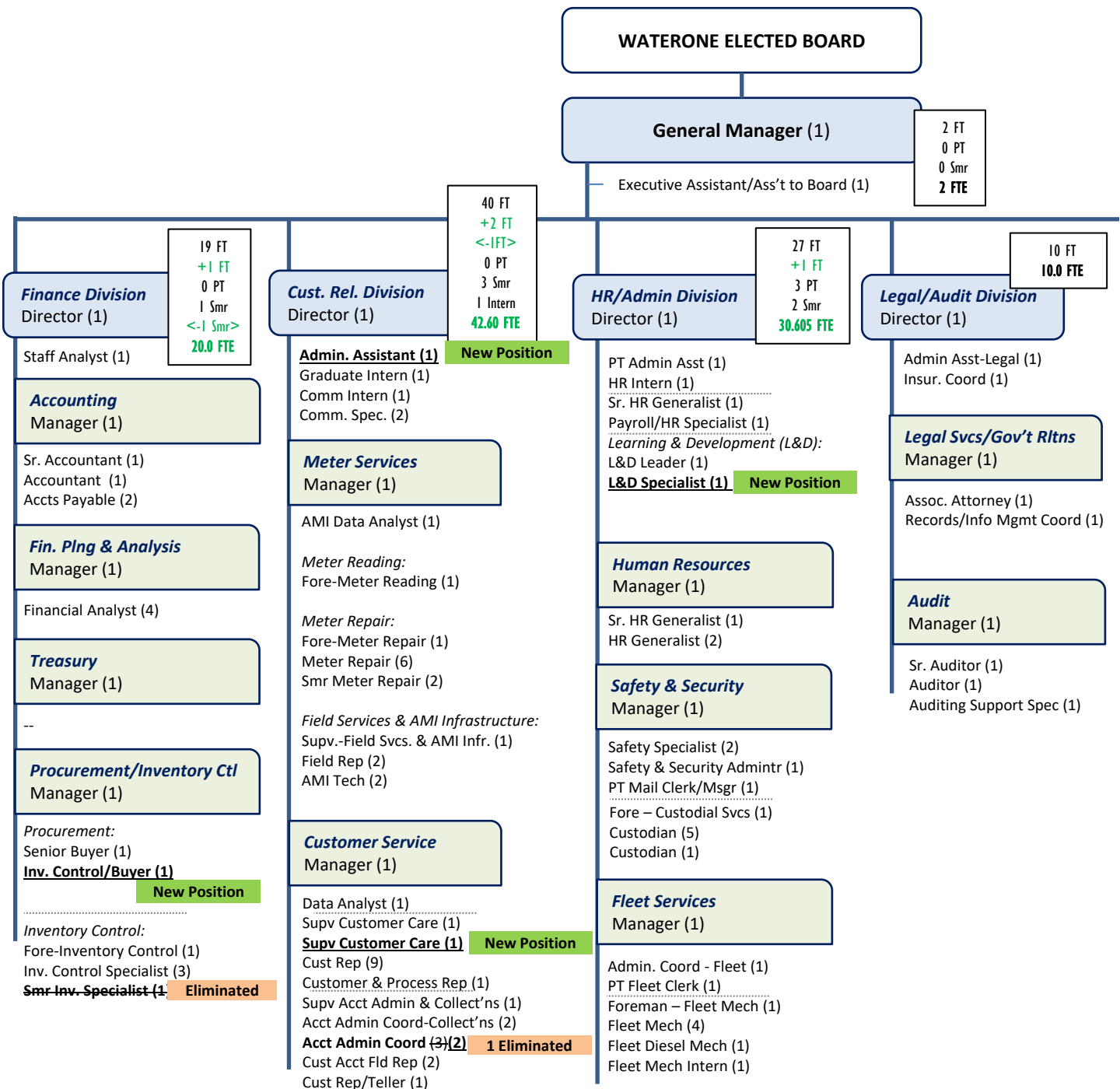
The budget includes a performance compensation adjustment of 3.00%.

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 2021, the five-year plan is from 2022 to 2026.

ORGANIZATIONAL



Color Legend:

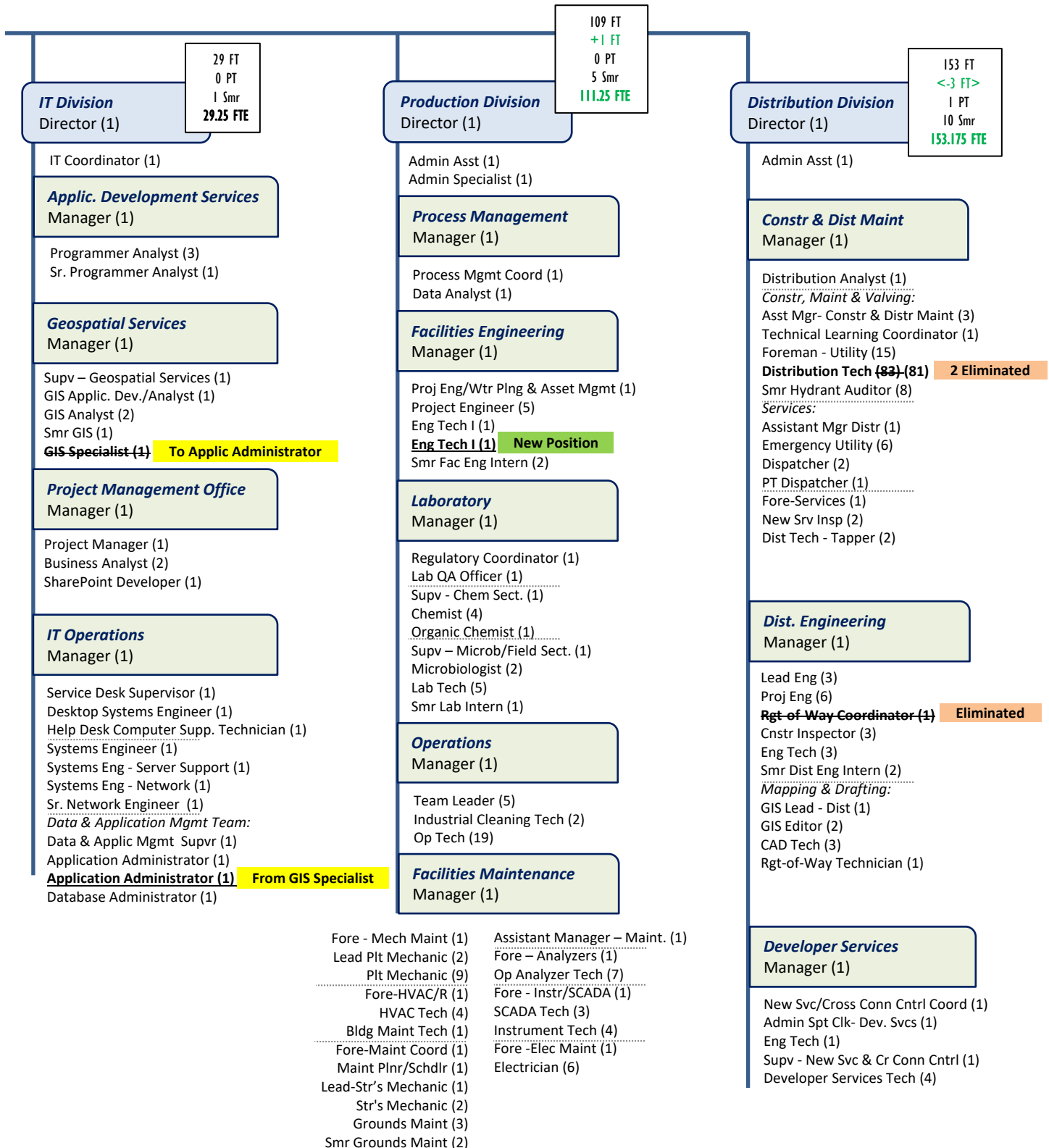
Elimination

2020 Mid Year Reclass

New Position

2021 Reclass

	Full Time (FT)	Part Time (PT)	Temp/Summer/ Apprentice	
2020 Authorized	389	4	23	
Mid Year Reclass (2020)	0	0	0	
New Positions	5	0	0	
Reclass (2021)	0	0	0	
Eliminated Positions	<-4>	0	<-1>	
Total 2021	390	4	22	
Full Time Equivalents (FTEs)				Total
2020 Authorized	389	2.5	6.63	398.13
2021 Authorized	390	2.5	6.38	398.88
			Net FTE Increase	0.75



WaterOne 2021 Budget
O&M Costs Related to New Personnel

			First Year Salary	First Year Benefits	Other O&M*	Total O&M
Production						
Facilities Engineering						
<i>January</i>	Engineering Tech	Full Time	\$58,198	\$17,459	\$749	\$76,406
PRODUCTION TOTAL			\$58,198	\$17,459	\$749	\$76,406
Customer Relations						
Dir., Customer Relations						
<i>July</i>	Administrative Assistant	Full Time	\$32,750	\$9,825	\$649	\$43,224
Customer Service						
<i>January</i>	Customer Care Supervisor	Full Time	\$73,700	\$22,110	\$649	\$96,459
CUSTOMER RELATIONS TOTAL			\$106,450	\$31,935	\$1,298	\$139,683
Finance						
Purchasing						
<i>January</i>	Inventory Control/Buyer	Full Time	\$58,198	\$17,459	\$120	\$75,777
FINANCE TOTAL			\$58,198	\$17,459	\$120	\$75,777
Human Resources/Administration						
Learning & Development						
<i>January</i>	Learning & Development Specialist	Full Time	\$73,700	\$22,110	\$120	\$95,930
HUMAN RESOURCES/ADMINISTRATION TOTAL			\$73,700	\$22,110	\$120	\$95,930
TOTAL 2021 BUDGET for NEW EMPLOYEES						
			\$296,546	\$88,963	\$2,287	\$387,796

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

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**WaterOne 2021 Budget
Capital Related to New Personnel**

	Total
Production	
Engineering Tech	
AP-21800 Workstation	\$5,597
Total Engineering Tech	\$5,597
Total Production Capital	\$5,597
Finance	
Inventory Control/Buyer	
AP-21700 Workstation	\$5,597
Total Inventory Control/Buyer	\$5,597
Total Finance Capital	\$5,597
TOTAL Capital for New Positions	\$11,194

WaterOne 2021 Budget

PERSONNEL

Production 2021

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Engineering Tech	\$58,198	\$58,198	\$17,459	\$749	\$5,597	\$82,003

Department Facilities Engineering

Type Full Time

Start Date January 2021

Justification This position will update plant and system drawings to reflect current state. This task is essential to plan and maintain facilities throughout the organization. Maintaining the proper drawings will require an ongoing effort to ensure SCADA policies/standards are met.

This position will assist Project Engineers in the design and inspection of facilities, helping develop and implement project plans as well as assist in developing project cost estimates, gathering information from other utilities, engineering firms, and outside sources.

This position will also assist in inspecting construction work to ensure compliance with standards, including reviewing manufacturer drawings and manuals to comply with WaterOne standards. This may also include surveying projects or completing pressure testing.

Total Production	\$58,198	\$58,198	\$17,459	\$749	\$5,597	\$82,003
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WaterOne 2021 Budget

PERSONNEL

Distribution 2021

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
ROW Coordinator	(\$76,482)	(\$76,482)	(\$22,945)	\$0	\$0	(\$99,427)

Department
Type

Distribution Engineering
Full Time

Justification

Requirements for private easements have declined in recent history and are projected to remain low. This is primarily due to slower growth coupled with increasing need for infrastructure replacement.

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Distribution Techs (2)	(\$96,221)	(\$96,221)	(\$28,866)	\$0	\$0	(\$125,087)

Department
Type

Construction & Maintenance
Full Time

Justification

With the onset of the pandemic, cities' revenue shortfall has caused a projected decrease in projects requiring relocations. Current staffing level in Construction and Maintenance is sufficient for the projected work load in 2021.

Total Distribution	(\$172,703)	(\$172,703)	(\$51,811)	\$0	\$0	(\$224,514)
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WaterOne 2021 Budget

PERSONNEL

Human Resources 2021

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Learning & Development Specialist	\$73,700	\$73,700	\$22,110	\$120	\$0	\$95,930
Department	Learning & Development					
Type	Full Time					
Start Date	January 2021					
Justification	<p>As the need for online learning and internal training and development grows, a Learning & Development Specialist is needed to meet the needs of WaterOne employees. WaterOne's strategic goal 3 is "Be an employer of choice." Part of this goal is to "Attract and retain a high-quality workforce" and "Train, develop, and mentor employee talent."</p> <p>This position will assist the Learning & Development Leader with:</p> <ul style="list-style-type: none">- Learning Management System oversight, system administration, and course management- Functional administration, including budgeting, communication, education assistance, SharePoint updates, and metrics reporting- Readiness, technical, leadership, and supervisory training- Consulting, special projects, and curriculum development- Career pathing and onboarding					
Total Human Resources	\$73,700	\$73,700	\$22,110	\$120	\$0	\$95,930

WaterOne 2021 Budget

PERSONNEL

Customer Relations 2021

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Administrative Assistant	\$65,499	\$32,750	\$9,825	\$649	\$0	\$43,224

Department Dir. Customer Relations
 Type Full Time
 Start Date July 2021

Justification Currently, Customer Relations is the only division without an Administrative Assistant. The division's tasks and responsibilities have grown to the point where this position is needed.

The new Administrative Assistant will provide:

- Technology assistance (superuser of division intranet, SAP, Microsoft, and mass notification system)
- Administrative support (coordinate education/memberships, maintain forms, schedule appointments/meetings, planning/logistics, prepare staff reports, and budget tracking)
- Communications (administration of contracts, vendor scorecards, RFPs, check requests, purchase orders, travel, mailings, point of contact for inquiries, and assist with development of division and Board materials)

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Customer Care Supervisor	\$73,700	\$73,700	\$22,110	\$649	\$0	\$96,459

Department Customer Service
 Type Full Time
 Start Date January 2021

Justification This position will be responsible for improving customer service by managing all low-score alerts, including research, customer interaction, and documentation. The position will also service as a customer advocate and resolve issues where customers feel it is difficult to do business with WaterOne.

This position will be responsible for daily team support duties. This includes actively engaging in questions, determining training needs, identifying process improvement opportunities, and audit reviews.

The Customer Care Supervisor will also manage service level quality by developing process, knowledge, training, and reference documents for CSRs, monitoring call and email quality, chatting online with customers, monitor call center efficiency, and generate reports on post-call surveys.

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Account Administration Coordinator	(\$48,110)	(\$48,110)	(\$14,433)	\$0	\$0	(\$62,543)

Department Customer Service
Type Full Time

Justification This position was able to be eliminated through re-tasking and process efficiencies from automating reports and AMI technology.

WaterOne 2021 Budget

PERSONNEL

Finance 2021

Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Inventory Control/Buyer	\$58,198	\$58,198	\$17,459	\$120	\$0	\$75,777

Department Procurement & Inventory Control

Type Full Time

Start Date January 2021

Justification This position will fill a part-time need for procurement and a part-time need for inventory control as activities and workload have increased due to T&D increases, additional contractors, and increased customer service through proactive workorder fulfillment. In the future, new warehouses will also be brought online. Instead of two part-time positions, this full-time position will assist in both areas, cover shifting demands, and provide flexibility in the department.

Eliminated Position	Full Yr Salary	First Yr Salary	Benefits	O&M	Capital	Total 2021 Costs
Inventory Control Intern	(\$7,540)	(\$7,540)	\$0	\$0	\$0	(\$7,540)

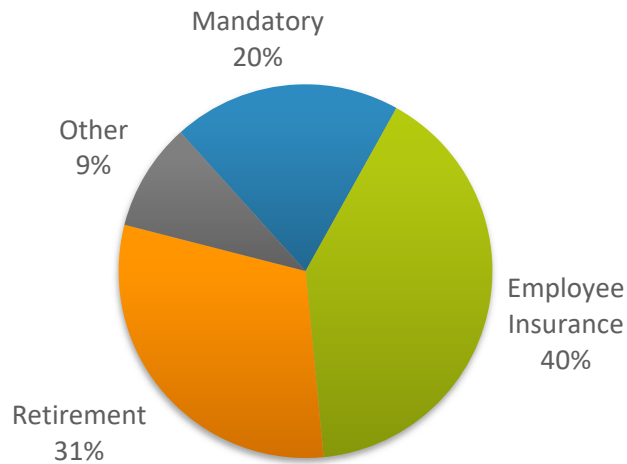
Department Procurement & Inventory Control

Type Intern

Justification With the approval of the new Inventory Control/Buyer, this position is no longer needed.

Total Finance Division	\$50,658	\$50,658	\$17,459	\$120	\$0	\$68,237
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2021 BENEFITS



	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Employee Insurance	\$4,484,024	\$4,882,936	\$5,295,176	\$412,240	8.4%
Retirement	6,023,448	3,053,340	3,863,927	810,587	26.5%
Mandatory	2,408,753	2,560,705	2,674,818	114,113	4.5%
Other	984,127	957,821	921,824	<35,997>	<3.8%>
Benefits - Gross	\$13,900,352	\$11,454,802	\$12,755,745	\$1,300,943	11.4%
Less Transfers	<\$3,430,854>	<\$2,983,132>	<\$2,958,643>	\$24,489	<0.8%>
Benefits - Net	\$10,469,498	\$8,471,670	\$9,797,102	\$1,325,432	15.6%

PERSONNEL

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

Benefit Expenses					
	2019	2020	2021	\$ Incr	% Incr
	Actual	Budget	Budget	<Decr>	<Decr>
Employee Insurance - Health	\$4,240,516	\$4,547,534	\$4,957,974	\$410,440	9.0%
FICA	2,097,784	2,227,256	2,321,104	93,848	4.2%
Pension DB - Final Pay Plan	4,158,906	1,538,219	2,298,176	759,957	49.4%
Pension DC - (New) WaterOne	353,230	453,088	469,796	16,708	3.7%
Pension DC - WaterOne	439,211	404,543	404,646	103	0.0%
Pension DC - (New) Match	256,943	310,932	343,521	32,589	10.5%
Worker's Compensation	289,217	311,070	330,170	19,100	6.1%
Retiree Insurance - Health	295,371	349,888	315,656	<34,232>	<9.8%>
Pension DC - Match	292,410	284,798	284,871	73	0.0%
Employee Insurance - Dental	199,034	209,150	210,338	1,188	0.6%
Other Employee Benefits	154,064	152,630	153,250	620	0.4%
Employee Insurance - Life	111,437	118,356	123,192	4,836	4.1%
Employee Ins. - LT & ST Disab	106,545	112,062	116,378	4,316	3.9%
Comp & Ben Consulting Serv	115,896	74,493	66,000	<8,493>	<11.4%>
Pension DB - Cash Balance Plan	68,332	61,760	62,917	1,157	1.9%
Employee Insurance - Vision	37,064	48,834	40,294	<8,540>	<17.5%>
Unemployment Insurance	27,524	29,379	30,544	1,165	4.0%
Other Post-Employment Ben.	454,416	0	0	0	NA
All Other	202,452	220,810	226,918	6,108	2.8%
Total Benefit Expense	\$13,900,352	\$11,454,802	\$12,755,745	\$1,300,943	11.4%

Employee Insurance – Health

The budgeted components of health insurance include a 7.25% premium rate increase, additional personnel and changes to the employee coverage mix.

FICA

The budget increase is due to the higher projected payroll and increased overtime.

Pension DB – Final Pay Plan

Adjustments to this account reflect changes in payroll costs, participation rates, and amortized gains and losses to the pension trust. The budget is based on projected payroll and information from the annual actuarial report. The budget is increasing primarily due to the amortization of assumption changes in the 2020 experience study.

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 the increase in payroll.

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. Payroll increases are offset by 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) Match

This budget covers WaterOne's matching contribution to the employees' voluntary Defined Contribution retirement account for all employees hired on and after January 1, 2014. Eligible participants receive a 100% match on the first 2% of base pay plus 50% of the next 5% of base pay the employee contributes. The budget is based on the projected payroll and participation rates of eligible full-time employees. The budget increase is due to additional participants entering the plan, payroll increases, and increased participation rates.

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 2020 will be in effect for the first half of the 2021 budget. A 3% projected rate increase is included in the budget for the second half of 2021.

Retiree Insurance – Health

The budget is based on a 7.25% premium rate increase. The budget decrease is due to fewer retirees being in the plan than projected.

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. Payroll increases are offset by 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 premiums remaining flat, additional personnel and the current coverage mix.

PERSONNEL

Other Employee Benefits

This budget funds various activities such as retirement events, United Way activities, Employee Day, Pancakes with Santa, and employee recognition.

Employee Insurance - Life

The budget increase is due to the projected payroll increase. No rate increase projected in 2021.

Employee Insurance – LT & ST Disability

The budget increase is due to the projected payroll increase.

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 is based on premiums remaining flat, additional personnel, current coverage mix, and a true-up to actual rates.

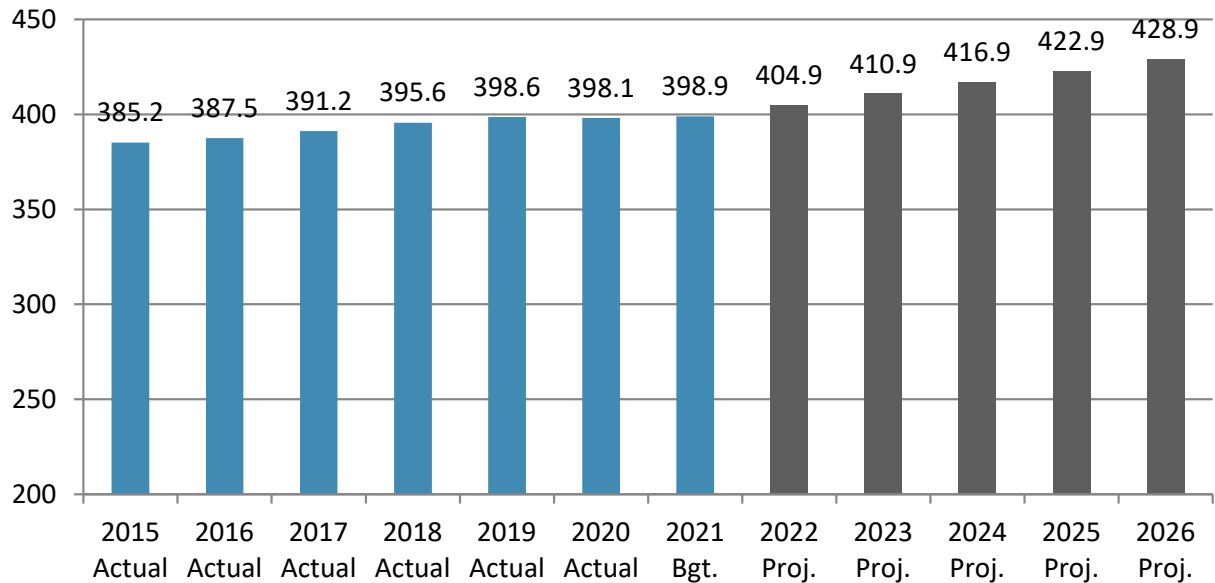
Unemployment Insurance

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

Personnel

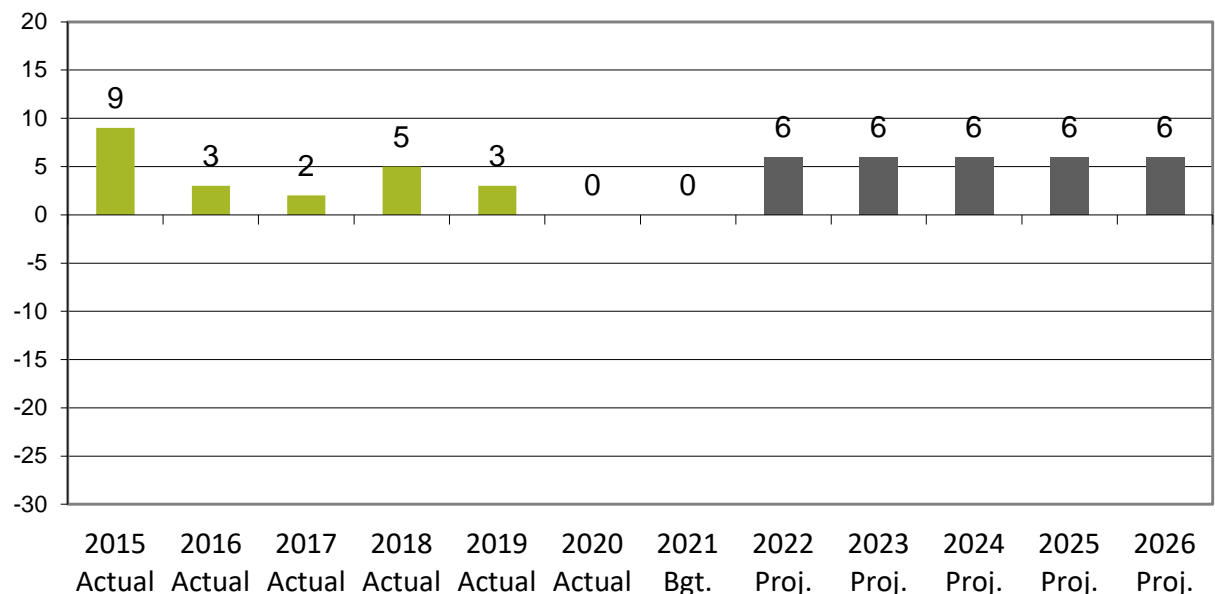
Actuals are budgeted authorized positions. Projections (■ in gray) are based on historical averages.

History of Authorized Full Time Equivalent Employees



Full Time	374	377	382	387	390	389	390	396	402	408	414	420
Part Time	10	8	6	4	4	4	4	4	4	4	4	4
Summer	19	21	20	22	22	23	22	22	22	22	22	22
Total	403	406	408	413	416	416	416	422	428	434	440	446

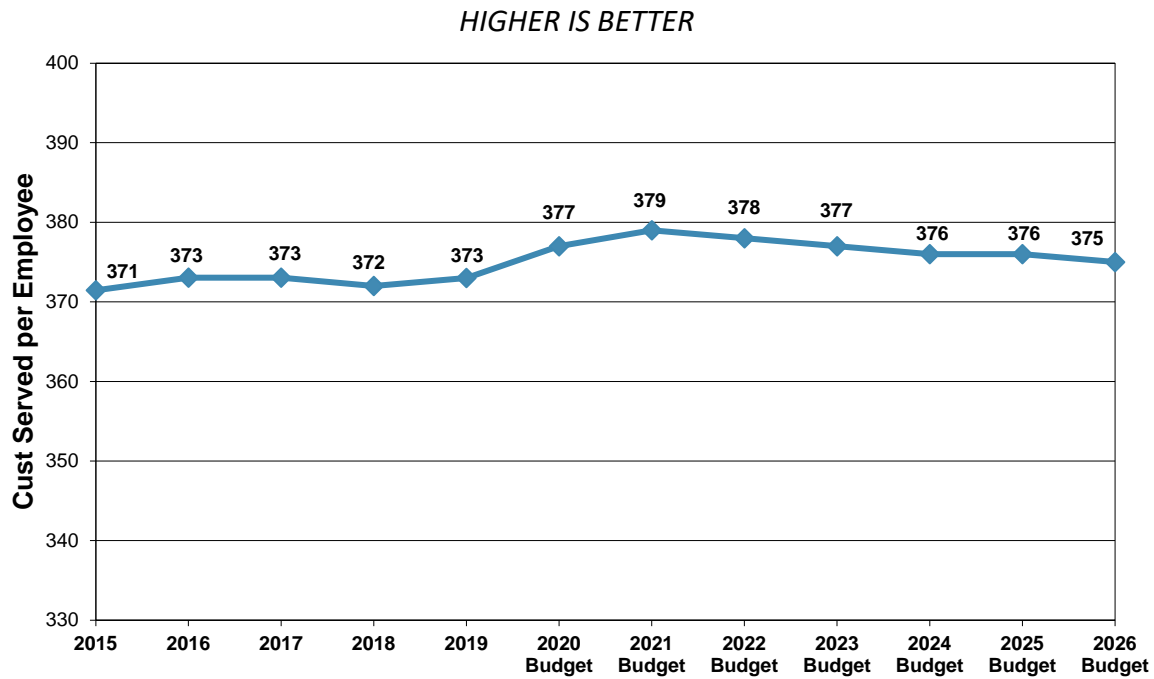
**Headcount Change
(Full Time, Part Time, & Summer Positions)**



PERSONNEL

Average Customers Served Per Employee

Customer growth has been relatively stable between 1,200-1,500. The 2021 projections are estimated at 1,200 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.



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CAPITAL IMPROVEMENT PROGRAM

WaterOne provides water service to approximately 451,000 residents of Johnson County in 17 municipalities and encompasses 272 square miles. While WaterOne's service territory is only about 60% developed, portions of the distribution system are over 60 years old. This puts WaterOne in the position of planning and building for the growth of the system while at the same time dealing with the challenges of aging infrastructure. To meet its diverse capital needs, WaterOne has developed a Capital Improvement Program (CIP) that consists of three components.

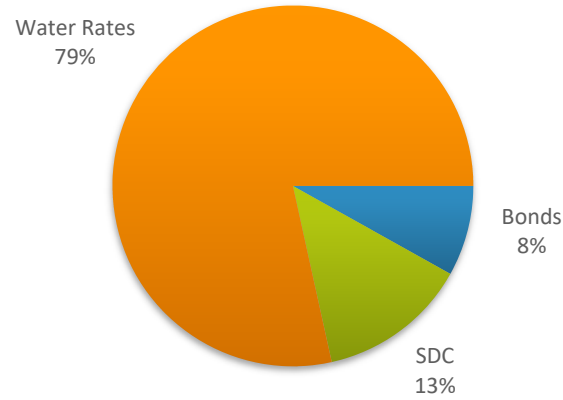
- **Master Plan** – The Master Plan includes projects to build new or replace facilities related to water treatment, pumping, storage, transmission mains, and new distribution mains. Master Plan projects are designed to increase the water supply to serve new customers and to protect existing facilities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

The major sources of funds for these capital expenditures are:

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

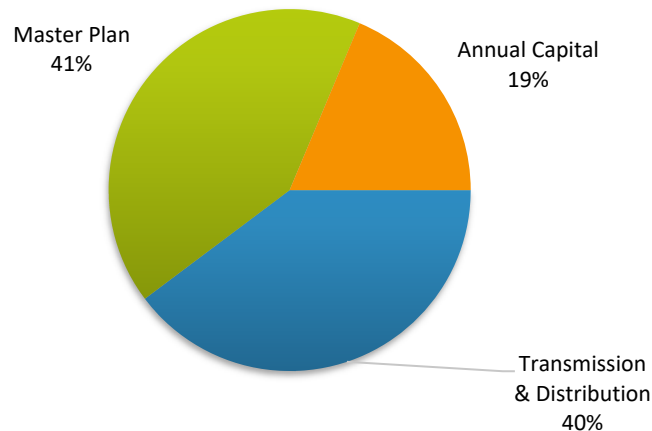
TOTAL CIP

CIP Funding



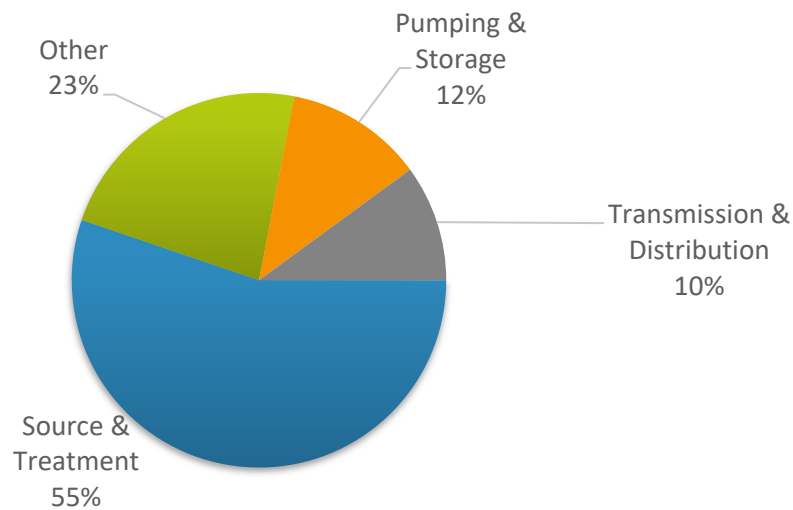
FUNDING	2021	2022	2023	2024	2025	2026	Total
Water Rates	\$40.8	\$42.0	\$38.2	\$44.6	\$46.3	\$48.8	\$260.8
SDCs	\$6.0	\$6.5	\$7.0	\$7.8	\$8.5	\$8.8	\$44.6
Bonds	\$0.0	\$27.0	\$0.0	\$0.0	\$0.0	\$0.0	\$27.0
TOTAL FUNDING	\$46.9	\$75.5	\$45.2	\$52.4	\$54.8	\$57.6	\$332.4

CIP Expenditures



EXPENDITURES	2021	2022	2023	2024	2025	2026	Total
Master Plan	\$47.4	\$19.4	\$33.0	\$14.6	\$13.8	\$18.6	\$146.7
T&D	\$19.1	\$20.7	\$22.3	\$24.1	\$26.0	\$28.1	\$140.3
Annual Capital	\$8.5	\$10.8	\$11.1	\$11.5	\$11.8	\$12.2	\$65.9
TOTAL EXPENDITURES	\$75.0	\$50.8	\$66.4	\$50.1	\$51.6	\$58.9	\$352.9

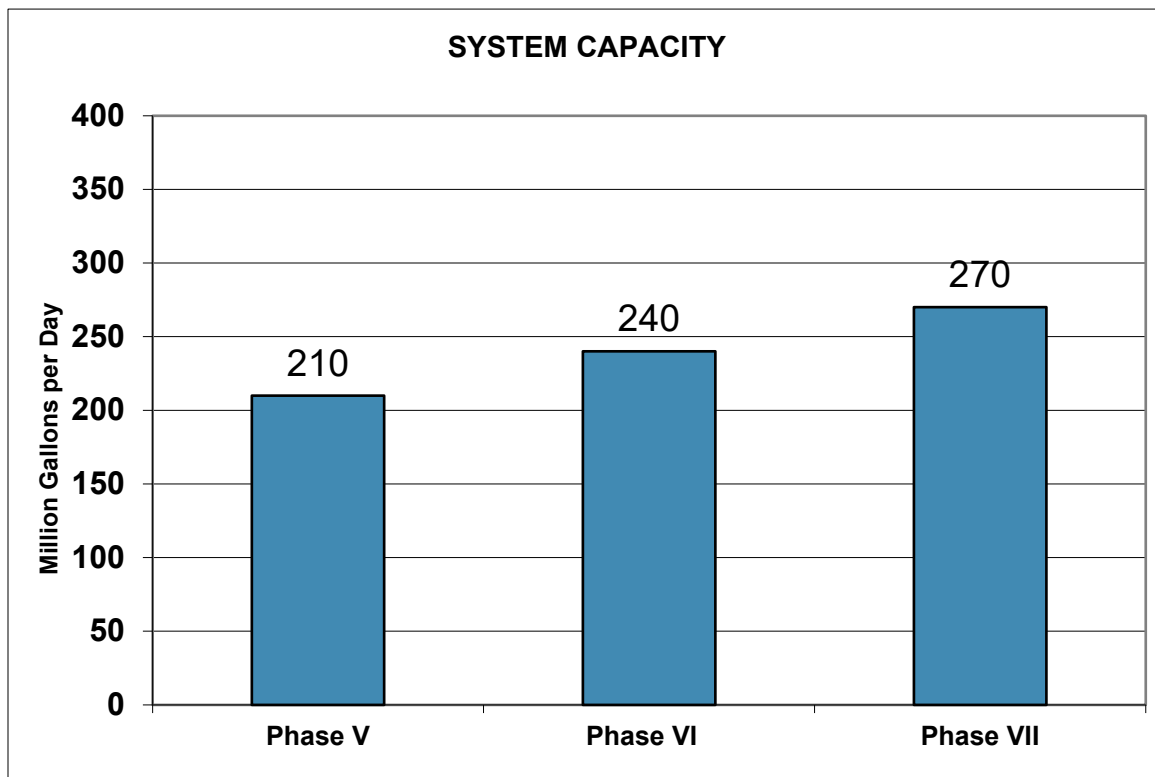
Numbers may not add due to rounding

2021 Master Plan**Master Plan Purpose and Funding**

- **Pumping and Storage** – These facilities consist of equipment and structures including pumps, pump stations, underground and ground-level reservoirs as well as elevated storage in water towers. Pumping provides hydraulic pressure to the distribution system to meet Board policy requirements. Storage is primarily needed to maintain adequate supply during peak demand periods, for fire protection, and to serve as emergency pressure to the system in the event of equipment failure or power interruption. There are currently 83 million gallons of storage capacity in the distribution system.
- **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 an adequate supply of water without building capacity above what will be needed in the next few years.



The largest project in 2021 is the remodel of the P1 Building and Headquarters for approximately \$10.0M. Other large projects in 2021 include \$7.1M for the second phase in the replacement of the Kansas Well Units and \$5.0M for Facility 1 Improvements.

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.

2021 Master Plan Projects (Award Basis)

Pumping & Storage

MP-20015	Redundant Power for Wyss Pumping Station	\$3,755,906
MP-21122	Paint Renner Tank	1,888,645
Pumping & Storage		\$5,644,551

Source & Treatment

MP-20008	KS Well Units Replacement Phase II	\$7,079,966
MP-19401	Facility 1 Improvements	4,984,748
MP-21121	Wolcott Membrane Module & Controls Replacement	3,716,287
MP-21201	MO Intake Traveling Screen Replacement	1,662,540
MP-21204	Facility 2 Filter Valve Replacements	1,662,540
MP-19774	SCADA Control Panel Critical Upgrades	1,591,625
MP-21771	Process Control Network Upgrade	1,551,453
MP-19773	SCADA HMI Upgrade Migration	764,594
MP-20771	Electronic Document Management and Logbook	706,434
MP-19772	SCADA Control Center and Server Room Upgrades	696,595
MP-20772	SCADA Data Business System Integration	645,762
MP-16015	Hydro Power Generation	579,737
MP-21018	MO Intake HVAC Improvements	338,000
MP-23771	Instrumentation Upgrade and Asset Monitoring	160,856
Source & Treatment		\$26,141,137

Distribution & Transmission

MP-19000	30" TM Replacement, 51st St w of Foxridge to PS & I-635 Crossing	\$3,300,667
MP-19006	12" DM Lee Blvd Ph II, 83rd-95th	1,409,995
MP-22007	24" TM Replacement, Nall & 47th to 51st - BPU Interconnect	50,000
Distribution & Transmission		\$4,760,662

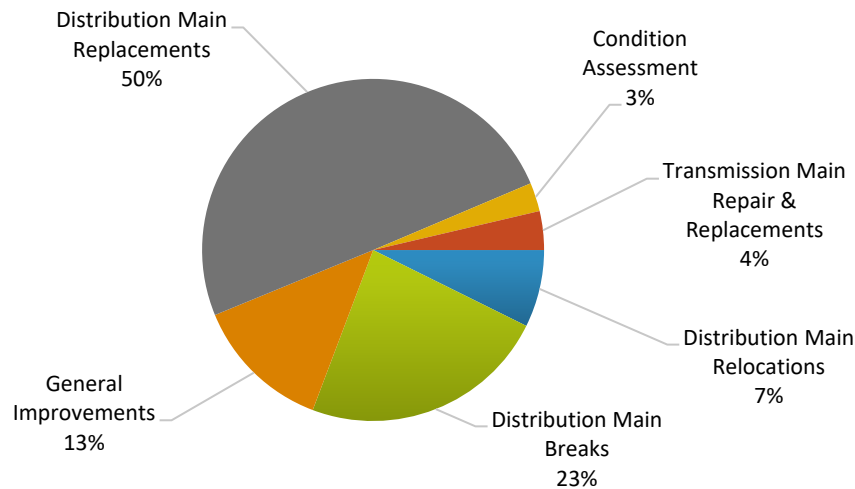
Other Facilities

MP-20035	Remodel of P1 Building/AHQ	\$10,034,266
MP-19100	Renner North 90 Reclamation	500,000
MP-21000	Master Plan Study	275,267
Other Facilities		\$10,809,533

Total Master Plan (Award Basis)

\$47,355,884

2021 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 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.

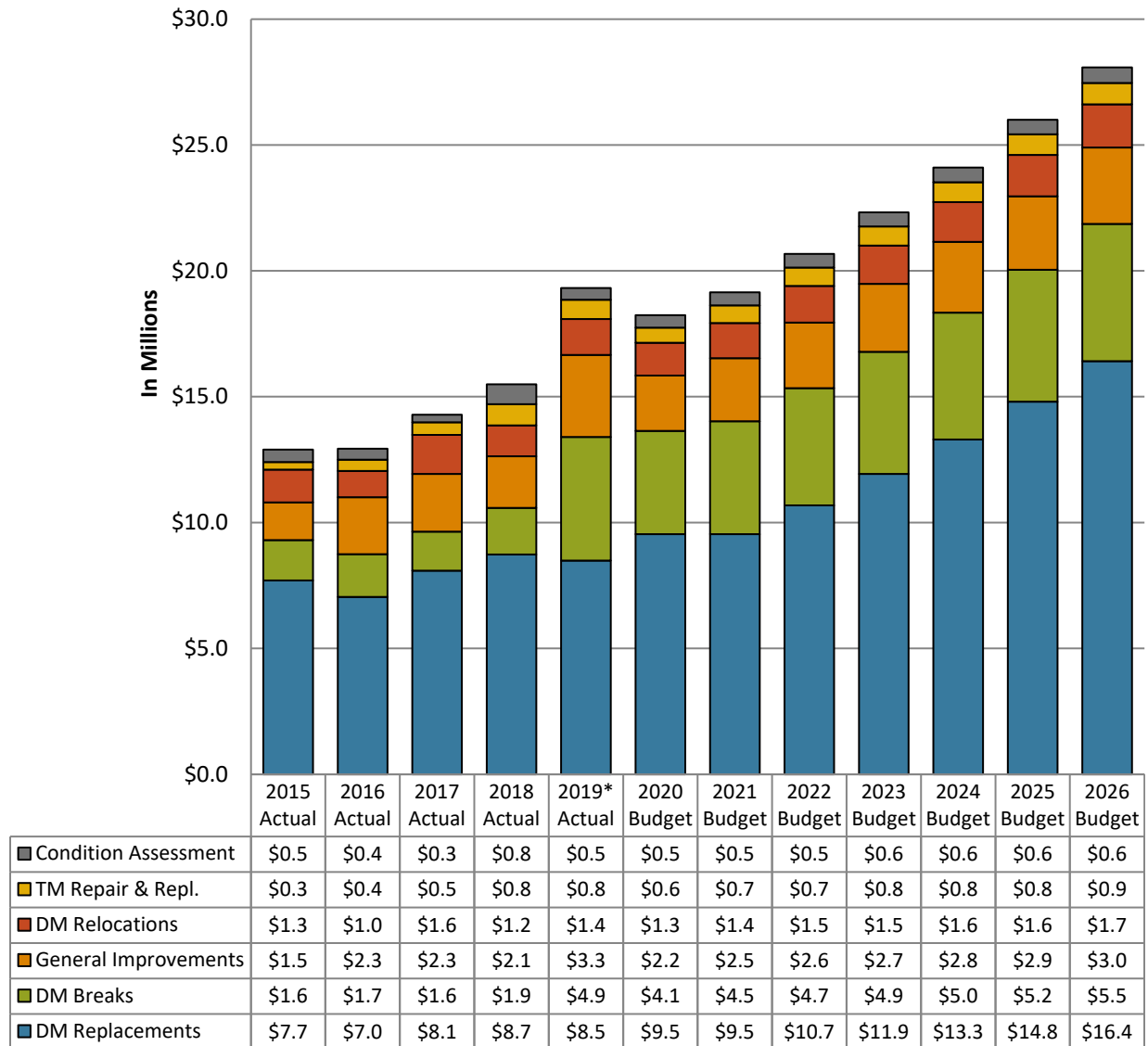
- **General Improvements** - General system improvements include normal service connection rehabilitation, main upsizing and downsizing, and installing new mains, valves, and fire hydrants. WaterOne has approximately 150,225 service connections which are the pipe and related material that connect the 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

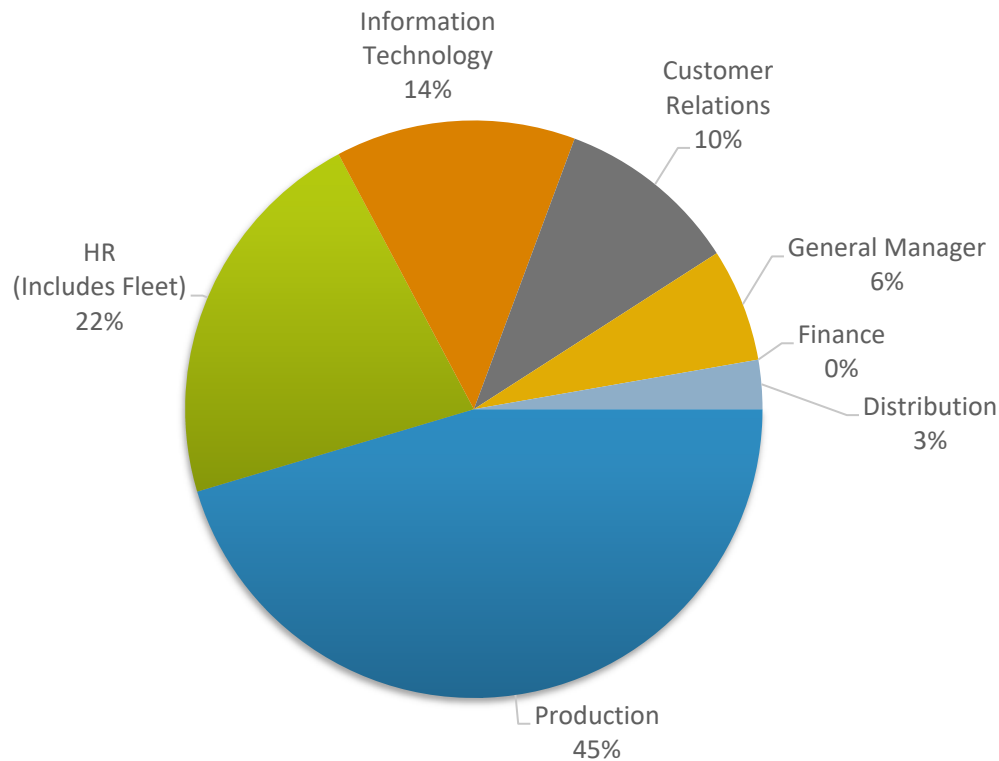
occurs and is paid for by the developer. New mains are occasionally installed to extend the system but are primarily needed to provide redundant supply or improve fire protection water flow in a particular area.

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

Transmission & Distribution by Category



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

2021 Annual Capital by Division**Annual Capital Purpose and Funding**

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

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

WATERONE 2021 BUDGET

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 2021, approximately 97% 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.

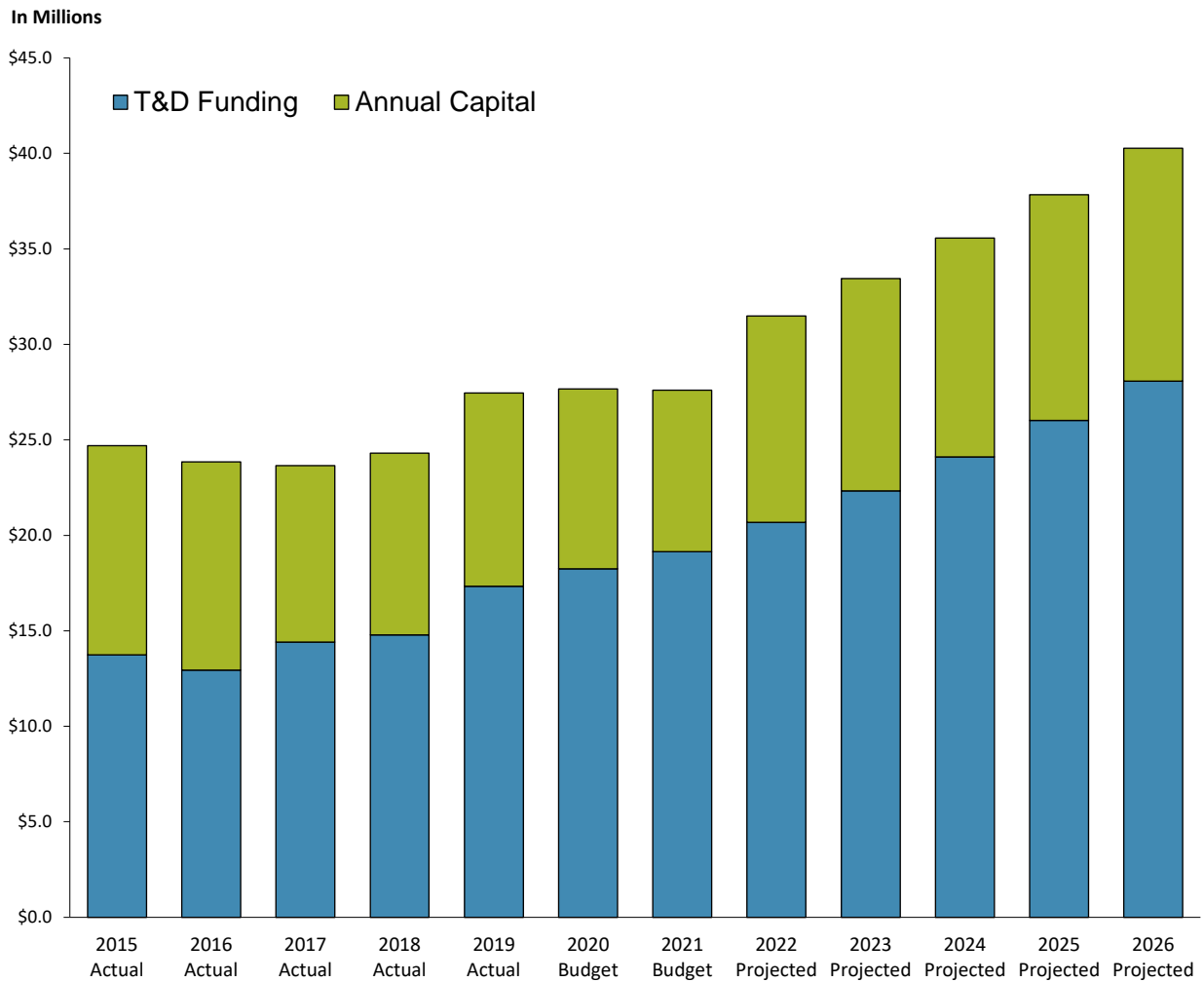
Division	2021 Budget	Net Operating Impact					
		2021	2022	2023	2024	2025	2026
New							
Production	\$ 179,099	\$ 5,037	\$ 5,138	\$ 5,241	\$ 5,345	\$ 5,452	\$ 5,561
Distribution	531,697	-	-	-	-	-	-
Customer Relations	167,905	-	16,791	17,126	17,469	17,818	18,175
Finance	-	-	-	-	-	-	-
Human Resources/Administration	-	-	-	-	-	-	-
Information Technology	-	-	-	-	-	-	-
New - Total	\$ 878,701	\$ 5,037	\$ 21,928	\$ 22,367	\$ 22,814	\$ 23,271	\$ 23,736

Replacement

General Manager	\$ 535,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Production	3,127,431	-	-	-	-	-	-
Distribution	232,678	-	-	-	-	-	-
Customer Relations	697,910	-	-	-	-	-	-
Human Resources/Administration	1,846,724	(3,816)	(3,333)	(3,333)	(3,333)	(3,333)	(3,333)
Information Technology	1,136,149	-	-	-	-	-	-
Replacement - Total	\$ 7,576,299	\$ (3,816)	\$ (3,333)	\$ (3,333)	\$ (3,333)	\$ (3,333)	\$ (3,333)

Annual Capital Total	\$ 8,455,000	\$ 1,221	\$ 18,596	\$ 19,034	\$ 19,482	\$ 19,938	\$ 20,403
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HISTORY & PROJECTION OF TOTAL ANNUAL CAPITAL



T&D Funding	\$13.74	\$12.94	\$14.41	\$14.78	\$17.33	\$18.24	\$19.15	\$20.67	\$22.32	\$24.10	\$26.02	\$28.08
Annual Capital	\$10.95	\$10.91	\$9.24	\$9.52	\$10.12	\$9.42	\$8.46	\$10.81	\$11.13	\$11.47	\$11.82	\$12.18
Total Annual Capital	\$24.69	\$23.85	\$23.65	\$24.30	\$27.45	\$27.66	\$27.60	\$31.48	\$33.45	\$35.57	\$37.84	\$40.26

ANNUAL CAPITAL BY DIVISION/DEPARTMENT

DIVISION/DEPARTMENT	2020 CAPITAL REQUESTS	2021 CAPITAL REQUESTS	PRIOR YEARS' CARRYOVERS (b)	GRAND TOTAL 2021 CAPITAL REQUESTS
PRODUCTION				
Facilities Engineering	\$ 2,485,147	\$ 2,760,069	\$ 3,768,634	\$ 6,528,703
Facilities Maintenance	660,486	848,128	-	848,128
Operations	105,303	107,459	974,212	1,081,671
Water Quality Laboratory	59,858	122,571	-	122,571
TOTAL PRODUCTION	\$ 3,310,794	\$ 3,838,227	\$ 4,742,845	\$ 8,581,072
DISTRIBUTION				
Distribution Engineering	\$ 18,240,000	\$ 19,145,000	\$ -	\$ 19,145,000
Construction, Maintenance, Valving & Services	689,504	232,678	48,311	280,989
Developer Services	-	-	-	-
TOTAL DISTRIBUTION	\$ 18,929,504	\$ 19,377,678	\$ 48,311	\$ 19,425,989
CUSTOMER RELATIONS				
Meter Services	\$ 638,698	\$ 585,974	\$ 392,116	\$ 978,090
Customer Service	105,857	279,841	-	279,841
TOTAL CUST. RELATIONS	\$ 744,555	\$ 865,815	\$ 392,116	\$ 1,257,931
FINANCE				
Financial Planning & Analysis	\$ 260,486	\$ -	\$ -	\$ -
TOTAL FINANCE	\$ 260,486	\$ -	\$ -	\$ -
HUMAN RESOURCES/ADMINISTRATION				
Fleet Services	\$ 2,561,854	\$ 1,846,724	\$ 2,098,391	\$ 3,945,115
Safety & Security	-	-	9,958	9,958
TOTAL HUMAN RESOURCES/ADMIN	\$ 2,561,854	\$ 1,846,724	\$ 2,108,349	\$ 3,955,073
INFORMATION TECHNOLOGY				
IT Operations	\$ 759,289	\$ 721,986	\$ 359,586	\$ 1,081,572
Applications Development	443,380	223,872	540,842	764,714
Geospatial Services	110,845	190,291	25,000	215,291
Project Management Office	-	-	-	-
TOTAL INFORMATION TECHNOLOGY	\$ 1,313,514	\$ 1,136,149	\$ 925,427	\$ 2,061,576
SUB-TOTAL (CAPITAL IMPROVEMENTS)	\$ 27,120,707	\$ 27,064,593	\$ 8,217,049	\$ 35,281,642
Capital Contingencies (1.9% of Total) (a)	\$ 539,293	\$ 535,407	\$ -	\$ 535,407
TOTAL OFFICE OF GENERAL MANAGER	\$ 539,293	\$ 535,407	\$ -	\$ 535,407
GRAND TOTAL CAPITAL REQUESTS	\$ 27,660,000	\$ 27,600,000	\$ 8,217,049	\$ 35,817,049

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 2021

		*2020 Budget	12-31-2020 Unspent	Budget Carry- Over to 2021
PRODUCTION				
AC-19301	SCADA Historian ODMS#1 & Data Validation	\$ 279,620	\$ 291,865	\$ 401,376
AC-19302	SCADA Task Methodology & Lifecycle Mgmt	297,131	353,067	298,709
AC-19304	SCADA Org & Sup/Standard Specs/Chg Mgmt	181,132	109,210	109,210
AC-20304	SCADA O&M Performance Management	105,303	105,303	105,303
AC-15037	SCADA Replacement & Upgrades	171,011	76,750	59,614
Operations Department Subtotal		\$ 1,034,197	\$ 936,196	\$ 974,212
AC-19040	2019 Mechanical Electrical Improvements	\$ 1,401,632	\$ 921,026	\$ 921,026
AC-19127	MO Presed Pump #3 Rebuild	443,204	443,204	443,204
AC-19022	KS Presed Pump #6 Replacement	400,000	371,569	371,569
AC-17023	Missouri River Intake Pump #3 Rebuild	445,000	348,205	348,205
AC-20015	2020 Mechanical Electrical Improvements	332,535	332,532	332,532
AC-14100	Administrative Offices Space Study & Reconfiguration	230,046	220,023	220,023
AC-20201	Facility 2 Filter Effluent Valve Repl.	177,352	176,641	176,641
AC-18034	Production Facilities PLC Replacement	190,112	172,513	172,513
AC-19043	Wolcott HVAC Controls Upgrade	150,000	149,997	149,997
AC-20017	Wolcott Residuals System Modifications	166,268	133,124	133,124
AC-19044	Hansen Lighting Improvements Phase II	387,802	126,566	126,566
AC-20204	AHQ Data Center UPS Replacement	110,845	110,845	110,845
AC-20021	Water Quality Lab Humidifier Replacement	88,676	88,648	88,648
AC-19045	Facilities Concrete Repair and Sealant	66,335	66,335	66,335
AC-20200	Wolcott SCADA Equipment Upgrade	55,423	55,423	55,423
AC-20023	Wolcott Conference Room Furniture	22,169	22,169	22,169
OC-20009	AHQ Fuel Tank Safety Step/Platform	14,182	14,182	14,182
AC-20016	Turbidimeter Replacements	218,365	(47,220)	14,070
AC-18035	Production Offices Furniture Replacement	44,400	23,962	1,560
Facilities Engineering Department Subtotal		\$ 4,944,345	\$ 3,729,745	\$ 3,768,634
PRODUCTION TOTAL		\$ 5,978,543	\$ 4,665,941	\$ 4,742,845
DISTRIBUTION				
AC-20009	Leak Correlator/Detection Equipment Repl	\$ 66,507	\$ 66,507	\$ 25,000
AC-19012	Lunch Room Chair Repl (150 ea.) - AHQ	23,311	23,311	23,311
Construction and Maintenance Department Subtotal		\$ 89,818	\$ 89,818	\$ 48,311
DISTRIBUTION TOTAL		\$ 89,818	\$ 89,818	\$ 48,311

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2021

		*2020 Budget	12-31-2020 Unspent	Budget Carry- Over to 2021
HUMAN RESOURCES				
OC-20010	Security Camera Server	\$ 9,958	\$ 9,958	\$ 9,958
	Safety & Security Department Subtotal	\$ 9,958	\$ 9,958	\$ 9,958
AF-20040	Service Body (Repl 5040) CMVS	\$ 205,063	\$ 205,063	\$ 205,063
AF-20050	Service Body (Repl 5050) CMVS	205,063	205,063	205,063
AF-20202	Service Body (Repl 5250) CMVS	205,063	205,063	205,063
AF-20004	Valve/Vac Truck (Repl 4703) CMVS	175,135	153,518	153,518
AF-17066	2 Ton Service Body (Replace 5110)	194,359	98,465	115,000
AF-17131	2 Ton Service Body (Replace 5070)	194,359	103,133	110,000
AF-19260	Service Body (Repl 5260) CMVS	187,769	96,543	110,000
AF-19590	Service Body (Repl 5090) CMVS	187,769	91,875	110,000
AF-18065	Service Body (Replace 5100)	177,338	81,444	110,000
AC-20070	Fuel Dispenser Replacement - AHQ	105,303	105,303	110,000
AF-19056	Service Body (Repl 5120) CMVS	187,769	91,875	105,000
AF-18032	Service Body (Replace 5060)	177,338	86,112	105,000
AF-18133	Service Body (Replace 5080)	177,338	86,112	105,000
AF-20440	Oil Truck (Repl 4440) Fac Maint	79,808	79,808	82,000
AF-19710	Tractor (Repl 7720) CMVS	57,578	57,578	57,578
AF-20900	Stand Up Fork Lift (Repl 7615) Inv Cntl	53,760	53,760	53,760
AF-20053	Trench Compactor (Repl 7053) CMVS	38,796	38,796	40,000
AF-20235	Backhoe Trailer (Repl 7235) CMVS	31,037	31,023	31,023
AF-20239	Backhoe Trailer (Repl 7239) CMVS	31,037	31,023	31,023
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
	Fleet Department Subtotal	\$ 2,725,982	\$ 1,955,855	\$ 2,098,391
	HUMAN RESOURCES TOTAL	\$ 2,735,940	\$ 1,965,813	\$ 2,108,349

PRIOR YEARS' CAPITAL CARRY-OVERS
Projects funded from Prior Year Revenues Carried Over to 2021

		*2020 Budget	12-31-2020 Unspent	Budget Carry- Over to 2021
INFORMATION TECHNOLOGY				
AC-19905	Records Information Mgmt Implementation	\$ 247,131	\$ 247,131	\$ 247,131
AC-20052	SAP Tool for Process Refinement	221,690	221,690	221,690
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
Application Development Services Subtotal		\$ 540,842	\$ 540,842	\$ 540,842
AC-20013	GIS Upgrades and Enhancements	\$ 110,845	\$ 26,193	\$ 25,000
Geospatial Services Department Subtotal		\$ 110,845	\$ 26,193	\$ 25,000
AC-20001	Network Upgrades	\$ 188,437	\$ 188,437	\$ 188,437
AC-20039	Server Replacement Program	177,352	171,149	171,149
Infrastructure Services Department Subtotal		\$ 365,789	\$ 359,586	\$ 359,586
INFORMATION TECHNOLOGY TOTAL		\$ 1,017,475	\$ 926,621	\$ 925,427
CUSTOMER RELATIONS				
AC-19006	Annual Meter Replacement	\$ 341,408	\$ 341,408	\$ 341,408
AC-20500	Remote Disconnect Meters Pilot Project	55,423	50,708	50,708
CUSTOMER RELATIONS TOTAL		\$ 396,830	\$ 392,116	\$ 392,116
GRAND TOTAL CARRY-OVERS		\$ 10,218,607	\$ 8,040,309	\$ 8,217,049

Numbers may not total due to rounding

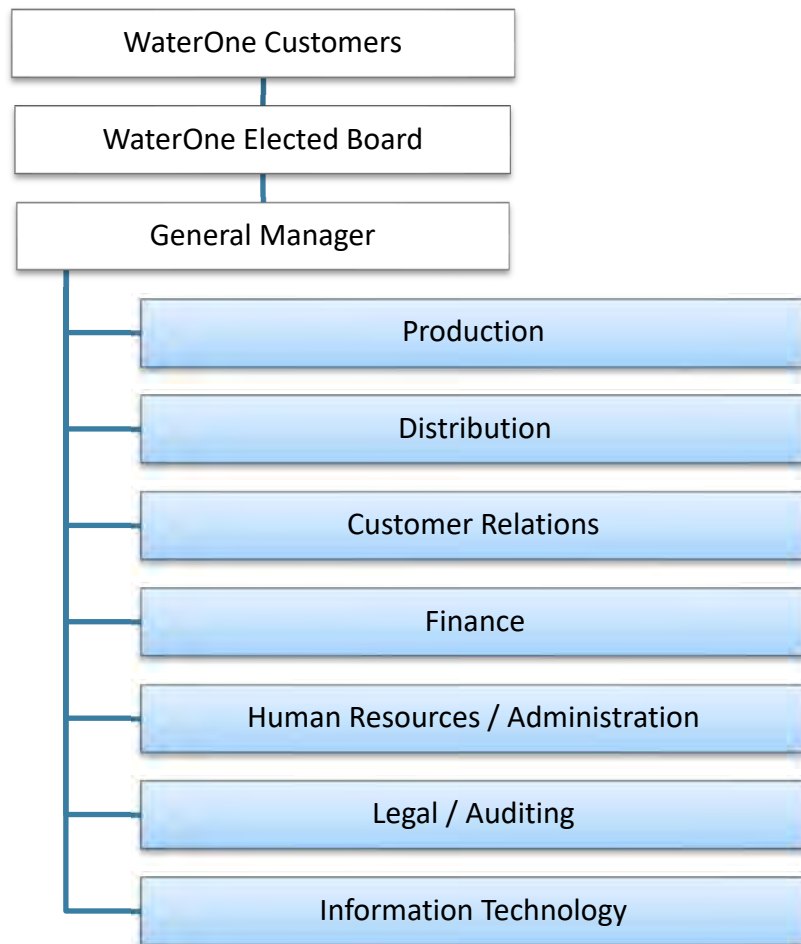
In instances where the project carry-over amount exceeds available budget, fiscal notes were executed that approve transfer of funding from projects which were completed under budget.

*2020 Budget amount represents the approved 2020 budget amount or carryover amount for all projects that were requested for carryover into 2021.

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GENERAL MANAGER



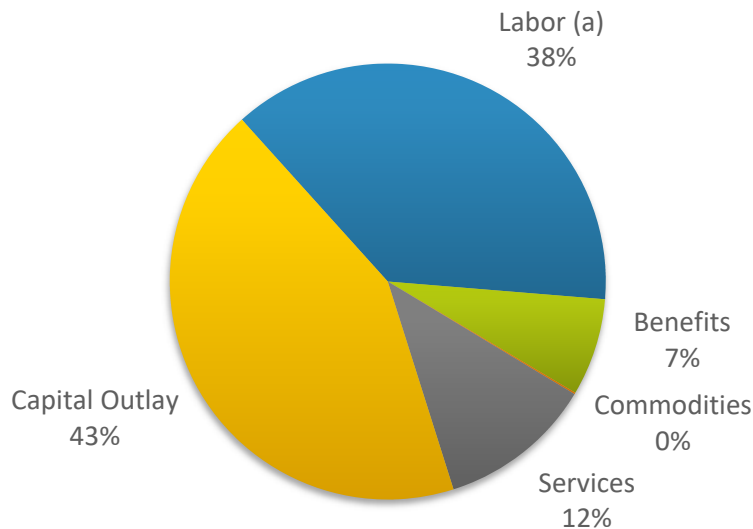
Office of the General Manager

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

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

Mission Statement

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

Expenditures by Major Category*Net of Transfers*

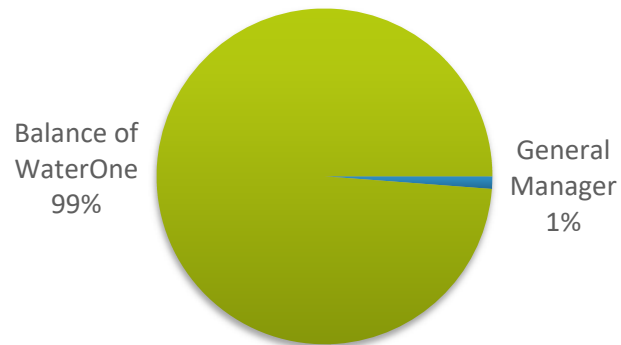
	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$475,032	\$454,558	\$479,456	\$24,898	5.5%
Benefits	107,175	72,607	89,486	16,879	23.2%
Personnel Costs	\$582,206	\$527,165	\$568,942	\$41,777	7.9%
Commodities	2,966	1,425	1,400	<25>	<1.8%>
Services	143,953	141,901	142,338	437	0.3%
Transfers	<9,769>	<8,120>	<9,013>	<893>	11.0%
Total O&M	\$719,356	\$662,371	\$703,668	\$41,296	6.2%
Capital Outlay (b)	0	539,293	535,407	<3,886>	<0.7%>
Total	\$719,356	\$1,201,664	\$1,239,075	\$37,410	3.1%

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 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$407,556	\$394,558	\$419,456	\$24,898	6.3%
Benefits	107,175	72,607	89,486	16,879	23.2%
Water Board Salaries	60,000	60,000	60,000	0	0.0%
AWWA Research Foundation Fees	45,836	47,800	45,033	<2,767>	<5.8%>
Dues & Local Meetings	35,157	35,855	38,750	2,895	8.1%
WaterOne Memberships	32,799	32,403	32,730	327	1.0%
Subtotal	\$688,523	\$643,223	\$685,455	\$42,232	6.6%
All Other Accounts	40,602	27,268	27,226	<42>	<0.2%>
Less Transfers	<9,769>	<8,120>	<9,013>	<893>	11.0%
Total O&M	\$719,356	\$662,371	\$703,668	\$41,296	6.2%

Numbers may not add due to rounding

GENERAL MANAGER

GENERAL MANAGER	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2020 Budget	2	-	-	2	2.0
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-
New Positions (2021)	-	-	-	-	-
Reclass/PT Hour Adj (2021)	-	-	-	-	-
Eliminations	-	-	-	-	-
2021 Budget	2	-	-	2	2.0

Gross Labor (Non-Overtime)

A 3.0% 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 2021 budget is based on gallons produced in 2019 which were less than gallons produced in 2018.

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 to increases in actual costs for current meetings.

WaterOne Memberships

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

Annual Capital

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



OC-21000	(a) 2021 Omissions & Contingencies	\$ 535,407
Total Annual Capital		\$ 535,407

- 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 2021 Budget

GENERAL MANAGER

Replace

Project Description

2021 Omissions & Contingencies

Year

2021

Project

OC-21000

Plan

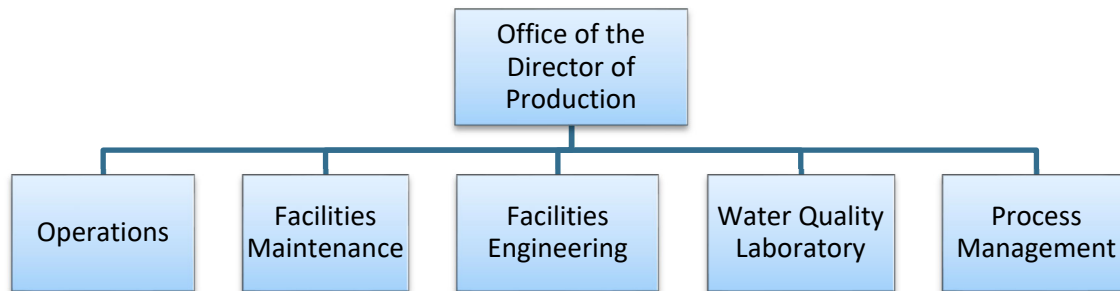
\$535,407

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

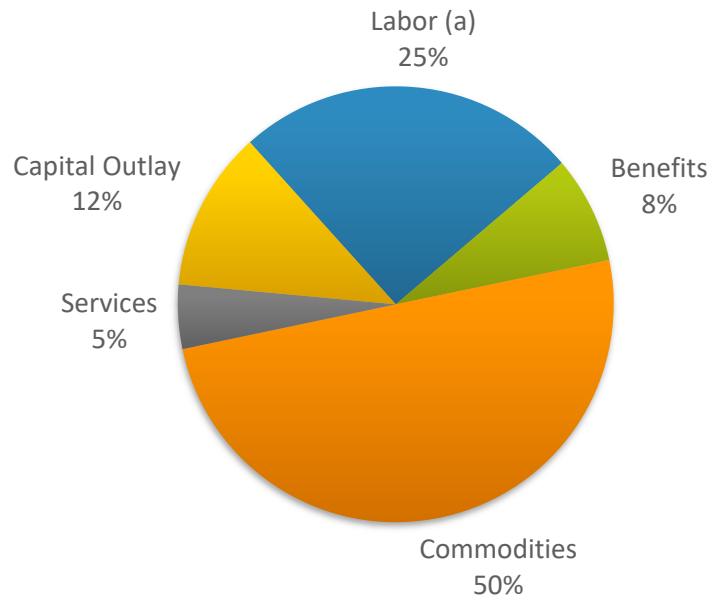
Produce and deliver high-quality drinking water to customers in a reliable and efficient manner and in quantities required to meet customer's needs, including the engineering and maintenance services necessary to accomplish that goal.

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under "2021 Operational Goals By Division" pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

PRODUCTION

Expenditures by Major Category



Net of Transfers

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$7,913,600	\$8,466,554	\$8,801,569	\$335,015	4.0%
Benefits	2,723,360	2,191,095	2,568,661	377,567	17.2%
<i>Personnel Costs</i>	\$10,636,960	\$10,657,649	\$11,370,230	\$712,582	6.7%
Commodities	15,260,811	15,637,324	16,154,077	516,753	3.3%
Services	1,206,982	1,419,854	1,540,577	120,723	8.5%
Transfers	<846,440>	<556,064>	<568,754>	<12,690>	2.3%
Total O&M	\$26,258,313	\$27,158,762	\$28,496,130	\$1,337,368	4.9%
Capital Outlay	5,903,494	3,310,794	3,838,227	527,433	15.9%
Total	\$32,161,807	\$30,469,556	\$32,334,357	\$1,864,801	6.1%

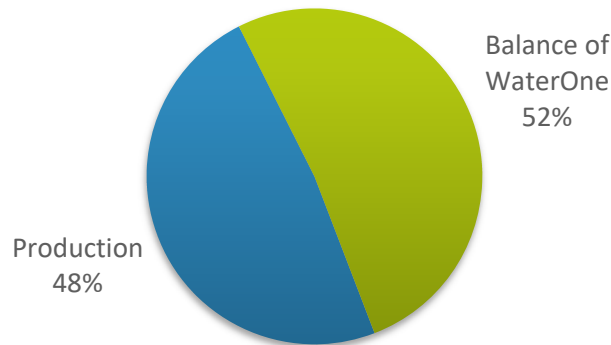
Numbers may not add due to rounding

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

PRODUCTION

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$7,520,472	\$8,203,616	\$8,528,902	\$325,286	4.0%
Labor - OT	294,732	262,938	272,666	9,728	3.7%
Benefits	2,723,360	2,191,095	2,568,661	377,567	17.2%
Power - Transmission	4,340,020	4,817,806	5,382,412	564,606	11.7%
Chemicals - Water Treatment	5,124,090	4,726,433	4,788,906	62,473	1.3%
Power - Source	2,389,746	2,391,361	2,284,558	<106,803>	<4.5%>
Power - Distribution	1,499,094	1,796,767	1,796,767	0	0.0%
Material & Supplies	788,828	758,450	765,800	7,350	1.0%
Generators - Natural Gas - Wolcott	396,439	382,798	395,790	12,992	3.4%
Maintenance Services	75,947	286,083	267,731	<18,352>	<6.4%>
BPU Water Purchased	195,860	228,629	212,043	<16,586>	<7.3%>
Clean and Inspect Facilities	148,647	134,115	210,536	76,421	57.0%
Subtotal	\$25,497,235	\$26,180,090	\$27,474,772	\$1,294,682	4.9%
All Other Accounts	1,607,519	1,534,736	1,590,112	55,376	3.6%
Less Transfers	<846,440>	<556,064>	<568,754>	<12,690>	2.3%
Total O&M	\$26,258,313	\$27,158,762	\$28,496,130	\$1,337,368	4.9%

Numbers may not add due to rounding

PRODUCTION

PRODUCTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2020 Budget	109	-	5	114	110.25
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-
New Positions (2021)	1	-	-	1	1
Reclass/PT Hour Adj (2021)	-	-	-	-	-
Eliminations	-	-	-	-	-
2021 Budget	110	-	5	115	111.25

a) Budgeted New Position: Engineering Technician

Gross Labor (Non-Overtime)

A 3.0% performance compensation increase is budgeted. The budget includes one additional full time authorized position. See PERSONNEL tab for more information on budgeted additional personnel.

Labor - OT

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

Employee Benefits (Transferred)

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

Power - Transmission

This budget is for power from the Board of Public Utilities (BPU) for transmission of water to the distribution system. The budget for this account is based on an operational plan by month for the two treatment facilities. The budget is increasing due to a true-up to peaking demands at the Hansen Treatment Facility which results in higher peaking charges. No BPU rate increase is budgeted for 2021.

Chemicals – Water Treatment

Various chemicals are used to make clean, safe, potable water. The budget for this account is based on an operational plan by month for the Kansas and Missouri intakes and the Hansen and Wolcott treatment facilities. The plan is based on projected water produced, price of chemicals, and the dose of chemical required. The budget is increasing primarily due to an increase in the price and dose of chemicals. The increase is partially offset by the planned use of the new Ozone Treatment Facility which will reduce the need for disinfection 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 decreasing primarily due to operational changes that increase production at the Kansas Intake and decrease utilization of the Missouri Intake. No BPU rate increase is budgeted for 2021.

PRODUCTION

Power - Distribution

This budget is for power from Evergy at the pump stations throughout the distribution system. The budget for this account is based on an analysis of the historical trends for power use at each of the large pump stations. The budget is flat due to no projected rate increase and no significant changes in power usage at the pump stations in 2021.

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 an increase in the 2021 budget due to the purchase of additional lab testing supplies as more testing transitions to in-house.

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 primarily due to more usage during off-season months for the natural gas 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 decreasing primarily due to the reduction in maintenance of the Kansas River vertical wells which have been replaced by a horizontal collector well.

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, and intake wash. The budget is decreasing due to the operational plan and forecasted decreased use of the Missouri Intake.

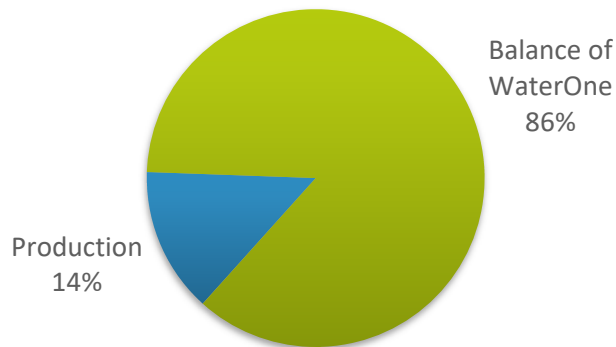
Clean and Inspect Facilities

This budget is for the amortization of cleaning and inspection contracts for facilities such as storage tanks, basins, horizontal collector wells, and reservoirs. The increase is due to the primary and final basin cleanings in 2019 which began amortization in 2020 and plans for additional cleaning and inspecting at multiple locations in 2020 which will be amortized over three years.

PRODUCTION

Annual Capital

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

**New**

AC-21702	AO Tank & Facilities for Concrete Mixer	\$167,905
AC-21021	Wolcott Emergency Response Facilities	70,800
AP-21700	Workstation - Buyer/Inventory Control	5,597
AP-21800	Workstation for New Engineering Tech	5,597
Annual Capital - New		\$249,899

Replacement / Refurbish

AC-21024	Missouri Intake Pump No. 6 Replacement	\$503,713
AC-21019	Emergency Equipment Replacements	447,744
AC-21004	KS Presed Electrical Improvements	321,816
AC-21670	KS Presed Residual Piping Replacement	279,840
AC-21010	Hansen Influent Valve Operator Repl.	251,856
AC-21017	Quivira Pump Station Controls Upgrade	223,872
AC-21020	Online Analyzers Treatment/Distribution	223,872
AC-21023	Missouri Intake Crane Replacement	201,485
AC-21027	Facility 2 Sluice Gate Actuator Repl.	176,512
AC-21018	Wolcott Pavement Improvements	156,710
AC-21016	Hansen Residual Pumps Replacement	154,473
AC-21031	Wolcott Collector Well Pump No 2 Refurb.	154,473

PRODUCTION

AC-21303	SCADA - Operational Automation & Enhance	107,459
AC-21028	Hansen Fac. 1 Pump No. 2 Rebuild	102,981
AC-21650	Facility 1 Inventory Control Room	83,953
AC-21604	Water Quality Lab Autoclaves	55,968
AC-21022	Hansen Facilities Flooring Refurbishment	47,014
AC-21601	Water Quality Lab Deionization Units	33,582
AC-21205	Lamar Pump Station Metering Replacement	27,984
AC-21602	Water Quality Lab Refrigerators	26,865
AC-21603	Water Quality Lab HotBlock	6,156
Annual Capital - Replace / Refurbish		\$3,588,328
Total Annual Capital		\$3,838,227

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-21103	(f)	1 Ton Service Body (Repl 4200) Fac Maint	\$102,981
AF-21523	(f)	Skidsteer Track 92 HP (Repl 7526) Ops	95,145
AF-21302	(f)	Off-Road Utility Vehicle (Repl 7302) Ops	24,402
AF-21018	(f)	Off-Road Utility Vehicle (Repl 7303) Ops	23,508

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

MP-20015	Redundant Power for Wyss Pumping Station	\$3,755,906
MP-21122	Paint Renner Tank	1,888,645
	Pumping & Storage	\$5,644,551

MP-20008	KS Well Units Replacement Phase II	\$7,079,966
MP-19401	Facility 1 Improvements	4,984,748
MP-21121	Wolcott Membrane Module & Controls Replacement	3,716,287
MP-21201	MO Intake Traveling Screen Replacement	1,662,540
MP-21204	Facility 2 Filter Valve Replacements	1,662,540
MP-19774	SCADA Control Panel Critical Upgrades	1,591,625
MP-21771	Process Control Network Upgrade	1,551,453
MP-19773	SCADA HMI Upgrade Migration	764,594
MP-20771	Electronic Document Management and Logbook	706,434
MP-19772	SCADA Control Center and Server Room Upgrades	696,595
MP-20772	SCADA Data Business System Integration	645,762
MP-16015	Hydro Power Generation	579,737
MP-21018	MO Intake HVAC Improvements	338,000
MP-23771	Instrumentation Upgrade and Asset Monitoring	160,856
Source & Treatment		\$26,141,137

MP-20035	Remodel of P1 Building/AHQ	\$10,034,266
MP-19100	Renner North 90 Reclamation	500,000
MP-21000	Master Plan Study	275,267
	Other Facilities	\$10,809,533

Total Master Plan (Award Basis)

\$42,595,221

Total Capital **\$46,433,448**

PRODUCTION DIVISION

New

Project Description

AO Tank & Facilities for Concrete Mixer

Year

2021

Project

AC-21702

Plan

\$167,905



Justification

This project is for the installation of facilities at the Administrative Offices yard to store materials for the new volumetric mobile concrete mixer. The facilities will include three bins to hold sand, limestone rock, and red granite rock. A cement silo will be required to house the dry cement mix. A generator, lighting, and water source will also be required for the work area. See payback in the supplemental section.

Project Description

Wolcott Emergency Response Facilities

Year

2021

Project

AC-21021

Plan

\$70,800



Justification

The recent pandemic event has changed where staff report to work as well as how they must be prepared to operate and maintain facilities during a crisis. Improvements to support this change of work methodology include having facilities that will support prolonged stays, providing cooking and laundry facilities. The project scope includes converting an unused storage room to the recommended standards for crisis utilization.

WaterOne 2021 Budget

PRODUCTION DIVISION

New

Project Description

Workstation - Buyer/Inventory Control

Year

2021

Project

AP-21700

Plan

\$5,597



Justification

Workspace will be required for a new Buyer/Inventory Control Specialist at the Hansen Treatment Plant warehouse.

Project Description

Workstation for New Engineering Tech

Year

2021

Project

AP-21800

Plan

\$5,597



Justification

Workspace will be required for a new Engineering Technician in Facilities Engineering.

WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Missouri Intake Pump No. 6 Replacement

Year

2021

Project

AC-21024

Plan

\$503,713



Justification

This pumping unit was first installed in 1994 and has not required any significant repair during this time in service. Based on previous inspections of pumping units that have been in service for this type of duration, it is recommended that this pump be replaced versus refurbished. The existing pump bowl sections and pump columns are currently exhibiting corrosion that is beyond repair. Replacement of this pump will ensure that the full capacity of the intake facility can be maintained. The anticipated useful life of this pump is 30 years including rebuilds.

Project Description

Emergency Equipment Replacements

Year

2021

Project

AC-21019

Plan

\$447,744



Justification

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

WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

KS Presed Electrical Improvements

Year

2021

Project

AC-21004

Plan

\$321,816

Justification

The electrical systems at the Kansas Presedimentation Facility have been upgraded in different phases over time, however some equipment remains original to the early 1970's plant expansion. Multiple lighting and power panels along with their associated wiring require replacement due to the age and condition of the equipment which has an anticipated useful life of 35 to 40 years. Replacement of this equipment will reduce the risk of failure and increase the reliability of the facility.



Project Description

KS Presed Residual Piping Replacement

Year

2021

Project

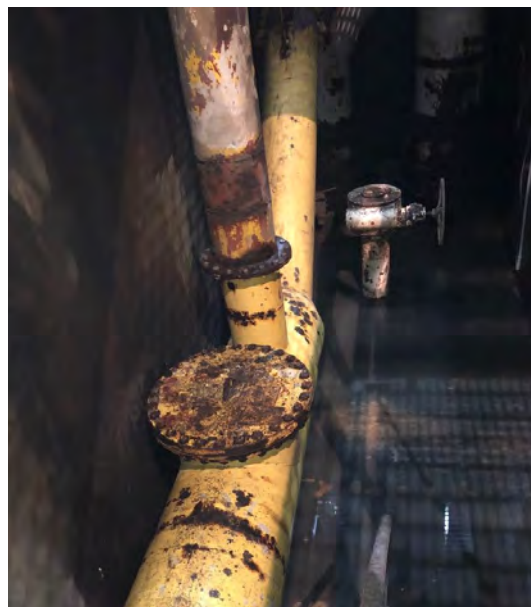
AC-21670

Plan

\$279,840

Justification

The piping system that conveys residuals from the basins, through the facility, and ultimately back to the river needs partial replacement due to corrosion. This piping is original to the 1965 facility construction. Recent observations during inspections and repair work have shown the piping system to be at the end of its useful life. The replacement of this piping system will reduce the risk of future failures potentially limiting the use of the facility. The new piping system will have an expected useful life of 50 years.



WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen Influent Valve Operator Repl.

Year

2021

Project

AC-21010

Plan

\$251,856



Justification

Two primary influent valves control the flow into the Facility 2 basins. The valves are opened and closed by specialized valve operators unique to this site. The valve operators were installed during the 1996 Phase III expansion of Facility 2 and have been rebuilt once to extend their useful life. One valve was rebuilt in 2009 and the other was rebuilt in 2014. The rebuild was anticipated to have a useful life of 20 years. These specialty valve operators are no longer supported by the manufacturer. This project will replace both existing valve operators with modern devices. This replacement will increase the reliability of the flow control and operation of Facility 2.

Project Description

Quivira Pump Station Controls Upgrade

Year

2021

Project

AC-21017

Plan

\$223,872



Justification

The local control system and associated wiring is original to the pump stations construction which occurred in 1994. This type of electrical control and flow equipment has an expected useful life of 20 to 25 years. Replacement of the identified control panels and flow meters will increase the reliability of the facility and will be compatible with the distribution SCADA network upgrades that are expected to be implemented over the next few years.

PRODUCTION DIVISION

Replace

Project Description

Online Analyzers Treatment/Distribution

Year

2021

Project

AC-21020

Plan

\$223,872

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.



PRODUCTION DIVISION

Replace

Project Description

Missouri Intake Crane Replacement

Year

2021

Project

AC-21023

Plan

\$201,485

Justification

The Missouri Intake Facility was supplied with an overhead monorail crane to originally serve as the method to remove the bar screens located on the lower face of the intake structure. The bar grates are the first barrier to prevent debris from entering the intake facility, working in conjunction with the traveling screen equipment to ultimately protect the intake pumps. This crane is located on the outside upper face of the intake facility and has been in service since it was new in 1984. Due to infrequent use of the crane and exposure to the elements for 36 years, the electrical components and wire cable have deteriorated beyond repair. Electrical standards have changed since the original installation which require additional grounding to be installed on the monorail. The replacement of the crane and the modernization of the electrical components will return this crane to reliable operation. The estimated useful life is 50 years.



Project Description

Facility 2 Sluice Gate Actuator Repl.

Year

2021

Project

AC-21027

Plan

\$176,512

Justification

This project is for the replacement of 10 pedestals and actuators for the sluice gates on three of the clearwell reservoirs at Treatment Facility 2. These actuators range in age from 30-40 years and replacement parts are no longer available. The estimated useful life is 20 years.



WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Wolcott Pavement Improvements

Year

2021

Project

AC-21018

Plan

\$156,710



Justification

The Wolcott Facility was completed in 2010 and portions of the pavement surfaces have begun to deteriorate and require repair to prevent further damage to the subgrade. Improvements are required in some areas to prevent standing water that accelerates the degradation of the pavement surfaces. Other improvements include widening the pavement in specific areas to accommodate delivery truck access. The useful life of pavement at Production facilities has ranged from 10 to 15 years.

PRODUCTION DIVISION

Replace

Project Description

Hansen Residual Pumps Replacement

Year

2021

Project

AC-21016

Plan

\$154,473

Justification

Residuals produced as a by-product at each treatment basin must be pumped to the respective Lime Residual Treatment Facilities. The pumps that provide this service operate in harsh conditions and operate for several hours per day when the facilities are producing water. The six pumping units that serve the Hansen Facility have been repaired and/or replaced multiple times and three of the units are no longer serviceable due to the corrosion and degradation of the major pump components. The age of the rebuilt pumps varies from a few years to nearly 10 years old. This project will replace three of the six pumps that currently have the most time in service. Operating experience has established the useful life of the rebuilt pumping units as 8 years. Replacement of these pumping units will reduce the risk of pump failures which can limit the capacity of the treatment facility.



Project Description

Wolcott Collector Well Pump No 2 Refurb.

Year

2021

Project

AC-21031

Plan

\$154,473

Justification

This pump was first put into service when the Wolcott Collector Well was commissioned in 2010. The Production Pump Refurbishment Program estimates a 10-year operational period before a pump in this type of groundwater service will need disassembled, cleaned, and refurbished. At 10 years, the pump is not anticipated to require major component replacement and once refurbished it is expected to operate an additional 10 years until the next rebuild is recommended.



WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

SCADA - Operational Automation & Enhance

Year

2021

Project

AC-21303

Plan

\$107,459



Justification

This project is to identify a process and mechanism to implement enhancements for the control of the SCADA system. Repetitive operations will be automated to provide consistency and efficiency. This system will also provide simple ways for operators to identify and log areas for improvement, ensuring continuous improvement.

Project Description

Hansen Fac. 1 Pump No. 2 Rebuild

Year

2021

Project

AC-21028

Plan

\$102,981



Justification

This 15 MGD high service pump was installed in 2005. A recent condition assessment revealed the pump has considerable damage to the inlet section of the pump. The damage is most likely due to an inferior quality iron casting. The pump in its current condition can be rebuilt due to early damage detection, avoiding a failure that could impact production and result in a more costly refurbishment. The anticipated useful life of the pump after rebuild is 20 years.

WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Facility 1 Inventory Control Room

Year

2021

Project

AC-21650

Plan

\$83,953



Justification

A storage room at Facility 1 will be converted into an inventory room. The remodel will include moving walls, replacing flooring, installing outside doors for convenient loading, racking installation, and general clean up. An inventory space at the Treatment Plant will improve crew and project efficiencies.

Project Description

Water Quality Lab Autoclaves

Year

2021

Project

AC-21604

Plan

\$55,968



Justification

This project is for the replacement of two autoclaves in the water quality laboratory. These units are utilized for sterilizing equipment and making media in the microbiology lab. 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 smaller units to match current needs which should result in lower maintenance and repair costs.

WaterOne 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Hansen Facilities Flooring Refurbishment

Year

2021

Project

AC-21022

Plan

\$47,014



Justification

Two separate areas, Facility 1 High Service Pump Room and the Facility 2 North Main Building hallway, still utilize tiled floor areas. The tile in these areas are over 20 years old, has deteriorated, and is difficult to properly maintain. This project will remove the existing tile and replace it with an epoxy floor coating which provides a slip resistance surface that is easier to clean and maintain. The estimated useful life of the epoxy floor is 50 years.

Project Description

Water Quality Lab Deionization Units

Year

2021

Project

AC-21601

Plan

\$33,582



Justification

This project is to replace three water deionization units. The units are used to produce water of a quality that is required for numerous laboratory testing methods. This is the second year of a five year plan to replace 15 units. 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.

PRODUCTION DIVISION

Replace

Project Description

Lamar Pump Station Metering Replacement

Year

2021

Project

AC-21205

Plan

\$27,984

Justification

This primary flow meter at Lamar Pump Station was replaced in 2001 and has a 20 year expected useful life. Replacement of this equipment will ensure full functionality of the facility.



Project Description

Water Quality Lab Refrigerators

Year

2021

Project

AC-21602

Plan

\$26,865

Justification

This project is for the replacement of three refrigerators in the water quality laboratory. It is the second year of a three year plan to replace all units. 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 2021 Budget

PRODUCTION DIVISION

Replace

Project Description

Water Quality Lab HotBlock

Year

2021

Project

AC-21603

Plan

\$6,156

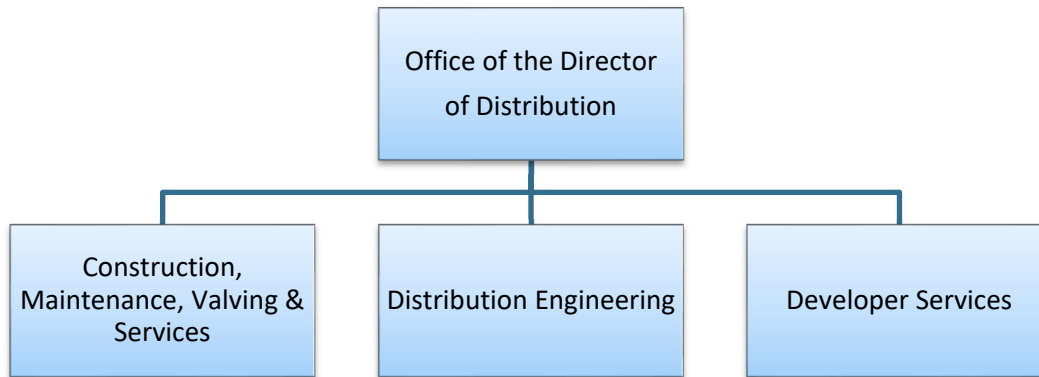


Justification

This project is to replace one hotblock unit. This unit is utilized during the metals testing, including lead and copper. The expected useful life is 10 years and this unit is 15 years old. The unit shows signs of wear and damage. Replacement of this unit will ensure continued metals testing.

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 department also administers WaterOne's Cross-Connection Control Program, Fire Service Line Flushing Program, and handles pressure call notification from customers.

Division Objective

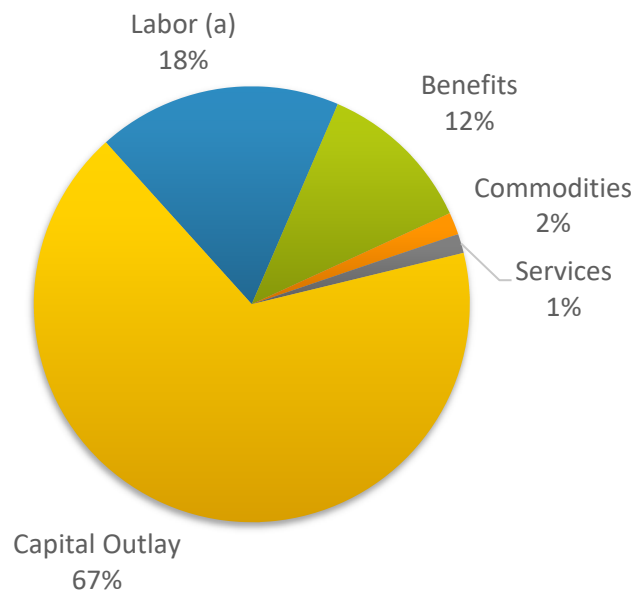
Deliver high-quality drinking water to customers in quantities required to meet their needs, reliably and efficiently, in a manner consistent with excellent customer service. Provide engineering services to the various cities served by WaterOne and the development community in a professional and timely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

DISTRIBUTION

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

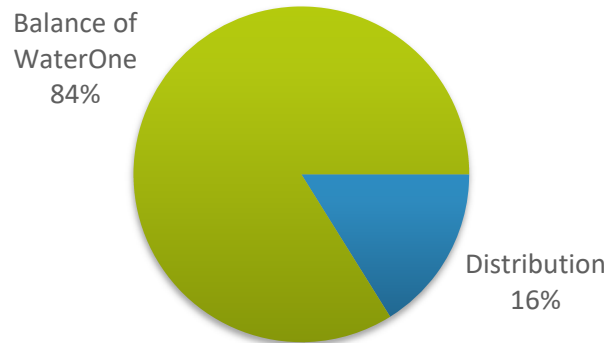
	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$10,821,189	\$11,144,428	\$11,516,044	\$371,616	3.3%
Benefits	3,563,308	2,948,736	3,370,386	421,650	14.3%
Personnel Costs	\$14,384,496	\$14,093,164	\$14,886,430	\$793,266	5.6%
Commodities	535,194	483,898	481,383	<2,515>	<0.5%>
Services	363,923	395,269	409,208	13,939	3.5%
Transfers	<6,133,486>	<5,818,855>	<6,286,966>	<468,111>	8.0%
Total O&M	\$9,150,127	\$9,153,476	\$9,490,055	\$336,578	3.7%
Capital Outlay	17,977,179	18,929,504	19,377,678	448,174	2.4%
Total	\$27,127,306	\$28,082,980	\$28,867,733	\$784,752	2.8%

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 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$9,774,999	\$10,454,428	\$10,736,645	\$282,217	2.7%
Labor - OT	933,187	690,000	779,400	89,400	13.0%
Benefits	3,563,308	2,948,736	3,370,386	421,650	14.3%
Inventory Withdrawals	263,446	231,000	234,250	3,250	1.4%
Contracted Services	112,614	131,200	131,200	-	-
Uniforms	84,380	82,148	82,283	135	0.2%
Materials & Supplies	65,742	79,000	71,500	<7,500>	<9.5%>
Small Tools & Equipment	85,656	62,600	63,500	900	1.4%
Pavement Repair	62,320	37,500	37,500	-	-
Clean Up (a)	17,430	29,400	28,400	<1,000>	<3.4%>
Subtotal	\$14,963,080	\$14,746,012	\$15,535,064	789,052	5.4%
All Other Accounts	320,533	226,319	241,957	15,638	6.9%
Less Transfers	<6,133,486>	<5,818,855>	<6,286,966>	<468,111>	8.0%
Total O&M	\$9,150,127	\$9,153,476	\$9,490,055	\$336,578	3.7%

Numbers may not add due to rounding

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

DISTRIBUTION

DISTRIBUTION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2020 Budget	153	1	10	164	156.175	
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-	
New Positions (2021)	-	-	-	-	-	
Reclass/PT Hour Adj (2021)	-	-	-	-	-	
Eliminations	-3	-	-	-3	-3	(a)
2021 Budget	150	1	10	161	153.175	

a) Eliminated Vacant Positions: Right-of-Way Coordinator; 2 Distribution Technicians

Gross Labor (Non-Overtime)

A 3.0% performance compensation increase is budgeted. The budget includes eliminations of three full time positions.

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.

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

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

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 after capitalizing all main breaks.

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.

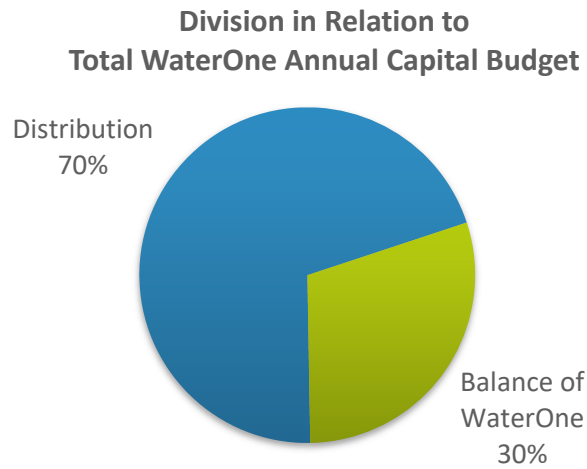
Pavement Repair

This account includes the restoration of pavement, curbs, and sidewalks damaged because of maintenance work related to services and fire hydrants.

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 based on historical trends.

DISTRIBUTION

Annual Capital**New**

AC-21114	New Services Cost Standard Difference	\$20,000
Annual Capital - New		\$20,000

Replacement / Refurbish

RV-21001	2021 Transmission & Distribution Funding	\$19,145,000
AC-21008	Correlating Pods with Controller Replace	156,710
AC-21009	Pipe Bursting Equipment Replacement Rods	55,968
Annual Capital - Replace / Refurbish		\$19,357,678
Total Annual Capital		\$19,377,678

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-21701	(f)	Mobile Concrete Mixer	363,792
AC-21702	(p)	AO Tank & Facilities for Concrete Mixer	167,905
AF-21476	(f)	Backhoe Loader (Repl 7476) CMVS	134,323
AF-21800	(f)	Low Boy Equipment Trailer (Repl 7210)	111,936
AF-21113	(f)	Flatbed Dump (Repl 4701) CMVS	102,981
AF-21524	(f)	Skidsteer Track 92 HP (Repl 7525) CMVS	95,146
AF-21523	(f)	Skidsteer Track 92 HP (Repl 7526) Ops	95,145
AF-21527	(f)	Skidsteer Track 92 HP (Repl 7527) CMVS	95,145
AF-21640	(f)	1 1/2 Ton Svc Body (Repl 4640) CMVS	90,669
AF-21708	(f)	Dump Truck (Repl 4708) CMVS	83,953
AF-21237	(f)	Backhoe Trailer (Repl 7237) CMVS	40,297
AF-21089	(f)	Trailer (Repl 7217) CMVS	33,582
AF-21224	(f)	Trailer (Repl 7224) CMVS	17,910

(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 Replacement, 51st St w of Foxridge to PS & I-635 Crossing	\$3,300,667
MP-19006	12" DM Lee Blvd Ph II, 83rd-95th	1,409,995
MP-22007	24" TM Replacement, Nall & 47th to 51st - BPU Interconnect	50,000
Total Master Plan (Award Basis)		\$4,760,662
Total Capital		\$24,138,340

WaterOne 2021 Budget

DISTRIBUTION DIVISION

New

Project Description

New Services Cost Standard Difference

Year

2021

Project

AC-21114

Plan

\$20,000

Justification

This project collects costs associated with new service connections that are not captured by the New Service Connection Cost Standard charged to the customer. This represents approximately 2% of the expected New Service Connection tap fees for the year.



WaterOne 2021 Budget

DISTRIBUTION DIVISION

Replace

Project Description

2021 Transmission & Distribution Funding

Year

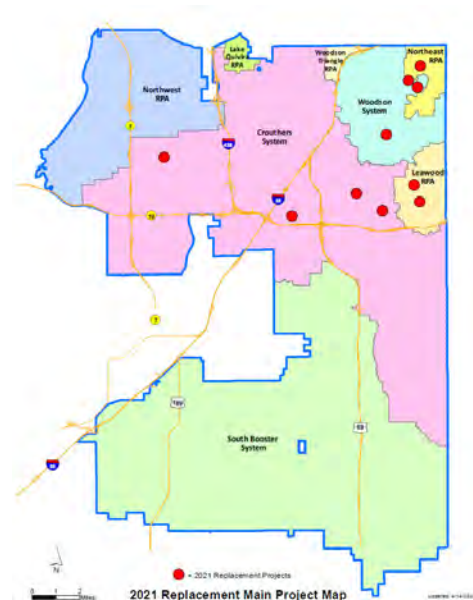
2021

Project

RV-21001

Plan

\$19,145,000



Justification

Replacements - \$9,540,000; Main Breaks - \$4,485,000; General Improvement - \$2,500,000; Relocations - \$1,400,000; Transmission Main Capital - \$700,000; Condition Assessment - \$520,000

Project Description

Correlating Pods with Controller Replace

Year

2021

Project

AC-21008

Plan

\$156,710



Justification

Correlating Pods are deployed in the water distribution system to find leaks that are not yet coming to the surface. This proactive approach helps to minimize non revenue water and catastrophic failures in the distribution system. These are replacements for forty units plus controllers that are 7+ years. The expected useful life is 5-7 years.

WaterOne 2021 Budget

DISTRIBUTION DIVISION

Replace

Project Description

Pipe Bursting Equipment Replacement Rods

Year

2021

Project

AC-21009

Plan

\$55,968

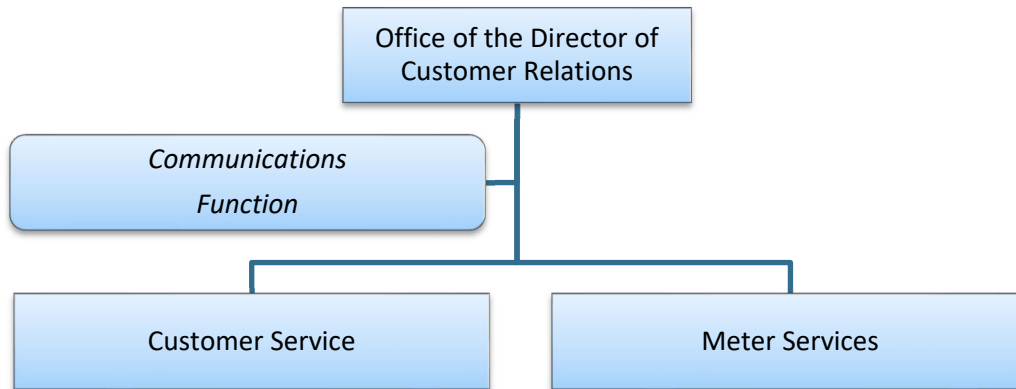
Justification

This project is to for two hundred and fifty feet of replacement rods for pipe bursting machine. The current rods are 5 years old with an expected life of 5-10 years.



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.

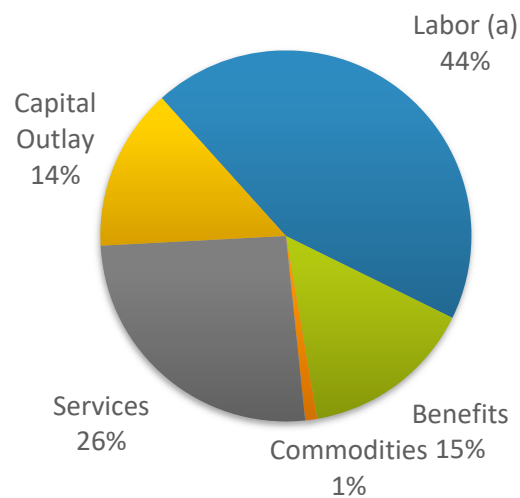
Division Objective

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 “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

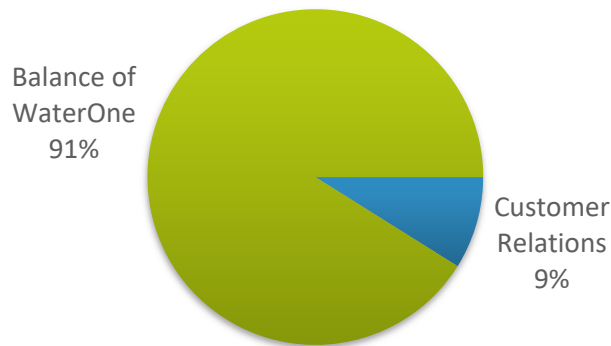
	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,679,689	\$2,639,730	\$2,786,492	\$146,762	5.6%
Benefits	1,064,996	764,456	918,011	153,555	20.1%
<i>Personnel Costs</i>	\$3,744,686	\$3,404,186	\$3,704,503	\$300,317	8.8%
Commodities	74,166	69,280	63,570	<5,710>	<8.2%>
Services	1,277,861	1,402,104	1,577,906	175,802	12.5%
Transfers	<74,054>	<86,916>	<100,062>	<13,146>	15.1%
Total O&M	\$5,022,659	\$4,788,654	\$5,245,917	\$457,263	9.5%
Capital Outlay	935,309	744,555	865,815	121,260	16.3%
Total	\$5,957,968	\$5,533,209	\$6,111,732	\$578,523	10.5%

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 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$2,618,333	\$2,628,416	\$2,756,783	\$128,367	4.9%
Benefits	1,064,996	764,456	918,011	153,555	20.1%
AMI Services	56,782	313,502	537,432	223,930	71.4%
Water Billing Services	453,410	450,000	456,908	6,908	1.5%
Uncollectible Accounts	104,731	153,750	179,854	26,104	17.0%
Communications Services	7,497	107,907	108,907	1,000	0.9%
PC Software & Maintenance	-	9,600	85,700	76,100	792.7%
Non-Employee Overload	427,343	232,960	63,232	<169,728>	<72.9%>
Subtotal	\$4,733,092	\$4,660,591	\$5,106,827	\$446,236	9.6%
All Other Accounts	363,621	214,979	239,152	24,173	11.2%
Less Transfers	<74,054>	<86,916>	<100,062>	<13,146>	15.1%
Total O&M	\$5,022,659	\$4,788,654	\$5,245,917	\$457,263	9.5%

Numbers may not add due to rounding.

CUSTOMER RELATIONS

CUSTOMER RELATIONS	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2020 Budget	40	-	4	44	41.6	
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-	
New Positions (2021)	2	-	-	2	2	(a,b)
Reclass/PT Hour Adj (2021)	-	-	-	-	-	
Eliminations	-1	-	-	-1	-1	(c)
2021 Budget	41	-	4	45	42.6	

a) New Authorized Position: Administrative Assistant

b) New Authorized Position: Supervisor, Customer Care

c) Eliminate Vacant Position: Account Administrative Coordinator

Gross Labor (Non-Overtime)

A 3.0% performance compensation increase is budgeted. The budget includes two new authorized full-time positions and one position elimination. 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.

AMI Services

The 2021 Budget for Advanced Metering Infrastructure (AMI) includes all fees related to the network, software, data management, and customer portal for the year.

Water Billing Services

This account is for the outsourced printing and mailing of water bills. There are two items in this budget. The first is water bills, which include regular, corrected, and final bills. The second part of the budget is for dunning notices. The budget for both water bills and dunning notices has increased slightly due to customer growth as the budget is based on average price per customer.

Uncollectible Accounts

This is the estimated cost for uncollected water bills. Unpaid final bills are referred to an outside agency for collection, considered uncollectible, and written off. Due to rising unemployment rates and negative economic projections, this percentage has been raised to 0.15% of total water sales revenue.

Communications Services

This account includes customer satisfaction surveys, communications-specific contract services, and miscellaneous fees for platforms providing survey and email templates as well as social media management. The small increase in budget is an expansion of the School Outreach Education Contract which will now include 100% of the 6th-grade classrooms in both the Shawnee Mission and Blue Valley school districts.

CUSTOMER RELATIONS

PC Software and Maintenance

The 2021 Budget reflects maintenance charges for the call counting, and tracking software as well as maintenance for the meter test bench. The budget increase is due to the fees for Notify JoCo being moved from the IT Division into this account as well as annual fees associated with the Integrated Customer Experience Dashboard.

Non-Employee Overload

This budget is for a contracted customer service representative through June of 2021.

Annual Capital

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

**New**

AC-21502	Payment Platform	\$167,905
Annual Capital - New		\$167,905

Replacement / Refurbish

AC-21006	Annual Meter Replacement	\$585,974
AC-21501	WaterOne.org Upgrade	111,936
Annual Capital - Replace / Refurbish		\$697,910
Total Annual Capital		\$865,815

Numbers may not add due to rounding

WaterOne 2021 Budget

CUSTOMER RELATIONS DIVISION New

Project Description

Payment Platform

Year

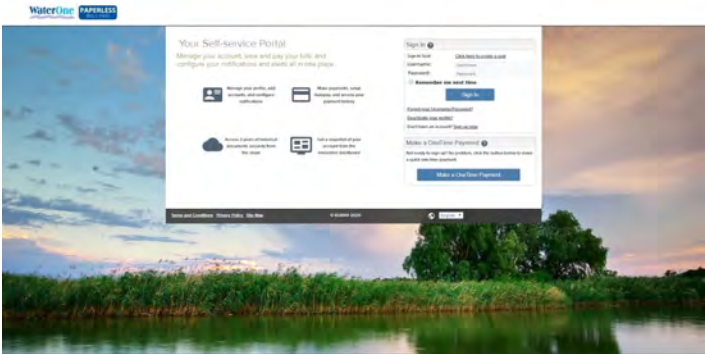
2021

Project

AC-21502

Plan

\$167,905



Justification

Waterone's electronic bill presentment and customer-facing payment portal contract is scheduled to go out for RFP in 2021. The budget for this project includes implementation fees associated with either an upgraded platform from the current vendor or changing to an entirely new vendor. This project is aligned with a Waterone.Org upgrade to ensure a cohesive and positive customer experience.

WaterOne 2021 Budget

CUSTOMER RELATIONS DIVISION

Replace

Project Description

Annual Meter Replacement

Year

2021

Project

AC-21006

Plan

\$585,974



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 2021.

Project Description

WaterOne.org Replacement

Year

2021

Project

AC-21501

Plan

\$111,936

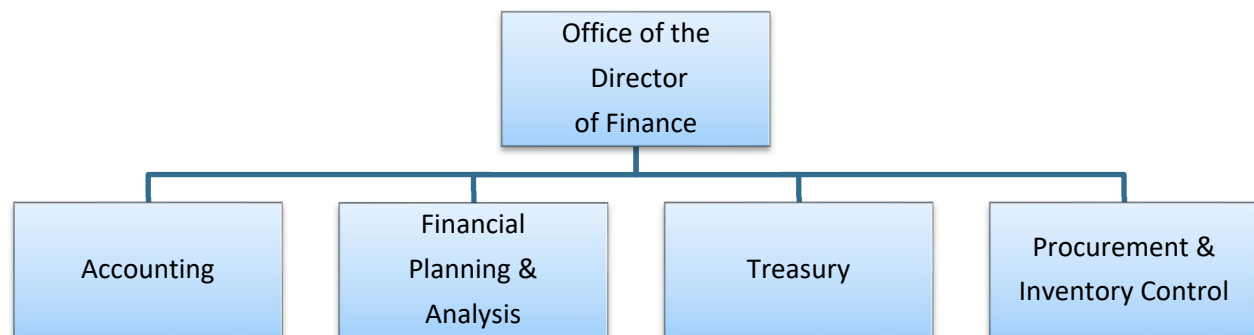


Justification

WaterOne's external-facing customer website is due for an update to maintain functionality, synchrony, and representation of customer expectations. The .org website is the visual manifestation of WaterOne for most customers and stakeholders. It is the primary space or platform in which most stakeholders seek out information and services or access payment options. Technology evolves quickly and regular upgrades and updates to this interface are both available and desirable. This project is aligned with a payment platform upgrade. These two platforms have become increasingly interdependent on one another. There is great value in evaluating, designing, and launching these platforms in coordination, potentially even compatible or integrated platforms as an option. The website was last updated in 2017 with a goal of an update of every 4 years.

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.

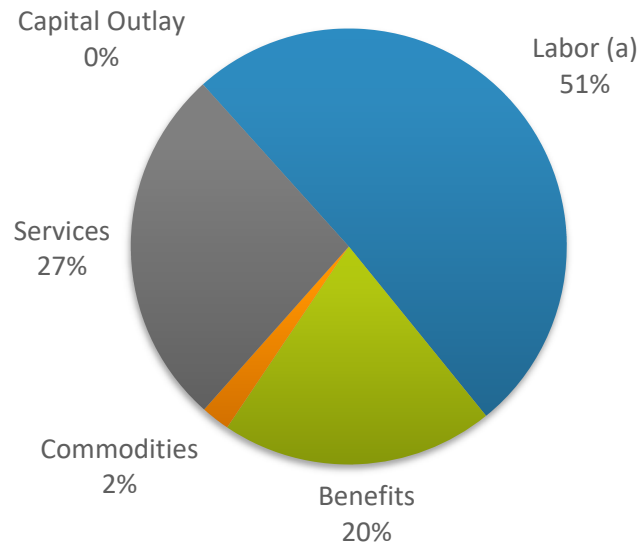
Division Objective

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 “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

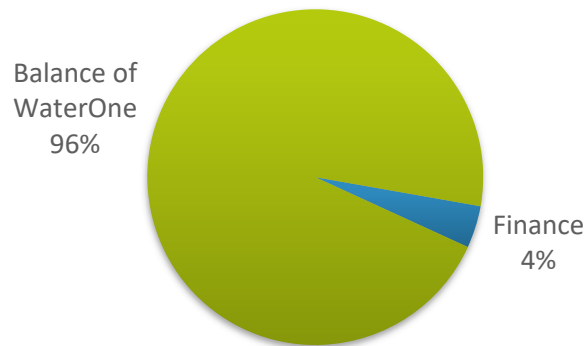
	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,545,227	\$1,568,210	\$1,671,120	\$102,910	6.6%
Benefits	509,649	400,763	484,101	83,339	20.8%
<i>Personnel Costs</i>	\$2,054,876	\$1,968,973	\$2,155,221	\$186,249	9.5%
Commodities	57,850	50,380	50,900	520	1.0%
Services	817,262	923,649	885,744	<37,905>	<4.1%>
Transfers	<726,355>	<659,600>	<702,278>	<42,679>	6.5%
Total O&M	\$2,203,633	\$2,283,402	\$2,389,587	\$106,185	4.7%
Capital Outlay	0	260,486	0	<260,486>	<100.0%>
Total	\$2,203,633	\$2,543,888	\$2,389,587	<\$154,301>	<6.1%>

Numbers may not add due to rounding

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

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,521,616	\$1,565,210	\$1,668,120	\$102,910	6.6%
Benefits	509,649	400,763	484,101	83,339	20.8%
Clean Drinking Water Fee	504,836	593,545	585,015	<8,530>	<1.4%>
Special Assessment and Fees	98,505	122,067	106,400	<15,667>	<12.8%>
Checking Acct Service Fees	58,681	68,000	63,000	<5,000>	<7.4%>
Bank Lockbox Fees	40,664	43,000	56,000	13,000	30.2%
Subtotal	\$2,733,951	\$2,792,584	\$2,962,636	\$170,052	6.1%
All Other Accounts	196,037	150,418	129,229	<21,189>	<14.1%>
Less Transfers	<726,355>	<659,600>	<702,278>	<42,679>	6.5%
Total O&M	\$2,203,633	\$2,283,402	\$2,389,587	\$106,185	4.7%

Numbers may not add due to rounding

FINANCE

FINANCE	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2020 Budget	19	-	1	20	19.25	
Mid-Year Reclass/Transfers (2020)						
New Positions (2021)	1			1	1	(a)
Reclass/PT Hour Adj (2021)						
Eliminations			-1	-1	0.25	(b)
2021 Budget	20	-	0	20	20.0	

(a) New Authorized Position: Inventory Control/Buyer

(2) Eliminate Position: Summer Inventory Control

Gross Labor (Non-Overtime)

A 3.0% performance compensation increase is budgeted. The budget includes one new authorized full time position and elimination of one summer position. See PERSONNEL tab for more information on budgeted additional personnel.

Employee Benefits (Transferred)

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

Clean Drinking Water Fee

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

Special Assessment and Fees

The decrease is due primarily to less than anticipated rate increases from Johnson County Wastewater and the 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. A new banking service agreement has been negotiated and implemented in 2020. The budget is based on new rates for typical services and the historical levels of utilization.

Bank Lockbox Fees

These are fees that are charged for data communication, imaging, and items deposited in the lockbox. Lockbox volumes continue to decline as electronic payment options are introduced and adopted. A new banking service agreement has been negotiated and implemented in 2020. The budget is based on increases in service fees as lockbox volumes continue to decline.

Annual Capital

This division has no capital.

Annual Capital Listed in Other Divisions:

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

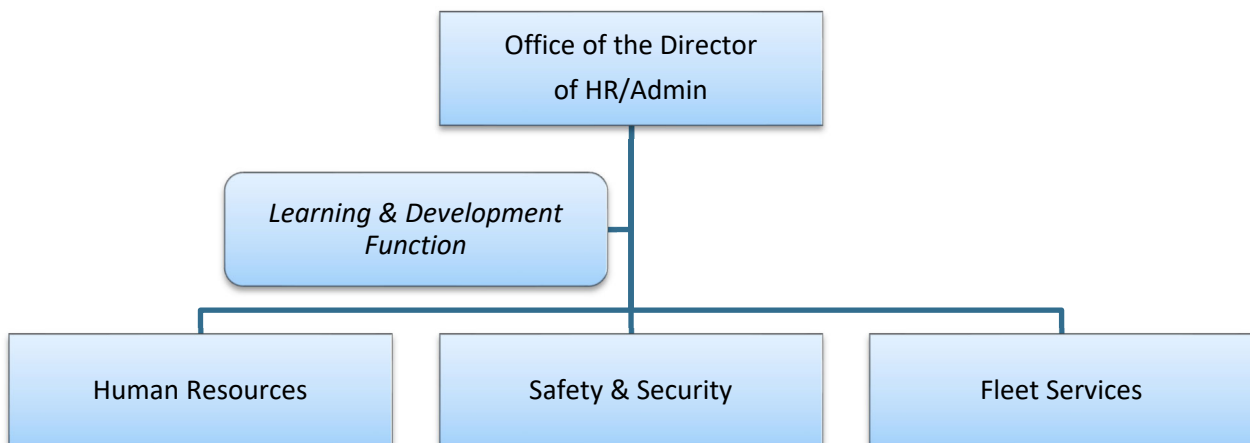
AP-21700	(p)	Workstation - Buyer/Inventory Control	\$5,597
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(p) Facility Improvements are listed in the 'Production Division'

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HUMAN RESOURCES / ADMINISTRATION DIVISION

Division Organization



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

The Safety & Security Department is responsible for 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.

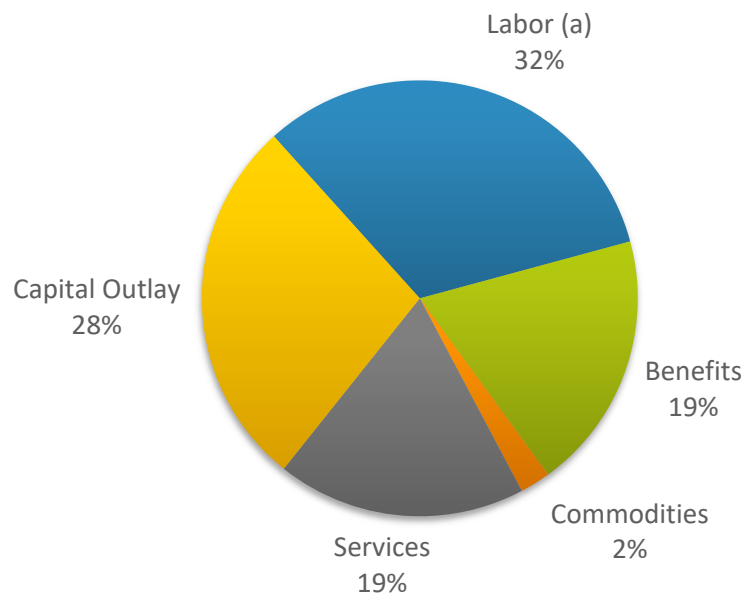
Division Objective

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 “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$1,931,047	\$2,264,194	\$2,352,694	\$88,500	3.9%
Benefits	1,332,072	1,188,599	1,282,962	94,363	7.9%
<i>Personnel Costs</i>	\$3,263,119	\$3,452,793	\$3,635,656	\$182,863	5.3%
Commodities	1,315,549	1,219,932	1,051,443	<168,489>	<13.8%>
Services	1,198,867	1,188,763	1,238,254	49,491	4.2%
Transfers	<1,138,746>	<1,100,706>	<1,084,819>	15,886	<1.4%>
Total O&M	\$4,638,790	\$4,760,782	\$4,840,533	\$79,751	1.7%
Capital Outlay	1,390,747	2,561,854	1,846,724	<715,130>	<27.9%>
Total	\$6,029,537	\$7,322,636	\$6,687,257	<\$635,379>	<8.7%>

Numbers may not add due to rounding.

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

Significant Division Operating Budgets by Cost Element

Division in Relation to Total WaterOne O&M Budget



The 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$1,818,028	\$2,208,444	\$2,297,494	\$89,050	4.0%
Labor - OT	86,494	55,750	55,200	<550>	<1.0%>
Benefits	1,332,072	1,188,599	1,282,962	94,363	7.9%
Material & Supplies	501,456	464,725	473,525	8,800	1.9%
Security	465,062	463,059	463,059	0	0.0%
Inventory Withdrawals	631,694	592,150	416,154	<175,996>	<29.7%>
P&L Insurance	111,299	114,235	132,414	18,179	15.9%
Contracted Services	96,701	105,032	125,084	20,052	19.1%
Training	94,990	106,600	106,600	0	0.0%
Subtotal	\$5,137,796	\$5,298,594	\$5,352,492	\$53,898	1.0%
All Other Accounts	639,740	562,894	572,860	9,967	1.8%
Less Transfers	<1,138,746>	<1,100,706>	<1,084,819>	15,886	<1.4%>
Total O&M	\$4,638,790	\$4,760,782	\$4,840,533	\$79,751	1.7%

Numbers may not add due to rounding.

HUMAN RESOURCES/ADMINISTRATION

HUMAN RESOURCES/ADMINISTRATION	Full Time	Part Time	Summ/ Temp	Headcount	FTE	
2020 Budget	27	3	2	32	29.605	
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-	
New Positions (2021)	1	-	-	-	1	(a)
Reclass/PT Hour Adj (2021)	-	-	-	-	-	
Eliminations	-	-	-	-	1	
2021 Budget	28	3	2	32	30.605	

a) Budgeted New Position: Learning & Development Specialist

Gross Labor (Non-Overtime)

A 3.0% performance compensation increase is budgeted. The budget includes one new full time authorized position. See PERSONNEL tab for more information on budgeted additional personnel.

Labor – OT

The majority of overtime is planned in Fleet related to vehicle and equipment repair after normal business hours.

Employee Benefits (Transferred)

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

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 increase is primarily due to a budget increase for vehicle repair parts.

Security / Security Guards

This account covers the cost of outsourced guard services and camera/monitoring services. Patrols include weekdays, weekends, special events, and holidays. The budget is based on current pricing which is expected to continue for 2021.

Inventory Withdrawals

There are two components of this budget. Fuel represents the majority of the budget. The budgeted price per gallon for fuel decreased from \$2.30 in 2020 to \$1.48 for 2021. The total number of budgeted gallons increased by 1.1%. The remaining budget is for non-fuel inventory withdrawals. It is developed based on history and is mainly used for scheduled preventative maintenance.

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 2020 will be in effect for the first half of the 2021 budget. The budget includes an estimated 3% projected increase in premiums for the second half of 2021. All other property and liability insurance premiums are budgeted in the Legal / Audit Division.

Contracted Services

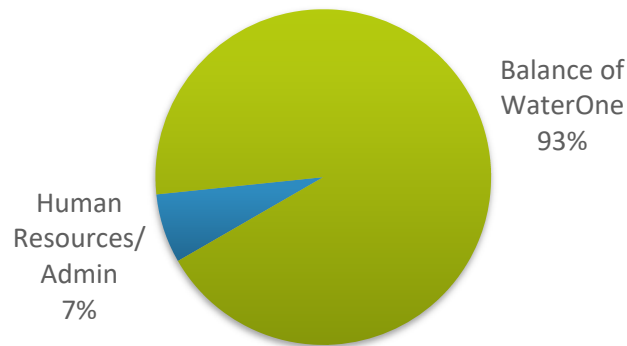
Outside vendors are used to provide services that WaterOne does not have the resources for or are not cost-effective to complete in-house. In the Fleet Department, WaterOne contracts for fuel system maintenance and vehicle GPS services. The Custodian function uses outside services for various cleaning tasks. Security uses outside consultants for security studies. The budget increase is due to the amortization of the AWIA project. 2021 will be the first year of a five-year amortization.

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.

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

AF-21701	Mobile Concrete Mixer	\$363,792
Annual Capital - New		\$363,792

Replacement / Refurbish

AF-21200	Light Duty Fleet Program	\$363,792
AF-21475	Backhoe Loader (Repl 7475) CMVS	134,323
AF-21800	Low Boy Equipment Trailer (Repl 7210)	111,936
AF-21103	1 Ton Service Body (Repl 4200) Fac Maint	102,981
AF-21113	Flatbed Dump (Repl 4701) CMVS	102,981
AF-21524	Skidsteer Track 92 HP (Repl 7525) CMVS	95,146
AF-21523	Skidsteer Track 92 HP (Repl 7526) Ops	95,145
AF-21527	Skidsteer Track 92 HP (Repl 7527) CMVS	95,145
AF-21640	1 1/2 Ton Svc Body (Repl 4640) CMVS	90,669

WATERONE 2021 BUDGET

HUMAN RESOURCES/ADMINISTRATION

AF-21708	Dump Truck (Repl 4708) CMVS	83,953
AC-21850	New Tool Boxes	67,162
AF-21237	Backhoe Trailer (Repl 7237) CMVS	40,297
AF-21089	Trailer (Repl 7217) CMVS	33,582
AF-21301	Off-Road Utility Vehicle (Repl 7301) Ops	24,402
AF-21018	Off-Road Utility Vehicle (Repl 7303) Ops	23,508
AF-21224	Trailer (Repl 7224) CMVS	17,910
Annual Capital - Replace / Refurbish		\$1,482,932
Total Annual Capital		\$1,846,724

Numbers may not add due to rounding

HUMAN RESOURCES & ADMINISTRATION DIV

New

Project Description

Mobile Concrete Mixer

Year

2021

Project

AF-21701

Plan

\$363,792



Justification

A volumetric concrete mixer and related facilities are included in the 2021 budget. A volumetric mixer is a truck-mounted mixer that carries dry materials and water to mix flowable fill or concrete on demand at a job site. The primary use of the equipment will be mixing concrete. Mixing flowable fill will be the secondary use of the equipment. This equipment is intended to provide a supplemental supply of flowable fill and concrete and will not replace vendors for all flowable fill and concrete needs. There is a limited supply of ready-mix trucks in the Johnson County area and if a vendor is doing a large pour, they will not make trucks available for a smaller WaterOne job. This often results in downtime or overtime for WaterOne crews while waiting for a vendor. The cost of materials is less from a volumetric mixer than from a vendor. The equipment is projected to pay back in 9.5 years based on the material cost savings and decreased overtime. The equipment has an estimated useful life of 15 years. See Payback in Supplemental section.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Light Duty Fleet Program

Year

2021

Project

AF-21200

Plan

\$363,792



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. The budget is based on a replacement of 11 units per year.

Project Description

Backhoe Loader (Repl 7475) CMVS

Year

2021

Project

AF-21475

Plan

\$134,323



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7475 is 12 years old and has 5,245 hours as of 7/2020. This unit currently meets both criteria. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Low Boy Equipment Trailer (Repl 7210)

Year

2021

Project

AF-21800

Plan

\$111,936



Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7210 is 15 years old as of 5/2020. The replacement unit will be configured the same.

Project Description

1 Ton Service Body (Repl 4200) Fac Maint

Year

2021

Project

AF-21103

Plan

\$102,981



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4200 is 12 years old and has 111,160 miles as of 5/2020. This unit will meet the age and mileage criteria in 2021. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Flatbed Dump (Repl 4701) CMVS

Year

2021

Project

AF-21113

Plan

\$102,981



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4701 is 11 years old and has 105,525 miles as of 5/2020. This unit will meet the age and mileage criteria in 2021. The replacement unit will be configured the same.

Project Description

Skidsteer Track 92 HP (Repl 7525) CMVS

Year

2021

Project

AF-21524

Plan

\$95,146



Justification

WaterOne Fleet Replacement Standard: 5 years and 2,500 Hours; Unit #7525: 5 years, 2,282 hours as of 5/2020. This unit will meet the age and hours criteria in 2021. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Skidsteer Track 92 HP (Repl 7526) Ops

Year

2021

Project

AF-21523

Plan

\$95,145



Justification

WaterOne Fleet Replacement Standard: 5 years and 2,500 Hours; Unit #7526: 5 years, 1,686 hours as of 5/2020. This unit will meet the age and hours criteria in 2021. The replacement unit will be configured the same.

Project Description

Skidsteer Track 92 HP (Repl 7527) CMVS

Year

2021

Project

AF-21527

Plan

\$95,145



Justification

WaterOne Fleet Replacement Standard: 5 years and 2,500 Hours; Unit #7527: 5 years, 1,974 hours as of 5/2020. This unit will meet the age and hours criteria in 2021. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

1 1/2 Ton Svc Body (Repl 4640) CMVS

Year

2021

Project

AF-21640

Plan

\$90,669



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4640 is 10 years old and has 129,696 miles as of 5/2020. This unit meets the mileage criteria but is being replaced a year early due to higher maintenance costs. The replacement unit will be configured the same.

Project Description

Dump Truck (Repl 4708) CMVS

Year

2021

Project

AF-21708

Plan

\$83,953



Justification

WaterOne Fleet Replacement Standard for Medium Trucks: 12 years and 120,000 miles. Unit 4708 is 6 years old and has 99,206 miles as of 5/2020. This unit receives high usage and will meet the mileage criteria in 2021. It is being replaced due to potential high maintenance costs. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Replace Tool Boxes

Year

2021

Project

AC-21850

Plan

\$67,162

Justification

This request is to purchase new tool boxes for the mechanics. The current tool boxes are 20 years old and past their useful life. These tool boxes are used on a daily basis and have worn over time.



Project Description

Backhoe Trailer (Repl 7237) CMVS

Year

2021

Project

AF-21237

Plan

\$40,297

Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7237 is 13 years old as of 5/2020. The replacement unit will be configured the same.



WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Trailer (Repl 7217) CMVS

Year

2021

Project

AF-21089

Plan

\$33,582



Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7217 is 9 years old as of 5/2020. The replacement unit will be configured the same.

Project Description

Off-Road Utility Vehicle (Repl 7301) Ops

Year

2021

Project

AF-21301

Plan

\$24,402



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7301 is 12 years old and has 3,052 hours as of 8/2020. This unit will meet the age criteria but not the hours criteria in 2021. It is being replaced due to operational condition. The replacement unit will be configured the same.

WaterOne 2021 Budget

HUMAN RESOURCES & ADMINISTRATION DIV

Replace

Project Description

Off-Road Utility Vehicle (Repl 7303) Ops

Year

2021

Project

AF-21018

Plan

\$23,508



Justification

WaterOne Fleet Replacement Standard for Construction Equipment: 9 years and 4,500 hours. Unit 7303 is 13 years old and has 2,533 hours as of 5/2020. This unit meets the age criteria. Higher maintenance costs and out of service time are the reasons replacement is recommended before the hours criteria are met. Poor mechanical condition of the vehicle has been the cause of the low utilization. The replacement unit will include a hard top and climate control for use in inclement weather and extreme temperatures.

Project Description

Trailer (Repl 7224) CMVS

Year

2021

Project

AF-21224

Plan

\$17,910

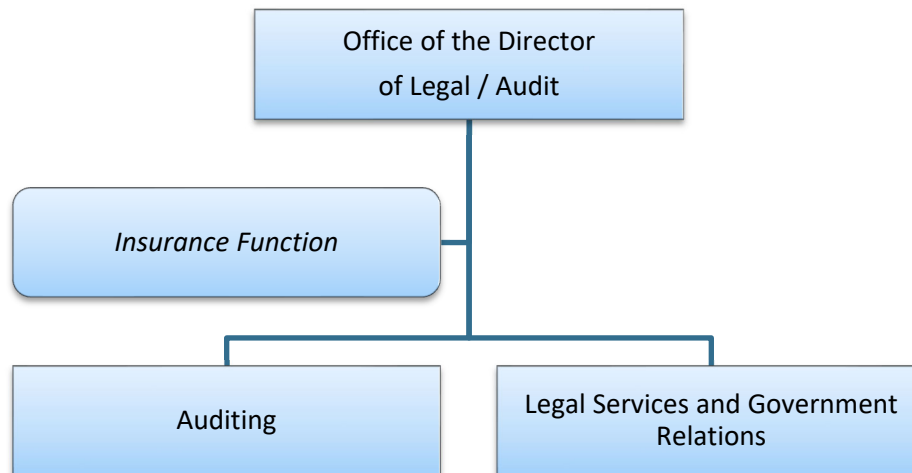


Justification

WaterOne Fleet Replacement Standard for Trailers: 9 years. Unit 7224 is 11 years old as of 5/2020. The replacement unit will be configured the same.

LEGAL / AUDITING DIVISION

Division Organization



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

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

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

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

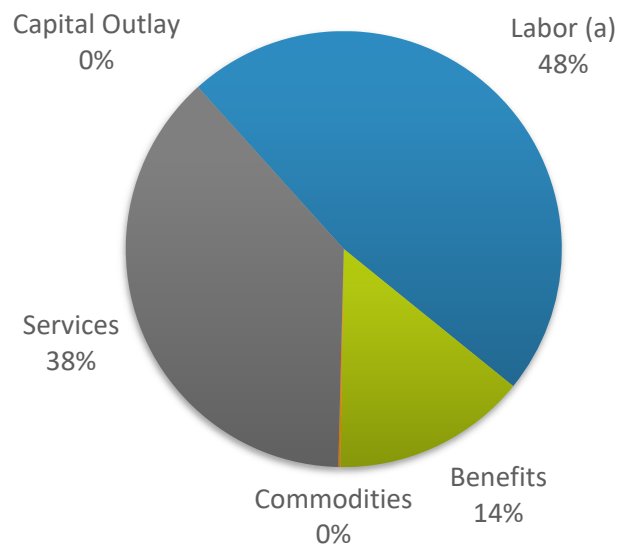
Division Objective

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

Annual Goals And Key Performance Measures

Divisional goals for the fiscal year are located in the Strategic Plan section under “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$899,460	\$927,084	\$957,344	\$30,260	3.3%
Benefits	289,566	223,129	266,295	43,166	19.3%
<i>Personnel Costs</i>	\$1,189,027	\$1,150,213	\$1,223,639	\$73,426	6.4%
Commodities	2,144	1,500	2,660	1,160	77.3%
Services	765,694	778,905	817,114	38,209	4.9%
Transfers	<194,961>	<173,244>	<197,623>	<24,380>	14.1%
Total O&M	\$1,761,903	\$1,757,374	\$1,845,790	\$88,416	5.0%
Capital Outlay	0	0	0	0	NA
Total	\$1,761,903	\$1,757,374	\$1,845,790	\$88,416	5.0%

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 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT	\$882,964	\$927,084	\$957,344	\$30,260	3.3%
Benefits	289,566	223,129	266,295	43,166	19.3%
Property & Liability Insurance	550,687	580,957	619,882	38,925	6.7%
Property & Liability - Self Ins.	52,952	60,000	60,000	0	0.0%
Auditing Fees	47,182	45,965	45,815	<150>	<0.3%>
Subtotal	\$1,823,351	\$1,837,135	\$1,949,336	\$112,201	6.1%
All Other Accounts	133,513	93,483	94,077	593	0.6%
Less Transfers	<194,961>	<173,244>	<197,623>	<24,380>	14.1%
Total O&M	\$1,761,903	\$1,757,374	\$1,845,790	\$88,416	5.0%

Numbers may not add due to rounding

LEGAL / AUDIT	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2020 Budget	10	-	-	10	10
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-
New Positions (2021)	-	-	-	-	-
Reclass/PT Hour Adj (2021)	-	-	-	-	-
Eliminations	-	-	-	-	-
2021 Budget	10	-	-	10	10

Gross Labor (Non-Overtime)

A 3.0% 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 2020 will be in effect for the first half of the 2021 budget. The budget includes 3% projected premium increases for the second half of 2021. 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 vary significantly from year to year.

Auditing Fees

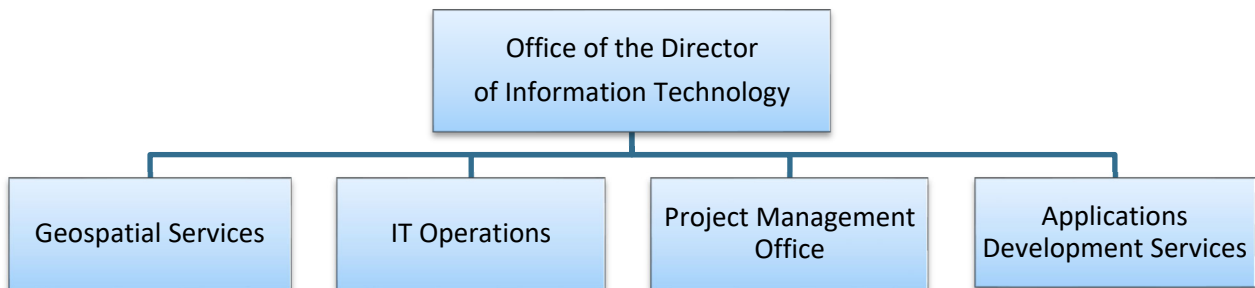
The budget for auditing fees includes the fee for the annual external audit, the Kansas filing fee for the Division of Accounts and Reports, and the publication of the annual financial statement. Audit fees are established through the RFP process and approved by the Board. The 2021 budget is based on the RFP process and approval completed in 2019.

Annual Capital

This division has no capital requirements.

INFORMATION TECHNOLOGY DIVISION

Division Organization



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

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

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

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

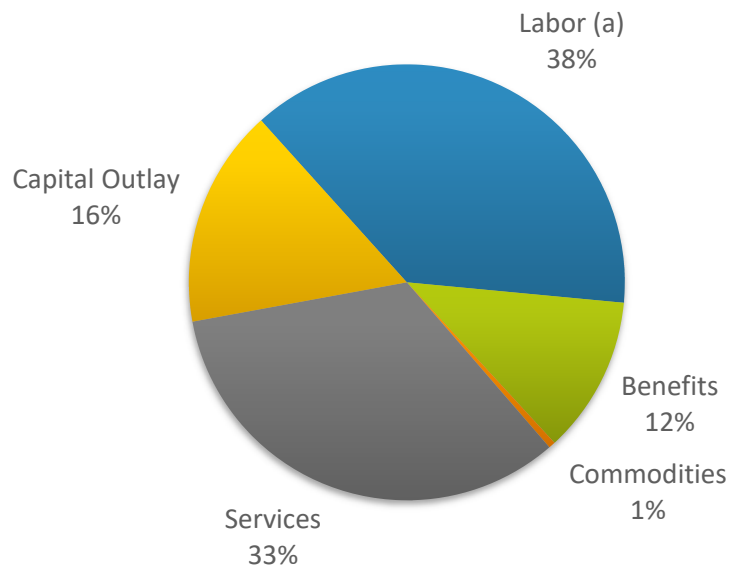
Division Objective

The Information Technology Division is committed to providing innovative, secure, reliable technology services to WaterOne's divisions and WaterOne's customers. 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 “2021 Operational Goals By Division” pages 38-41. Division Key Performance Measures can also be found in the Strategic Plan section, under Monthly & Quarterly & Annual KPI Detail Reports on page 49-50.

Expenditures by Major Category



Net of Transfers

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor (a)	\$2,344,855	\$2,935,952	\$3,101,073	\$165,121	5.6%
Benefits	879,372	682,286	817,201	134,914	19.8%
<i>Personnel Costs</i>	\$3,224,227	\$3,618,238	\$3,918,274	\$300,035	8.3%
Commodities	103,182	74,550	35,075	<39,475>	<53.0%>
Services	1,957,485	2,361,075	2,647,708	286,633	12.1%
Transfers	<641,563>	<524,510>	<733,224>	<208,714>	39.8%
Total O&M	\$4,643,331	\$5,529,353	\$5,867,832	\$338,479	6.1%
Capital Outlay	1,226,425	1,313,514	1,136,149	<177,365>	<13.5%>
Total	\$5,869,757	\$6,842,867	\$7,003,981	\$161,114	2.4%

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 2021 Significant Cost Elements are described below.

	2019 Actual	2020 Budget	2021 Budget	\$ Incr <Decr>	% Incr <Decr>
Labor - Non OT (a)	\$2,307,038	\$2,928,952	\$3,096,773	\$167,821	5.7%
Benefits	879,372	682,286	817,201	134,914	19.8%
PC Software License & Maintenance	975,951	1,400,572	1,527,143	126,571	9.0%
Telecom	433,097	451,680	451,680	0	0.0%
Contracted Services	166,332	197,900	249,035	51,135	25.8%
IT Hardware Maintenance	67,516	69,050	157,900	88,850	128.7%
Non-Employee Overload	143,080	103,800	70,000	<33,800>	<32.6%>
Training	106,394	65,700	65,700	0	0.0%
Subtotal	\$5,078,780	\$5,899,940	\$6,435,432	\$535,492	9.1%
All Other Accounts	206,114	153,923	165,624	11,701	7.6%
Less Transfers	<641,563>	<524,510>	<733,224>	<208,714>	39.8%
Total O&M	\$4,643,331	\$5,529,353	\$5,867,832	\$338,479	6.1%

Numbers may not add due to rounding

INFORMATION TECHNOLOGY	Full Time	Part Time	Summ/ Temp	Headcount	FTE
2020 Budget	29	-	1	30	29.25
Mid-Year Reclass/Transfers (2020)	-	-	-	-	-
New Positions (2021)	-	-	-	-	-
Reclass/PT Hour Adj (2021)	-	-	-	-	-
Eliminations	-	-	-	-	-
2021 Budget	29	-	1	30	29.25

Gross Labor (Non-Overtime)

A 3.0% 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 primarily due to focusing more on cloud-based data storage and utilizing services for a cloud data center. In addition, there are increases for maintenance services relating to the new SCADA software platform, new security software licenses, and expanded support and upgrades for hydraulic modeling software.

Telecom

This account is for the data communication lines needed for the phone system and networks utilized at the treatment plants, administrative offices, and other locations including pump stations, pressure reducing valve (PRV) vaults, and telemetry locations throughout the service area. The budget is expected to stay the same in 2021 due to an extension of existing contracted pricing with our vendor.

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 2021 budget increased due to additional hours budgeted for SharePoint functional and technical support, applications development support, and hosting a 2021 workshop related to IT strategy implementation.

IT Hardware Maintenance

This account is for the recurring maintenance contracts for network hardware. The 2021 budget increase is primarily due to the renewal of a 3-year contract for the data center, storage and backup systems maintenance. There are also six firewalls due for renewal.

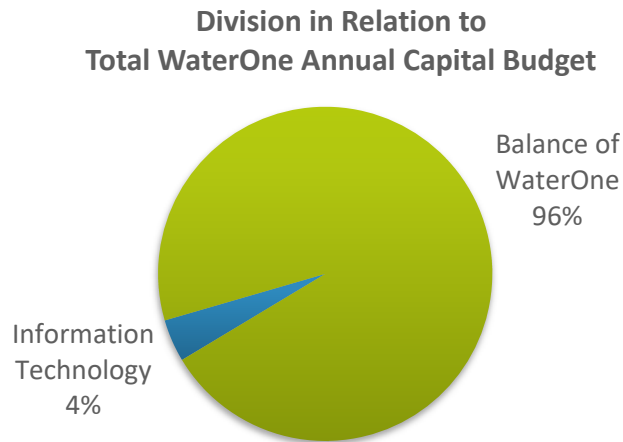
Non-Employee Overload

This account is for temporary personnel. The budget decrease is due to filling vacancies with full time employees that were previously contract-to-hire positions, and is partially offset by an expected increase in contract labor costs for the Help Desk Tier 1 position based on historical spending.

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.

Annual Capital



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

New

none

Replacement / Refurbish

AC-21002	PC Replacement Program	\$296,630
AC-21001	Network Upgrades	223,872
AC-21050	System Upgrades and Enhancements	223,872
AC-21039	Server Replacement Program	156,710
AC-21013	GIS Upgrades and Enhancements	111,936
AC-21015	GPS Equipment Replacement	78,355
AC-21005	Printer Replacement Program	44,774
Annual Capital - Replace / Refurbish		\$1,136,149
Total Annual Capital		\$1,136,149

Numbers may not add due to rounding

WaterOne 2021 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

PC Replacement Program

Year

2021

Project

AC-21002

Plan

\$296,630



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 120 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 new projectors, TV's, and other audio visual equipment for conference rooms that are replaced with this budget. The budget has been lowered slightly in 2021 with the anticipation for more favorable pricing on replacement computers for the GPS units.

Project Description

Network Upgrades

Year

2021

Project

AC-21001

Plan

\$223,872



Justification

This program replaces local area network (LAN), wide area network (WAN), telephony and server hardware, and software necessary to support continuing business operations.

WaterOne 2021 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

System Upgrades and Enhancements

Year

2021

Project

AC-21050

Plan

\$223,872



Justification

This is the annual program to upgrade and enhance SAP for end users. In 2021 upgrades and enhancements will include GIS integration, conversions for cloud services, and process improvements in SAP.

Project Description

Server Replacement Program

Year

2021

Project

AC-21039

Plan

\$156,710



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. Depending on the type of server components being replaced, a typical useful life would be 3-5 years or more. 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.

WaterOne 2021 Budget

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

GIS Upgrades and Enhancements

Year

2021

Project

AC-21013

Plan

\$111,936



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

GPS Equipment Replacement

Year

2021

Project

AC-21015

Plan

\$78,355



Justification

This project is to replace 10 GPS units that are used by field crews. There are 30 total units that will need replaced over the next 3 years. Each unit has an estimated useful life of 4-5 years.

INFORMATION TECHNOLOGY DIVISION

Replace

Project Description

Printer Replacement Program

Year

2021

Project

AC-21005

Plan

\$44,774



Justification

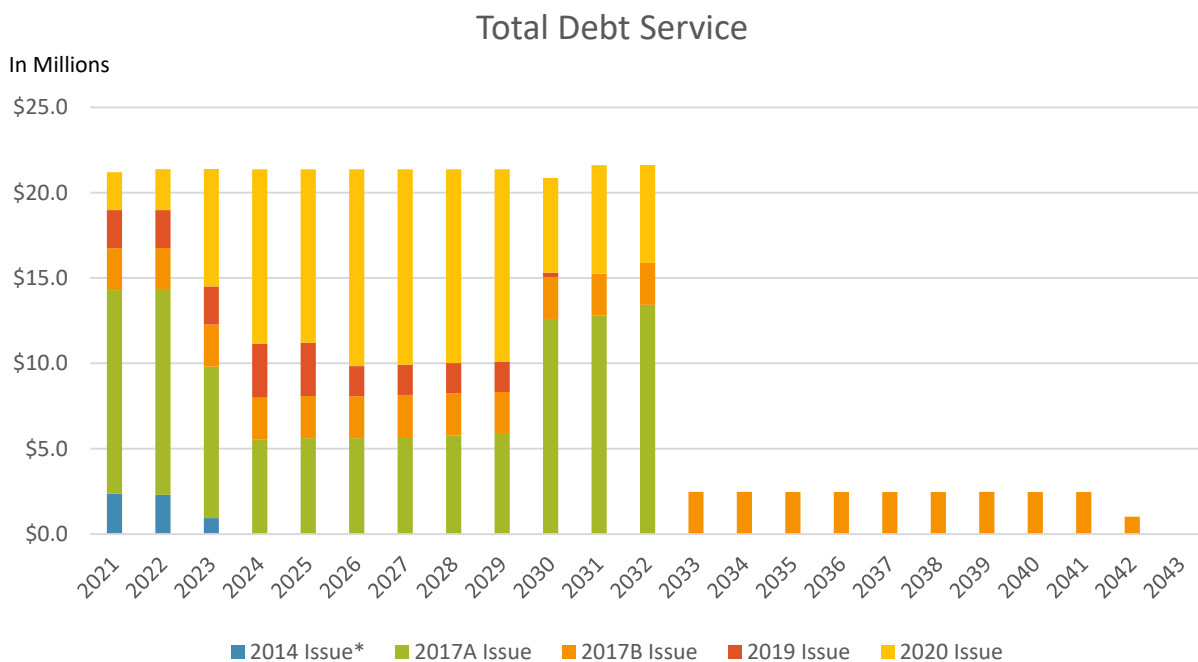
Annual program to replace printers that are technically deficient (one or more functions does not work or has a very high cost of operation due to its age), functionally obsolete (does not meet the needs of the users or applications), or failure critical (may fail at any point and would be prohibitively expensive to repair). Whenever possible, printers are consolidated which reduces the total number of printers supported, however, the new printer may be a more expensive printer to handle the increased demands and to provide greater functionality. The number of printers replaced per year varies based on existing needs and the typical useful life of a printer is 5+ years.

Debt Service

In 2021, WaterOne will be responsible for paying the debt service on its outstanding Parity Bonds (Series 2014 and 2017A, 2017B, 2019 and 2020).

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

WaterOne's debt issues are rated highly by Standard and Poor's and Moody's as shown on the Summary of Outstanding Principal Amounts schedule. WaterOne's 2020 debt ratio is 17.9%.



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

DEBT FUNDING

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

Water Revenue Bonds, Series 2014

The 2014 Series Bonds were issued on February 11, 2014 for the purpose of funding Master Plan projects which included the Ralph G. Wyss Pump Station and associated distribution system improvements. All bonds maturing January 1, 2024 were advanced refunded with the Series 2020 Bonds. Bonds maturing through July 1, 2023 remain outstanding as reflected below.

Original Amount of Bonds issued	\$86,350,000
Outstanding Bonds on Jan. 1, 2021	9,210,000
Debt Service Requirement for 2021	2,361,300
Funding in 2021 for Principal to be Retired	2,015,000
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, 2021	86,295,000
Debt Service Requirement for 2021	11,928,250
Funding in 2021 for Principal to be Retired	8,785,000
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	<u>\$40,105,000</u>
Outstanding Bonds on Jan. 1, 2021	<u>37,510,000</u>
Debt Service Requirement for 2021	<u>2,458,456</u>
Funding in 2021 for Principal to be Retired	<u>1,170,000</u>
First Callable Maturity	<u>1/1/2027</u>
True Interest Cost (TIC) at time of original bond issue	<u>3.0565%</u>

Water Revenue Refunding Bonds, Series 2019

The 2019 Series Bonds were issued on December 10, 2019 for the purpose of refunding \$21,770,000 of the 2010 Series Bonds. The 2019 refunding is resulted in a savings of approximately \$2.46 million over 10 years.

Original Amount of Bonds issued	<u>\$18,610,000</u>
Outstanding Bonds on Jan. 1, 2021	<u>17,130,000</u>
Debt Service Requirement for 2021	<u>2,227,000</u>
Funding in 2021 for Principal to be Retired	<u>1,575,000</u>
First Callable Maturity	<u>1/1/2027</u>
True Interest Cost (TIC) at time of original bond issue	<u>1.7294%</u>

Taxable Water Revenue Refunding Bonds, Series 2020

The 2020 Series Bonds were issued on November 19, 2020 for the purpose of refunding a portion of the of the 2014 Series Bonds in the amount of \$74,405,000. The 2020 refunding resulted in a savings of approximately \$4.6 million over 12 years.

Original Amount of Bonds issued	<u>\$87,255,000</u>
Outstanding Bonds on Jan. 1, 2021	<u>87,255,000</u>
Debt Service Requirement for 2021	<u>2,217,732</u>
Funding in 2021 for Principal to be Retired	<u>1,182,857</u>
First Callable Maturity	<u>7/1/2030</u>
True Interest Cost (TIC) at time of original bond issue	<u>1.3664%</u>

Future Bond Issues

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

This budget includes one additional bond issue in the 5-year projected timeframe, \$30 million in 2022. Debt service for projected future bond issues is included in the WaterOne Financial Overview (WFO) schedule on the Debt Service Funding line (see 'Overview' section). The WFO also shows projected Net Bond Proceeds of \$27 million the Master Plan Capital Fund section.

Debt Funding

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

As of January 1	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	2019 Bonds	2020 Bonds	Total Outstanding Bonds
Bond Ratings S&P/Moody's	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/Aaa	AAA/NR	AAA/NR	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	-	-	-	-	9,210,000	86,295,000	37,510,000	17,130,000	87,172,857	237,317,857
2022	-	-	-	-	7,195,000	77,510,000	36,340,000	15,555,000	85,990,000	222,590,000
2023	-	-	-	-	5,180,000	68,220,000	35,110,000	13,920,000	84,600,000	207,030,000
2024	-	-	-	-	-	61,580,000	33,815,000	12,210,000	78,720,000	186,325,000
2025	-	-	-	-	-	57,965,000	32,455,000	9,510,000	69,450,000	169,380,000
2026	-	-	-	-	-	54,075,000	31,025,000	6,725,000	60,195,000	152,020,000
2027	-	-	-	-	-	49,995,000	29,525,000	5,195,000	49,485,000	134,200,000
2028	-	-	-	-	-	45,715,000	27,975,000	3,595,000	38,745,000	116,030,000
2029	-	-	-	-	-	41,255,000	26,395,000	1,935,000	27,965,000	97,550,000
2030	-	-	-	-	-	36,615,000	24,780,000	250,000	17,100,000	78,745,000
2031	-	-	-	-	-	25,100,000	23,120,000	-	11,835,000	60,055,000
2032	-	-	-	-	-	13,045,000	21,410,000	-	5,655,000	40,110,000
2033	-	-	-	-	-	-	19,645,000	-	-	19,645,000
2034	-	-	-	-	-	-	17,825,000	-	-	17,825,000
2035	-	-	-	-	-	-	15,950,000	-	-	15,950,000
2036	-	-	-	-	-	-	14,020,000	-	-	14,020,000
2037	-	-	-	-	-	-	12,030,000	-	-	12,030,000
2038	-	-	-	-	-	-	9,975,000	-	-	9,975,000
2039	-	-	-	-	-	-	7,845,000	-	-	7,845,000
2040	-	-	-	-	-	-	5,640,000	-	-	5,640,000
2041	-	-	-	-	-	-	3,360,000	-	-	3,360,000
2042	-	-	-	-	-	-	1,000,000	-	-	1,000,000
2043	-	-	-	-	-	-	-	-	-	-
2044	-	-	-	-	-	-	-	-	-	-

Bond Ratings and Debt Service Coverage Ratio

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

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

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DEBT SERVICE - TOTAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(a,c) 2014 Bonds	2017A Bonds	(b) 2017B Bonds	2019 Bonds	(c) 2020 Bonds	Total All Bonds
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2015 (a) .	15,753,426	3,398,563	1,648,388	1,624,125	200,000	-	-	-	-	22,624,502
2016 . . .	15,931,589	2,522,250	2,441,638	368,763	3,399,244	-	-	-	-	24,663,484
2017 (b) .	14,990,123	1,608,175	2,456,138	623,213	3,775,244	546,331	35,714	-	-	24,034,938
2018 (b) .	(refunded)	844,550	2,472,638	1,210,950	3,383,144	12,074,860	464,286	-	-	20,450,428
2019 (b) .	-	-	2,465,213	1,186,500	3,378,644	11,791,750	1,677,666	-	-	20,499,773
2020 . . .	-	-	(refunded)	-	2,938,997	12,000,000	2,459,956	2,232,978	170,827	19,802,759
2021 . . .	-	-	-	-	2,361,300	11,928,250	2,458,456	2,227,000	2,217,732	21,192,738
2022 . . .	-	-	-	-	2,300,850	11,994,000	2,459,206	2,224,000	2,392,944	21,371,000
2023 . . .	-	-	-	-	5,405,400	8,879,500	2,461,831	2,233,600	6,877,905	25,858,236
2024 . . .	-	-	-	-	-	5,522,500	2,461,456	3,155,200	10,230,751	21,369,908
2025 . . .	-	-	-	-	-	5,616,750	2,462,456	3,132,200	10,156,698	21,368,104
2026 . . .	-	-	-	-	-	5,612,250	2,460,081	1,765,800	11,529,494	21,367,625
2027 . . .	-	-	-	-	-	5,684,850	2,461,131	1,774,600	11,448,593	21,369,174
2028 . . .	-	-	-	-	-	5,778,625	2,459,597	1,770,600	11,356,768	21,365,589
2029 . . .	-	-	-	-	-	5,858,900	2,459,081	1,757,400	11,292,348	21,367,729
2030 . . .	-	-	-	-	-	12,598,450	2,458,463	255,000	5,545,423	20,857,335
2031 . . .	-	-	-	-	-	12,793,000	2,458,288	-	6,361,823	21,613,110
2032 . . .	-	-	-	-	-	13,421,350	2,461,838	-	5,731,353	21,614,540
2033 . . .	-	-	-	-	-	-	2,461,863	-	-	2,461,863
2034 . . .	-	-	-	-	-	-	2,462,263	-	-	2,462,263
2035 . . .	-	-	-	-	-	-	2,461,013	-	-	2,461,013
2036 . . .	-	-	-	-	-	-	2,461,325	-	-	2,461,325
2037 . . .	-	-	-	-	-	-	2,458,550	-	-	2,458,550
2038 . . .	-	-	-	-	-	-	2,461,625	-	-	2,461,625
2039 . . .	-	-	-	-	-	-	2,462,075	-	-	2,462,075
2040 . . .	-	-	-	-	-	-	2,459,900	-	-	2,459,900
2041 . . .	-	-	-	-	-	-	2,460,100	-	-	2,460,100
2042 . . .	-	-	-	-	-	-	1,017,500	-	-	1,017,500
2043 . . .	-	-	-	-	-	-	-	-	-	-

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.

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

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DEBT SERVICE - PRINCIPAL

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	2014 Bonds	2017A Bonds	2017B Bonds	2019 Bonds	2020 Bonds	Total All Bonds	Principal As a % of Total Yr DS
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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	82,143	12,267,143	61.95%
2021 ...	-	-	-	-	2,015,000	8,785,000	1,170,000	1,575,000	1,182,857	14,727,857	69.49%
2022 ...	-	-	-	-	2,015,000	9,290,000	1,230,000	1,635,000	1,390,000	15,560,000	72.81%
2023 ...	-	-	-	-	5,180,000	6,640,000	1,295,000	1,710,000	5,880,000	20,705,000	80.07%
2024 ...	-	-	-	-	-	3,615,000	1,360,000	2,700,000	9,270,000	16,945,000	79.29%
2025 ...	-	-	-	-	-	3,890,000	1,430,000	2,785,000	9,255,000	17,360,000	81.24%
2026 ...	-	-	-	-	-	4,080,000	1,500,000	1,530,000	10,710,000	17,820,000	83.40%
2027 ...	-	-	-	-	-	4,280,000	1,550,000	1,600,000	10,740,000	18,170,000	85.03%
2028 ...	-	-	-	-	-	4,460,000	1,580,000	1,660,000	10,780,000	18,480,000	86.49%
2029 ...	-	-	-	-	-	4,640,000	1,615,000	1,685,000	10,865,000	18,805,000	88.01%
2030 ...	-	-	-	-	-	11,515,000	1,660,000	250,000	5,265,000	18,690,000	89.61%
2031 ...	-	-	-	-	-	12,055,000	1,710,000	-	6,180,000	19,945,000	92.28%
2032 ...	-	-	-	-	-	13,045,000	1,765,000	-	5,655,000	20,465,000	94.68%
2033 ...	-	-	-	-	-	-	1,820,000	-	-	1,820,000	73.93%
2034 ...	-	-	-	-	-	-	1,875,000	-	-	1,875,000	76.15%
2035 ...	-	-	-	-	-	-	1,930,000	-	-	1,930,000	78.42%
2036 ...	-	-	-	-	-	-	1,990,000	-	-	1,990,000	80.85%
2037 ...	-	-	-	-	-	-	2,055,000	-	-	2,055,000	83.59%
2038 ...	-	-	-	-	-	-	2,130,000	-	-	2,130,000	86.53%
2039 ...	-	-	-	-	-	-	2,205,000	-	-	2,205,000	89.56%
2040 ...	-	-	-	-	-	-	2,280,000	-	-	2,280,000	92.69%
2041 ...	-	-	-	-	-	-	2,360,000	-	-	2,360,000	95.93%
2042 ...	-	-	-	-	-	-	1,000,000	-	-	1,000,000	98.28%
2043 ...	-	-	-	-	-	-	-	-	-	-	

DEBT SERVICE - INTEREST

Years	2007 Bonds	2009 Bonds	2010 Bonds	2012 Bonds	(a) 2014 Bonds	(b) 2017A Bonds	2017B Bonds	2019 Bonds	2020 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)	-	1,783,997	3,565,000	1,344,956	752,978	88,684	7,535,616	38.05%
2021 . . .	-	-	-	-	346,300	3,143,250	1,288,456	652,000	1,034,875	6,464,881	30.51%
2022 . . .	-	-	-	-	285,850	2,704,000	1,229,206	589,000	1,002,944	5,811,000	27.19%
2023 . . .	-	-	-	-	225,400	2,239,500	1,166,831	523,600	997,905	5,153,236	19.93%
2024 . . .	-	-	-	-	-	1,907,500	1,101,456	455,200	960,751	4,424,908	20.71%
2025 . . .	-	-	-	-	-	1,726,750	1,032,456	347,200	901,698	4,008,104	18.76%
2026 . . .	-	-	-	-	-	1,532,250	960,081	235,800	819,494	3,547,625	16.60%
2027 . . .	-	-	-	-	-	1,404,850	911,131	174,600	708,593	3,199,174	14.97%
2028 . . .	-	-	-	-	-	1,318,625	879,597	110,600	576,768	2,885,589	13.51%
2029 . . .	-	-	-	-	-	1,218,900	844,081	72,400	427,348	2,562,729	11.99%
2030 . . .	-	-	-	-	-	1,083,450	798,463	5,000	280,423	2,167,335	10.39%
2031 . . .	-	-	-	-	-	738,000	748,288	-	181,823	1,668,110	7.72%
2032 . . .	-	-	-	-	-	376,350	696,838	-	76,353	1,149,540	5.32%
2033 . . .	-	-	-	-	-	-	641,863	-	-	641,863	26.07%
2034 . . .	-	-	-	-	-	-	587,263	-	-	587,263	23.85%
2035 . . .	-	-	-	-	-	-	531,013	-	-	531,013	21.58%
2036 . . .	-	-	-	-	-	-	471,325	-	-	471,325	19.15%
2037 . . .	-	-	-	-	-	-	403,550	-	-	403,550	16.41%
2038 . . .	-	-	-	-	-	-	331,625	-	-	331,625	13.47%
2039 . . .	-	-	-	-	-	-	257,075	-	-	257,075	10.44%
2040 . . .	-	-	-	-	-	-	179,900	-	-	179,900	7.31%
2041 . . .	-	-	-	-	-	-	100,100	-	-	100,100	4.07%
2042 . . .	-	-	-	-	-	-	17,500	-	-	17,500	1.72%
2043 . . .	-	-	-	-	-	-	-	-	-	-	

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.

2021 Initial Forecast in 2020 Budget vs 2021 Budget
2021 Water Rate Increase = 2.8%

	2021 Initial Forecast @ 2.8%	2021 Adopted Budget @ 2.8%	\$ Inc (Dec)	% Inc -Dec
1 REVENUES PROVIDED:				
2 OPERATING REVENUES:				
3 Sales of Water - Retail	\$ 119,902,940	\$ 119,283,371	\$ (619,569)	-0.5%
4 Sales of Water - Wholesale	-	-	-	N/A
5 TOTAL SALES OF WATER	\$ 119,902,940	\$ 119,283,371	\$ (619,569)	
6 Delayed Payment Charges	\$ 610,000	\$ 550,000	\$ (60,000)	-9.8%
7 Field Service Charges	353,000	353,000	-	0.0%
8 Other Operating Revenues	680,000	640,000	(40,000)	-5.9%
9 TOTAL OTHER OPERATING REVENUES	\$ 1,643,000	\$ 1,543,000	\$ (100,000)	-6.1%
10 Investment Income (General and P&I Funds)	\$ 2,470,000	\$ 300,000	\$ (2,170,000)	-87.9%
11 Investment Income (Construction Fund)	-	-	-	N/A
12 Investment Income (SDC Fund)	-	-	-	N/A
13 TOTAL INVESTMENT INCOME	\$ 2,470,000	\$ 300,000	\$ (2,170,000)	-87.9%
14 TOTAL REVENUES PROVIDED	\$ 124,015,940	\$ 121,126,371	\$ (2,889,569)	-2.3%
15 REVENUE REQUIREMENTS:				
16 TOTAL OPERATIONS AND MAINTENANCE EXPENSE	\$ 58,688,654	\$ 58,879,511	\$ 190,857	0.3%
17 Annual Capital	\$ 10,690,000	\$ 8,455,000	\$ (2,235,000)	-20.9%
18 T&D Funding	19,650,000	19,145,000	(505,000)	-2.6%
19 TOTAL ANNUAL CAPITAL	\$ 30,340,000	\$ 27,600,000	\$ (2,740,000)	-9.0%
20 TOTAL DEBT SERVICE FUNDING	\$ 21,756,300	\$ 21,192,738	(563,562)	-2.6%
21 Master Plan Designated	\$ 12,620,986	\$ 13,244,122	\$ 623,136	4.9%
22 Investment Income (Construction & SDC Funds)	-	-	-	N/A
23 Repayment to Master Plan for Bond Payoff	-	-	-	N/A
24 TOTAL TRANSFERS TO MASTER PLAN	\$ 12,620,986	\$ 13,244,122	\$ 623,136	4.9%
25 Bond Covenant Required Reserves	\$ 610,000	\$ 210,000	\$ (400,000)	-65.6%
26 Negative Cash Flow Reserve	-	-	-	N/A
27 TOTAL REQUIRED RESERVE FUNDING	\$ 610,000	\$ 210,000	\$ (400,000)	-65.6%
28 TOTAL REVENUE REQUIREMENTS	\$ 124,015,940	\$ 121,126,371	\$ (2,889,569)	-2.3%
29 NET INCOME AVAIL FOR DS COVERAGE (Ln 14 - Ln 16)	\$ 65,327,286	\$ 62,246,860	\$ (3,080,426)	-4.7%
30 REQUIRED DEBT SERVICE (Ln 20)	\$ 21,756,300	\$ 21,192,738	(563,562)	-2.6%
31 DEBT SERVICE COVERAGE (Ln 29 / Ln 30)	3.00	2.94	-0.06	
32 ADJUSTMENT TO WATER RATES	2.8%	2.8%	0.0%	

Percentages may not add due to rounding

ADDITIONAL REVENUE REQUIREMENTS FOR 2021
Based on a 2.8% Rate Increase

			2020 ADOPTED BUDGET	2021 ADOPTED BUDGET	\$ Inc (Dec)
CHANGES IN REVENUE REQUIREMENTS:					
1	INCREASED OPERATIONS & MAINTENANCE EXPENSES:		\$ 56,094,175	\$ 58,879,511	\$ 2,785,336
	Gross Payroll (Includes Overtime)	\$ 1,265,082 4.2%			
	Pension DB & DC	\$ 810,587 26.5%			
	Health	\$ 410,440 9.0%			
	Power (Includes Natural Gas Generators)	\$ 470,795 5.0%			
	Chemicals	\$ 62,473 1.3%			
	Other	\$ (234,041) -1.9%			
2	DECREASED CAPITAL:		\$ 27,660,000	\$ 27,600,000	\$ (60,000)
	Annual Capital	\$ (965,000)			
	T&D Funding	\$ 905,000			
3	INCREASED DEBT SERVICE FUNDING:		\$ 21,022,578	\$ 21,192,738	\$ 170,160
4	DECREASED TRANSFERS TO MASTER PLAN:		\$ 15,345,849	\$ 13,244,122	\$ (2,101,727)
	Master Plan Designated	\$ (2,101,727)			
	Investment Income (Construction & SDC Funds)	\$ -			
	Repayment to Master Plan for Bond Payoff	\$ -			
5	DECREASED FUNDING TO REQUIRED RESERVES:		\$ 230,000	\$ 210,000	\$ (20,000)
	Bond Covenant Required Reserves	\$ (20,000)			
	Negative Cash Flow Reserve	\$ -			
6	TOTAL INCREASE IN REVENUE REQUIREMENTS		\$ 120,352,602	\$ 121,126,371	\$ 773,769
CHANGES IN REVENUES AVAILABLE:					
7	DECREASED INVESTMENT INCOME:		\$ 2,730,000	\$ 300,000	\$ (2,430,000)
	Investment Income (General and P&I Funds)	\$ (2,430,000)			
	Investment Income (Construction & SDC Funds)	\$ -			
8	DECREASED REVENUE FROM OTHER OPER REVENUE:		\$ 1,630,000	\$ 1,543,000	\$ (87,000)
	Delayed Payment Charges	\$ (50,000)			
	Other Operating Revenue	\$ (40,000)			
	Field Service Charges	\$ 3,000			
9	DECREASED REVENUE FROM REVENUE ADJUSTMENTS:		\$ -	\$ (1,162,360)	\$ (1,162,360)
	Lower R1 Gallons per Customer	\$ (1,794,529)			
	Lower C2 Gallons per Customer	\$ (472,431)			
	Lower M1 Gallons per Customer	\$ (228,408)			
	True-up of 2019 Actual Customers	\$ 115,567			
	Meter Mix True Up	\$ 64,156			
	R1 Block allocation change	\$ 1,153,285			
10	INCREASED REVENUE FROM 2021 NEW CUSTOMERS @ 2020 RATES:		\$ -	\$ 1,185,638	\$ 1,185,638
11	TOTAL DECREASE IN REVENUES AVAILABLE		\$ 4,360,000	\$ 1,866,278	\$ (2,493,722)
12	ADJUSTMENT TO WATER RATES IN 2021 (Line #6 - #11)			Rate Adjustment 2.8%	\$ 3,267,491

Budgeted Gallons and Revenue by Customer Type

(A) Customer Type		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
		Budgeted Average Customers	Avg Annual Gallons Per Cust	Budgeted Total 1,000 Gals	Budgeted Block 1 Gallons	Budgeted Block 2 Gallons	Budgeted Volume Charge Revenue	Budgeted Service Charge Revenue	Volume Charge Revenue %	Service Charge Revenue %
		(B x C)							(G/ (G+H))	(H/ (G+H))
1 Residential	(R1)	137,420	83,258	11,441,316	8,580,987	2,860,329	\$ 54,003,009	\$ 20,315,876	73%	27%
2 Multi Family	(M1)	5,039	425,000	2,141,575	1,884,586	256,989	9,707,331	2,155,500	82%	18%
3 Small Commercial	(C1)	5,017	210,000	1,053,570	526,785	526,785	5,352,137	1,222,585	81%	19%
4 Large Commercial	(C2)	3,400	1,420,821	4,830,791	3,381,553	1,449,237	23,149,147	2,903,216	89%	11%
5 Subtotal		150,876	129,028	19,467,251	14,373,911	5,093,340	\$ 92,211,624	\$ 26,597,177	78%	22%
6 Temp. Commercial	(C3)	243	133,500	33,242	13,982	19,260	\$ 192,801	\$ 281,768	41%	59%
7 Total Retail		151,119	129,041	19,500,493	14,387,893	5,112,600	\$ 92,404,425	\$ 26,878,945	77%	23%

"Per Customer" shown in whole gallons.

(G+H)

Total Water Sales Revenue \$119,283,371

Customer Growth by Customer Type with SDC Revenue

Customer Type		CUSTOMER GROWTH		SDC's	
		2020 Budget	2021 Budget	2021 Rate	2021 Budget
8 Residential	(R1)	1,270	1,070	\$5,000	\$5,350,000
9 Multi Family	(M1)	65	65	\$5,000	\$325,000
10 Small Commercial	(C1)	20	20	\$5,000	\$100,000
11 Large Commercial	(C2)	45	45	\$5,000	\$225,000
12 TOTAL		1,400	1,200		\$6,000,000

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2020 BUDGET COMPARED TO ADOPTED 2021 BUDGET

	ADOPTED 2020 BUDGET			ADOPTED 2021 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	136,469		137,420	0.7%		
3	% of Total Customers Served	90.97		90.93			
4	Thousand Gallons Sold	11,713,544	85,833	11,441,316	-2.3%		83,258
5	% of Total Gallons Sold	59.2%		58.7%			
6	Service Charge Revenue	\$ 19,668,347	\$ 1.68	\$ 20,315,876	3.3%	\$ 1.78	\$ 147.84
7	Volume Charge Revenue	52,617,239	4.49	54,003,010	2.6%	4.72	392.98
8	Total Water Sales Revenue	\$ 72,285,586	\$ 6.17	\$ 74,318,886	2.8%	\$ 6.50	\$ 540.82
9	% of Volume Water Sales	58.43%		58.44%			
10	% of Total Water Sales	62.32%		62.30%			

11 MULTI-FAMILY - RESIDENTIAL (M1):

12	Average Customers Served	4,877		5,039	3.3%		
13	% of Total Customers Served	3.25		3.33			
14	Thousand Gallons Sold	2,121,495	435,000	2,141,575	1.0%		425,000
15	% of Total Gallons Sold	10.7%		11.0%			
16	Service Charge Revenue	\$ 2,025,802	\$ 0.95	\$ 2,155,500	6.4%	\$ 1.01	\$ 427.76
17	Volume Charge Revenue	9,351,550	4.41	9,707,331	3.8%	4.53	1,926.44
18	Total Water Sales Revenue	\$ 11,377,352	\$ 5.36	\$ 11,862,831	4.3%	\$ 5.54	\$ 2,354.20
19	% of Volume Water Sales	10.4%		10.5%			
20	% of Total Water Sales	9.8%		10.0%			

21 SMALL COMMERCIAL (C1):

22	Average Customers Served	5,077		5,017	-1.2%		
23	% of Total Customers Served	3.38		3.32			
24	Thousand Gallons Sold	1,066,170	210,000	1,053,570	-1.2%		210,000
25	% of Total Gallons Sold	5.4%		5.4%			
26	Service Charge Revenue	\$ 1,203,599	\$ 1.13	\$ 1,222,585	1.6%	\$ 1.16	\$ 243.69
27	Volume Charge Revenue	5,266,880	4.94	5,352,136	1.6%	5.08	1,066.80
28	Total Water Sales Revenue	\$ 6,470,479	\$ 6.07	\$ 6,574,721	1.6%	\$ 6.24	\$ 1,310.49
29	% of Volume Water Sales	5.9%		5.8%			
30	% of Total Water Sales	5.6%		5.5%			

31 LARGE COMMERCIAL (C2):

32	Average Customers Served	3,349		3,400	1.5%		
33	% of Total Customers Served	2.23		2.25			
34	Thousand Gallons Sold	4,856,052	1,450,000	4,830,791	-0.5%		1,420,821
35	% of Total Gallons Sold	24.5%		24.8%			
36	Service Charge Revenue	\$ 2,787,036	\$ 0.57	\$ 2,903,216	4.2%	\$ 0.60	\$ 853.89
37	Volume Charge Revenue	22,629,200	4.66	23,149,148	2.3%	4.79	6,808.57
38	Total Water Sales Revenue	\$ 25,416,236	\$ 5.23	\$ 26,052,364	2.5%	\$ 5.39	\$ 7,662.46
39	% of Volume Water Sales	25.1%		25.1%			
40	% of Total Water Sales	21.9%		21.8%			

41 SUB-TOTAL RETAIL:

42	Average Customers Served	149,772		150,876	0.7%		
43	% of Total Customers Served	99.84		99.84			
44	Thousand Gallons Sold	19,757,260	131,916	19,467,251	-1.5%		129,028
45	% of Total Gallons Sold	99.8%		99.8%			
46	Service Charge Revenue	\$ 25,684,784	\$ 1.30	\$ 26,597,177	3.6%	\$ 1.37	\$ 176.29
47	Volume Charge Revenue	89,864,869	4.55	92,211,625	2.6%	4.74	611.17
48	Total Water Sales Revenue	\$ 115,549,653	\$ 5.85	\$ 118,808,802	2.8%	\$ 6.10	\$ 787.46
49	% of Volume Water Sales	99.8%		99.8%			
50	% of Total Water Sales	99.6%		99.6%			

CUSTOMER & WATER SALES STATISTICS
ADOPTED 2020 BUDGET COMPARED TO ADOPTED 2021 BUDGET

	ADOPTED 2020 BUDGET			ADOPTED 2021 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		33,242	4.2%
55	% of Total Gallons Sold	0.2%				0.2%	
56	Service Charge Revenue	\$ 286,800	\$ 8.99	\$ 1,210.13		\$ 281,768	-1.8%
57	Volume Charge Revenue	177,399	5.56	748.52		192,801	8.7%
58	Total Water Sales Revenue	\$ 464,199	\$ 14.55	\$ 1,958.65		\$ 474,569	2.2%
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	150,015				151,119	0.7%
63	% of Total Customers Served	100.00				100.00	
64	Thousand Gallons Sold	19,789,167		131,915		19,500,493	-1.5%
65	% of Total Gallons Sold	100.0%				100.0%	
66	Service Charge Revenue	\$ 25,947,780	\$ 1.31	\$ 172.97		\$ 26,878,945	3.6%
67	Volume Charge Revenue	90,044,822	4.55	600.24		92,404,426	2.6%
68	Total Water Sales Revenue	\$ 115,992,602	\$ 5.86	\$ 773.21		\$ 119,283,371	2.8%
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	150,015				151,119	0.7%
80	Thousand Gallons Sold	19,789,167		131,915		19,500,493	-1.5%
81	Service Charge Revenue	\$ 25,947,780	\$ 1.31	\$ 172.97		\$ 26,878,945	3.6%
82	Volume Charge Revenue	90,044,822	4.55	600.24		92,404,426	2.6%
83	Total Water Sales Revenue	\$ 115,992,602	\$ 5.86	\$ 773.21		\$ 119,283,371	2.8%

Notes:

- Reflects a 2.8% revenue increase due to a change in water rates to be effective 1-1-2021.
- Consistent with past practice, projections are prepared on a "normal" year basis.
- May not add due to rounding.

MISCELLANEOUS FEES AND CHARGES

Delayed Payment Charge (as a % of the unpaid current amount)	5%
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Field Service Charges

Field Trip Charge	\$20
Reconnection Trip Charge	\$20
After Hours Reconnection Trip Charge	\$80
Returned Check Charge	\$25
Remote Connection Fee	\$20
Manual Meter Reading Fee	\$80

SYSTEM DEVELOPMENT CHARGES

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

Meter Size/Type (a)

5/8" Displacement Meter (BASE)	\$5,000
3/4" Displacement Meter	7,500
1" Displacement Meter	12,500
1 1/2" Displacement Meter	25,000
1 1/2" Turbine	30,000
2" Displacement Meter	40,000
2" Compound Meter	40,000
2" Turbine	47,500
3" Compound Meter	87,500
3" Turbine Meter	108,750
4" Compound Meter	150,000
4" Turbine Meter	187,500

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

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Capital Number: AF-21701 & AC-21702
Capital Item Requested: Mobile Concrete Mixer & Facilities

Estimated Life: 15 Years Date: 17-Aug-20

End of Year		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
PROPOSED COSTS:																	
	Equipment	\$531,697															
40% of Labor	Labor	21,692	\$22,505	\$23,349	\$24,225	\$25,133	\$26,076	\$27,054	\$28,068	\$29,121	\$30,213	\$31,346	\$32,521	\$33,741	\$35,006	\$36,319	\$37,681
	Related Overhead	8,677	9,002	9,340	9,690	10,053	10,430	10,821	11,227	11,648	12,085	12,538	13,008	13,496	14,002	14,527	15,072
	Raw Material Costs	181,321	184,947	188,646	192,419	196,267	200,193	204,197	208,281	212,446	216,695	221,029	225,450	229,959	234,558	239,249	244,034
	Delivery Costs	24,300	24,786	25,282	25,787	26,303	26,829	27,366	27,913	28,471	29,041	29,622	30,214	30,818	31,435	32,063	32,705
	Maintenance	9,500	9,690	9,884	10,081	10,283	10,489	10,699	10,913	11,131	11,353	11,580	11,812	12,048	12,289	12,535	12,786
	Fuel Costs	3,416	3,485	3,554	3,626	3,698	3,772	3,847	3,924	4,003	4,083	4,165	4,248	4,333	4,419	4,508	4,598
Total		\$780,603	\$254,415	\$260,055	\$265,828	\$271,738	\$277,789	\$283,983	\$290,326	\$296,820	\$303,470	\$310,279	\$317,253	\$324,395	\$331,709	\$339,201	\$346,876
CURRENT COSTS:																	
40% Labor	Labor	\$21,692	\$22,505	\$23,349	\$24,225	\$25,133	\$26,076	\$27,054	\$28,068	\$29,121	\$30,213	\$31,346	\$32,521	\$33,741	\$35,006	\$36,319	\$37,681
	Related Overhead	8,677	9,002	9,340	9,690	10,053	10,430	10,821	11,227	11,648	12,085	12,538	13,008	13,496	14,002	14,527	15,072
	Overtime	21,694	22,508	23,352	24,228	25,136	26,079	27,057	28,071	29,124	30,216	31,349	32,525	33,745	35,010	36,323	37,685
	Contractor Costs	246,720	251,654	256,687	261,821	267,058	272,399	277,847	283,404	289,072	294,853	300,750	306,765	312,901	319,159	325,542	332,053
Total		\$298,783	\$305,670	\$312,728	\$319,964	\$327,380	\$334,984	\$342,779	\$350,770	\$358,965	\$367,367	\$375,984	\$384,820	\$393,882	\$403,177	\$412,711	\$422,491
Net Cashflow/Savings		Positive sign indicates net savings															
Current Less Proposed Costs		(\$481,820)	\$51,254	\$52,673	\$54,136	\$55,642	\$57,195	\$58,795	\$60,445	\$62,145	\$63,897	\$65,704	\$67,567	\$69,487	\$71,468	\$73,510	\$75,615
Cumulative		(\$481,820)	(\$430,565)	(\$377,892)	(\$323,757)	(\$268,114)	(\$210,919)	(\$152,124)	(\$91,680)	(\$29,535)	\$34,363	\$100,067	\$167,633	\$237,121	\$308,588	\$382,098	\$457,713
Payback Years:											9.5						

Labor Assumptions:	
Proposed labor assumes 10 yards of material mixed per day or an average of 3 projects per day	
Proposed labor assumes 1 hour per project at average Distribution Technician rate of \$28/hour	
Current labor assumes 3 hours per day spent waiting on contractor delivery at average Distribution Technician rate of \$28/hour	
Current overtime assumes 2 hours per day spent waiting on contractor delivery at average Distribution Technician overtime rate of \$42/hour	
Assumes 3.75% personnel inflation rate	
Proposed Costs:	
Raw material prices utilized: \$12.90/ton sand, \$29.90/ton rock, \$135/ton portland mixing material	
Assumes 70% concrete and 30% flowable fill utilization per day	
Routine repairs and maintenance will be performed by WaterOne personnel	
Current Costs:	
Contractor concrete price averages \$116/yard and flowable fill averages \$72/yard	
Assumes a 2% inflation rate for raw materials, delivery, maintenance, fuel and contractor costs	

2020 Impacts Resulting from Coronavirus (COVID-19)

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions, affecting business activities and impacting global, state and local commerce and financial markets.

A stay-at-home-order was in effect for the State of Kansas from March 30 through May 3, 2020. During this time, WaterOne experienced lower than budgeted Commercial water sales due to lower base water usage. When the stay-at-home-order was lifted, Commercial base water usage increased. However, weather seasonality is the biggest driver of WaterOne's summer and fall water sales and it is normal for water sales to increase during this timeframe. Sales are typically impacted more significantly by dry or wet weather patterns rather than economic conditions.

In response to disrupted economic activity, the Federal Open Market Committee (FOMC) lowered the fed funds target rate to near zero on March 16, 2020. This rate is used as a benchmark for many short-term consumer rates in addition to the lending rates between financial institutions. This sharp drop in interest rates reduced the amount of investment income earned on WaterOne's investments purchased in 2020 and maturing through 2022.

In addition to the decline in revenues, WaterOne has incurred unanticipated expenditures due to the pandemic. Expenditures include premium pay for essential employees who are required to report to WaterOne facilities, additional vehicle rentals to maintain recommended social distance, safety supplies including masks and sanitizer and technology and equipment to better facilitate remote work.

2021 Budget Impacts

The emergence of COVID-19 and the spread thereof is an evolving issue. WaterOne will continue efforts to contain and limit the spread of COVID-19 within its workforce and in its interaction with the public. The length and full impact of the COVID-19 pandemic are unknown at this time.

Investment income projections have been reduced in anticipation of the FOMC maintaining rates near zero through the end of 2021 with a gradual, incremental increase throughout the five-year plan. This reduction in income is a driver of the need for a bond issue planned in 2022. The budget for uncollectible accounts has been increased to 0.15% of revenue in 2021 with no significant rate impact. Due to the unpredictability of additional impacts and per WaterOne's fiscal policies, all other 2021 revenue and expenditures are based on a "normal" year.

WaterOne maintains a Board Authorized Rate Stabilization Fund. The fund was established to address unforeseen revenue shortfalls including economic downturns. If additional unforeseen impacts continue into 2021, the Rate Stabilization Reserve may be used to balance the deficit.

**WATER ONE FISCAL
POLICIES AND PROCEDURES**

Introduction

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

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

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

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

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

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I. OVERVIEW

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

101. Formation of WaterOne

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

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

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

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

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

102. Reasonable and Prudent Person Standard

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

103. Ethical Standards

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

WaterOne Personnel Policy Manual

104. Fiscal Year

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

105. Generally Accepted Accounting Principles

- WaterOne follows Generally Accepted Accounting Principles (GAAP) on the modified accrual basis of accounting when preparing financial reports. Revenues are recognized when 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.

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- 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 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

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- 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

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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.

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- 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

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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

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(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).

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○ 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.

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[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.

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

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- 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.

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- 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 primarily of three types of facilities:
 - a. Production – water source and treatment equipment and structures including river intakes, collector wells, a river jetty, reservoirs, residual monofills, supply mains, and treatment plants.

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- b. Pumping & Storage – equipment and structures including pumps, pump stations, underground and ground level reservoirs as well as elevated storage in water towers.
 - c. Transmission & Distribution – water mains, isolation valves, pressure reducing valves, and tunnels for mains.
- Capacity-related Master Plan projects are based on the latest Water Supply Master Plan developed by WaterOne’s consulting engineers. Recommendations developed for water supply and treatment facilities are designed to meet projected demands for at least forty years. The Transmission and Distribution recommendations will meet projected demands for at least twenty years.
 - Master Plan also includes major replacement projects from the Asset Management Plan and other long-lived major capital projects which are neither replacements or associated with increased capacity.
 - Current year projects are reviewed no less than quarterly by staff and the consulting engineers to reaffirm timelines, costs in relationship to current economic conditions and to ensure available resources.
 - The Master Plan is divided into phases. These phases are designed to allow for flexibility and to ensure that capital investment is made at the correct time to provide an adequate supply of water without building capacity in excess of what will be needed.
 - Funding for Master Plan projects come from three sources which are expended in the following priority order:
 - a. proceeds from revenue bonds;
 - b. System Development Charges; and
 - c. water sales revenue.
 - Funds are set aside within the Master Plan Fund as “committed” when the project is awarded.
 - Although it is the practice to keep the balance no lower than \$5,000,000 in the Master Plan Fund, the objective is to accumulate a larger fund balance in order to reduce the size of future bond issues.

803.1 Annual Designation of Water Sales Revenue to Master Plan

- Each year a portion of water sales revenue is budgeted to the Master Plan Fund in the annual Board adopted budget.
- 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;

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however, the percent designation is reviewed and updated annually based on the current economic conditions and the Master Plan Fund balance.

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

804. Transmission and Distribution

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

Main Replacements

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

Relocation Projects

- a. These projects are constructed in coordination with street improvement projects planned by the governmental entities in areas that WaterOne serves.
- b. The General Manager has the authority to approve and sign water facility Relocation Agreements with cities, counties, and other political subdivisions of the state expanding or improving street right-of-way under the following conditions:

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

Board Policy #31 – Relocation Agreements

General Improvements

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

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.

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

902.2. Arbitrage Rebate

- a. *Rebate Monitor.* The Compliance Officer will oversee the Rebate Monitor. The Treasury Manager, or other person designated by the Compliance Officer, will serve as Rebate Monitor and will monitor compliance with the arbitrage rebate obligations of WaterOne for each bond issue. WaterOne will provide educational opportunities, through attendance at educational programs/seminars on the topic of arbitrage regulations, to support the Rebate Monitor and facilitate his/her performance of these obligations.
- b. *Small Issuer Exception.* When WaterOne issues bonds, if the Rebate Monitor determines that the total principal amount of governmental obligations (including all-tax-exempt leases, etc.) of WaterOne issued or incurred will be greater than \$5,000,000, the Rebate Monitor will monitor arbitrage rebate compliance.
- c. *Funds Subject to Rebate.* In addition to funds expended for capital project costs from the Construction Fund, when a bond reserve fund is established those proceeds are subject to arbitrage rebate as well. The Rebate Monitor will consult with bond counsel when bonds are issued to determine which funds are subject to arbitrage rebate. The Rebate Monitor will report to the Compliance Officer if any current "bona fide debt service fund" fails to meet requirements which allow exemption, such as the Principal and Interest Fund failing to zero out within the required period. The Rebate Monitor will evaluate, with the assistance of bond counsel or arbitrage rebate consultant if necessary, any new fund created outside the bond resolutions to determine if it is subject to rebate, and; any change of the use of an existing fund which could cause the fund to contain gross proceeds of a bond issue, such as the fund being used exclusively to pay debt service.

- d. *Rebate Exceptions.* The Rebate Monitor will review the closing certificate, arbitrage letter of instructions, tax certificate, tax agreement or other transcript documents relating to the instructions for compliance with federal tax law (the “tax certificate”) in the transcript in order to determine whether WaterOne is expected to comply with a spending exception that would exempt WaterOne from arbitrage rebate liability. If the tax certificate identifies this spending exception, then the Rebate Monitor will monitor the records of expenditures (described in 902.1. above) to determine whether WaterOne met the spending exception. The Rebate Monitor may engage the services of an arbitrage rebate compliance consultant to verify the spend down exception, if necessary. If no other funds are subject to arbitrage rebate and WaterOne has met the relevant spending exception, the Rebate Monitor will retain documentation demonstrating timing of expenditures, and will not need to perform arbitrage rebate calculations or pay an arbitrage rebate to the federal government.
- e. *Construction Fund Negative Arbitrage.* If WaterOne did not meet or does not expect to meet the spending exception described in (i) above, and no other funds are subject to arbitrage rebate, WaterOne will review the investment earnings records retained as described in 902.1.(c) above. If the investment earnings records clearly and definitively demonstrate that the average rate of return on investments of all proceeds of the issue was lower than the “arbitrage yield” on the issue then the Rebate Monitor will retain documentation describing the basis for such determination.
- f. *Bond Reserve Fund.* The Rebate Monitor will monitor investment earnings on the bond reserve fund for each bond issue, including allocating earnings by bond issue in any pooled reserve funds and retain such records for performance of the arbitrage rebate calculation.
- g. *Consultant Services.* If the spending exception is not met *and* if records do not clearly demonstrate negative arbitrage, *or* if other funds such as a bond reserve fund must be included in the arbitrage rebate calculation, WaterOne will retain the services of an arbitrage rebate consultant in order to calculate any potential arbitrage rebate liability. Calculations will be performed no later than 60 days after the fifth anniversary of the date of each issue, every five years thereafter, and no later than 60 days following the retirement of the last obligation of the issue. The selected rebate consultant shall provide a written report in each instance to the Compliance Officer with respect to the issue and with respect to any arbitrage rebate owed, if any.
- h. *Rebate Reporting and Payment.* If, based on the report of the rebate consultant, WaterOne has an arbitrage rebate liability, WaterOne will file reports with the Internal Revenue Service. WaterOne will remit arbitrage rebate

to the federal government no later than 60 days following the retirement of the last obligation of the issue.

902.3. Unused Proceeds Following Completion of the Project

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

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

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

WaterOne's Compliance Officer will monitor and confirm that WaterOne maintains an asset list or other record regarding all facilities and equipment that are bond-financed, and depreciation schedules for such facilities and equipment. In order to maintain tax-exemption of securities issued on a tax-exempt basis, the financed facilities (projects) are required to be used for governmental purposes during the life of the issue.

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

- a. Sale of the facilities;
- b. Lease or sub-lease of the facilities (including leases, easements or use arrangements for areas outside the four walls, e.g., hosting of cell phone towers) or leasehold improvement contracts;
- c. Management contracts (in which WaterOne authorizes a third party to operate a facility, e.g., cafeteria), research contracts and naming rights contracts;

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- 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

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- 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.

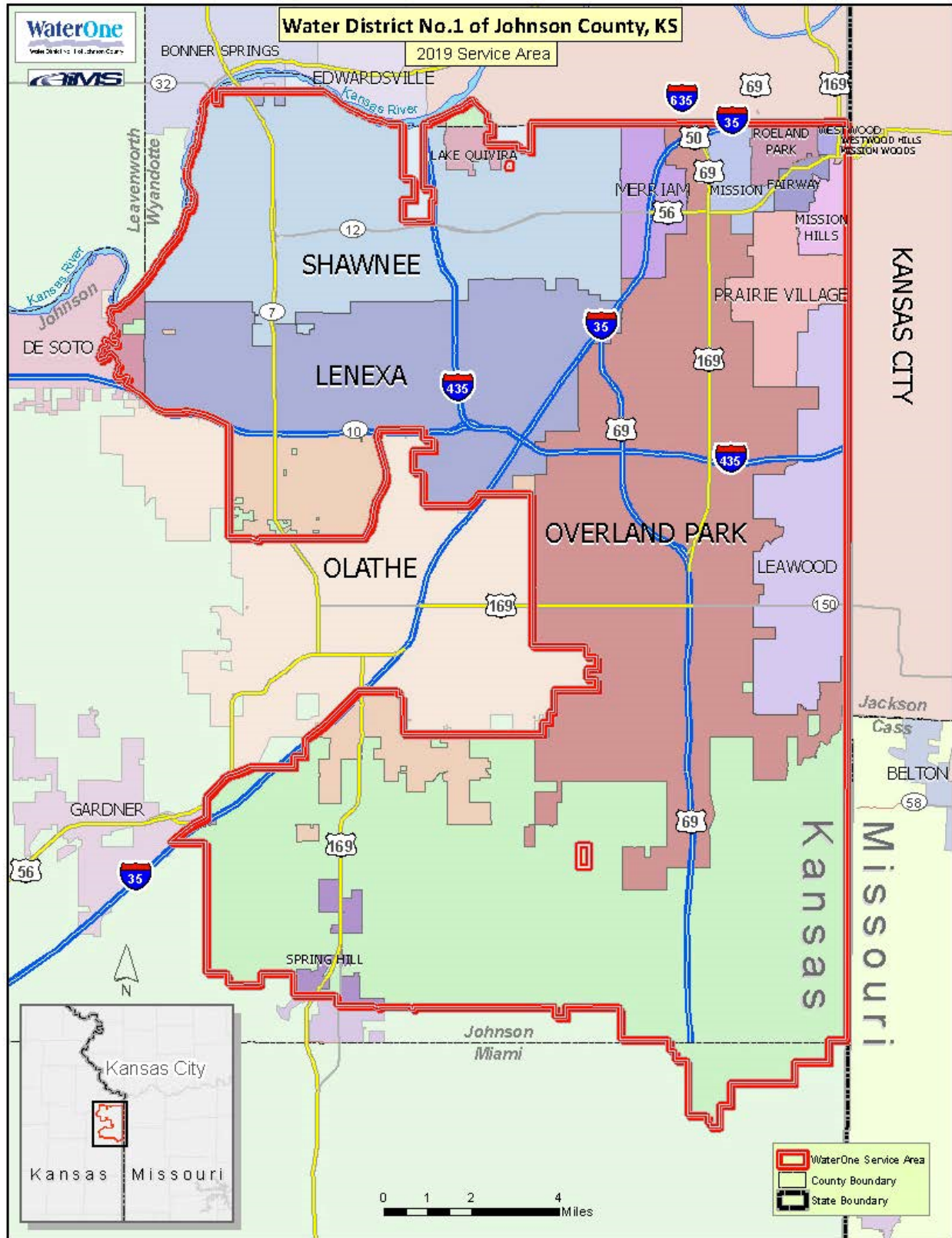
Organized in 1953, WaterOne commenced operations in 1957. Initially, WaterOne had a four million gallon per day (mgd) summer peaking treatment plant supported by wells. In addition, WaterOne purchased wholesale water from Kansas City, Missouri and Kansas City, Kansas. In the years following, WaterOne's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

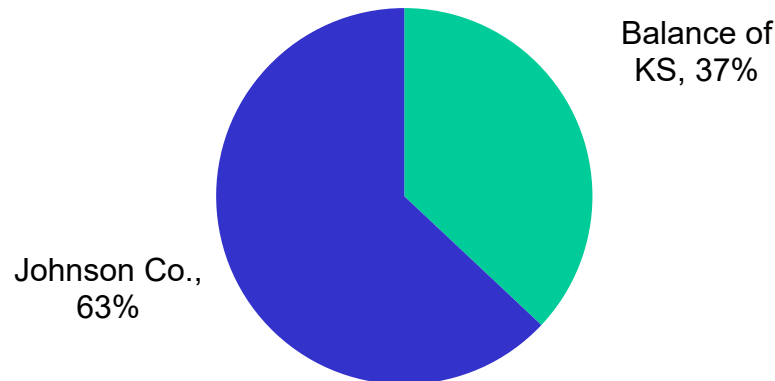


JOHNSON COUNTY DEMOGRAPHICS POPULATION

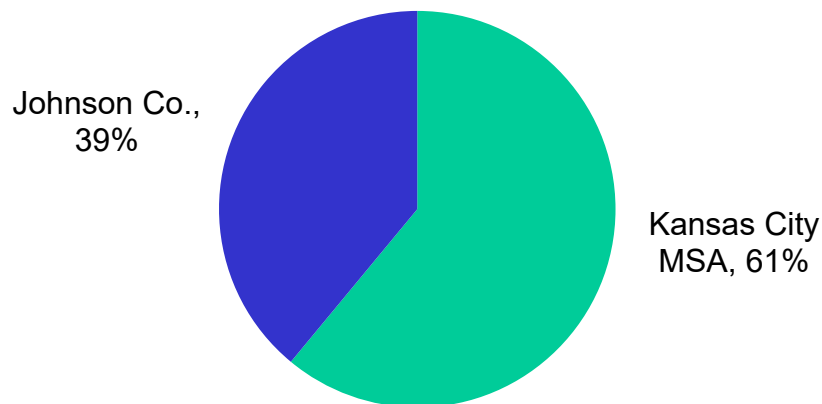
POPULATION GROWTH 2008 to 2018 ⁽¹⁾

Between 2008 and 2018, Johnson County's population grew by 65,380 (12%). Johnson County accounted for 63% of the total population growth in the entire State of Kansas and 39% of the Kansas City MSA ⁽²⁾.

Kansas Population Growth: 2008 to 2018



Kansas City MSA ⁽²⁾ Population Growth: 2008 to 2018



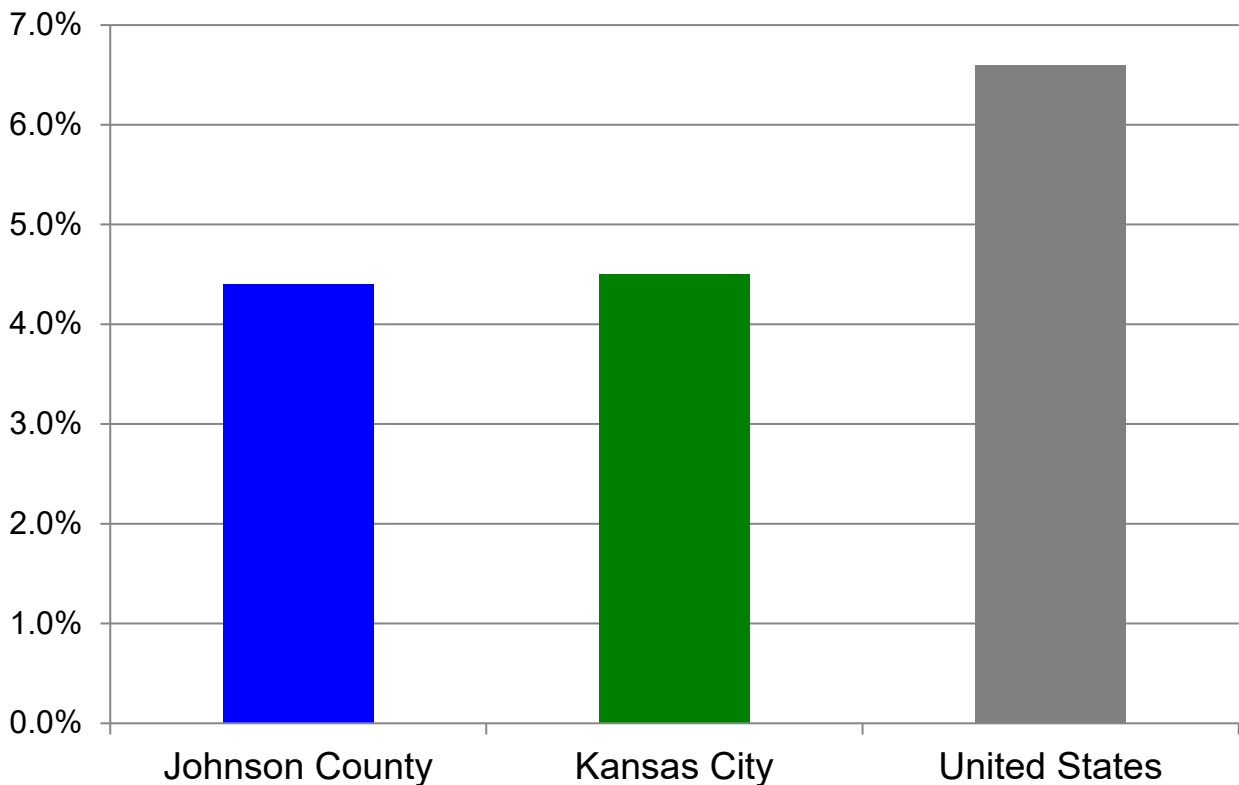
Johnson County Population

2000 ⁽³⁾	451,086
2010 ⁽³⁾	544,179
2018 ⁽⁴⁾	602,401

1. Source: County Economic Research Institute, 2020 Economic Primer
 2. MSA is Metropolitan Statistical Area of Kansas City.
 3. Source: U.S. Census Bureau, 2010 Census
 4. Source: 2019 Johnson County CAFR

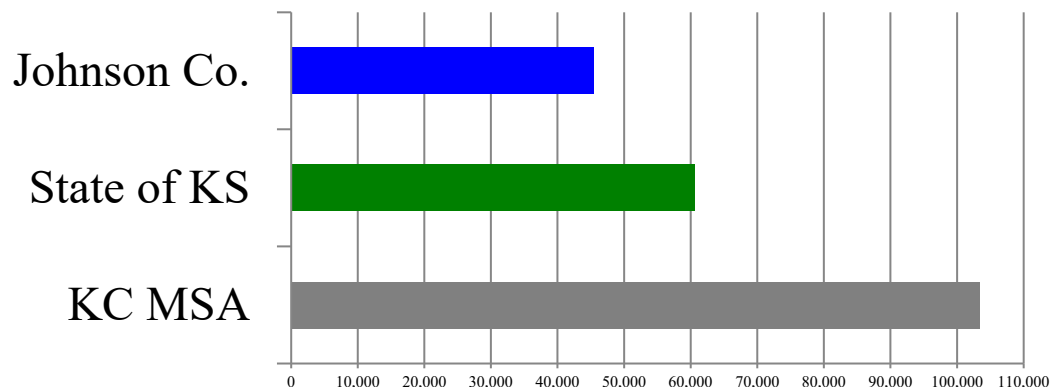
JOHNSON COUNTY DEMOGRAPHICS EMPLOYMENT AND JOB GROWTH

Unemployment Rate as of October 2020⁽¹⁾



JOB GROWTH 2009 TO 2019 ⁽²⁾

The number of jobs in Johnson County grew from 303,940 in 2009 to 349,309 in 2019, an increase of 45,369 jobs or 15%. Over the decade, Johnson County accounted for 75% of the total net increase in jobs in the State of Kansas and 44% of the job growth in the Kansas MSA⁽³⁾.

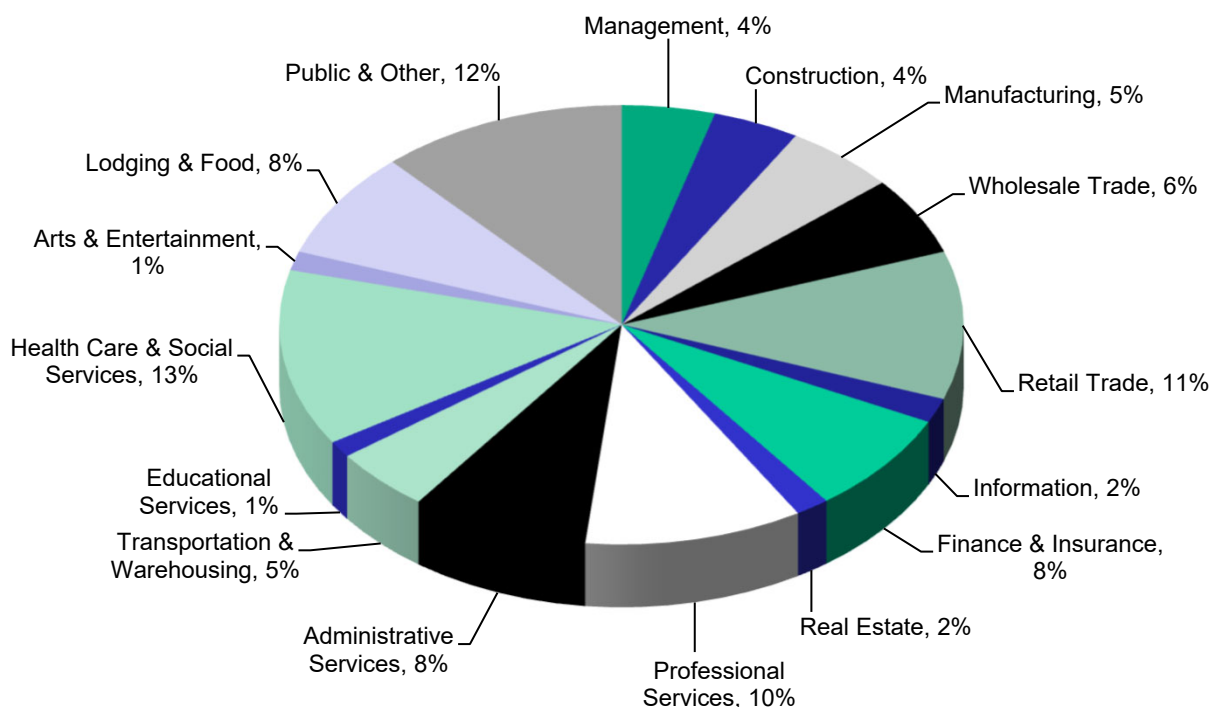


1. Source: County Economic Research Institute, December 2020 Johnson County Indicators

2. Source: County Economic Research Institute, 2020 Economic Primer

3. MSA is Metropolitan Statistical Area of Kansas City.

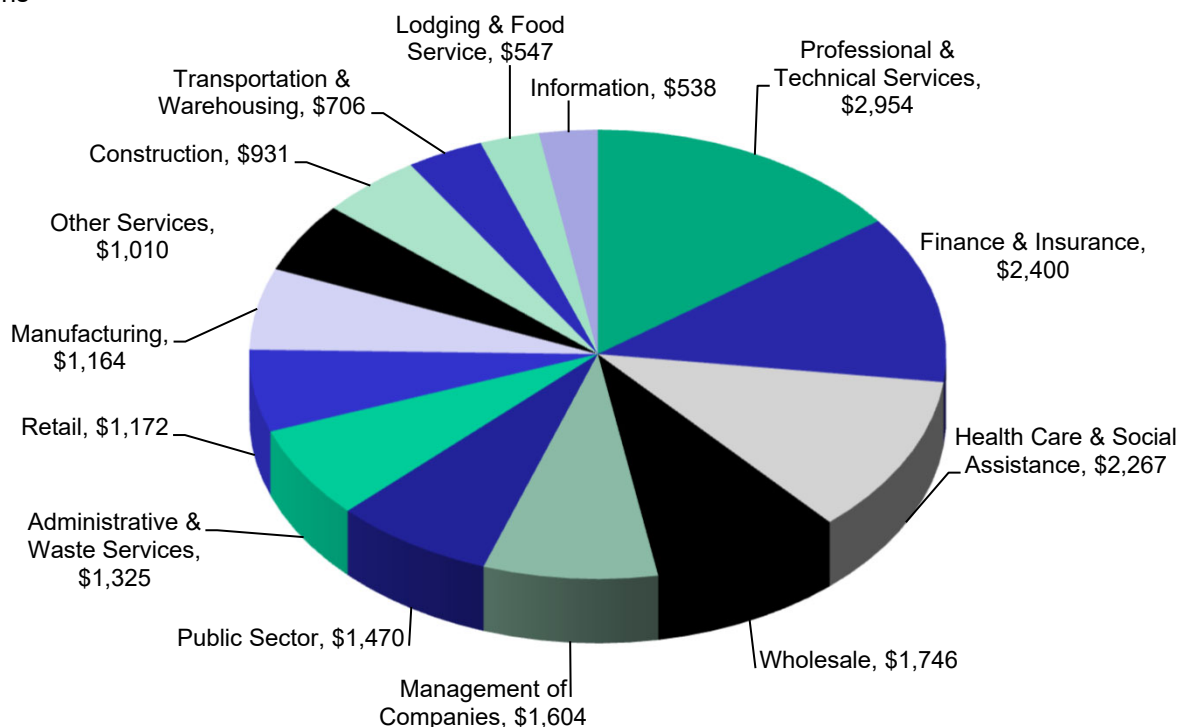
JOHNSON COUNTY DEMOGRAPHICS NON-FARM EMPLOYMENT BY INDUSTRY: 2017



Source: County Economic Research Institute, 2020 Economic Primer

JOHNSON COUNTY DEMOGRAPHICS PAYROLL BY INDUSTRY: 2018

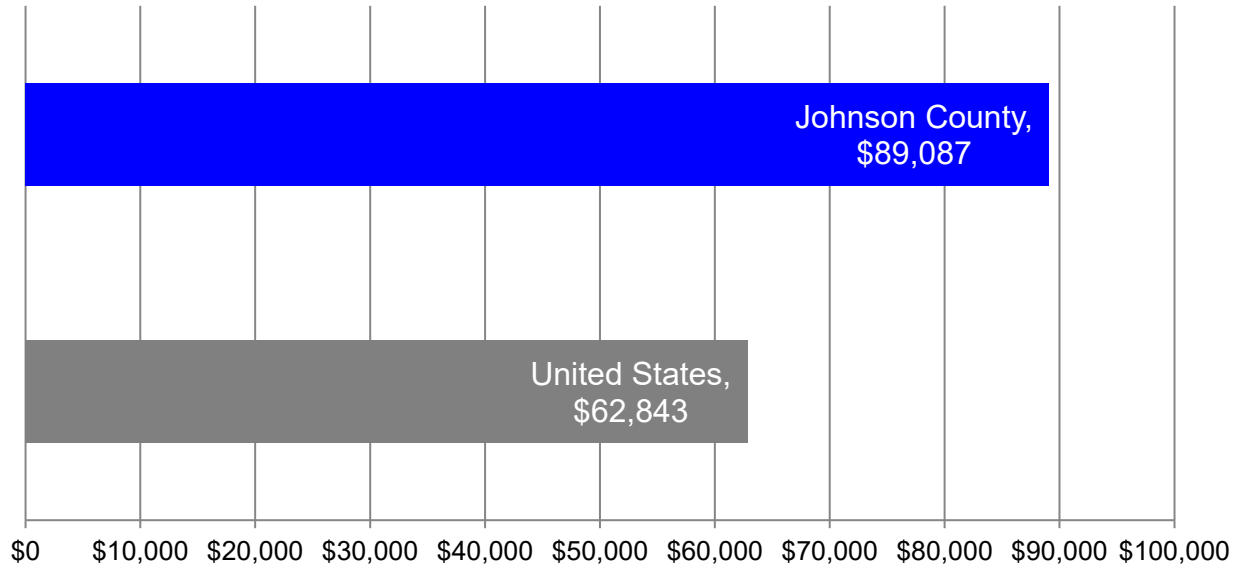
In millions



Source: County Economic Research Institute, 2020 Economic Primer

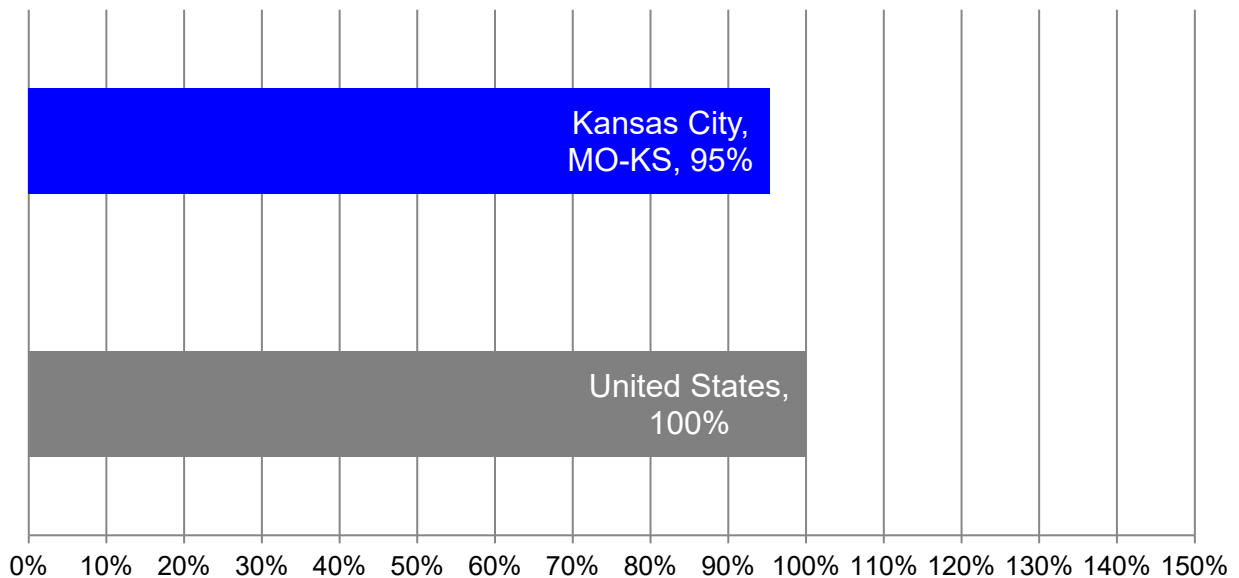
JOHNSON COUNTY DEMOGRAPHICS QUALITY OF LIFE

2019 Median Household Income



Source: United States Census Bureau

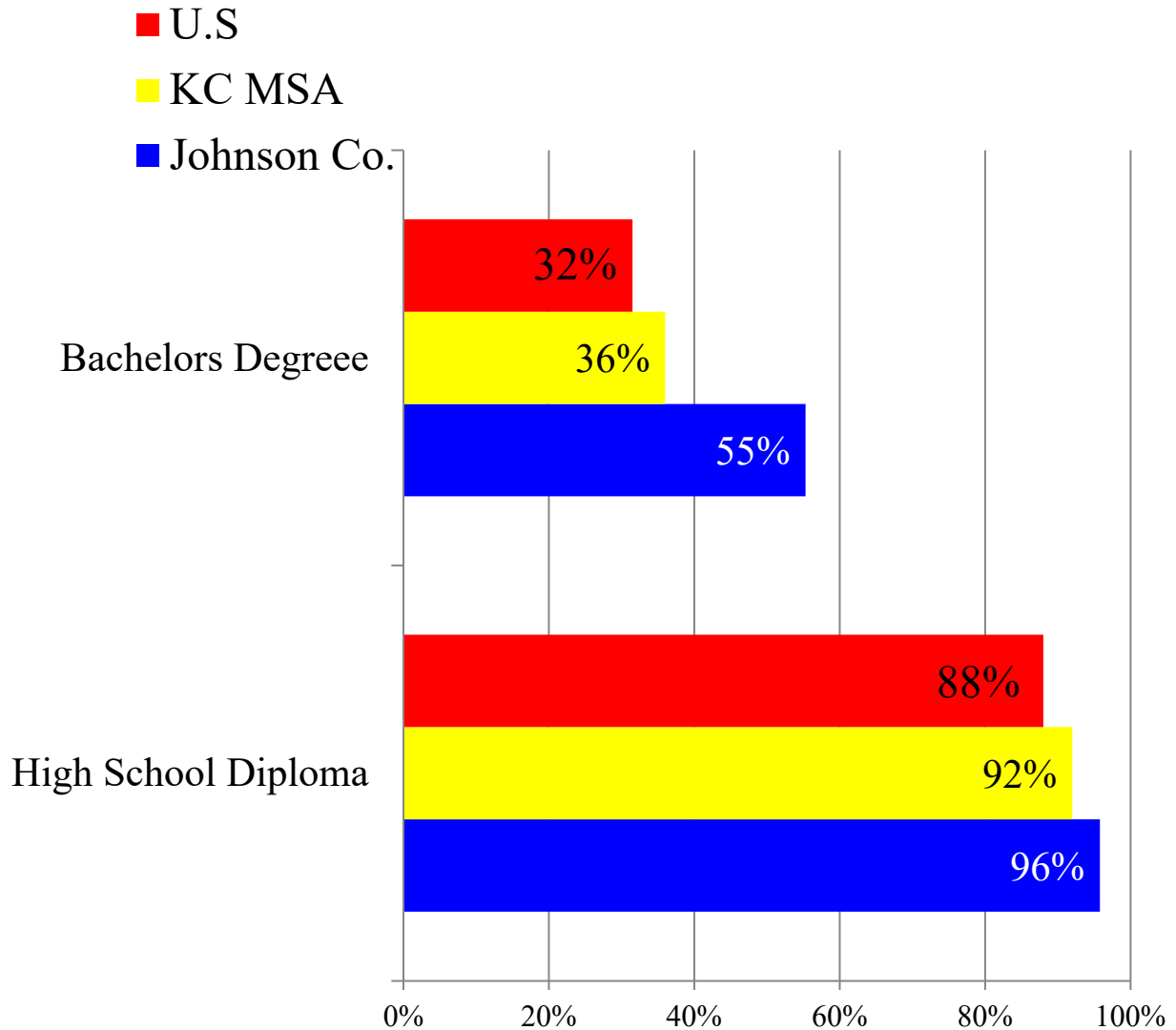
Cost of Living Index



Source: Missouri Economic Research and Information Center

JOHNSON COUNTY DEMOGRAPHICS EDUCATION

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



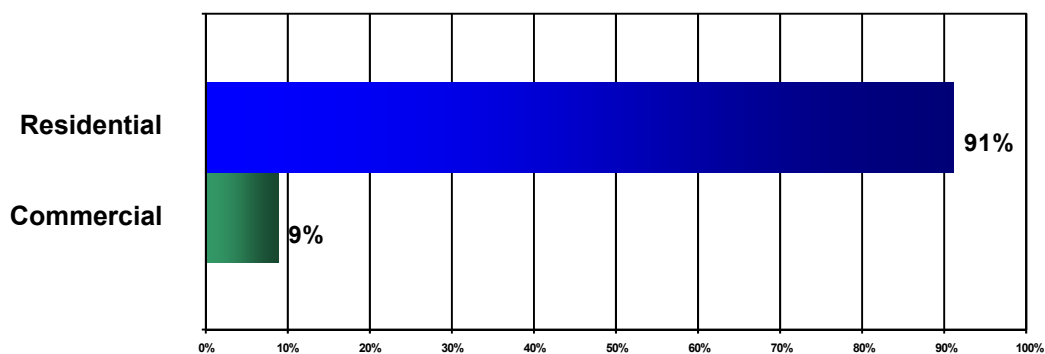
Johnson County ranks 55th nationally out of 3,142 counties for people that have a graduate or professional degree.

Source: County Economic Research Institute, 2020 Economic Primer and census.gov (High School Diploma)

CUSTOMER BASE INFORMATION (2020)**Top 15 Customers**

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

Top 15 accounts make up 3.5% of revenue

Customer Base

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

GLOSSARY

703

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

Accrual

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

Adopted Budget

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

AHQ

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

Amortized

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

AMI

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

AMR

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

Annual Capital Budget

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

GLOSSARY

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.

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."

GLOSSARY

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.

COS

Cost of Service.

CPI

Consumer Price Index.

DB

Defined Benefit.

DC

Defined Contribution.

GLOSSARY

Debt Service

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

Debt Service Coverage Ratio

The sum of revenues (including investment income), less operations and maintenance expenses, divided by the annual debt service requirement.

Default AWC

Default Average Winter Consumption. An alternative to the AWC set by an individual customer. The Single-Family customer has a Default AWC which is the average of all individual customer AWCs within the Single-Family Rate Class. All other retail customers have a Default AWC which is the average of all individual customer AWCs with the same meter size within their same Rate Class.

Delayed Payment Charge

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

Depreciation

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

Distribution Main

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

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.

GLOSSARY

EPA

Environmental Protection Agency.

ERP

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

Evergy

Electricity provider for a portion of WaterOne's facilities.

Expenditure

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

Federal Funds Rate

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

Field Service Charges

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

Fiscal Year

A twelve month accounting period to which the annual operating budget applies and at the end of which WaterOne determines its financial position. The fiscal year for WaterOne begins on January 1st of every year and ends on December 31st of that same year.

FTE

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

Fund Balance

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

GASB

Government Accounting Standards Board. The independent, private-sector organization that establishes accounting and financial reporting standards for

GLOSSARY

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.

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.

Indoor Water Use

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

GLOSSARY

Kansas River Water Assurance District

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

KMIP

Kansas Municipal Investment Pool.

KPIs

Key Performance Measures.

KRWAD

Kansas River Water Assurance District.

LAN

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

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.

GLOSSARY

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.

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.

OPEB

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

OT

Overtime (Labor).

GLOSSARY

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.

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.

GLOSSARY

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.

Rate Class

Customers grouped together for billing purposes having similar characteristics. WaterOne Rate Classes are: Single Family Residential Multi-Family Residential, Small Commercial, Large Commercial, Temporary Commercial, and Wholesale.

Raw Water

Water in its natural, untreated state.

Reserve Fund

An account used to indicate that its balance is restricted for a specific purpose and is, therefore, not available for general appropriation.

RFP

Request for Proposal.

SAP

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

SCADA

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

SDC Fund

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

GLOSSARY

SDCs

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

Significant Accounts

For district-wide schedules, a Significant Account is any O&M account that comprises 5% or more of its category, and/or has a change of both \$25,000 and is 5.0% over the prior year's budget. For the divisional sections, Significant Accounts are the largest budget items and must collectively make up at least 90% of the divisional O&M budget.

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.

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.

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.