

**NEW ISSUE
BOOK-ENTRY-ONLY**

**RATINGS:
See "BOND RATINGS" herein**

In the opinion of Gilmore & Bell, P.C. and Clayborn & Associates, LLC, as Co-Bond Counsel to the City, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and State of Missouri income tax purposes and is not an item of tax preference for the purpose of the federal alternative minimum tax. The Bonds have not been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

\$59,735,000*
CITY OF KANSAS CITY, MISSOURI
SANITARY SEWER SYSTEM IMPROVEMENT
REVENUE BONDS
SERIES 2019A

**Dated Date, Maturities, Principal Amounts, Interest Rates, Prices, Yields and
CUSIP Numbers are shown on the Inside Cover Page**

The Sanitary Sewer System Improvement Revenue Bonds, Series 2019A (the "Bonds") are special, limited obligations of the City of Kansas City, Missouri (the "City") payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Sanitary Sewer Revenues (defined herein) derived by the City from the operation of the City's revenue-producing sanitary sewer system (the "Sanitary Sewer System" or the "System"). The taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. The Bonds shall not be or constitute a general obligation of the City nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The Bonds will be on parity with the Outstanding Parity Bonds (defined herein) with respect to payment of principal and interest from the Net Sanitary Sewer Revenues. The City has covenanted that so long as the Bonds remain Outstanding, the City will not issue any debt obligations payable out of the Net Sanitary Sewer Revenues which are superior in lien, security or otherwise, to the Bonds. See the caption "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in this Official Statement.

The Bonds will be issued as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in authorized denominations. Purchasers of the Bonds will not receive physical certificates representing their interests in Bonds purchased. So long as Cede & Co. is registered owner of the Bonds (the "Bondowner"), as nominee of DTC, references herein to the owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (defined herein) of the Bonds. See the caption "THE BONDS - Book-Entry System for the Bonds" in this Official Statement.

Principal of the Bonds will be paid on January 1 in the years in which the Bonds mature (see the maturity schedule on the inside cover page hereof). Interest on the Bonds is payable semi-annually on each January 1 and July 1, commencing January 1, 2020. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made by Commerce Bank, Kansas City, Missouri, as paying agent and registrar, or any successor or assign thereof (the "Paying Agent" or "Bond Registrar") directly to such Bondowner. Disbursement of such payments to DTC Participants is the responsibility of DTC. Distribution of such payments to Beneficial Owners is the responsibility of Direct Participants and Indirect Participants, as more fully described in this Official Statement.

The Bonds are subject to redemption prior to maturity as more fully described under the caption "THE BONDS - Redemption Provisions" in this Official Statement.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, and Clayborn & Associates, LLC, Kansas City, Missouri, as Co-Bond Counsel to the City. Certain legal matters will be passed upon for the City by the Office of the City Attorney. Certain legal matters relating to this Official Statement will be passed upon for the City by Gilmore & Bell, P.C., Kansas City, Missouri, and Clayborn & Associates, LLC, Kansas City, Missouri, as Co-Disclosure Counsel to the City. It is expected that the Bonds will be available for delivery at DTC on or about July __, 2019.

Bids for the Bonds will only be received electronically through MuniAuction electronic bid submission system until 10:00 A.M., Central Standard Time, on June 18, 2019.

The date of this Official Statement is June __, 2019

* Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES,
YIELDS AND CUSIP NUMBERS**

\$59,735,000*
CITY OF KANSAS CITY, MISSOURI
SANITARY SEWER SYSTEM IMPROVEMENT REVENUE BONDS
SERIES 2019A

Dated Date: Date of Issuance

SERIAL BONDS

<u>Maturity Date</u> <u>(January 1)*</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u> <u>Numbers⁽¹⁾</u>
2021	\$1,455,000				
2022	1,525,000				
2023	1,600,000				
2024	1,680,000				
2025	1,765,000				
2026	1,855,000				
2027	1,945,000				
2028	2,045,000				
2029	2,145,000				
2030	2,230,000				
2031	2,320,000				
2032	2,415,000				
2033	2,510,000				
2034	2,610,000				
2035	2,715,000				
2036	2,795,000				
2037	2,880,000				
2038	2,970,000				
2039	3,055,000				

TERM BONDS*

\$17,220,000* Term Bonds due January 1, 2044, Interest Rate _____%, Price _____ Yield _____%,
CUSIP _____

* Preliminary, subject to change

⁽¹⁾ CUSIP Numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondowners. Neither the City nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

REGARDING USE OF THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or by any person to give any information or to make any representation with respect to the Bonds offered hereby, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy nor will there be any offer, solicitation or sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof.

IN CONNECTION WITH THE OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET, SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE BEING OFFERED IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT, ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Any CUSIP numbers for the Bonds included in the final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Bonds have been assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth on the final Official Statement. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

Information in this Official Statement can be relied upon only if downloaded in its entirety or if obtained in original, bound format in its entirety. A bound copy of this Official Statement is available upon request by contacting Financial Printing Resource, Inc., at telephone number 1-800-863-5611; relevant charges will apply.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

The statements included or incorporated by reference in this Official Statement that are not purely historical, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future, constitute "forward-looking statements" within the meaning of the United State Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "budget," or other similar words. Such forward looking statements include, among others, certain statements under the section in this Official Statement captioned "**RISK FACTORS**" in this Official Statement.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE FORWARD-LOOKING STATEMENTS HEREIN ARE NECESSARILY BASED ON VARIOUS ASSUMPTIONS AND ESTIMATES AND ARE INHERENTLY SUBJECT TO VARIOUS ASSUMPTIONS AND ESTIMATES AND TO VARIOUS RISKS AND UNCERTAINTIES. INCLUDED IN SUCH RISKS AND UNCERTAINTIES ARE (i) THOSE RELATING TO THE POSSIBLE INVALIDITY OF THE UNDERLYING ASSUMPTIONS AND ESTIMATES, (ii) POSSIBLE CHANGES OR DEVELOPMENTS IN SOCIAL, ECONOMIC, BUSINESS, INDUSTRY, MARKET, LEGAL AND REGULATORY CIRCUMSTANCES, AND (iii) CONDITIONS AND ACTIONS TAKEN OR OMITTED TO BE TAKEN BY THIRD PARTIES, INCLUDING, COMPETITORS AND LEGISLATIVE, JUDICIAL, AND OTHER GOVERNMENTAL AUTHORITIES AND OFFICIALS. ASSUMPTIONS RELATED TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE, AND MARKET CONDITIONS AND FUTURE BUSINESS DECISIONS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY. FOR THESE REASONS, THERE CAN BE NO ASSURANCE THAT THE FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT WILL PROVE TO BE ACCURATE.

UNDUE RELIANCE SHOULD NOT BE PLACED ON FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE CITY ON THE DATE HEREOF, AND THE CITY ASSUMES NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR OR FAIL TO OCCUR, OTHER THAN AS INDICATED UNDER THE CAPTION "CONTINUING DISCLOSURE."

CITY OF KANSAS CITY, MISSOURI
City Hall
414 East 12th Street
Kansas City, Missouri 64105

ELECTED OFFICIALS

MAYOR

Sylvester “Sly” James, Jr.

CITY COUNCIL MEMBERS

Council Members-at-Large

District 1	Scott Wagner
District 2	Teresa Loar
District 3	Quinton Lucas
District 4	Katheryn Shields
District 5	Lee Barnes, Jr.
District 6	Scott Taylor

District Council Members

District 1	Heather Hall
District 2	Dan Fowler
District 3	Jermaine Reed
District 4	Jolie Justus
District 5	Alissia Canady
District 6	Kevin McManus

CITY ADMINISTRATIVE OFFICIALS

CITY MANAGER

Troy Schulte

CITY ATTORNEY

Cecilia Abbott, Esq.

CITY CLERK

Marilyn Sanders

**DIRECTOR
OF FINANCE**

Randall J. Landes

**DIRECTOR OF
WATER SERVICES**

Terry Leeds

CO-FINANCIAL ADVISORS

Hilltop Securities Inc.,
Dallas, Texas

Independent Public Advisors
Kansas City, Missouri

CO-BOND COUNSEL AND CO-DISCLOSURE COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

Clayborn & Associates, LLC,
Kansas City, Missouri

CONSULTING ENGINEER

Burns & McDonnell
Kansas City, Missouri

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose of this Official Statement	1
The Bonds; Authority and Purpose	1
The City	1
Bond Reserve Account	2
Consulting Engineer’s Report	2
Financial Statements	2
Bond Ratings	2
Additional Information	2
Definitions and Summaries of Documents	2
CONTINUING DISCLOSURE	3
THE CITY	3
In General	3
Available Information	3
Anticipated Future Financings	3
Retirement Benefits and Other Post-Employment Benefits	4
THE BONDS	6
General Description	6
Redemption Provisions	6
Book-Entry System for the Bonds	7
Registration, Transfer and Exchange of Bonds	9
Mutilated, Lost, Stolen or Destroyed Bonds	9
CUSIP Numbers	9
AUTHORITY FOR THE BONDS AND PLAN OF FINANCE	9
In General	9
Authority for the Bonds	9
The Project	10
Estimated Sources and Uses of Funds	10
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	10
Outstanding Parity Bonds	11
Bond Reserve Requirement	12
Rate Covenant	12
DEBT SERVICE REQUIREMENTS	12
ADDITIONAL BONDS	14
Prior Lien Bonds	14
Parity Lien Bonds or Obligations	14
Junior Lien Bonds	15
Refunding Bonds	15

THE SANITARY SEWER SYSTEM	16
Existing Wastewater Treatment Facilities	16
Sanitary Sewer Revenues.....	17
Number of Sanitary Sewer Customers.....	17
Management Initiatives.....	17
Qualifications For National Association of Clean Water Agencies Peak Performance Awards.....	18
Security of the System	18
Capital Improvement Plan	19
Overflow Control Program	19
Regulatory Requirements.....	20
Largest Users of the System	21
Billing Procedures and Collections.....	22
Rate Structure	22
PILOT Paid by the Water Services Department	23
Sanitary Sewer System Financial Information and Coverage Statement.....	24
FINANCIAL PROJECTIONS.....	30
RISK FACTORS	30
Factors Affecting the System.....	30
Summary Financial Information.....	31
Overflow Control Plan.....	31
Certain Bankruptcy Risks	32
Compliance with Securities Laws.....	32
Secondary Markets and Prices	32
Risk of Taxability	32
Risk of Audit.....	32
Future Legislation.....	32
LITIGATION	33
APPROVAL OF LEGALITY	33
CERTAIN RELATIONSHIPS	33
TAX MATTERS	33
General.....	33
Opinion of Co-Bond Counsel	33
Other Tax Consequences	34
BOND RATINGS.....	35
CO-FINANCIAL ADVISORS.....	35
UNDERWRITING	35
MISCELLANEOUS.....	36

APPENDIX A – WASTEWATER UTILITY BOND FEASIBILITY REPORT
APPENDIX B – KC WATER COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING COMBINED AUDITED FINANCIAL STATEMENTS FOR THE CITY’S SEWER FUND AND WATER FUND
APPENDIX C – INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI
APPENDIX D – FORM OF CONTINUING DISCLOSURE UNDERTAKING
APPENDIX E – DEFINITIONS AND SUMMARY OF ORDINANCE
APPENDIX F – FORM OF CO-BOND COUNSEL OPINION

(This Page Intentionally Left Blank)

OFFICIAL STATEMENT

relating to
\$59,735,000*
CITY OF KANSAS CITY, MISSOURI
SANITARY SEWER SYSTEM
IMPROVEMENT REVENUE BONDS
SERIES 2019A

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement is to set forth certain information concerning (i) the City of Kansas City, Missouri (the “City”), (ii) the City’s revenue-producing sanitary sewer system (the “Sanitary Sewer System” or the “System”), and (iii) the Sanitary Sewer System Improvement Revenue Bonds, Series 2019A (the “Bonds”), of the City, dated as of the date of the original issuance and delivery of the Bonds, to be issued in the principal amount of \$59,735,000*.

The Bonds; Authority and Purpose

The Bonds are special, limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of Net Sanitary Sewer Revenues (defined herein) derived from the operation of the City’s Sanitary Sewer System. The taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. **The Bonds will be on parity with the Outstanding Parity Bonds (defined herein) with respect to payment of principal and interest from the Net Sanitary Sewer Revenues. The Bonds shall not be or constitute a general obligation of the City nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.** See the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” in this Official Statement.

The Bonds are being issued to provide funds for the purpose of (i) paying the costs of extending and improving the City’s Sanitary Sewer System, as more fully described herein, and (ii) paying the costs of issuing the Bonds. The Bonds have been authorized pursuant to an ordinance (the “Ordinance”) passed by the governing body of the City (the “City Council”). As permitted by the Ordinance, the Series 2019A Bond Reserve Account will not be funded at the time of issuance of the Bonds. See the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Bond Reserve Requirement” in this Official Statement. **The Bonds will be issued on parity with the Outstanding Parity Bonds with respect to payment of principal and interest from the Net Sanitary Sewer Revenues.** See the caption “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS” in this Official Statement.

For more information relating to the City’s authority to issue the Bonds and the purposes for which the Bonds are issued, see the caption “AUTHORITY FOR THE BONDS AND PLAN OF FINANCE” in this Official Statement.

The City

The City is a constitutional charter city established under the laws of the State of Missouri. The City incorporated on June 3, 1850. See the caption “THE CITY” in this Official Statement and **Appendix C** to this Official Statement for additional information relating to the City.

* Preliminary, subject to change

Bond Reserve Account

The Ordinance provides for the establishment of a Series 2019A Reserve Account. Under the Ordinance, the Series 2019A Reserve Account is not required to be funded at the time of issuance of the Bonds and no payment from the proceeds of the Bonds or otherwise will be made into the Series 2019A Reserve Account when the Bonds are issued. Upon the occurrence of a Bond Reserve Requirement Funding Commencement Date (defined herein), the City will make monthly deposits equal to 1/24th of the Bond Reserve Requirement for 24 months until the Bond Reserve Requirement is met. See the caption “**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Bond Reserve Requirement**” in this Official Statement.

Consulting Engineer’s Report

The City has retained Burns & McDonnell (the “**Consulting Engineer**”), to prepare a report and feasibility study in connection with the issuance of the Bonds. The Consulting Engineer’s Wastewater Utility Bond Feasibility Report (the “**Consulting Engineer’s Report**”), presenting the Consulting Engineer’s findings concerning debt service coverage requirements for issuance of additional bonds under the Outstanding Parity Bonds Ordinance (defined herein), is included as **Appendix A** to this Official Statement. **The Consulting Engineer’s Report should be read in its entirety by prospective investors for a full understanding of the forecasted statements, assumptions and qualifications contained therein.**

Financial Statements

The KC Water Comprehensive Annual Financial Report, which includes the combined audited financial statements of the City’s Sewer Fund and the City’s Water Fund, as of and for the Fiscal Years ended April 30, 2018 and April 30, 2017 (the “**Financial Statements**”), is included in **Appendix B** to this Official Statement, and was prepared by BKD, LLP, the City’s independent auditor. BKD, LLP, as the City’s independent auditor, has not been engaged to perform and has not performed, since the date of the Financial Statements included in **Appendix B** to this Official Statement, any procedures on the financial statements addressed in the Financial Statements attached as **Appendix B** to this Official Statement. BKD, LLP, also has not performed any procedures relating to this Supplement. See the caption “**FINANCIAL STATEMENTS**” in this Official Statement.

Bond Ratings

The City received ratings on the Bonds as set forth under the caption “**BOND RATINGS**” in this Official Statement.

Additional Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Additional information with respect to this Official Statement and the Bonds may be obtained from Hilltop Securities Inc., 1201 Elm Street, Suite 3500, Dallas, Texas 75270, or from Independent Public Advisors, 6300 N. Revere Drive, Suite 260, Kansas City, Missouri 64151, who are acting as the City’s co-financial advisors.

Definitions and Summaries of Documents

Definitions of certain words and terms used in this Official Statement and summaries of the Ordinance are included in this Official Statement in **Appendix E**. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to such documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be obtained from Hilltop Securities Inc., or from Independent Public Advisors at the addresses listed above and will be provided to any prospective purchaser requesting the same upon payment of the cost of complying with such request.

CONTINUING DISCLOSURE

In connection with the issuance of the Bonds, the City will enter into a Continuing Disclosure Undertaking (the “**Continuing Disclosure Undertaking**”), pursuant to which the City will agree to send annual reports, consisting of certain financial information and operating data, and notice of certain events to the Municipal Securities Rulemaking Board (“**MSRB**”) via the Electronic Municipal Market Access system (“**EMMA**”), pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2 12, as amended (the “**Rule**”). See “**Appendix D - FORM OF CONTINUING DISCLOSURE UNDERTAKING**” to this Official Statement. A failure by the City to comply with such Continuing Disclosure Undertaking will not constitute a default on the Bonds (although owners of the Bonds will have any available remedy at law or in equity). Nevertheless, a failure to provide annual reports must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The City has previously entered into continuing disclosure undertakings under the Rule, pursuant to which the City annually files its audited financial statements and certain other information with the MSRB through its EMMA system. To the best of its knowledge, the City has materially complied with its prior undertakings entered into pursuant to the Rule for the past five years.

THE CITY

In General

The City was incorporated on June 3, 1850. The City is the central city of a 14-county Metropolitan Statistical Area (“**MSA**”), which includes Bates, Caldwell, Cass, Clay, Jackson, Platte, Clinton, Lafayette and Ray counties in the State of Missouri and Johnson, Leavenworth, Linn, Miami and Wyandotte counties in the State of Kansas. The City is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-35, I-49 and I-70. The City’s Department of City Planning and Development estimates that the City’s 2018 population is 489,527 and that the population of the Kansas City MSA is 2,139,811. See “**Appendix C - INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI**” for further information.

Available Information

Certain additional information regarding the City is also available at the City’s Investor Relations website: <http://kcmo.gov/finance/investor-relations>. In addition, the City Finance Department’s Financial Reporting Section prepares monthly financial statements, which include unaudited financial summaries of the revenue and expenditure activities of the City for each month on a cash basis. The most recent unaudited monthly financial reports are available at: <http://kcmo.gov/finance/financial-information-reports-and-policies/#reports>. The financial information included in **Appendix B** to this Official Statement and in such monthly financial reports is not necessarily indicative of the financial results to be achieved for future periods. The information on the City’s Investor Relations website and financial reports are not incorporated into this Official Statement.

Anticipated Future Financings

The City has previously sold and delivered, and from time to time in the future will sell and deliver, numerous series of general obligation bonds payable from ad valorem taxes, revenue bonds, and its special obligation bonds or other bonds secured by annual appropriations of the City. The sole source of revenue for debt service on the Bonds is the Net Sanitary Sewer Revenues derived by the City from the operation of the Sanitary Sewer System. See the captions “**SECURITY AND SOURCE OF PAYMENT FOR THE BONDS**” and “**THE SANITARY SEWER SYSTEM**” in this Official Statement for further information.

The City anticipates issuing additional sanitary sewer system revenue bonds in the future as deemed appropriate in accordance with its capital improvement program. See the captions “**AUTHORITY FOR THE BONDS AND PLAN OF FINANCE**,” “**ADDITIONAL BONDS**” and “**THE SANITARY SEWER SYSTEM**” in this Official Statement.

Retirement Benefits and Other Post-Employment Benefits

General. The information included in this section and the materials referenced herein rely on information produced by the pension plans described below and their independent accountants and actuaries. Actuarial assessments are “forward-looking” analyses that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or may be changed in the future, and will change with the future experience of the particular pension plan. The City has not independently verified the source information, and makes no representations nor expresses any opinion as to the accuracy of the source information.

Substantially all City employees and elected officials of the City, as well as employees of the Police Department, are covered by one of four contributory defined benefit retirement plans: Employees’ Retirement System, Firefighters’ Pension System, Police Retirement System and Civilian Employee’s Retirement System. Information relating to the City’s overall pension and other post-employment benefit (“**OPEB**”) obligations and the funded status of such obligations is contained in the notes to the City’s Comprehensive Annual Financial Report (“**CAFR**”) for its Fiscal Year ended April 30, 2018, in particular Note 11, 12 and Note 13 in the Notes to Basic Financial Statements on pages A-136 to A-187 of the CAFR, the Required Supplementary Information on pages A-206 to A-222 of the CAFR and Table 7 on pages C-8 through C-11 in the statistical section of the CAFR, available from the City’s website at: <http://kcmo.gov/finance/investor-relations>.

The four retirement plans adopted the provisions of Governmental Accounting Standards Board Statement No. 67 - *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB Statement No. 67) for their stand-alone financial reports for the Fiscal Year ended April 30, 2015. The City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68) for its CAFR for the Fiscal Year ended April 30, 2016. The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68 and No. 73* for its CAFR for the Fiscal Year ended April 30, 2018. While such information is contained in the City’s CAFR, the Bonds are special, limited obligations of the City, payable solely from Net Sanitary Sewer Revenues derived by the City from the operation of the Sanitary Sewer System and are not general obligations of the City, as set forth in this Official Statement under the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.**”

Although determinations are not made of the actuarial status of the City’s pension and OPEB obligations with respect to the various City departments and the enterprise funds they maintain, the City has historically allocated its pension and OPEB obligations, both accrued and current, to the individual departments and enterprise funds, including the Sewer Fund. The City does not have a written policy on the method for allocation of pension and OPEB obligations to a particular fund; historically this allocation has been based on the budgetary basis pension expense for the year and the method of allocation could change in the future.

For specific information relating to the Sewer Fund’s allocated share of the City’s overall pension and OPEB obligations, see Notes 10 and 11 to the Financial Statements included as **Appendix B** to this Official Statement. For general information relating to the City’s overall pension and OPEB obligations, see the information under “Employee Retirement and Pension Plans” in **Appendix C**.

Historical funding progress for each of the pension systems, including actuarial value of assets and actuarial accrued liabilities, is set forth under “Employee Retirement and Pension Plans” in **Appendix C** (such information, together with Note 11 in the Notes to Basic Financial Statements on pages A-136 to A-167 and A-176 to A-188 of the CAFR, the Required Supplementary Information on pages A-206 to A-222 of the CAFR, Table 7 on pages C-8 through C-11 in the statistical section of the CAFR and Note 10 to the Financial Statements included as **Appendix B**, are collectively referred to as the “**Employee Retirement and Pension Plan Disclosure**”).

The actuarial valuations performed as of April 30, 2018 and May 1, 2018 will be used in developing the budget for the year ending April 30, 2020. Actuarial valuations for the plans may be obtained by contacting the boards at the address set forth below.

Plan design changes for the police and police civilian pension plans were approved by the Missouri General Assembly and the Governor in August 2013 and were implemented on September 1, 2013. Plan design changes for the employees' and firefighters' pension plans have been approved by affected labor unions and were approved by the City Council on February 20, 2014. The plan design changes for all four pension plans include a requirement that the City fully fund the Actuarial Required Contribution (changed in Fiscal Year 2015 to Actuarially Determined Contribution). Other changes include a Tier 2 benefit plan for new employees and increased contributions from all employees. The Fiscal Year 2018-2019 Adopted Budget reflects full funding of the City's pension obligation to all four plans.

On February 24, 2017, the Board of the Firefighters' Pension System adopted a policy to change the long-term expected rate of return on plan investments ("**L-T Return Rate**") from 7.5% to 7.25% effective for the actuarial valuation dated May 1, 2017. This reduction in the L-T Return Rate was used in determining the City's Actuarially Determined Contribution for the year that began on May 1, 2018. The overall effect of the change in the Firefighters' Pension System L-T Return Rate on the City's Actuarially Determined Contribution will be phased-in over a 5-year period. No changes have been made to the L-T Return Rate of the Employees' Retirement System, the Police Retirement System or Civilian Employees' Retirement System.

The retirement plans identified above are administered by third party boards. The boards issue publicly available financial reports that include financial statements and required supplementary information. The auditors of such financial statements have not been asked to perform any additional work or any post audit procedures more recently than the dates of such reports. Actuarial valuations for the plans and the financial reports may be obtained by contacting: Employees' Retirement System or Firefighters' Pension System, The Retirement Division, City Hall 10th Floor, 414 East 12th Street, Kansas City, MO 64106, 816-513-1928 and for the Police Retirement System or Civilian Employees' Retirement System, The Retirement Board of the Police Retirement System of Kansas City, Missouri, 9701 Marion Park Drive, Kansas City, Missouri 64137, 816-482-8138.

Investments. The plans invest in various investment securities. Investment securities are exposed to certain risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of plan net assets. Given the volatility of economic conditions, the values of assets reflected in the financial reports could change rapidly, resulting in material future adjustments in investment values that could negatively impact the plans. Each plan has a written and adopted investment policy that speaks to the investment of the plan assets. Such investment policies can be changed at the discretion of the respective board. Current investment policies can be obtained by contacting the applicable board at the respective addresses shown in the immediately preceding paragraph.

The unaudited financial reports presented to the board for the Employees' Retirement System state that the plan's investments, on a cash basis, decreased by \$ 21,802,276 or -1.87 % from \$1,164,362,779 to \$1,142,560,503 during the three fiscal quarters ended January 31, 2019. The unaudited financial reports presented to the board for the Firefighters' Pension System state that the plan's investments, on a cash basis, decreased by \$10,352,258 or -1.94% from \$543,430,676 to \$533,078,418 during the three fiscal quarters ended January 31, 2019. The unaudited financial reports of the Police Retirement System of the Kansas City, Missouri state that the plan's investments, on an accrual basis, decreased by \$14,463,507 or -1.6% from \$ 878,724,838 to \$864,261,331 during the three fiscal quarters ended January 31, 2019. The unaudited financial reports of the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri state that the plan's investments, on an accrual basis, decreased by \$1,269,804 or -0.9% from \$ 142,538,817 to \$141,269,013 during the three fiscal quarters ended January 31, 2019.

THE BONDS

General Description

The Bonds will be issued in the principal amounts stated on the cover page and inside cover page of this Official Statement, will be dated as of the date of the original issuance and delivery of the Bonds and will consist of fully registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on January 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on January 1 and July 1, beginning January 1, 2020. Principal will be payable upon presentation and surrender of the Bonds by the registered owner thereof to Commerce Bank, Kansas City, Missouri, as paying agent and registrar (the “**Paying Agent**” and “**Bond Registrar**”). Interest will be paid to the registered owners of the Bonds as shown on the Bond Register at the close of business on the 15th day of the month preceding such interest payment date (the “**Record Date**”), for such interest (a) by check or draft mailed by the Paying Agent to the address of such registered owners shown on the bond register (the “**Bond Register**”) or (b) at such other address as is furnished to the Paying Agent in writing by any registered owner or (c) in the case of an interest payment to any registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such registered owner upon written notice given to the Paying Agent by such registered owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer address (which will be in the continental United States) to which such registered owner wishes to have such electronic transfer directed.

Redemption Provisions

Optional Redemption. The Bonds maturing on and after January 1, 2029, are subject to redemption prior to maturity, at the option of the City, in whole or in part at any time on or after January 1, 2028, at the principal amount thereof, at a redemption price equal to 100% of the principal amount, plus accrued interest thereon to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing in the year 2044* are subject to scheduled mandatory redemption by the City at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, on each January 1 as follows:

Term Bonds Due January 1, 2044*

<u>Year</u>	<u>Amount</u>
2040	\$3,180,000
2041	3,305,000
2042	3,440,000
2043	3,575,000
2044 ⁺	3,720,000

⁺ Final Maturity.

Notice of Redemption. Unless waived by any registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, at least 30 days prior to the date fixed for redemption to the Registered Owner of the respective Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated, shall contain the complete official name of the respective Bond issue, and shall state: (i) the redemption date; (ii) the redemption price; (iii) the interest rate and maturity date of the Bonds being redeemed; (iv) if less than all the Outstanding Bonds are to be redeemed, the identification (and in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed; (v) that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after such date; (vi) the Bond number and CUSIP number, if any; and (vii) the place where such Bonds are to be surrendered for payment of the redemption price (which place of payment shall be the principal payment office of the Paying Agent or at such other office designated by the Paying Agent for such purpose) and the name, address, and telephone number of a person or persons at the Paying Agent who may be contacted with respect to the redemption.

* Preliminary, subject to change.

Any notice of optional redemption of any Bonds may specify that the redemption is contingent upon the deposit of moneys with the Paying Agent in an amount sufficient to pay the redemption price (which price shall include the redemption premium, if any) of all the Bonds or portions of Bonds which are to be redeemed on that date.

Effect of Notice of Redemption. Official notice of redemption having been given in the manner and under the conditions provided in the Ordinance and moneys for payment of the redemption price being held by the Paying Agent as provided in the Ordinance, the Bonds or portions of Bonds called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, and from and after such date interest on the Bonds or portions of Bonds called for redemption shall cease to accrue, such Bonds or portions of Bonds shall cease to be entitled to any lien, benefit, or security under the Ordinance, and the owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. Upon surrender for partial redemption of any Bond, there shall be prepared for and delivered to the registered owner a new Bond or Bonds of the same series, maturity, and interest rate in the amount of the unpaid Principal.

Book-Entry System for the Bonds

The information provided immediately below concerning DTC and the Book-Entry System, as it currently exists, has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the City. The City makes no assurances that DTC, Direct Participants, Indirect Participants or other nominees of the Beneficial Owners will act in accordance with the procedures described below or in a timely manner.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds, unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Bond Registrar. Under such circumstances, in the event that a successor depository is not obtained, the Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Registration, Transfer and Exchange of Bonds

The Bond Register will be kept by the Paying Agent. Each Bond when issued will be registered in the name of the Owner on the Bond Register. Bonds will be transferred and exchanged only upon the Bond Register. Upon surrender of any Bond at the principal office of the Paying Agent, the Paying Agent will transfer or exchange the Bond for a new Bond or Bonds in any authorized denomination of the same maturity and in the same aggregate principal amount as the Bond which was presented for transfer or exchange. All Bonds presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Owner or by the Owner's authorized agent. All Bonds presented for transfer or exchange must be surrendered to the Paying Agent for cancellation. For every exchange or transfer of Bonds, the City or the Paying Agent may levy a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid for the exchange or transfer. The charge must be paid by the person requesting the exchange or transfer. Payment of the charge is a condition precedent to the exchange or transfer.

Mutilated, Lost, Stolen or Destroyed Bonds

If any Bond is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Bond of the same maturity, interest rate, aggregate principal, and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed. In the case of any mutilated Bond, however, such mutilated Bond shall first be surrendered to the Bond Registrar, and, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the Bond Registrar evidence satisfactory to it of the ownership of such Bond and of such loss, theft or destruction, together with indemnity to the City and the Bond Registrar, satisfactory to each of them. If any such Bond shall have matured or a redemption date pertaining to the Bond shall have passed, instead of issuing a new Bond the City may pay or cause the Paying Agent to pay the Bond. The City, the Bond Registrar, and the Paying Agent may charge the owner of such Bond reasonable fees and expenses for replacing mutilated, lost, stolen or destroyed Bonds.

In executing a new Bond and in furnishing the Bond Registrar with the written authorization to deliver a new Bond as provided for in the Ordinance, the City may rely conclusively on a representation of the Bond Registrar that the Bond Registrar is satisfied with the adequacy of the evidence presented concerning the mutilation, loss, theft or destruction of any Bond.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on the Bonds, nor any error in the printing of such numbers will constitute cause for the failure or refusal by the purchaser thereof to accept delivery of and payment for any Bond.

AUTHORITY FOR THE BONDS AND PLAN OF FINANCE

In General

The Bonds are being issued by the City for the purpose of providing funds (i) to finance additions, extensions and improvements to the Sanitary Sewer System (see the subcaption "**The Project**" below for additional information on the anticipated major components of the Project) authorized by the qualified voters of the City at the 2012 Election (defined herein) and (ii) to pay certain costs incurred in connection with the issuance of the Bonds.

Authority for the Bonds

The Bonds are being issued under the authority of and in full compliance with the Constitution and the laws of the State of Missouri, including Article VI, Section 27 of the Constitution of Missouri, 1945, as amended, Section 108.170 of the Revised Statutes of Missouri, as amended, Chapter 250 of the Revised Statutes of Missouri, as amended, the Charter of the City, and the Ordinance passed by City Council.

The Bonds being issued to finance the costs of the Project have been authorized by the qualified voters the City at an election held on August 7, 2012 (the “**2012 Election**”). At the 2012 Election, a majority of the qualified voters of the City authorized \$500,000,000 of sanitary sewer system revenue bonds for the purpose of extending and improving the Sanitary Sewer System of the City. Sanitary sewer system revenue bonds in the principal amount of \$340,262,758 have previously been issued pursuant to the authority granted by the 2012 Election. The issuance of the Bonds will leave \$100,002,242* remaining of the 2012 Election authorization.

The City’s Water Services Department (“**Department**”) maintains a capital improvement program (“**CIP**”) that is intended to provide facilities to meet existing and anticipated federal and state standards and to maintain a reliable sanitary sewer system that can respond to changing usage patterns throughout the City’s service area. The CIP identifies an estimated \$640.7 million (inflated at 2% annually) of sewer system capital improvements between Fiscal Years 2020 and 2022, which are expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances, and bond proceeds. Currently, the City plans to issue the remaining \$100,002,242* in sanitary sewer system revenue bonds from the 2012 Election authorization during fiscal year ending April 30, 2021, in order to finance a portion of the sewer system capital improvements identified by the CIP. Within the next three years, the City also plans to submit a ballot question to the voters asking the voters to authorize the issuance of up to an additional \$500,000,000 in sanitary sewer system revenue bonds in order to finance the remaining sewer system capital improvements identified by the CIP. However, the City has not taken any official action to call such an election.

The Project

The Bonds will be used to finance additions, extensions and improvements to the Sanitary Sewer System. Major projects to be financed with proceeds of the Bonds include improvement of the collection system (approximately \$7.5 million), sewer rehabilitation (approximately \$27.85 million), wastewater storage (approximately \$9.0 million), and pump station rehabilitation (approximately \$21.0 million).

Descriptions of the most significant projects to be funded by the Series 2019A Bonds are further described in “**Appendix A – WASTEWATER UTILITY BOND FEASIBILITY REPORT**” of this Official Statement.

Estimated Sources and Uses of Funds

The following is the sources and uses of funds relating to the issuance of the Bonds.

<u>Estimated Sources of Funds</u>	
Par amount of Series 2019A Bonds	\$59,735,000.00*
[Net] Original Issue [Premium]/[Discount]	
Total Sources	<u>\$</u>
 <u>Estimated Uses of Funds</u>	
Deposit to Series 2019A Costs of Issuance Account	\$
Deposit to Series 2019A Construction Account	
Deposit to Series 2019A Compliance Account	
Underwriters’ Discount	
Total Uses	<u>\$</u>

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bonds and the interest thereon will constitute special obligations of the City, payable solely from the income and revenue derived by the City from the operation of the Sanitary Sewer System, after payments of operating expenses, maintenance and repair charges and certain other current expenses (the “**Net Sanitary Sewer Revenues**”), and not from any other source. **The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction. The taxing power of the City is not pledged to the payment of the Bonds.**

To the best of its knowledge, the City has never defaulted on any of its obligations payable from revenues of the Sanitary Sewer System.

* Preliminary, subject to change.

Outstanding Parity Bonds

The Bonds will be on parity with twelve other series of City sanitary sewer revenue bonds (the “**Outstanding Parity Bonds**”). The Outstanding Parity Bonds as of May 1, 2019, with an aggregate outstanding principal amount of \$521,555,600, are specified as follows:

1. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 1999A, outstanding in the aggregate principal amount of \$445,000;
2. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 2000A, outstanding in the aggregate principal amount of \$1,565,000;
3. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 2000B, outstanding in the aggregate principal amount of \$1,410,000;
4. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 2001B, outstanding in the aggregate principal amount of \$4,090,000;
5. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 2002J, outstanding in the aggregate principal amount of \$2,445,000;
6. Sanitary Sewer System Revenue Bonds (State Revolving Fund Program) Series 2004H, outstanding in the aggregate principal amount of \$3,680,000;
7. Sanitary Sewer System Revenue Bonds, Series 2009B, outstanding in the aggregate principal amount of \$8,700,600;
8. Sanitary Sewer System Improvement and Refunding Revenue Bonds, Series 2011A, outstanding in the aggregate principal amount of \$70,090,000;
9. Sanitary Sewer System Improvement and Refunding Revenue Bonds, Series 2012A, outstanding in the aggregate principal amount of \$62,130,000;
10. Sanitary Sewer System Improvement and Refunding Revenue Bonds, Series 2016A, outstanding in the aggregate principal amount of \$164,660,000;
11. Sanitary Sewer System Improvement Revenue Bonds, Series 2018A, outstanding in the aggregate principal amount of \$160,285,000; and
12. Sanitary Sewer System Refunding Revenue Bonds, Series 2018B (Forward Delivery), outstanding in the aggregate principal amount of \$42,055,000.

State Revolving Fund program bonds refer to those series of bonds issued under the State Revolving Fund program administered jointly by the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority.

The Bonds are on parity with the Outstanding Parity Bonds with respect to payment of principal and interest from the Net Sanitary Sewer Revenues.

The Ordinance establishes the accounts that will be maintained for the Bonds, including the Series 2019A Construction Account, the Series 2019A Reserve Account, the Series 2019A Debt Service Account, the Series 2019A Compliance Account and the Series 2019A Costs of Issuance Account. Pursuant to the Ordinance, no moneys derived by the City from the Sanitary Sewer System will be diverted to the general governmental or municipal functions of the City. A discussion of the accounts to be established in connection with the issuance of the Bonds appears in “**Appendix E – DEFINITIONS AND SUMMARY OF ORDINANCE.**” Copies of the Ordinance authorizing the Bonds are available upon request from Hilltop Securities Inc. or from Independent Public Advisors at the addresses listed above.

Bond Reserve Requirement

The Ordinance requires the establishment and maintenance of the Series 2019A Reserve Account in an amount equal to the bond reserve requirement (the **“Bond Reserve Requirement”**). The Bond Reserve Requirement is defined, with respect to the Bonds, on the date of original issuance, as an amount equal to the average annual debt service with respect to the outstanding Bonds and as recalculated after any principal payment on the Bonds (whether at maturity or by redemption). The Series 2019A Reserve Account will **not** be funded at the time of issuance of the Bonds. Upon the occurrence of a Bond Reserve Requirement Funding Commencement Date (defined herein), the City will make monthly deposits equal to 1/24th of the Series 2019A Bond Reserve Requirement for 24 months until the Bond Reserve Requirement is met. A **“Bond Reserve Requirement Funding Commencement Date”** occurs the first day of the month after a Valuation Date (defined below) in which the Net Sanitary Sewer Revenues Available for Debt Service are less than the Bond Reserve Debt Service Coverage Requirement (defined below) for the preceding Fiscal Year. In lieu of making cash deposits, the Bond Reserve Requirement may be satisfied by a surety bond provided in accordance with the requirements and terms of the Ordinance.

The **“Bond Reserve Debt Service Coverage Requirement”** means 130% of the average annual Debt Service Requirements (as defined in the Ordinance). **“Valuation Date”** means the first Business Day of the month following the presentation of the annual financial statement of the Sanitary Sewer System to the City Council, but in no event later than November 30th of any year. See **“Appendix E - DEFINITIONS AND SUMMARY OF ORDINANCE – Series 2019A Reserve Account.”**

Rate Covenant

The City has agreed to fix, establish, maintain and collect rates and charges for the use of and services furnished by or through the Sanitary Sewer System to produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the Sanitary Sewer System; (b) pay the principal of and interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Sanitary Sewer Revenues Available for Debt Service (defined in the Ordinance) plus Administrative Service Fees (defined in the Ordinance) of not less than 110% of the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all Sanitary Sewer System Revenue Bonds (defined herein) at the time outstanding, plus capital lease payments, if any, provided that interest on any SRF Program Bonds (defined in the Ordinance) will be reduced by the SRF Subsidy (defined in the Ordinance), if any, and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the Sanitary Sewer System as provided in the Ordinance. The City will require the prompt payment of accounts for service rendered by or through the Sanitary Sewer System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges.

DEBT SERVICE REQUIREMENTS

The following table shows annual debt service of the City for the Bonds and all outstanding bonds payable from Net Sanitary Sewer Revenues (collectively, the **“Sanitary Sewer System Revenue Bonds”**) for the Fiscal Years set forth below (*see next page*):

[Remainder of this page intentionally left blank.]

Sanitary Sewer System Revenue Bonds Debt Service†

FYE	Outstanding Debt Service ⁽¹⁾			Series 2019A Debt Service*			Combined Debt Service			FYE
	Principal	Interest	Debt Service	Principal*	Interest	Debt Service	Principal	Interest	Debt Service	
2020	\$23,595,800	\$22,276,640	\$45,872,440							2020
2021	24,071,700	21,244,364	45,316,064	\$1,455,000						2021
2022	23,468,000	20,238,321	43,706,321	1,525,000						2022
2023	23,554,600	19,262,887	42,817,487	1,600,000						2023
2024	22,746,700	18,317,931	41,064,631	1,680,000						2024
2025	22,569,000	17,285,146	39,854,146	1,765,000						2025
2026	21,846,700	16,264,829	38,111,529	1,855,000						2026
2027	22,825,000	15,271,447	38,096,447	1,945,000						2027
2028	23,923,500	14,181,669	38,105,169	2,045,000						2028
2029	25,092,600	13,015,115	38,107,715	2,145,000						2029
2030	26,017,000	11,871,465	37,888,465	2,230,000						2030
2031	26,300,000	10,689,556	36,989,556	2,320,000						2031
2032	27,505,000	9,497,106	37,002,106	2,415,000						2032
2033	26,515,000	8,249,406	34,764,406	2,510,000						2033
2034	27,700,000	7,066,631	34,766,631	2,610,000						2034
2035	24,850,000	6,052,700	30,902,700	2,715,000						2035
2036	25,780,000	5,121,875	30,901,875	2,795,000						2036
2037	26,820,000	4,074,350	30,894,350	2,880,000						2037
2038	17,790,000	2,998,469	20,788,469	2,970,000						2038
2039	18,480,000	2,303,619	20,783,619	3,055,000						2039
2040	19,205,000	1,583,231	20,788,231	3,180,000						2040
2041	10,245,000	836,000	11,081,000	3,305,000						2041
2042	10,655,000	426,200	11,081,200	3,440,000						2042
2043	--	--	--	3,575,000						2043
2044	--	--	--	3,720,000						2044
Total†	\$521,555,600	\$248,128,957	\$769,684,557	\$59,735,000*						

† Totals may not add due to rounding.

(1) The City participated in the State of Missouri Direct Loan Program and purchased its \$16,000,000 Sewage System State Revolving Fund ("SRF") Bonds in 2009. The outstanding principal is based on the City's total reimbursement draws.

* Preliminary, subject to change.

ADDITIONAL BONDS

The City has the right to issue additional parity bonds payable from the same source and secured by the same revenues as the Bonds; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants, conditions and restrictions set forth in the Ordinance.

Prior Lien Bonds

The City has covenanted that so long as the Bonds remain Outstanding, the City will not issue any debt obligations payable out of the Net Sanitary Sewer Revenues which are superior in lien, security or otherwise, to the Bonds.

Parity Lien Bonds or Obligations

Except for sanitary sewer revenue bonds issued to refund the Bonds or Outstanding Parity Bonds, the City has covenanted that it will not issue additional bonds or other long-term obligations payable out of Net Sanitary Sewer Revenues which stand on parity or equality with the Bonds unless the following conditions are met:

- (1) The City is not in default in the payment of principal or interest on the Bonds or the Parity Bonds or in making any deposit into the respective funds and accounts created under the Ordinance or any Parity Ordinance; and
- (A) For so long as any of the Series 1999A Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2001B Bonds, and the Series 2002J Bonds remain outstanding the City provides to the Bondowner and the Paying Agent a certificate showing either of the following:
 - (i) The average annual Net Sanitary Sewer Revenues Available for Debt Service, as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in all succeeding Fiscal Years. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining Net Sanitary Sewer Revenues Available for Debt Service, the City may rely on a certificate of the Consultant to add the additional Net Sanitary Sewer Revenues Available for Debt Service which would have resulted if the rate increase had been in effect for the entire period to the audited Net Sanitary Sewer Revenues if the City has made any increase in rates for the use and services of the Sanitary Sewer System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available; or
 - (ii) The estimated average annual Net Sanitary Sewer Revenues Available for Debt Service for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the Sanitary Sewer System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the amount of estimated Net Sanitary Sewer Revenues Available for Debt Service, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Sanitary Sewer Revenues Available for Debt Service resulting from any increase in rates for the use and services of the Sanitary Sewer System approved by the City; and

- (B) For so long as any of the Series 2004H Bonds, the Series 2009B Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2016A Bonds, the Series 2018A, the Series 2018B Bonds and the Bonds remain Outstanding, the City provides to the Bondowner and the Paying Agent a certificate showing either of the following:
- (i) The average annual Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Service Fees, as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in all succeeding Fiscal Years. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining Net Sanitary Sewer Revenues Available for Debt Service, the City may rely on a certificate of the Consultant to add the additional Net Sanitary Sewer Revenues Available for Debt Service which would have resulted if the rate increase had been in effect for the entire period to the audited Net Sanitary Sewer Revenues if the City has made any increase in rates for the use and services of the Sanitary Sewer System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available; or
 - (ii) The estimated average annual Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Service Fees for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the Sanitary Sewer System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the amount of estimated Net Sanitary Sewer Revenues Available for Debt Service, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Sanitary Sewer Revenues Available for Debt Service resulting from any increase in rates for the use and services of the Sanitary Sewer System approved by the City.

The City has covenanted in the ordinances applicable to the Outstanding Parity Bonds to comply with the additional bonds test set forth in the applicable ordinance so long as such bonds are outstanding.

Junior Lien Bonds

The City may issue additional revenue obligations, including revenue bonds, for the purpose of extending, improving, enlarging, repairing or altering the Sanitary Sewer System, that are subordinate to the Bonds if at the time of the issuance of the additional revenue obligations the City is not in default in the performance of any covenant or agreement in the Ordinance. If the City is in default in paying either interest on or principal of the Bonds, or if the Series 2019A Reserve Account is required to be but is not fully funded, the City shall not make any payments on the subordinate revenue obligations until the default is cured. Subject to these limitations, the City may make provision for paying the principal of and interest on the subordinate revenue bonds or obligations from moneys in the Sewer Fund.

Refunding Bonds

Without complying with the foregoing conditions related to the issuance of additional parity bonds, the City may refund any of the Bonds in a manner which provides debt service savings to the City, and the refunding bonds so issued will be on parity with any of the Bonds that are not refunded and any Outstanding Parity Bonds.

THE SANITARY SEWER SYSTEM

The Water Services Department is responsible for the planning and construction of wastewater collection system piping, pump stations, and treatment facilities serving Kansas City and certain surrounding areas. It is also responsible for the operation and maintenance of all of the wastewater collection and treatment facilities, compliance with the City’s wastewater discharge permits, and applicable state and federal environmental regulations, as well as the administration of an industrial wastewater treatment program to regulate the quality of wastewater discharged from certain industrial activities.

The Kansas City Sanitary Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 166,000 customers inside and outside the City on a retail basis and agreements with 27 surrounding communities and sewage districts on a contractual basis. The Water Services Department currently maintains about 2,300 miles of sanitary sewers and about 600 miles of combined sewers, 40 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the City’s treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

Biosolids, the stabilized product generated from treatment of wastewater, is used in land application at a City-owned facility in the cultivation of non-food agriculture. These activities meet the United States Environmental Protection Agency (“EPA”) treatment and pollutant content criteria Part 503.13 and can be safely recycled and applied as fertilizer to sustainably improve and maintain productive soils and stimulate plant growth. Biosolids are used as natural fertilizer to improve the quality of land for agriculture and increase crop yields. The crops harvested, soy-beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol.

Existing Wastewater Treatment Facilities

A summary of the City’s wastewater treatment plants are presented in the table below:

Treatment Facility	Approximate First Year <u>of Operation</u>	Current Design <u>Capacity (mgd)</u>	Average <u>Flow(mgd)</u> ^(a)
Blue River ^(b)	1964/1985 ^(d)	105.00	60.10
Westside ^(c)	1977	22.50	15.21
Birmingham ^(c)	1977	20.00	10.35
Todd Creek ^(c)	1999	3.40	1.91
Fishing River ^(c)	2000	2.00	1.01
Rocky Branch ^(c)	2005	<u>2.80</u>	<u>1.76</u>
TOTAL		155.70	90.34

(a) Average flow for Fiscal Year ended April 30, 2018 in “mgd” – million gallons per day.

(b) Secondary treatment provided by trickling filters.

(c) These facilities provide secondary treatment using an activated sludge treatment process.

(d) Blue River primary treatment and solids handling was constructed in 1964, secondary treatment was added in 1985.

Sanitary Sewer Revenues

The following table shows revenues generated by customer class for the Sanitary Sewer System over the past five years.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential*	\$53,769,150	\$60,997,090	\$71,858,299	\$79,585,375	\$89,025,796
Commercial/Industrial	52,920,540	58,722,520	66,699,395	78,768,197	83,018,289
Wholesale/Interjurisdictional**	28,047,478	32,700,686	37,242,952	33,687,701	33,517,837
Other Operating Revenue	<u>3,462,062</u>	<u>3,408,827</u>	<u>4,000,912</u>	<u>4,365,057</u>	<u>5,652,414</u>
Total Revenue***	<u>\$138,199,230</u>	<u>\$155,829,123</u>	<u>\$179,801,558</u>	<u>\$196,406,330</u>	<u>\$211,214,336</u>

* Residential revenue is net of bad debt, but includes duplicate payments and refunds, returned checks and ACH chargebacks.

**Commercial revenues include septic tank dump charges.

*** Total Revenue excludes interest income which can be found in the Statement of Revenues, Expenses and Changes in Fund Net Position in the annual audit.

Number of Sanitary Sewer Customers

The following table shows the number of retail and wholesale Sanitary Sewer System customers over the past five years.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Residential	146,855	147,475	148,033	148,501	149,489
Commercial/Industrial	16,609	16,585	16,576	16,662	16,778
Wholesale/Interjurisdictional**	<u>28</u>	<u>28</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Customers	<u>163,492</u>	<u>164,088</u>	<u>164,637</u>	<u>165,191</u>	<u>166,295</u>

** Includes 21 inter-jurisdictional provided on a wholesale basis, 6 on a retail basis and 1 that provides services to Kansas City.

Management Initiatives

The Water Services Department has completed several management initiatives in recent years. Most notably, a mayoral appointed citizens task force evaluated several aspects of the utilities while addressing the issue of ensuring that services provided by the Water Services Department are funded in a way that is fair and provides long term financial stability. The 15-member task force, representing all customer classes and council districts, completed its work in June 2017 and published several recommendations around the areas of customer assistance, billing, regulatory relief and stormwater improvements.

Additionally, the Water Services Department is creating a Water Utilities Advisory Board (the “**Advisory Board**”). The Advisory Board will review and make recommendations to the City Council and the Water Services Department for the services, financial policies, rates, charges, and fees used to support the annual budget of the City’s municipally owned water, wastewater and stormwater utilities. City Council believes, and is supported by industry best practices, that the establishment of the Advisory Board will increase transparency and the opportunity for public input in the rate setting process. If requested by the City Council, the Advisory Board will review and make recommendations in connection with the rate setting process.

In 2018, the Water Services Department began to formalize its long-term commitment to the principals of asset management. An asset manager was hired with the goal of improving how the major systems of the Water Services Department inform and measure how the Water Services Department delivers service to its customers. The Water Services Department’s first major step toward the goal has been implementing a formalized process of identifying, evaluating, aligning and updating their data management systems. It is expected that, as the Water Services Department’s data management systems become more aligned, these systems will continually inform business decisions that lead to great effectiveness and efficiency in the delivery of service.

The Water Services Department also completed the implementation of a workforce management tool in the contact center, the design and creation of an automated set of cross-functional key performance indicators, and the first phase of a reorganization plan designed to establish a meter-to-cash cross-functional customer service unit within the Water Services Department. The Water Services Department has also completed the implementation of a post-interaction survey for customers using its portal and website.

Other initiatives for which significant progress has been made include a complete redesign of the new contact center employee training curriculum and implementation of a quality monitoring program designed to monitor customer service staff performance on an individual and group basis. The upgrade of the customer information system and the associated interfaces were completed in August 2015.

The Water Services Department also updated the Capital Improvement Plan and Strategic Business Plan recently. The Water Services Department completed its Wastewater System Master Plan (the “**Wastewater Master Plan**”) at the end of Fiscal Year 2018. The Wastewater Master Plan will guide the Sanitary Sewer System in terms of future operations, system growth, and capital investment through the next 20 years. It is expected that updates to the Wastewater Master Plan will be completed every five years.

To help assess the impact of its programs and the overall community expectations, the Water Services Department conducts a quarterly customer satisfaction survey. The survey results help the utility gauge the impact of the Customer Service Improvement Program, Overflow Control Program, identify areas for improvement and help further assess the impact of new and ongoing initiatives.

Qualifications For National Association of Clean Water Agencies Peak Performance Awards

The following table shows performance awards received by the Water Services Department for the calendar years 2013 to 2017 (*as of May 1, 2019, the 2018 National Association of Clean Water Agencies awards have not been determined because the awards are based upon the calendar year ending December 31, 2018*):

Facility	2013	2014	2015	2016	2017
Blue River	--	--	--	--	--
Birmingham	--	Silver	Silver	Gold	Silver
Fishing River	--	Gold	Gold	Gold	Gold
Rocky Branch	Silver	Silver	Gold	Gold	Gold
Todd Creek	--	--	--	Silver	Silver
Westside	Gold	Silver	Gold	Silver	Silver

Source: https://www.nacwa.org/index.php?option=com_content&view=article&id=1030&Itemid=63

Note: 2018 Awards have not been determined yet.

Platinum = Five consecutive Gold Awards.

Gold = No National Pollutant Discharge Elimination System (“NPDES”) exceedances in the year.

Silver = Five or less NPDES exceedances in the year.

Blank cell = No award was received for the associated year.

Security of the System

The City continues to evaluate and address Sanitary Sewer System security matters in accordance with requirements of the EPA and other applicable federal regulations. The City continues to seek federal funding to defray the cost of any additional security needs.

Capital Improvement Plan

The City's Water Services Department has developed the Capital Improvement Program ("CIP"), which is intended to maintain and expand the Sanitary Sewer System's capability of collecting and treating wastewater in a manner that meets or exceeds existing and anticipated federal and state water quality standards. The CIP is updated on a regular basis. Engineering is planning to start a multi-phase Wastewater Master Plan to analyze the performance, condition, hydraulic capacities, and improvements needed within the City's existing Sanitary Sewer System to meet current and projected future needs.

Overflow Control Program

In 2003, the City Council directed the City Manager to prepare a long-range plan to manage wet weather flow in both the separate Sanitary Sewer System and stormwater system within the City. In response, the City's Water Services Department prepared an Overflow Control Plan (the "Plan"). Creation of the Plan was driven by requirements of the federal Clean Water Act and by policies of the United States Environmental Protection Agency ("EPA") and Missouri Department of Natural Resources ("MDNR") related to sewer infrastructure. The Plan is structured to prevent as much stormwater as practicable from entering the stormwater system and separate Sanitary Sewer System to reduce sewer overflows and provide a platform to facilitate implementation of a comprehensive green solutions initiative in the City.

The City's Plan was developed to meet regulatory requirements related to reducing wet-weather overflows from the stormwater system and preventing overflows from the separate Sanitary Sewer System. The City and its regulatory partners have agreed to meet those objectives over a 25-year time period by completing a planned list of improvements targeted at capturing for treatment 88% of combined sewer flows and eliminating sanitary sewer overflows during a five-year, twenty-four-hour rainfall event. Individual elements of the City's Plan became part of an enforceable document on September 27, 2010, with the entry of a Consent Decree in United States District Court for the Western District of Missouri. To date, the City has fulfilled all requirements set forth in the Consent Decree.

Beginning in 2013, the City's Water Services Department and its Overflow Control Plan team members worked with EPA to modify specific components of the control measure implementation schedule to allow sufficient time for the City to better determine the sizing of any necessary infrastructure investments for control of sewer overflows in the Blue River South Basin prior to initiating construction. The EPA approved these changes in November 2014 and the Court approved an amended Consent Decree in January 2015. The modifications also resulted in the strategic advancement of several other projects that are intended to reduce the frequency of overflow events in the stormwater system and to reduce the amount of excessive inflow and infiltration into the City's separate Sanitary Sewer System. Subsequently, in 2016, the City's Water Services Department approached the EPA to modify the scope and timing of six control measures required by the Consent Decree to enhance the efficient deployment of funding and personnel, make adjustments to construction sequencing, to modify facility sizing and to leverage opportunities to simultaneously improve and protect other City infrastructure, including infrastructure relating to the City's separate waterworks system and stormwater system. The EPA approved these changes in the Fall of 2017 and the Court approved a second amended Consent Decree in January 2018. In pursuit of any future modifications to the Consent Decree, the City plans to prioritize amendments that are designed to ensure the continued sustainability of the Plan implementation and to meet other compliance obligations.

The current estimated capital cost of this Plan is projected to be approximately \$4.5 billion (on an inflation adjusted basis) at the end of the 25-year timeframe. In addition, there is expected to be a \$72 million increase in annual expenditures for operation and maintenance related to the Plan. It is anticipated that this Plan will be funded primarily from the City's sewer fund, which is separate from the general fund. The City does not anticipate that the City's general fund will be relied upon to assist in the financing of the Plan. As implementation of the Plan continues, specific financing strategies to offset the cost will be evaluated and implemented, which could include appropriation of monies from the City's general fund.

The Plan contains some 121 projects to be implemented over the 25-year implementation period. The Plan is currently on schedule and on budget with the Water Services Department having completed 18 projects and currently implementing 55 projects.

The Consent Decree can be found at: <https://www.epa.gov/sites/production/files/documents/cityofkansascity-cd.pdf>. The link to the Consent Decree is provided for background information only and is not incorporated by reference into this Official Statement.

Regulatory Requirements

General. The City's Sanitary Sewer System and stormwater system operations are subject to regulatory requirements. Namely, the City's Sanitary Sewer System is regulated pursuant to the rules and regulations contained in the Federal Water Pollution Control Act, as amended (commonly referred to as the "**Clean Water Act**") and the Federal Air Pollution Prevention and Control Act, as amended (commonly referred to as the "**Clean Air Act**"). These regulatory requirements are administered cooperatively by the EPA and the State of Missouri, through the State's delegated agency, MDNR. The regulations govern the collection and treatment of wastewater discharged into the collection system, including but not limited to, the management of overflows from the stormwater system, the quality of effluent discharged from the wastewater treatment facilities into receiving streams, the quality of air emissions, and the use or disposal of residual solids generated by the wastewater treatment plants. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines that must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with mandated effluent quality and disposal criteria, the City must operate its wastewater treatment facilities according to discharge limitations and reporting requirements set forth in National Pollutant Discharge Elimination System ("**NPDES**") discharge permits issued by MDNR. While occasionally the City's wastewater treatment plants ("**WWTP**") experience incidences of noncompliance, all of the City's WWTPs consistently meet or exceed the requirements of their individual NPDES permits.

To comply with other federal regulations concerning the discharge of waste materials into the stormwater system, the City must administer and enforce industrial pretreatment standards upon identified users of the stormwater system. The City has been approved by MDNR to administer its own industrial pretreatment program. In addition, any other jurisdiction contributing wastewater to the City's Sanitary Sewer System is required by an inter-jurisdictional agreement to either (i) permit and monitor all industries within its respective service area, or (ii) allow the City to do so.

In addition to the City's compliance with all applicable federal laws and regulations, the City must comply with all applicable State of Missouri laws and regulations. The primary State of Missouri laws concerned with the control of wastewater operations are the Missouri Clean Water Law, Chapter 644, RSMo, and corresponding regulations, and the Missouri Air Conservation Law, Chapter 643, RSMo, along with corresponding regulations.

Evolving Regulations. As described above, the City is subject to a Consent Decree mandating certain injunctive measures intended to reduce or eliminate sewerage overflows from the City's stormwater system. In addition to the Plan, the Consent Decree, as amended, provides for the resolution of past Clean Water Act violations, and the imposition of a penalty and the provision for a Supplemental Environmental Project. The Consent Decree was entered by the United States District Court for the Western District of Missouri on September 27, 2010, and was first amended on January 9, 2015, and subsequently amended on January 9, 2018. While the Plan, in its current form, complies with current EPA and MDNR regulations, it is possible that new EPA or MDNR regulations or changes in permitting may require additional improvements which could result in additional expenses to the Sanitary Sewer System or stormwater system.

Largest Users of the System

The following table sets forth the ten largest users of the City’s Sanitary Sewer System, annual revenue and the percentage of total wastewater service charges for service for Fiscal Year 2018:

<u>User</u>	<u>Approximate Percentage of Total Wastewater Revenue</u>
Johnson County, KS	8.75%
Gladstone, MO	2.30%
North Kansas City, MO	2.03%
Ford Motor Company	1.29%
Liberty, MO	1.03%
Cook Family Foods	0.89%
Raytown, MO	0.73%
Hospital Corp of America	0.55%
KC Parks & Recreation	0.49%
Children’s Mercy Hospital	0.46%

Approximately 80% of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located inside the City limits. Additionally, 2% of the sewer service charge revenues are billed directly by the Water Services Department on a retail basis outside of the City limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The rates charged to each of the wholesale customers are based on a flat rate house count, commercial customer count with water usage, or metered sewer flow. The rates for each agreement are established in the City’s sewer rate ordinance or are set out in individual agreements. These rates are reviewed annually but can be changed by the City Council at any time.

One significant customer of the Sanitary Sewer System, the City of Liberty, Missouri (the “**City of Liberty**”), started treating the majority of its own sewerage flow and no longer sends its sewerage flow to the City’s Sanitary Sewer System. In January 2017, the eastern half of the City of Liberty’s sewerage flow was being treated by the City of Liberty. The western portion of the City of Liberty’s sewerage flow ceased to come to the City’s Sanitary Sewer System in April 2017. A small portion, less than 1% of the City of Liberty’s sewerage flow, continues to come to the City’s Sanitary Sewer System for treatment. It is expected that this small portion of the City of Liberty’s sewerage flow will continue to be treated by the City’s Sanitary Sewer System for the foreseeable future. The City expects that a portion of the loss in revenue resulting from the loss of the City of Liberty’s sewerage flow will be offset by a reduction in operational and capital expenses related to the treatment of the City of Liberty’s sewerage flow.

The City’s Water Services Department entered into a new agreement with Johnson County, Kansas (“**Johnson County**”), in September 2018 for 20 years. Johnson County, Kansas, represents about \$17.3 million in annual revenue to the Sanitary Sewer System (according to unaudited figures of the City between the February 1, 2017 (the beginning of the fourth quarter of the Fiscal Year ended April 30, 2017) and January 31, 2018 (the end of the third quarter of Fiscal Year ended April 30, 2018)). Johnson County is building additional treatment and storage at one of its existing plants that will greatly lessen the flow of wastewater and, consequently, the revenue to the City’s Sanitary Sewer System beginning with Fiscal Year ending April 30, 2022. Based on the projections provided by Johnson County, Johnson County is expected to reduce its wastewater flow to the City’s Sanitary Sewer System by about 80%. The remaining 20% of Johnson County’s wastewater flow will continue to be treated by the City’s Sanitary Sewer System. Although City’s Sanitary Sewer System expects to see a future reduction in revenue beginning with Fiscal Year ended April 30, 2022 due to this expansion, the City also expects to see a reduction in Sanitary Sewer System expenses. Specifically, with the expansion of the Johnson County treatment facility, the City will likely avoid the significant expense associated with investing in infrastructure to store the wastewater attributed to Johnson County that would have been required by the Consent Decree (as described above). As a result, the City anticipates that reduction in expenses will likely offset, at least in part, the loss in revenue.

Billing Procedures and Collections

Wastewater rates are reviewed annually by the City to determine if rate adjustments are required. Charges are based on the estimated volume of wastewater discharged into the Sanitary Sewer System or by actual measurement for certain inter-jurisdictional customers. Billable wastewater volume charges for one and two family dwellings are based on water used during the winter period, which is defined as the billing periods most closely corresponding to the months of January through April. Billed wastewater volume for all other customers is equal to actual metered water usage less any approved exemption allowances for water that does not enter the Sanitary Sewer System. In addition, all customers pay a monthly service charge. Commercial and industrial users that discharge wastewater having a high biochemical oxygen demand, high concentrations of suspended solids, or oil and grease pay additional charges to recover the added costs required.

Charges for wastewater collection and treatment services are combined on a single bill with applicable water and stormwater charges. A late payment service charge of 6% of the unpaid delinquent balance is applied to all metered water service, sanitary sewer service and stormwater fee bills remaining unpaid after the delinquent date. Water and wastewater services are subject to termination without further notice if a bill remains unpaid 20 days after the delinquent date. For one- and two-family dwellings, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$500 or more. For all other property classifications, unpaid charges may become a lien on the property if the account is three or more months delinquent or the total amount of the delinquency is \$1,000 or more.

Annual Rate of Delinquent Bad Debt

<u>Fiscal Year Ended April 30</u>	<u>Delinquency Percentage</u>
2018	1.6%
2017	3.2%
2016	2.4%
2015	3.9%
2014	4.0%

Rate Structure

In 1972, the City adopted a policy of annually reviewing the adequacy of its wastewater rates and adjusting them as required. Wastewater rates are developed for retail and inter-jurisdictional contract customers by determining the total costs of service and service requirements. Rate increases over the past five years have occurred each May 1st (May 1, 2015 through May 1, 2019) and range from 6% to 13%. Rate increases implemented from Fiscal Year ended April 30, 2016 to the current Fiscal Year ending April 30, 2020 are shown in the table below:

<u>Fiscal Year Ended April 30</u>	<u>% of Rate Increase</u>
2020	6%
2019	9%
2018	10%
2017	13%
2016	13%

[Remainder of this page intentionally left blank.]

On March 21, 2019, the City Council approved Committee Substitute for Ordinance No. 190172 which established the following wastewater rates effective May 1, 2019 (*applicable to the City's current Fiscal Year ending April 30, 2020*):

Inside City Rates

Monthly Service Charge	\$22.58 per month
Volume Charge	\$9.11 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.399 per pound
Suspended Solids Over 250 mg/l	\$0.190 per pound
Oil & Grease Over 30 mg/l	\$0.178 per pound

Outside City Rates

Metered Wastewater Connections	
Volume Charge	\$3.34 per hundred cubic feet
Unmetered Connections with Water Records	
Monthly Service Charge	\$14.40 per bill
Volume Charge	\$4.97 per hundred cubic feet
Unmetered Connections without Water Records	
Monthly Service Charge	\$49.77 per month
Individual Customers Billed Directly by the City	
Monthly Service Charge	\$31.80 per bill
Volume Charge	\$12.60 per hundred cubic feet
Excess Strength Surcharges	
Biochemical Oxygen Demand Over 250 mg/l	\$0.446 per pound
Suspended Solids Over 250 mg/l	\$0.220 per pound
Oil & Grease Over 30 mg/l	\$0.191 per pound

Any change in rates requires City Council approval; however, the City is not required to raise rates annually.

The Water Services Department anticipates that the City Council will increase the wastewater rates in future Fiscal Years. However, no such future wastewater rate increases beyond the wastewater rates in effect for the current Fiscal Year ending April 30, 2020, have been approved by the City Council, and the City makes no representation as to whether (i) a rate increase will be approved in any future Fiscal Year, or, (ii) if a rate increase is approved in any Fiscal Year, the nature and extent of any such rate increase or changes in customer base and resulting revenues. Nevertheless, the City's debt service coverage requirement will be maintained.

Stormwater charges are based on the impervious area of each property within the City. The stormwater revenues are not available to pay debt service on the Bonds or any other Parity Bonds. See **“Appendix E – DEFINITIONS AND SUMMARY OF ORDINANCE.”**

PILOT Paid by the Water Services Department

Beginning May 1, 2016, pursuant to the City's Charter and Ordinance No. 160166 passed by the City Council, the City assessed a payment in lieu of taxes (**“PILOT Payment”**) to the Water Services Department equal to (a) 1% of the water fund's gross revenues derived from providing water services to the residential and commercial customers of the City's waterworks system located within the City limits and (b) 1% of the Sewer Fund's gross revenues derived from providing sewer services to the customers of the City's Sanitary Sewer System located within the City limits. Beginning May 1, 2017, pursuant to Ordinance No. 170153 and Ordinance No. 170152, the City increased the PILOT Payment to 1.5% of the water fund's gross revenue and 1.5% of the Sewer Fund's gross revenue. Beginning May 1, 2018, the City Council further increased the PILOT Payment by 0.5% to a total PILOT Payment equal to 2.0% of the water fund's gross revenues, pursuant to Ordinance No. 180138, and 2.0% of the Sewer Fund's gross revenue, pursuant to Ordinance No. 180137, for the Fiscal Year ending April 30, 2019. Beginning May 1, 2019, the City Council further increased the PILOT Payment to 3.0% of the water fund's gross revenue, pursuant to Ordinance No. 190167 and left the PILOT Payment for the Sewer Fund unchanged at 2.0% of the Sewer Fund's gross revenue, pursuant to Ordinance No. 190172.

In accordance with the City’s Charter, the PILOT Payment is intended to represent a portion of the taxes that would have otherwise been payable by private corporations providing the City with water services and sewer services that are, instead, provided by the City’s Water Services Department. The PILOT Payments are required to be paid by the Water Services Department to the City quarterly. For Fiscal Year ended April 30, 2018, the Water Services Department paid approximately \$2,502,435 in an aggregate PILOT Payment from the Sewer Fund.

The Water Services Department characterizes the PILOT Payment as an “**Current Sanitary Sewer Expense**” of the Sanitary Sewer System under the Ordinance relating to the priority of payments that will be made from the Sewer Fund. As a result, the PILOT Payment is made from moneys on deposit in the Sewer Fund prior to any deposits to any accounts established to pay debt service on any Outstanding Bonds, including the Bonds.

The City makes no representation as to whether a PILOT Payment increase will be approved in any future Fiscal Years or, if a PILOT Payment increase is approved in any Fiscal Year, as to the nature and extent of any such PILOT Payment increase.

Sanitary Sewer System Financial Information and Coverage Statement

Operating Revenues and Expenses. Approximately 80% of the sewer service charge revenues of the Water Services Department are derived from charges for retail service provided to customers located inside the city limits. The remaining sewer service charge revenues are for collection, transport, and treatment services provided on a wholesale basis under inter-jurisdictional agreements with 28 surrounding cities and sewer districts. The total number of retail customers in Fiscal Year 2018 was approximately 166,000.

Annual operation and maintenance expenses of the Sanitary Sewer System are shown in the “**Debt Service Coverage**” table in this Official Statement. These expenses consist of sewerage treatment and pumping, wastewater collection system maintenance, administrative and general, hazardous waste control, and Automated Meter Reading lease payments. The wastewater utility’s total operation and maintenance expenses for the historical period were as follows:

<u>Fiscal Year Ended April 30</u>	<u>Expenses</u>
2018	\$110,507,458
2017	\$88,017,142
2016	\$82,623,233
2015	\$71,587,616
2014	\$62,525,383

On August 14, 2008, the City Council adopted the Water Services Department’s Statement of Policy for Operating and Renewal and Replacement Reserves (the “**Reserve Policy**”). The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Sanitary Sewer System are as follows:

- (a) Operating reserves have been established in an amount equal to 20% of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
- (b) A renewal and replacement reserve has been established in an amount equal to the prior year’s annual depreciation. Minimum annual contributions of \$1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

As of Fiscal Year ended April 30, 2016, the Water Services Department had fully funded the Sanitary Sewer Renewal and Replacement Reserve Account (the “**Renewal and Replacement Reserve Account**”) to the target level established by the Water Department’s Reserve Policy, bringing the total Renewal and Replacement Reserve Account to \$41,000,000. Since Fiscal Year ended April 30, 2016, the City has not drawn down the Renewal and Replacement Reserve Account for any emergency capital replacements and has not needed to make any contributions to the Renewal and Replacement Reserve Account to provide for growth in depreciation because annual depreciation has not exceeded \$41,000,000 on deposit in the Renewal and Replacement Reserve Account.

Accounting, Budgeting and Auditing Procedures. The Water Services Department is an enterprise activity whose financial records are audited annually and reported in conformity with generally accepted accounting principles for government owned wastewater utilities. The Water Services Department operates the Sanitary Sewer System on the accrual system of accounting, where revenues are recorded when earned and expenses are recorded when incurred. An annual budget of estimated receipts and disbursements for the coming Fiscal Year is prepared by the Director of Water Services under the direction of the City Manager and is presented to the City Council in March for approval after a public hearing. The Fiscal Year of the Sanitary Sewer System is May 1 through April 30. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes and includes a statement of the rates required to raise each amount shown on the budget as coming from Sanitary Sewer System revenues.

The financial statements of the Sanitary Sewer System are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. The annual audit is performed by BKD, LLP, Kansas City, Missouri (“**BKD**”). Copies of the audit reports for the past five years are on file in the City Clerk’s office and are available for review.

Financial Statements. The tables on the following pages provide the Sewer Fund’s balance sheets and income statements and debt coverage table for the Fiscal Years ended April 30, 2014 through April 30, 2018. The City did not ask BKD to perform any additional work or any post-audit procedures more recently than the April 30, 2018 audit with respect thereto.

[Remainder of this page intentionally left blank.]

KC Water - Sewer Fund
Statement of Net Position
Audited Fiscal Years ending April 30, 2014-2018

Assets	2014	2015	2016	2017	2018
Current Assets:					
Cash and cash equivalents	\$ 4,022,453	\$ 6,629,134	\$ 1,911,204	\$ 8,506,555	\$ 6,185,167
Investments	\$ 11,748,554	\$ 6,329,321	\$ 23,640,514	\$ 15,888,932	\$ 23,295,918
Accounts receivable, net	\$ 19,458,304	\$ 22,414,384	\$ 29,173,984	\$ 29,768,779	\$ 35,763,910
Accrued interest receivable	\$ 210,080	\$ 329,861	\$ 235,001	\$ 453,318	\$ 181,804
Inventories	\$ 454,822	\$ 469,121	\$ 831,266	\$ 845,716	\$ 723,187
Due from funds	\$ 164,959	\$ 14,380	\$ -	\$ 6,241	\$ 7,259
Total unrestricted current assets	\$ 36,059,172	\$ 36,186,201	\$ 55,791,969	\$ 55,469,541	\$ 66,157,244
Restricted Assets:					
Cash and cash equivalents	\$ 7,216,426	\$ 6,998,239	\$ 5,488,628	\$ 7,287,181	\$ 10,526,164
Investments	\$ 4,718,452	\$ 11,807,218	\$ 133,637,906	\$ 21,006,605	\$ 85,008,692
Accrued interest receivable	\$ 279,567	\$ 217,629	\$ 364,271	\$ 408,006	\$ 1,198,573
Total restricted current assets	\$ 12,214,445	\$ 19,023,086	\$ 139,490,805	\$ 28,701,792	\$ 96,733,429
Total current assets	\$ 48,273,617	\$ 55,209,287	\$ 195,282,774	\$ 84,171,333	\$ 162,890,673
Investments	\$ 81,955,499	\$ 115,063,271	\$ 116,632,909	\$ 156,342,488	\$ 181,946,687
Restricted assets-investments	\$ 106,428,450	\$ 65,606,343	\$ 81,252,126	\$ 133,221,428	\$ 184,589,086
Debt issuance costs, net	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Assets, depreciable, net	\$ 720,414,874	\$ 781,383,086	\$ 797,688,840	\$ 865,029,450	\$ 1,008,490,111
Capital Assets, nondepreciable, net	\$ 74,362,717	\$ 59,649,816	\$ 97,751,189	\$ 116,965,257	\$ 55,263,392
Total assets	\$ 1,031,435,157	\$ 1,076,911,803	\$ 1,288,607,838	\$ 1,355,729,956	\$ 1,593,179,949
Deferred Outflows of Resources	\$ 945,949	\$ 802,806	\$ 3,451,709	\$ 12,630,864	\$ 9,461,404
Total assets and deferred outflows of resources	\$ 1,032,381,106	\$ 1,077,714,609	\$ 1,292,059,547	\$ 1,368,360,820	\$ 1,602,641,353

KC Water - Sewer Fund
Statement of Net Position (Continued)
Audited Fiscal Years ending April 30, 2014-2018

Liabilities and Net Assets	2014	2015	2016	2017	2018
Current Liabilities:					
Accounts payable	\$ 8,324,705	\$ 12,041,910	\$ 14,290,766	\$ 22,521,943	\$ 33,565,631
Current portion of compensated absences	\$ 425,636	\$ 431,563	\$ 511,918	\$ 564,895	\$ 554,706
Accrued payroll and related expenses	\$ 679,738	\$ 808,156	\$ 920,905	\$ 1,022,651	\$ 1,253,527
Contract retainage payable	\$ 831,675	\$ 980,866	\$ 292,480	\$ 699,609	\$ 667,698
Other liabilities	\$ 1,231,345	\$ 190,312	\$ 112,608	-	-
Current portion of claims liability	\$ 307,013	\$ 1,195,078	\$ 1,347,582	\$ 1,681,052	\$ 1,584,930
Current portion of due to other funds	\$ 123,226	-	\$ 230,224	\$ 39,538	\$ 13,197
Total current liabilities payable from unrestricted	\$ 11,923,338	\$ 15,647,885	\$ 17,706,483	\$ 26,529,688	\$ 37,639,690
Liabilities payable from restricted assets:					
Accrued interest and fiscal agent fees	\$ 4,756,930	\$ 4,476,670	\$ 5,268,472	\$ 5,705,178	\$ 7,189,992
Current portion of revenue bonds and notes payable	\$ 18,726,358	\$ 17,885,600	\$ 21,090,100	\$ 19,552,018	\$ 24,820,300
Contract retainage payable	\$ 2,765,676	\$ 1,784,856	\$ 1,995,424	\$ 3,985,093	\$ 4,614,851
Total liabilities payable from restricted assets	\$ 26,248,964	\$ 24,147,126	\$ 28,353,996	\$ 29,242,289	\$ 36,625,143
Total current liabilities	\$ 38,172,302	\$ 39,795,011	\$ 46,060,479	\$ 55,771,977	\$ 74,264,833
Compensated absences	\$ 1,315,507	\$ 1,359,390	\$ 1,403,911	\$ 1,641,043	\$ 1,565,821
Claims liability	\$ 4,139,692	\$ 3,757,587	\$ 3,725,882	\$ 4,914,445	\$ 5,426,257
Other post-employment benefit obligation	\$ 3,302,582	\$ 3,398,463	\$ 3,543,464	\$ 3,566,136	\$ 3,584,523
Pension liability	\$ 3,179,317	\$ 2,914,094	\$ 8,768,203	\$ 20,133,893	\$ 19,060,051
Revenue bonds and notes payable	\$ 322,199,349	\$ 303,231,966	\$ 443,218,941	\$ 422,088,990	\$ 576,890,112
Total liabilities	\$ 372,308,749	\$ 354,456,511	\$ 506,720,880	\$ 508,116,484	\$ 680,791,595
Net Position					
Net investment in capital assets	\$ 542,914,900	\$ 567,134,757	\$ 590,700,008	\$ 638,204,376	\$ 675,541,518
Restricted	\$ 22,171,547	\$ 30,970,357	\$ 55,049,314	\$ 54,966,932	\$ 56,488,298
Unrestricted	\$ 94,985,910	\$ 125,152,984	\$ 138,407,714	\$ 166,673,450	\$ 189,477,462
Total net position	\$ 660,072,357	\$ 723,258,098	\$ 784,157,036	\$ 859,844,758	\$ 921,507,277
Deferred Inflow of Resources	\$ -	\$ -	\$ 1,181,631	\$ 399,579	\$ 342,481
Total liabilities and net position	\$ 1,032,381,106	\$ 1,077,714,609	\$ 1,292,059,547	\$ 1,368,360,821	\$ 1,602,641,353

KC Water - Sewer Fund
Statement of Revenues, Expenses, and Change in Fund Net Position
Audited for Fiscal Years Ending April 30, 2014-2018

	2014	2015	2016	2017	2018
Operating revenues:					
Retail sewer charges	\$ 106,689,690	\$ 119,719,610	\$ 138,557,694	\$ 158,353,572	\$ 172,044,084
Inter-jurisdictional sewer charges	\$ 28,047,478	\$ 32,700,686	\$ 37,242,952	\$ 33,687,701	\$ 33,517,836
Other operating revenues	\$ 3,462,062	\$ 3,408,827	\$ 4,000,912	\$ 4,365,057	\$ 5,652,415
Total operating revenues	\$ 138,199,230	\$ 155,829,123	\$ 179,801,558	\$ 196,406,330	\$ 211,214,335
Operating expenses:					
Sewage treatment and pumping	\$ 21,852,034	\$ 24,438,638	\$ 30,568,910	\$ 29,223,528	\$ 35,605,983
Sewer maintenance	\$ 20,686,435	\$ 24,154,896	\$ 23,550,319	\$ 23,208,801	\$ 28,514,416
Administrative and general	\$ 18,709,733	\$ 22,042,752	\$ 27,654,747	\$ 34,786,672	\$ 45,569,553
Industrial and household hazardous waste	\$ 1,277,181	\$ 951,330	\$ 849,257	\$ 798,141	\$ 817,506
Depreciation and amortization	\$ 19,274,805	\$ 20,788,620	\$ 22,393,417	\$ 23,503,071	\$ 26,414,535
Total operating expenses	\$ 81,800,188	\$ 92,376,236	\$ 105,016,650	\$ 111,520,213	\$ 136,921,993
Operating income	\$ 56,399,042	\$ 63,452,887	\$ 74,784,908	\$ 84,886,117	\$ 74,292,342
Nonoperating revenues (expenses):					
Interest income	\$ 1,031,813	\$ 2,422,427	\$ 1,940,603	\$ 2,086,536	\$ 1,399,152
Interest expense and fiscal agent fees	\$ (6,734,916)	\$ (7,690,380)	\$ (10,735,216)	\$ (9,405,474)	\$ (12,303,244)
Other	\$ 52,947	\$ (37,031)	\$ (25,273)	\$ (60,001)	\$ 17,243
Total non-operating expenses, net	\$ (5,650,156)	\$ (5,304,984)	\$ (8,819,886)	\$ (7,378,939)	\$ (10,886,849)
Excess of Revenues over Expenses	\$ 50,748,886	\$ 58,147,903	\$ 65,965,022	\$ 77,507,178	\$ 63,405,493
Capital Contributions	\$ 14,809,919	\$ 5,037,840	\$ 720,925	\$ (230,639)	\$ 759,456
Payment in Lieu of Taxes (PILOT)	\$ -	\$ -	\$ -	\$ (1,588,818)	\$ (2,502,435)
Increase in net position	\$ 65,558,805	\$ 63,185,743	\$ 66,685,947	\$ 75,687,721	\$ 61,662,514
Net position - beginning of year	\$ 594,513,551	\$ 660,072,356	\$ 723,258,099	\$ 784,157,041	\$ 859,844,762
Adjustment for Restatement (GASB #68 and #71)	\$ -	\$ -	\$ (5,787,005)	\$ -	\$ -
Increase in net position	\$ 65,558,805	\$ 63,185,743	\$ 66,685,947	\$ 75,687,721	\$ 61,662,514
Net position - end of year	\$ 660,072,356	\$ 723,258,099	\$ 784,157,041	\$ 859,844,762	\$ 921,507,276

Debt Service Coverage
KC Water - Sewer Fund
For Fiscal Years Ending April 30, 2014 through April 30, 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenue:					
Sewer charges	\$ 134,737,168	\$ 152,420,296	\$ 175,800,646	\$ 192,041,273	\$ 205,561,920
Other operating income	\$ 3,462,062	\$ 3,408,827	\$ 4,000,912	\$ 4,365,057	\$ 5,652,415
Interest income	\$ 1,031,813	\$ 2,422,427	\$ 1,940,603	\$ 2,086,536	\$ 1,399,152
Total Revenues	\$ 139,231,043	\$ 158,251,550	\$ 181,742,161	\$ 198,492,866	\$ 212,613,487
Less Expense:					
Sewage treatment and pumping	\$ 21,852,034	\$ 24,438,638	\$ 30,568,910	\$ 29,223,528	\$ 35,605,983
Sewer maintenance	\$ 20,686,435	\$ 24,154,896	\$ 23,550,319	\$ 23,208,801	\$ 28,514,416
Administrative and general	\$ 18,709,733	\$ 22,042,752	\$ 27,654,747	\$ 34,786,672	\$ 45,569,553
Industrial and household hazardous waste	\$ 1,277,181	\$ 951,330	\$ 849,257	\$ 798,141	\$ 817,506
Total Expenses*	\$ 62,525,383	\$ 71,587,616	\$ 82,623,233	\$ 88,017,142	\$ 110,507,458
Net Revenues Available for Debt Service	\$ 76,705,660	\$ 86,663,934	\$ 99,118,928	\$ 110,475,724	\$ 102,106,029
Gross current year debt service	\$ 33,379,232	\$ 32,920,423	\$ 31,236,885	\$ 38,130,417	\$ 36,584,550
Debt Service Coverage (Gross)	2.30	2.63	3.17	2.90	2.79
Less: (SRF Subsidy)**	\$ (1,946,649)	\$ (1,584,907)	\$ (1,240,470)	\$ (963,290)	\$ (745,784)
Net Current Year Debt Service	\$ 31,432,583	\$ 31,335,516	\$ 29,996,415	\$ 37,167,127	\$ 35,838,766
Debt Service Coverage (Net)	2.44	2.77	3.30	2.97	2.85

*Does not include depreciation, interest expense and fiscal agent fees.

**City Ordinance allows interest earnings on SRF loan reserves to be applied to the debt service requirement for purposes of calculating annual debt service coverage.

FINANCIAL PROJECTIONS

Financial projections for future years based on stated assumptions, including anticipated rate increases, are included in the Wastewater Utility Bond Feasibility Report attached hereto as **Appendix A**. The forecast of future operations and expected revenue bond debt service coverage contained in the Wastewater Utility Bond Feasibility Report and included or reflected in this Official Statement are based on various assumptions concerning certain conditions, events and circumstances over which the City has no control. See “**Appendix A - WASTEWATER UTILITY BOND FEASIBILITY REPORT.**” No representation or warranty is or can be made about the amount or timing of any future operating results, or that actual results will be consistent with the Wastewater Utility Bond Feasibility Report or with the forecasts contained therein. **The information in the Wastewater Utility Bond Feasibility Report is based on various assumptions, estimates and opinions. The actual results will vary from the Wastewater Utility Bond Feasibility Report and the variations may be material. There is no assurance that actual events will correspond with the projections or the assumptions, estimates and opinions on which they are based.**

RISK FACTORS

*The following is a discussion of certain risks and other considerations that could affect payments to be made by the City with respect to the Bonds and possible revisions to federal tax laws that could affect the tax treatment of the interest on the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a comprehensive or exhaustive discussion of risks or other considerations which may be relevant to an investment in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such considerations. There can be no assurance that other risk factors not discussed in this Official Statement will not become material in the future. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the Ordinance described herein and summarized in **Appendix E**.*

Factors Affecting the System

One or more of the following factors or events, or the occurrence of other unanticipated factors or events, could adversely affect the Sanitary Sewer System operations and financial performance to an extent that cannot be determined at this time:

Changes in Management or Policies. Changes in key management personnel of the Sanitary Sewer System or City Council policies could adversely affect the financial performance of the Sanitary Sewer System to an extent that cannot be determined at this time.

Future Economic Conditions. Increased unemployment or other adverse economic conditions or changes in the demographics of the City; an inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the financial performance of the Sanitary Sewer System to an extent that cannot be determined at this time.

Insurance Claims. Increases in the cost of general liability insurance coverage and the amounts paid in settlement of liability claims not covered by insurance could adversely affect the financial performance of the Sanitary Sewer System to an extent that cannot be determined at this time.

Organized Labor Efforts. Certain employees of the City’s Water Services Department are represented by collective bargaining units. Labor disputes with these collective bargaining units could result in adverse labor actions or increased labor costs. In September 2016, the City entered into a new labor agreement with Local 500 which represents approximately 63% of the Water Services Department employees. The new agreement requires retroactive pay increases back to May 1, 2016, and runs through April 30, 2020. The first year of the agreement called for annual pay rate increases of approximately 3.75%. Each subsequent year of the agreement calls for annual pay rate increases of approximately 2% through April 30, 2020. At this time, no adverse labor actions are expected.

Environmental Regulation. Sewer utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures that regulate the environmental impact of water utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that facilities in operation will remain subject to the regulations currently in effect, will always be in compliance with further regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels and fines. Legislative, regulatory, administrative or enforcement actions involving environmental controls could also adversely affect the operation of the facilities of the Sanitary Sewer System. For example, if property of the City is determined to be contaminated by hazardous materials, the City could be liable for significant clean-up costs even if it were not responsible for the contamination.

Natural Disasters. The occurrence of natural disasters, such as tornados, earthquakes, floods or droughts, could damage the facilities of the City, affect water supply, interrupt services or otherwise impair operations and the ability of the Sanitary Sewer System to produce revenues.

Terrorist Attacks. Although potential terrorist attacks could temporarily disrupt water service, the City has taken and continues to take precautions to minimize this risk.

Miscellaneous Factors. The sewer industry in general has experienced, or may in the future experience, problems including (a) the effects of inflation on the costs of operation of facilities, (b) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (c) compliance with rapidly changing environmental, safety and licensing regulations and requirements.

Summary Financial Information

Certain summarized historical financial information and certain projected revenues and expenditures of the Sanitary Sewer System are summarized in **Appendix A** (Consulting Engineer's Report) and **Appendix B** (KC Water Comprehensive Annual Financial Report, which includes the combined audited Sewer Fund and Water Fund Financial Statements). There can be no assurance that the financial results achieved by the City in the future will be similar to historical results or the projections contained therein. Such future results will vary from historical results, and actual variations may be material. Information as to the projected figures and the assumptions upon which they are based are contained in **Appendix A** of this Official Statement. No assurance can be given that assumptions used in preparing projected revenues are accurate including, but not limited to, those as to sales volumes, operating and maintenance expenses, expected rate increases and the stability of the customer base, including the potential loss of customers resulting from rate increases necessitated by the Plan. Significant variations in such assumptions may affect the actual operating and financial results. Therefore, the historical operating results of the City's Sanitary Sewer System contained in this Official Statement cannot be viewed as a representation that the City will be able to generate sufficient revenues in the future to make timely payment of principal of, redemption premium, if any, and interest on the Bonds.

Overflow Control Plan

As stated above, the City has reached agreement with the federal government in the form of the Consent Decree and with the state government. There can be no assurance that the Plan, in its present form, adequately addresses any future issues and concerns of the EPA and MDNR, including any future regulatory changes. Furthermore, there can be no assurances that the expenses associated with the Plan in its present form will be adequately funded by current and future Sanitary Sewer Revenues. Moreover, any changes and revisions to the Plan may result in significant additional expense that may not be adequately funded by current and future Sanitary Sewer Revenues. Consequently, should the City fail to adequately fund the Plan in either its present, or revised, state, the City could face funding issues which have yet to be addressed.

Certain Bankruptcy Risks

The remedies available to the owners of the Bonds upon an event of default under the Ordinance are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the United States Bankruptcy Code, 11 U.S.C. §§ 101, *et seq.* (the “**Bankruptcy Code**”) the remedies provided in the Ordinance may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws, affecting the rights of creditors generally.

Compliance with Securities Laws

The Bonds may be sold by Bondowners only in compliance with the registration provisions, or certain exemptions from the Securities Act and applicable state securities laws (which may be prohibitively expensive if registration is required and may not be possible in any event). In some states, specific conditions must be met or approval of a state securities commissioner is required in order to qualify for an exemption from registration.

Secondary Markets and Prices

The Underwriters will not be obligated to repurchase any of the Bonds and no representation is made concerning the existence of any secondary market for the Bonds. No assurance can be given that any secondary market will develop following the completion of the offering of the Bonds, and no assurance can be given that the initial offering prices for the Bonds will continue for any period of time.

Risk of Taxability

For information with respect to events occurring subsequent to issuance of the Bonds that may require that interest on such Bonds be included in gross income for purposes of federal income taxation, see the caption “**TAX MATTERS**” in this Official Statement.

Risk of Audit

The Internal Revenue Service (the “**Service**”) has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations should be included in gross income for federal income tax purposes. Co-Bond Counsel cannot predict whether the Service will commence an audit of the Bonds. Owners of the Bonds are advised that, if the Service does audit such Bonds, under current Service procedures, at least during the early stages of an audit, the Service will treat the City as the taxpayer, and the owners of such Bonds may have limited rights to participate in the audit. Public awareness of any audit could adversely affect the market value and liquidity of Bonds during the pendency of the audit, regardless of the ultimate outcome thereof.

Future Legislation

Congress may from time to time consider legislative proposals which, if enacted, would limit for certain individual taxpayers the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. Future legislative proposals could prevent investors from realizing the full current benefit of the tax-exemption on interest and may affect the market value of the Bonds. The City cannot predict whether such future legislative proposals will be enacted and how they will impact the excludability of the interest on the Bonds for federal income tax purposes. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Bond Counsel expresses no opinion.

LITIGATION

As of the date hereof, the City Attorney certifies there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings or authority under which the Bonds are to be issued. There is no litigation pending which in any manner questions the rights of the City to construct or finance the extensions and improvements to the Sanitary Sewer System to be funded with proceeds of the Bonds. The City is not involved in any litigation that might affect the City's ability to meet its obligations to pay the principal of and interest on the Bonds.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Gilmore & Bell, P.C., Kansas City, Missouri, and Clayborn & Associates, LLC, Kansas City, Missouri, as Co-Bond Counsel to the City. The form of such opinion is attached hereto as **Appendix F**. Certain legal matters will be passed upon for the City by the Office of the City Attorney. Certain legal matters will be passed upon for the City by Gilmore & Bell, P.C., Kansas City, Missouri, and Clayborn & Associates, LLC, Kansas City, Missouri, as Co-Disclosure Counsel to the City. The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or for the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CERTAIN RELATIONSHIPS

Gilmore & Bell, P.C. and Clayborn & Associates, LLC are serving as Co-Bond Counsel and as Co-Disclosure Counsel to the City in connection with the issuance and sale of the Bonds. Such firms also represent the City with respect to certain other matters. Such firms also represent the City from time to time in other transactions.

TAX MATTERS

General

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds. See the form of Co-Bond Counsel opinion attached as **Appendix F**.

Opinion of Co-Bond Counsel

Federal and State of Missouri Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and State of Missouri income tax purposes.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

Bank Qualification. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

Co-Bond Counsel’s opinion is provided as of the date of the original issue of the Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the respective date of issuance of the Bonds. Co-Bond Counsel are expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but have reviewed the discussion under the caption “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“**OID**”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. For federal income tax purposes, premium is the excess of the issue price of a Bond over its stated redemption price at maturity. The issue price of a Bond is generally the first price at which a substantial amount of the Bonds of that maturity have been sold to the public. Under Section 171 of the Code, premium on tax-exempt bonds amortizes over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Co-Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

BOND RATINGS

S&P Global Ratings, a division of S&P Global, Inc., and Moody’s Investors Service have assigned long-term ratings of “AA” and “Aa2,” respectively, to the Bonds.

Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that either or both will not be revised, either downward or upward, or withdrawn entirely, by said rating agencies if, in their judgment, circumstances warrant. Any such downward revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

CO-FINANCIAL ADVISORS

Hilltop Securities Inc., and Independent Public Advisors were retained by the City to act as Co-Financial Advisors (the “**Co-Financial Advisors**”) in connection with this financing. The fees paid to the Co-Financial Advisors with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. The Co-Financial Advisors have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Co-Financial Advisors do not guarantee the accuracy or completeness of such information.

UNDERWRITING

Based upon bids received by the City on June 18, 2019, pursuant to the Notice of Bond Sale dated June ____, 2019, the Bonds were awarded to _____ (the “**Underwriter**”). The Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Bonds from the City at a price equal to \$ _____ (representing the par amount of the Bonds less an underwriter’s discount of \$ _____ and plus [net] original issue [premium]/[discount] of \$ _____). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter’s business activities. The Underwriter may sell certain of the Bonds at a price greater than such purchase price, as shown on the inside cover page of this Official Statement. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

MISCELLANEOUS

Except for the information expressly attributed to other sources, all information has been provided by the City. The presentation of information in this Official Statement, including tables or receipts of various taxes, is intended to show recent historic information, but is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience as might be shown by such financial or other information, will necessarily continue or be repeated in the future. The Appendices to this Official Statement contain selected financial data relating to the City and are integral parts of this document, to be read in their entirety. Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City and other sources, as referred to herein, which are believed to be reliable.

Any statements made in the Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The descriptions contained in this Official Statement of the Bonds and the Ordinance do not purport to be complete and reference is made to such documents for full and complete statements of their respective provisions.

Simultaneously with the delivery of the Bonds, the Director of Finance of the City, acting on behalf of the City, will furnish to the Underwriters a certificate which will state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstance under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriters, has been approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Ordinance.

[Remainder of this page intentionally left blank.]

This Official Statement is not to be construed as a contract or agreement between the City and purchasers or Owners of any of the Bonds.

CITY OF KANSAS CITY, MISSOURI

By: _____
Randall J. Landes
Director of Finance

(This Page Intentionally Left Blank)

APPENDIX A

WASTEWATER UTILITY BOND FEASIBILITY REPORT

(This Page Intentionally Left Blank)



June 11, 2019

Mr. Sean Hennessy
Water Services Department
City of Kansas City, Missouri
4800 East 63rd Street
Kansas City, Missouri 64130

Re: Preliminary Consulting Engineers Report

Dear Mr. Hennessy:

In accordance with our agreement with the City of Kansas City, Missouri (the “City”), Burns & McDonnell submits this Wastewater Utility Bond Feasibility Report (the “Report”). This Report has been prepared relating to the issuance of a total par amount of \$59,735,000 Sanitary Sewer System Improvement Revenue Bonds, Series 2019A (the “Series 2019A Bonds”). The proceeds of the Series 2019A Bonds plus a net premium will result in a \$64,800,633.35¹ deposit into the City’s construction account. The purpose of this Report is to present our findings concerning debt service coverage requirements for the issuance of bonds as described in the Series 2019A Bond Ordinance authorizing the Series 2019A Bonds.

In conducting our studies, Burns & McDonnell has made such investigations and review of the facilities, books, records, and capital improvement plans of the Water Services Department (the “Department”) and other investigations, as we deemed necessary. Revenues and revenue requirements for the Department’s Wastewater System (the “System”) are presented in this Report for a historical five-year period and a forecast period of 2019 through 2024. This Report concludes with a summary of our major opinions regarding the System.

The City and the Department have provided historical data presented in this Report and comprehensive annual financial reports prepared for the City. Burns & McDonnell reviewed and discussed the data, financial reports, and other information with the Department. Burns & McDonnell has prepared a forecast of revenues and revenue requirements for the System with input from the City and from Hilltop Securities, Inc. and Independent Public Advisors, LLC, the City’s financial advisors, for the Series 2019A Bonds. Burns & McDonnell has also prepared a forecast of expected revenue bond debt service coverage. In preparing our forecasts and in forming an opinion of the forecasts of future operations summarized in this Report, Burns & McDonnell has made certain assumptions with respect to conditions, events, and circumstances that may occur in the future. Such assumptions and methodologies are summarized in this Report and are reasonable and appropriate for the purpose for which they are used. While Burns & McDonnell believes the assumptions are reasonable and the methodology valid, actual results may differ materially from the forecast, as influenced by the conditions, events, and circumstances that actually occur. The methodology utilized by Burns & McDonnell in performing the analyses follows generally accepted practices for such forecasts. Any terms not defined herein shall have their respective meaning as set forth in the ordinance authorizing the Series 2019A Bonds (the “Series 2019A Ordinance”) passed by the governing body of the City.

¹ Preliminary; subject to change based on generated premium.



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 2

Based on our investigations and analysis of the Department's facilities and records and our continuing studies of System operations, Burns & McDonnell offers the following opinions and conclusions:

- The Department's System properties are and have been maintained, preserved, and kept in generally adequate working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals. The proposed capital program provides identification of the projects and funding requirements necessary to improve certain facilities to good condition.
- The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.
- Projected operating results are reasonably attainable by the Department.
- Proceeds from the Series 2019A Bonds are to be used to finance major portions of the Department's Capital Improvement Plan and to pay certain costs related to the issuance of the Series 2019A Bonds.

Based on the financial projections included herein, the requirements of the Rate Covenant are projected to be satisfied.

UTILITY ORGANIZATION

The Department is an enterprise fund of the City and provides water, stormwater and wastewater services for approximately 1 million people in an eight-county area. The Department is responsible for engineering, operations, financial management, and billing and collections for all services.

The Director of the Department reports to the City Manager. The Director has six primary direct reports – Water, Wastewater, Stormwater, Customer Service, Finance/Performance Management, and Engineering/Contracting. Additional reports include administrative functions.

Wastewater services are funded entirely by user fees charged to customers based upon their use of the product or services. In preparing this Report, Burns & McDonnell reviewed the Department's policies, practices, procedures, and conducted field observations and interviews of employees at various facilities. Based on these interviews, reviews, and observations, it is our opinion that the Department is suitably organized, managed, and operated by qualified personnel in a responsible manner.

SYSTEM DESCRIPTION

The Department is responsible for the planning, construction and operation and maintenance (O&M) of the sanitary sewer system that is composed of a network of gravity and pressure sewers, pump stations, and treatment facilities (collectively, the "WWTF") serving Kansas City and certain surrounding areas. One of the Department's primary responsibilities in operating and maintaining the sanitary sewer system and facilities is to comply with state and federal environmental regulations. As part of that responsibility, the Department administers an industrial waste program to regulate industrial wastewater sources to protect downstream sewer facilities.

The Kansas City sanitary sewer system serves approximately 166,000 customer accounts in 320 square miles, including neighboring areas outside the City, and serves 27 surrounding communities and sewage districts on a contractual basis, 21 of which are on a wholesale basis and 6 are on a retail basis. The Department currently maintains about 2,300 miles of sanitary sewers and about 600 miles of combined sewers, 40 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations, and 6 wastewater treatment facilities. The combined sewers transport both sanitary flows and, during rainfall



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 3

events, includes some quantity of stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the City's treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

Biosolids, the stabilized product generated from treatment of wastewater, are used in land application, at a City-owned facility, in the cultivation of non-food agriculture. These activities meet the United States Environmental Protection Agency (the "EPA") treatment and pollutant content criteria Part 503.13. Properly treated biosolids can be safely recycled and applied as fertilizer to sustainably improve and maintain productive soils and stimulate plant growth. Biosolids are used as natural fertilizer to improve the quality of land for agriculture and increase crop yields. The crops harvested, soy beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol.

Systemwide Projects and Initiatives

The Department Division Manager indicated that there are currently approximately 135 projects across the utility, including 50 in-house design build projects, 50 CIP projects under contract or preparing to be awarded, and 35 projects in the design phase.

The Department has been working on several systemwide initiatives to improve the function and reliability of City-owned and operated wastewater treatment works. The most significant is the development of a prioritization system that incorporates available process monitoring data and existing asset management information to help develop improvement projects and schedule maintenance activities. The Department is currently working with engineering professionals to develop the infrastructure and data management tools to begin implementing the program in the near future. To support this initiative and improve communication between facilities, the Department is also working towards development of a new cross-facility Supervisory Control and Data Acquisition ("SCADA") system to improve data flow across the utility.

System Inspections

Field inspections were performed on Friday, March 15, 2019 on select wastewater facilities. The purpose of the field inspections was to provide a high-level assessment of the condition, reliability, operations, and maintenance of major above ground equipment and structures based on direct observations and discussions with Department staff. Additionally, Burns & McDonnell recently completed the Department's wastewater master plan. As part of this comprehensive effort, condition assessments were performed for critical wastewater system infrastructure, including all six (6) of the wastewater treatment plants and nearly all the wastewater pumping stations. During these condition assessments, Burns & McDonnell visited with plant personnel to observe and discuss the physical condition of the facilities including condition, reliability, operation and maintenance. .

A rating system was used to evaluate the wastewater facilities. Although the process is subjective, this consistent approach and methodology results in similar outcomes regardless of the facility (treatment plant, pump station, etc.). The rating system for the facilities used in this report is described in Table 1, and takes into consideration the condition assessment scoring developed as part of the Master Plan.

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 4

Table 1 – Rating System

Rating	Rating Description
Good	The facility is in good condition and provides reliable operation in accordance with design parameters and requires only routine maintenance.
Adequate	The facility is operating at or near design levels; however, upgrading and repairs are needed to provide continued reliable operation.
Poor	The facility cannot be operated within design parameters. Major renovations are required to restore the facility and provide reliable operation.

For this report, six facilities were selected for inspection based on representative service, critical service, facility capacity, and geographic location. Collectively, the inspected facilities include most of the treatment facilities and a representative sampling of the pump station infrastructure of the System. Inspection results regarding these six facilities are summarized in Table 2.

Only visible structures, equipment, and appurtenances above ground or above water were inspected (i.e. inside of pipe was not inspected). Field inspections were conducted by Burns & McDonnell engineers who were accompanied by a representative from the Department to lead the tour and provide information and comments. Material testing was not performed to validate the visual inspection, and pump flow/pressure testing was not performed to validate performance. An analysis of structural integrity was not performed at any of the facilities. Table 2 provides a list of the facilities and their associated ratings.

Table 2 – Field Inspection Summary

Wastewater Facility	Rating
Blue River WWTF	Adequate
Westside WWTF	Adequate
Birmingham WWTF	Good to Adequate
Line Creek Pump Station	Good
Birmingham Pump Station	Adequate
Buckeye Pump Station	Poor to Adequate

Blue River Wastewater Treatment Facility

The Blue River Wastewater Treatment Facility (the “Blue River WWTF”) is the largest facility operated by Kansas City, MO and is located at 7300 Hawthorne Road, on the south side of the Missouri River. The permitted average day design capacity is 105 million gallons per day (“mgd”) although the average flow at the plant is approximately 60 to 70 mgd. The peak treatment flow capacity is approximately 120 mgd. The preliminary and primary treatment systems were constructed in 1964 and 1965. The secondary treatment system was designed in 1985, construction began in 1986, and it was placed in service in 1988. The secondary facilities are located on a site just north of Front Street on the opposite side of I-435.

The Blue River WWTF consists of the Blue River and Northeast Industrial District (the “NEID”) screening facilities and pump stations, a common grit removal system, primary clarifiers, trickling filters and secondary clarifiers. The secondary effluent is piped to the Missouri River and a high river effluent pump station is available to facilitate continued operation during flood conditions. The Blue River



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 5

WWTF also includes anaerobic digestion and incineration facilities to process and stabilize waste solids produced at the Blue River, Birmingham, and Westside WWTFs.

The City has recently completed several major improvements at the Blue River WWTP. An odor control project was completed that included the construction of odor control processes at the Blue River Influent Screen House, NEID Pump Station and Solids Processing Building. Over the last two years, the City has systematically rebuilt nine of the centrifugal pumps serving the trickling filter and will finish rebuilding the remaining three this year. The City is currently in the process of replacing two of the four trickling filter rotating mechanisms. The City is also currently planning a major solids processing improvement project that will allow the City to produce a Class A biosolid and permanently shut down the sludge incineration system.

In summary, the equipment and the buildings are in good to adequate condition, with an overall facility rating of adequate. General wear is typical of this type of facility. Repairs are regularly scheduled, and equipment is maintained in working order. Table 3 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Westside Wastewater Treatment Facility

The Westside WWTF is a conventional activated sludge treatment plant located near the confluence of the Missouri and Kansas Rivers. The primary plant was constructed in 1962, the secondary treatment system was constructed in 1977, and the disinfection facility was constructed in 2012. The permitted average day design capacity is 22.5 mgd. Recent history indicates the average daily flow is approximately 17.2 mgd with a peak flow of 38.4 mgd.

A major construction project is currently starting that will provide improved primary clarification during wet weather events, secondary treatment improvements to allow better operator control, a new secondary clarifier, expanded chlorine disinfection system, and improved solids handling systems. These improvements are scheduled to be completed in the next 2 to 3 years.

In summary, the equipment and the buildings are in good to adequate condition, with an overall facility rating of adequate. General wear is typical of this type of facility. Repairs are regularly scheduled, and equipment is maintained in working order. Table 4 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 6

Table 3 – Blue River Wastewater Treatment Facility Condition Summary

Equipment/Structure	Observations	Condition
Blue River Headworks & Screening	The new odor control system has mitigated odors produced at the headworks and adjacent structures. The screens and influent pumps have been adequately maintained.	Adequate
NEID Headworks & Screening	No major improvements have been required at the NEID Pump Station over the last two years. Equipment and structures are in good to adequate condition.	Good
Grit Removal	Structural improvements have been completed on two of the grit channels to provide better handling of peak wet weather flows. Building and mechanical equipment is in generally good condition.	Adequate
Primary Treatment	Equipment and structures are in generally adequate condition and mechanical equipment has been maintained in good operational condition.	Adequate
Secondary Treatment	The secondary pumps are currently being rehabilitated to improve reliability. Six of the twelve were rebuilt in early 2018. Three have been rebuilt from late 2018 to early 2019, and the final three are scheduled to be rebuilt this year. The City is currently replacing two of the four Trickling Filter rotating mechanisms. Buildings and structures are in good condition. A major electrical improvements project is planned that will include replacement of the low voltage switchgear.	Adequate
Disinfection Facilities	All equipment and structures are relatively new and in good condition.	Good
Effluent Pump Station	The Effluent Pump Station has been performing adequately and the City did not identify any major improvements required at this time.	Adequate
Anaerobic Digestion	The Anaerobic Digestion is scheduled to be rehailed as part of a major solids processing upgrade. The tanks are in good condition and much of the mechanical equipment has been replaced or rehabilitated over the last few years.	Good
Incineration	The incineration area houses two multiple hearth furnaces, one of which is currently operable. The operating furnace is showing signs of deterioration and is periodically taken out of service for maintenance. The incinerators continue to be a major O&M cost but are scheduled to be abandoned once the major solids processing upgrades are completed over the next several years.	Adequate
Overall Condition		Adequate

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 7

Table 4 – Westside Wastewater Treatment Facility Condition Summary

Equipment/Structure	Observations	Condition
Aerated Grit Basins	Blowers are not operational. Basins do not appear to have any obvious structural issues, and currently serve as additional sedimentation.	NA*
Primary Basins	Equipment in generally good condition. Basins do not appear to have any structural issues. Chemical feed improvements are part of the current construction project.	Adequate
Aeration Basins	The mechanical surface aerators require frequent maintenance, but all are in serviceable condition. Basin structures are in good condition. Planned improvements include enhanced flow control and biological stability.	Adequate
Final Basins	Basins are in relatively good condition. Monthly and semi-annual maintenance is performed. One of the skimmer troughs was recently replaced.	Adequate
Return Activated Sludge	The current RAS pumps are vertical turbine style and susceptible to clogging. These pumps have been identified as a weekly maintenance item. The current construction project includes an all new RAS structure equipped with submersible pumps, which are much better suited for use with sludge pumping.	Adequate
Disinfection	Facility constructed in 2015 and is in very good condition. The current construction project will provide expanded disinfection capacity to enhance wet weather treatment capabilities.	Good
Effluent Pump Station	Constructed in 1997; pumps, sluice gates and structure all in adequate to good condition.	Adequate
Overall Condition		Adequate

**Since plant personnel indicated that the Department was not actively attempting to restore operation of the blowers, the condition rating has been deemed NA (not applicable).*

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 8

Birmingham Wastewater Treatment Facility

The Birmingham WWTF is a conventional activated sludge treatment plant located at 10801 N.E. 28th St. just north of the Missouri River and south of Missouri Highway 210 (Armour Road) and Birmingham Levee Road. The Birmingham WWTF was constructed in 1977 and additional sludge disposal facilities were added in 1982. Modifications were completed in 2012 for disinfection and final clarifier improvements. The permitted average day design capacity is 20 mgd. Recent history indicates the average daily flow is approximately 12.3 mgd with a peak flow of 28.4 mgd.

In summary, the equipment and the buildings are in good to adequate condition with general wear typical of this type of facility. Repairs are regularly scheduled and equipment is maintained in working order. Table 5 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Table 5 – Birmingham Wastewater Treatment Facility Condition Summary

Equipment/Structure	Observations	Condition
Aerated Grit Basins	Blowers are not operational and piping is corroded. City staff indicated that new screening and grit removal systems are currently being planned.	NA*
Primary Basins	Equipment in adequate condition. Basins do not appear to have any obvious structural issues. Weirs were recently replaced to improve hydraulics.	Adequate
Aeration Basins	The mechanical surface aerators are currently being replaced with new units. The basins do not appear to have any obvious structural issues and will be in good operating condition following the aerator replacement.	Good
Final Basins	The final settling basins are in good condition.	Good
Sludge Pumping	The primary and secondary sludge pumps have recently been replaced and are in good condition.	Good
Disinfection	Building and basins are original, with improvements to the chlorine storage, electric room, and roof completed in 2012. Most equipment was installed in 2011 and is in good condition.	Good
Effluent Pump Station	The structure is older but in good condition. The mechanical equipment is in serviceable condition.	Adequate
Overall Condition		Good to Adequate

*Since plant personnel indicated that the Department was not actively attempting to restore operation of the blowers, the condition rating has been deemed NA (not applicable).

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 9

Line Creek Pump Station

The Line Creek Pump Station is a permanent structure facility located at 2599 NW Tullison Road. The Line Creek Pump Station was constructed in 1993 and contains three submersible pumps in an exterior wet well structure. Each pump is rated for up to 12 MGD flow. Each pump suction has a dedicated basket screen that is manually cleaned by City staff. The pump station building houses all electrical and mechanical/HVAC gear, as well as a pump discharge piping gallery.

In summary, the equipment and the buildings are in adequate to good condition, with an overall facility rating of good. General wear is typical of this type and age of facility. The City recently completed a rehabilitation project in which they replaced pumps, variable frequency drives (VFDs) and upgraded the building ventilation system. The project also included cleaning and repainting the process piping and interior walls. Repairs are regularly scheduled for critical pumping equipment and equipment is maintained in working order. Table 6 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Table 6 – Line Creek Pump Station Condition Summary

Equipment/Structure	Observations	Condition
Screening	Three manually-cleaned basket screens are in adequate condition and are routinely cleaned by City staff.	Adequate
Pumps	Three submersible pumps are located in the exterior wet well. The pumps were below the liquid surface during the time of inspection, but City staff indicated the pumps had recently been replaced along with VFDs, and there were no operational issues.	Good
Pipe and valves	The pipe and valves were recently serviced and repainted. The piping gallery appears to be clean and in good condition.	Good
Electrical	The control panels, transformers, and electrical switchgear are in adequate condition. The VFDs were recently replaced and are in good condition. A new backup generator was in the process of being completed during the site visit.	Good
Mechanical	The ventilation system was recently replaced and is in good operating condition.	Good
Building structure	Building appears to be structurally sound; walls were recently cleaned and repainted.	Good
Overall Condition		Good

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 10

Birmingham Pump Station

The Birmingham Pump Station is a permanent structure facility located at 11011 Birmingham Road. The pump station was originally constructed in 1976. The pump station currently houses four pumps with accommodations for an additional two future pumps. Pumps 1 & 6 have a reported capacity of approximately 18 mgd each, while Pumps 3 & 5 have a reported capacity of 7 mgd each. The pump station also includes coarse screening on the exterior of the building, and fine screening in the interior of the building.

In summary, the equipment and the buildings are in good to adequate condition, with the exception of the exterior screening and gate structure currently scheduled for repair. The overall facility rating is adequate. General wear is typical of this type and age of facility. Electrical system upgrades are currently being implemented as part of a pump replacement project. Repairs are regularly scheduled and equipment is maintained in working order. Table 7 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Table 7 – Birmingham Pump Station Condition Summary

Equipment/Structure	Observations	Condition
Exterior Screening and Gate Structure	The exterior screening and gate structure are in poor condition but are reported to be functional. Upcoming CIP projects will include repairs as needed to maintain functionality.	Poor to Adequate
Interior Screening	The interior screens are both in service and routinely undergo preventative maintenance. The isolation gates have recently been replaced.	Adequate
Pumps	Pumps 1 and 6 are operable but are exhibiting signs of age. Pumps 3 and 5 were recently replaced and brought back into service after a prolonged outage. This improvement has allowed a much more consistent flow to the Birmingham WWTP.	Good to Adequate
Pipe and valves	Pipe and valves show some corrosion and peeling paint but are in adequate operating condition.	Adequate
Electrical	The electrical system has been rehabilitated as part of the recently completed pump and gate replacement project.	Good
Mechanical	The HVAC systems exhibit minor corrosion but are functional.	Good
Building structure	Building appears to be structurally sound with moderate wear and rusting of metal components.	Adequate
Overall Condition		Adequate

Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 11

Buckeye Pump Station

The Buckeye Creek Pump Station is a permanent structure facility located at 5001 Birmingham Road. The pump station was originally constructed in 1965. The pump station contains four (4) dry pit centrifugal pumps, although only two were operational during the site visit. Each pump has a capacity of approximately 7 MGD.

In summary, the process, mechanical, and electrical components at Buckeye Pump Station have reached the end of their useful life and require frequent maintenance to maintain the station in serviceable condition. Repairs are regularly scheduled and equipment is maintained as needed to keep the pump station operable. The overall facility rating is currently poor to adequate. However, the City has a CIP project planned that will include a complete rehabilitation of all systems to bring the pump station back to good condition. Table 8 lists the facilities, the general observations made during the facility site tour, and the condition rating for that piece of equipment or the structure.

Table 8 – Turkey Creek Pump Station Condition Summary

Equipment/Structure	Observations	Condition
Screening	The pump station does not appear to have screening.	NA
Pumps	The pump station contains four (4) pumps, but only two were in operation during the time of inspection. One of the pumps exhibited visible leaking and City staff indicated that the seal packing was in the process of being replaced. Two pumps were out of service and City staff indicated the motors were being worked on.	Poor to Adequate
Pipe and valves	The piping and valves are in poor to adequate condition. City staff indicated that some valves were stuck and inoperable but do not prevent operation of the facility.	Poor to Adequate
Electrical	The electrical systems have reached the end of their useful life will be replaced as part of the upcoming CIP project. The City had properly locked out and tagged out the electrical gear for all components being repaired. The City performs maintenance and repairs as needed to keep the pump station operable as the CIP project is developed.	Adequate
Mechanical	The HVAC systems are in poor condition and will be replaced as part of the upcoming CIP project.	Poor
Building Structure	Building appears to be structurally sound with moderate wear and rusting of metal components. No significant deterioration of the walls or rebar was observed, and signs of wear were limited to aesthetics.	Adequate
Overall Condition		Poor to Adequate



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 12

PURPOSE OF THE SERIES 2019A BONDS

The Series 2019A Bonds are being issued to provide funds to (i) finance the costs of making additions, extensions and improvements to the City’s revenue-producing System and (ii) pay certain costs related to the issuance of the Series 2019A Bonds.

The Department identified a Capital Improvement Plan (“CIP”) which was intended to improve and enhance facilities to meet existing and anticipated federal and state standards, and to maintain a reliable wastewater system that can respond to changing usage patterns throughout the City’s service area. Table 9 shows a CIP of approximately \$1.529 billion which reflects the current CIP as developed by the Department for FY 2019 through FY 2024. Including an allowance for inflation, the projected CIP totals approximately \$1.628 billion. The CIP is expected to be financed primarily through a combination of annual revenues, contributions from local sources, available fund balances, and bond proceeds.

Table 9 – Capital Improvement Plan

Line No.	Project Type	2019 \$-millions	2020 \$-millions	2021 \$-millions	2022 \$-millions	2023 \$-millions	2024 \$-millions
1	Collection System	7.5	7.8	49.5	19.5	15.0	15.0
2	Flood Station	-	-	-	5.0	-	-
3	OCP	59.4	141.5	141.7	66.3	78.9	577.0
4	Pump Station	15.0	3.3	15.7	2.3	12.1	34.0
5	WWTP	8.8	15.5	94.6	74.1	14.8	12.9
6	Admin	0.8	4.1	-	-	-	-
7	Total Projects (a)	91.4	172.0	301.6	167.2	120.8	639.0

(a) Total excludes contingency spending that may occur.

PROJECT DESCRIPTIONS

The following descriptions summarize the most significant projects to be financed with the Series 2019A Bonds.

Round Grove Pump Station Upgrade

This project includes a capacity expansion and rehabilitation of the Round Grove Pump Station.

Neighborhood Sewer Rehabilitation: Turkey Creek/Central Industrial District

This project enables repair of small diameter sewers (less than 12 inches) to reduce the quantity of inflow entering the system. The project will restore hydraulic capacity in the collection system and reduce the frequency and severity of basement backups.

Neighborhood Sewer Rehabilitation: Lower Blue River

This project enables repair of small diameter sewers (less than 12 inches) to reduce the quantity of inflow entering the system. The project will restore hydraulic capacity in the collection system and reduce the frequency and severity of basement backups.



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 13

Diversion Structure 068 Storage Basin

This project will construct a 3 million gallon open storage basin located near South Oak Park at 85th Street and Oak Street to capture combined sewer overflows from Diversion Structure 068.

City Wide Sewer Rehabilitation

This project includes rehabilitation of sewer mains at various locations throughout the City limits in Kansas City, Clay, Cass, Jackson and Platte Counties, Missouri.

FINANCIAL FEASIBILITY FOR THE SERIES 2019A BONDS

The historical financial data used in the analyses presented herein were obtained from the financial records of the City. The City's financial records are audited annually.

Current Wastewater Rates

The current wastewater rate schedule is comprised of a service charge plus a volume charge. The service charge is a flat monthly fee. The volume charge is charged per 100 cubic feet. There are also surcharges for excess biochemical oxygen demand, suspended solids and oil and grease. On March 21, 2019 the City Council approved Ordinance No. 190172 which established FY 2020 wastewater rates as shown on Table 10. FY 2020 wastewater rates represent a 6.0 percent wastewater revenue rate increase and became effective as of May 1, 2019. In recent fiscal years, the Department has implemented revenue adjustments amounting to 13 percent per year for FY 2016 and FY 2017, 9.5 percent for FY 2018 and 9.0 percent for FY 2019.



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 14

Table 10 – FY 2020 Wastewater Rate Schedule

<u>Inside City Rates</u>		
Monthly Service Charge	\$22.58	per month
Volume Charge	\$9.11	per hundred cubic feet
Excess Strength Surcharges		
Biochemical Oxygen Demand over 250 mg/l	\$0.399	per pound
Suspended Solids over 250 mg/l	\$0.190	per pound
Oil & Grease over 30 mg/l	\$0.178	per pound
<u>Outside City Rates</u>		
Metered Wastewater Connections		
Volume Charge	\$3.34	per hundred cubic feet
Unmetered Connections with Water Records		
Monthly Service Charge	\$14.40	per bill
Volume Charge	\$4.97	per hundred cubic feet
Unmetered Connections without Water Records		
Monthly Service Charge	\$49.77	per month
Individual Customers Billed Directly by the City		
Monthly Service Charge	\$31.80	per bill
Volume Charge	\$12.60	per hundred cubic feet
Excess Strength Surcharges		
Biochemical Oxygen Demand over 250 mg/l	\$0.446	per pound
Suspended Solids over 250 mg/l	\$0.220	per pound
Oil & Grease over 30 mg/l	\$0.191	per pound

Operating and Non-Operating Revenues

Operating revenue of the System is derived from wastewater volumes and miscellaneous revenues. During the past few years the System has experienced a slight increase in the number of customers served and wastewater volumes have increased slightly from 26.9 million hundred cubic feet (“ccf”) in 2014 to 27.3 million ccf in 2018. Annual operating and non-operating revenues for the historical period FY 2014 through FY 2018 are shown in Table 11. Total revenue increased from \$139.2 million in FY 2014 to \$212.6 million in FY 2018 reflecting the impact of increased rates.



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 15

Table 11 – Historical Wastewater Customers, Volumes, Revenues, and Expenses

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Wastewater Customers					
Residential	146,855	147,475	148,033	148,501	149,489
Commercial/Industrial	16,609	16,585	16,576	16,662	16,778
Wholesale (a)	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
Total Wastewater Customers	163,485	164,081	164,630	165,184	166,288
Wastewater Volumes, ccf					
City Residential (b)	7,810,607	7,334,300	7,260,804	7,082,330	7,028,835
City Commercial (b)	9,891,765	9,415,559	9,369,299	9,465,008	9,235,780
Outside Residential	54,000	50,778	47,211	44,350	42,972
Outside Commercial	333,000	415,139	367,044	380,957	350,329
Other Accounts	<u>8,850,000</u>	<u>8,626,800</u>	<u>11,018,134</u>	<u>11,240,911</u>	<u>10,597,708</u>
Total Wastewater Volumes	26,939,372	25,842,576	28,062,492	28,213,556	27,255,624
Wastewater Revenues, \$					
Retail Volume Revenue	106,689,690	119,719,610	138,557,694	158,353,572	172,044,084
Intermunicipal Volume Revenue	28,047,478	32,700,686	37,242,952	33,687,701	33,517,836
Other Operating Revenue	3,462,062	3,408,827	4,000,912	4,365,057	5,652,415
Interest Income	<u>1,031,813</u>	<u>2,422,427</u>	<u>1,940,603</u>	<u>2,086,536</u>	<u>1,399,152</u>
Total Revenues	139,231,043	158,251,550	181,742,161	198,492,866	212,613,487
Operation & Maintenance Expenses, \$					
Sewerage Treatment & Pumping	21,852,034	24,438,632	30,568,910	29,223,528	35,605,983
Sewer Maintenance	20,686,435	24,154,900	23,550,319	23,208,801	28,514,416
Administrative & General	18,709,733	22,042,757	27,654,747	34,786,672	45,569,553
Hazardous Waste Control	<u>1,277,181</u>	<u>951,327</u>	<u>849,257</u>	<u>798,141</u>	<u>817,506</u>
Total O&M Expenses	62,525,383	71,587,616	82,623,233	88,017,142	110,507,458

Notes:

- (a) KCMO has 28 inter-jurisdictional agreements ("IJA"), only 21 send wastewater to Kansas City, Missouri for treatment on a wholesale basis, six of the IJA are billed on a retail basis, and one bills Kansas City.
- (b) Billable volumes determined based on class revenues, service and volume charges.



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 16

Projected operating and non-operating revenues are shown in Table 12. Projected revenue for FY 2019 is based upon actual revenue through March 2019, prorated through the end of the year. Projected operating and non-operating revenues for the System are expected to range from \$244.4 million in FY 2019 to \$280.2 million in FY 2024. Retail volumes are assumed to remain stable throughout the forecast period. Forecasted wholesale volumes reflect a decrease in FY 2022 due to the partial loss of Johnson County Wastewater, which is expanding treatment capacity at one of its facilities. The expanded facility is anticipated to be operational in late 2021. By FY 2022, the City estimates a loss of approximately 80 percent of Johnson County Wastewater flows.

Table 12 – Projected Customers, Sales, Revenues and Expenses

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Wastewater Customers						
Residential	150,236	150,987	151,742	152,501	153,264	154,030
Commercial/Industrial	16,862	16,946	17,031	17,116	17,202	17,288
Wholesale	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>	<u>21</u>
Total Wastewater Customers	167,119	167,954	168,794	169,638	170,487	171,339
Wastewater Volumes, ccf						
City Residential	7,255,600	7,255,600	7,255,600	7,255,600	7,255,600	7,255,600
City Commercial	9,538,200	9,538,200	9,538,200	9,538,200	9,538,200	9,538,200
Outside Residential	44,400	44,400	44,400	44,400	44,400	44,400
Outside Commercial	361,800	361,800	361,800	361,800	361,800	361,800
Other Accounts (a)	<u>11,000,000</u>	<u>11,000,000</u>	<u>11,000,000</u>	<u>9,409,391</u>	<u>6,228,173</u>	<u>6,228,173</u>
Total Wastewater Volumes	28,200,000	28,200,000	28,200,000	26,609,391	23,428,173	23,428,173
Revenues, \$						
Wastewater Volume Revenue	234,478,000	246,788,000	259,744,400	266,661,400	266,516,500	269,847,900
Other Operating Revenue	5,913,500	5,960,800	6,008,500	6,056,600	6,105,100	6,153,900
Interest Income	<u>4,000,000</u>	<u>4,040,000</u>	<u>4,080,400</u>	<u>4,121,200</u>	<u>4,162,400</u>	<u>4,204,000</u>
Total Revenues	244,391,500	256,788,800	269,833,300	276,839,200	276,784,000	280,205,800
Operation & Maintenance Expenses, \$ (b) (c)						
Sewerage Treatment & Pumping	30,000,000	35,509,600	36,574,900	37,672,100	38,802,300	39,966,400
Sewer Maintenance	29,000,000	32,022,800	32,983,500	33,973,000	34,992,200	36,042,000
Administrative & General	41,000,000	47,285,700	48,704,300	50,165,400	51,670,400	53,220,500
Hazardous Waste Control	1,600,000	1,865,700	1,921,700	1,979,400	2,038,800	2,100,000
Less: Capitalized Engineering (d)	<u>-</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>	<u>(2,500,000)</u>
Total O&M Expenses	101,600,000	114,183,800	117,684,400	121,289,900	125,003,700	128,828,900

Notes:

- (a) Reflects the anticipated reduction in Johnson County Wastewater flow beginning in FY2022.
- (b) Operation and Maintenance Expenses for FY2019 are based upon actual expenses through March 2019, prorated through the end of the year.
- (c) Operation and Maintenance Expenses for FY2020 are based upon the revised budget request amounts for personal services, contractual services, and commodities, less an allowance for capitalized engineering costs.
- (d) Capitalized Engineering represents an estimate of engineering expenses capitalized upon the completion of projects.



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 17

The projected wastewater volume revenues reflect a 6 percent revenue increase implemented for FY 2020. Projected revenue adjustments assume 6 percent adjustments each fiscal year for FY 2021 through FY 2023, and a 2 percent adjustment in FY 2024. On March 21, 2019 the City Council approved Ordinance No. 190172 which established FY 2020 wastewater rates. Beyond FY 2020, projected increases are preliminary and are subject to the annual review and approval of the City Council.

Operating and Maintenance Expenses

Annual operation and maintenance expenses of the System for FY 2014 through FY 2018 are shown previously in Table 11. These expenses consist of sewerage treatment and pumping, sewer maintenance, administrative and general, and hazardous waste control. The wastewater utility's total operation and maintenance expenses for the historical period were \$62.5 million in FY 2014, increasing to \$110.5 million in FY 2018.

The System's projected operation and maintenance expenses for the period FY 2019 through FY 2024 are presented in Table 12. The City's estimated FY 2019 operation and maintenance expenses reflect annualized actual expenses incurred through February 2019. FY 2020 operation and maintenance expenses are based on current budget estimates less an allowance for capitalized labor. Total operation and maintenance expenses are expected to increase from \$101.6 million in FY 2019 to \$128.8 million in FY 2024. Expenses for FY 2021 through 2024 are based on 3 percent per year inflationary adjustments. Annual operation and maintenance expenses shown in Table 12 do not include depreciation and amortization expense.

Operating and Renewal and Replacement Reserves

On August 14, 2008, the City Council adopted the Water Services Department's Statement of Policy for Operating and Renewal and Replacement Reserves (Reserve Policy). The Reserve Policy establishes target reserve levels for operating and renewal and replacement reserves, establishes annual contribution levels, and provides for the annual review and modification of the reserve targets and funding requirements. Reserve targets established for the Sanitary Sewer System are as follows:

- (a) Operating reserves have been established in an amount equal to 20 percent of budgeted annual operating and maintenance expenses, plus budgeted administrative fees; and
- (b) A renewal and replacement reserve has been established in an amount equal to the prior year's annual depreciation. Minimum annual contributions of \$1,000,000 shall be budgeted and transferred until the required amount is established. Once the required funding level is met, annual contributions may be adjusted to amounts consistent with growth in annual depreciation. To the extent that balances are drawn down and used to fund emergency capital replacements or for other authorized purposes, annual contributions shall resume until the required funding level is met.

Anticipated Bond Financing

Table 13 presents the projected cash flow and revenue bond debt service coverage ratio on an annual basis. With the proposed CIP shown previously in Table 9, in addition to the Series 2019A Bonds, Burns & McDonnell anticipates that the Department will spend additional cash and net bond proceeds to fund the proposed CIP as shown on Lines 32 and 33 in Table 13. Net bond proceeds are projected to be approximately \$93.7 million for FY 2020, approximately \$164.2 million for FY 2021, approximately



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 18

\$91.0 million for FY 2022, approximately \$65.8 million for FY 2023, and approximately \$434.6 million for FY 2024. Debt service payments for the Series 2019A Bonds were provided by Hilltop Securities, Inc. For sanitary sewer system revenue bonds projected to be issued in FY 2020 through FY 2024 Burns & McDonnell assumed equal annual payments based on 25-year terms and an average interest rate of 4.5 percent.

ANNUAL CASH FLOW

As shown on Table 13, the net revenues available for coverage based on the total debt service are projected to be adequate throughout the study period. The annual coverage ratios of net revenues to debt service are shown on Lines 37 through 39 in Table 13. The City has agreed to produce income and revenue through rates and charges sufficient to maintain annual coverage of not less than 130% of the annual debt service requirement. As shown on Table 13, annual coverage is anticipated to be adequate throughout the forecast period.

ADDITIONAL BONDS

The Series 2019A Bond Ordinance authorizing the Series 2019A Bonds sets forth requirements for the issuance of additional sanitary sewer revenue bonds. The requirements also include either:

Historical Test: A certificate showing the average annual Net Sanitary Sewer Revenues Available for Debt Service as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds are at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in all succeeding Fiscal Years. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining Net Sanitary Sewer Revenues Available for Debt Service, the City may rely on a certificate of the Consultant to add the additional Net Sanitary Sewer Revenues Available for Debt Service which would have resulted if the rate increase had been in effect for the entire period to the audited Net Sanitary Sewer Revenues if the City has made any increase in rates for the use and services of the Sanitary Sewer System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available; or

Future Test: A certificate showing the estimated average annual Net Sanitary Sewer Revenues Available for Debt Service for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the Sanitary Sewer System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the amount of estimated Net Sanitary Sewer Revenues Available for Debt Service, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Sanitary Sewer Revenues Available for Debt Service resulting from any increase in rates for the use and services of the Sanitary Sewer System approved by the City.



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 19

Table 13 – Projected Wastewater Cash Flow and Revenue Bond Debt Service Coverage

Line No.	Description	Projected					
		2019	2020	2021	2022	2023	2024
1	Retail Revenue, Existing Rates (a)	193,644,700	193,644,700	193,644,700	193,644,700	193,644,700	193,644,700
	Proposed Revenue Increases (b)						
	Year	Increase	Months Effective				
2	2019	0.0%	12	-	-	-	-
3	2020	6.0%	12	10,166,300	10,166,300	10,166,300	10,166,300
4	2021	6.0%	12	10,700,100	10,700,100	10,700,100	10,700,100
5	2022	6.0%	12		11,261,800	11,261,800	11,261,800
6	2023	6.0%	12			11,853,100	11,853,100
7	2024	2.0%	12				2,970,300
8	Total Proposed Additional Revenue	-	10,166,300	20,866,400	32,128,200	43,981,300	46,951,600
9	Johnson County Wastewater (c)	21,612,400	22,747,100	23,941,300	18,478,700	5,304,200	5,370,500
10	Other Wholesale	19,220,900	20,229,900	21,292,000	22,409,800	23,586,300	23,881,100
11	Total Wholesale Revenue (d)	40,833,300	42,977,000	45,233,300	40,888,500	28,890,500	29,251,600
12	Total Rate Revenue	234,478,000	246,788,000	259,744,400	266,661,400	266,516,500	269,847,900
13	Other Operating Revenue	5,913,500	5,960,800	6,008,500	6,056,600	6,105,100	6,153,900
14	Interest Income	4,000,000	4,040,000	4,080,400	4,121,200	4,162,400	4,204,000
15	Total Revenues	244,391,500	256,788,800	269,833,300	276,839,200	276,784,000	280,205,800
16	Operation & Maintenance Expense	101,600,000	114,183,800	117,684,400	121,289,900	125,003,700	128,828,900
17	Existing Debt Service (e)	44,388,200	45,872,400	45,316,100	43,706,300	42,817,500	41,064,600
18	Series 2019A Debt Service (f)	-	1,200,500	3,869,500	3,866,800	3,865,500	3,865,500
19	Debt Service on Future FY20-24 Issues (g)	-	-	6,380,300	17,565,900	23,767,200	28,247,800
20	Debt Subsidies	(536,500)	(380,600)	(244,600)	(148,900)	(79,500)	(35,700)
21	SRF Fees	142,600	114,500	89,400	66,300	50,600	34,800
22	Total Debt Service	43,994,300	46,806,800	55,410,700	65,056,400	70,421,300	73,177,000
23	Total Expenses	145,594,300	160,990,600	173,095,100	186,346,300	195,425,000	202,005,900
24	Annual Operating Balance	98,797,200	95,798,200	96,738,200	90,492,900	81,359,000	78,199,900
25	Beginning Balance - Operating Funds	148,722,800	206,387,400	224,778,800	185,811,400	201,069,200	228,068,600
26	Annual Operating Balance	98,797,200	95,798,200	96,738,200	90,492,900	81,359,000	78,199,900
27	Transfer to Construction Fund	(41,132,600)	(77,406,800)	(135,705,600)	(75,235,100)	(54,359,600)	(200,000,000)
28	Renewal & Replacement Fund Deposit	-	-	-	-	-	-
29	Ending Balance - Operating Funds	206,387,400	224,778,800	185,811,400	201,069,200	228,068,600	106,268,500
30	Targeted Ending Balance (h)	25,052,100	28,154,900	29,018,100	29,907,100	30,822,800	31,766,000
31	Beginning Balance - Construction Fund	175,061,700	189,589,100	188,643,100	186,984,500	186,064,900	185,400,500
32	Net Revenue Bond Issue	64,800,600	93,662,200	164,203,800	91,034,500	65,775,100	434,564,100
33	Transfers from Operating Funds	41,132,600	77,406,800	135,705,600	75,235,100	54,359,600	200,000,000
34	Total Available Construction Funds	280,994,900	360,658,100	488,552,500	353,254,100	306,199,600	819,964,600
35	Use of Funds - CIP	91,405,800	172,015,000	301,568,000	167,189,200	120,799,100	638,953,600
36	Ending Balance - Construction Fund	189,589,100	188,643,100	186,984,500	186,064,900	185,400,500	181,011,000
	Debt Service Coverage						
37	Revenues Available for Debt Service	142,791,500	142,605,000	152,148,900	155,549,300	151,780,300	151,376,900
38	Gross Debt Service Coverage (i)	3.22	3.03	2.74	2.39	2.15	2.07
39	Net Debt Service Coverage (j)	3.25	3.05	2.75	2.39	2.16	2.07

Notes

- (a) Includes retail and wholesale accounts that are billed at retail rates.
- (b) Rate increases for FY 2021 through 2024 are subject to approval of City Council.
- (c) Johnson County Wastewater revenues assumed to decrease by 80 percent in January 2022.
- (d) Assumed to increase proportionately with adjustments to retail rates.
- (e) Existing Debt Service includes all Senior and Junior Bonds.
- (f) Includes principal and interest payments for Series 2019A.
- (g) Assumes additional bond authorization beginning in FY 2021.
- (h) Target equals 90 days of O&M.
- (i) Gross Debt Service Coverage includes Existing Bond Debt Service (Line 17), Series 2019A Debt Service (Line 18), and debt service on future debt issues (Line 19).
- (j) Net Debt Service Coverage includes Existing Bond Debt Service (Line 17), Series 2019A Debt Service (Line 18), debt service on future debt issues (Line 19), Debt Subsidies (Line 20) and SRF Fees (Line 21).



Mr. Sean Hennessy
 City of Kansas City, Missouri
 June 11, 2019
 Page 20

Table 14 presents the calculation described above in the Historical Test. Based on the annual coverage levels, Burns & McDonnell is of the opinion that the additional bonds requirements are met by the City.

Table 14 – Historical Additional Parity Bonds Test

Line No.	Description	2017	2018	Average
1	Wastewater Charges for Service (a)	192,041,273	205,561,920	
2	Other Operating Revenue	4,365,057	5,652,415	
3	Interest Income	<u>2,086,536</u>	<u>1,399,152</u>	
4	Total Revenue	198,492,866	212,613,487	
5	Operating Expense	<u>88,017,142</u>	<u>110,507,458</u>	
6	Net Revenues Available for Debt Service	110,475,724	102,106,029	
7	Average Net Revenues			106,290,877
8	Average Annual Debt Service (b)			34,893,203
9	Debt Service Coverage			305%

Notes

(a) Charges include rate increase enacted for FY 2017 and FY 2018.

(b) Equal to average annual debt service to be paid on the Sanitary Sewer System Revenue Bonds, including the Series 2019A bonds being issued, for FY2019 - FY2044. Interest to be paid on any SRF Program Bonds is reduced by the SRF Subsidy (if any).

Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 21

ASSUMPTIONS

The following assumptions were used in conducting our investigations and preparing the detailed analysis that is summarized in this Consulting Engineer's Report. It is our opinion that these assumptions are reasonable.

- Projections of sales volumes have been made based upon an analysis of historical trends and review of anticipated local growth patterns. Projections for future years are conservatively based on minimal customer growth and no retail volume growth. Wholesale volume is expected to decrease resulting from reduced flow from Johnson County Wastewater in FY 2021.
- Projected revenues are based on the current schedule of rates approved by the City which became effective May 1, 2019, and expected rate increases, to be implemented during the forecast period.
- Projections of future operation and maintenance expenses are based on analyses of historical operating data and existing budgetary projections, modified to recognize current and anticipated operating conditions and trends. Operation and maintenance expenses of the total Wastewater System are projected to increase due to the combined effects of inflation and, to a lesser degree, increased material requirements to meet increasing customer service demands.
- The debt service on the Series 2019A Bonds is based on a par amount of \$59,735,000 and has been provided by Hilltop Securities, Inc., the City's financial advisor.
- The projections of wastewater billable flow of the existing System will be similar to those experienced in the period 2014 to 2018. Significant variation in weather conditions and in economic and demographic conditions may affect the actual results. No such effects have been assumed for the projections or analyses presented in this Report.
- As provided by the City's Series 2019A Bond Ordinance, the Department will at all times fix, establish, maintain, and collect rates sufficient to provide for the payment of expenses of operation, maintenance, and repair and to pay any bonds and interest outstanding and to apply the revenue in conformity with Series 2019A Bond Ordinance.

OPINIONS

Based on our investigations and analysis of the Department's facilities and records, the reviews, studies, and analyses we have outlined above, and our continuing studies of System operations, it is our opinion that:

- The Department's System properties are and have been maintained, preserved, and kept in generally adequate working order and condition, and the Department makes, as necessary, proper repairs, replacements, and renewals. The proposed capital program will provide the funds necessary to improve certain facilities to good condition.
- The assumptions used in preparing the projections and estimates used in our analysis are reasonable. The forecast of debt service coverage is also reasonable.
- Projected operating results are reasonably attainable by the Department.
- Proceeds from the Series 2019A Bonds are to be used to finance major portions of the Department's Capital Improvement Plan and to pay certain costs related to the issuance of the Series 2019A Bonds.



Mr. Sean Hennessy
City of Kansas City, Missouri
June 11, 2019
Page 22

Based on the financial projections included herein, the requirements of the rate covenant (the “Rate Covenant”) as set forth in the Series 2019A Bond Ordinance authorizing the Series 2019A Bonds are projected to be satisfied.

BURNS & McDONNELL QUALIFICATIONS

Burns & McDonnell has specialized in providing engineering, operations, and financial consulting services to water, wastewater, electric, and gas utilities throughout our history of over 100 years. With over 7,000 employee-owners, consisting of specialists from all engineering disciplines and business functions, Burns & McDonnell offers a comprehensive package of experience and skills for performing rate and financial analyses, feasibility studies, and negotiation services. In addition, the firm has extensive experience in assisting utilities with the issuance of debt and with management and financial aspects of their operations.

Sincerely,
BURNS & McDONNELL

David F. Naumann
Project Manager

APPENDIX B

**KC WATER COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING COMBINED AUDITED
FINANCIAL STATEMENTS FOR THE CITY'S SEWER FUND AND WATER FUND**

(This Page Intentionally Left Blank)

COMPREHENSIVE ANNUAL FINANCIAL REPORT 2018

For the Fiscal Years Ended April 30, 2018 and 2017



A Department of the City of Kansas City, Missouri

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended April 30, 2018 and 2017

Prepared by
Sean Hennessy, CFO
Phillip Cridlebaugh, Finance & Accounting Manager
Vickie Steinly, Performance Analytics Manager
Finance & Accounting Staff



A Department of the City of Kansas City, Missouri

KC Water

A Department of the City of Kansas City, Missouri

Comprehensive Annual Financial Report

Years Ended April 30, 2018 and 2017

Table of Contents

Introductory Section

Letter of Transmittal.....	I
Certificate of Achievement for Excellence in Financial Reporting.....	II
Organizational Chart	III

Financial Section

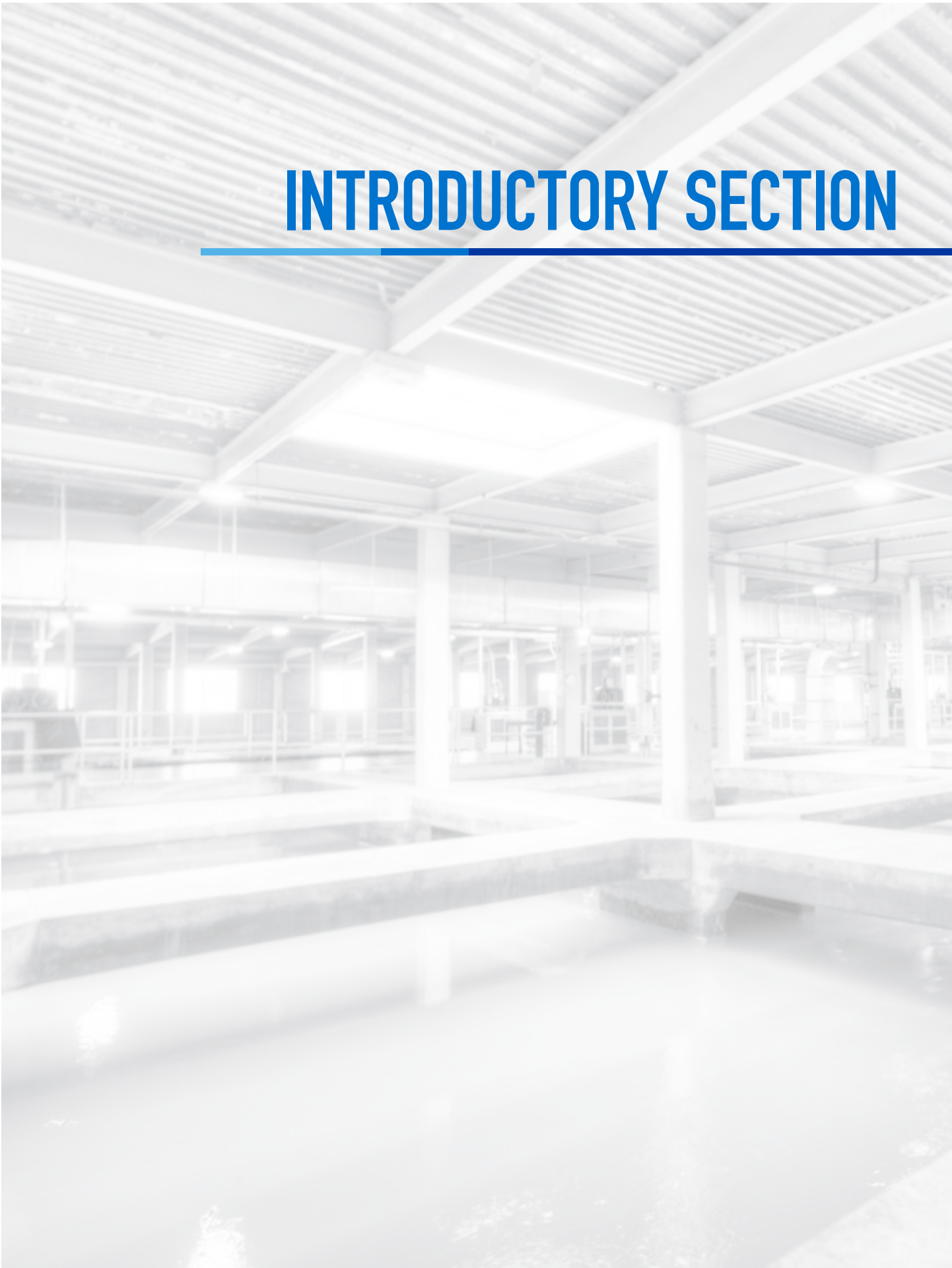
Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited).....	4
Basic Financial Statements	
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	19
Statements of Cash Flows.....	21
Notes to Financial Statements	25
Required Supplementary Information (Unaudited)	
Schedule of the Department’s Proportionate Share of the Net Pension Liability	69
Schedule of the Department’s Contributions.....	70
Schedule of the Funding Progress	71
Supplementary Information	
Combining Schedule of Revenues, Expenses and Changes in Net Position – Sewer Fund	72

Statistical Section

Statistical Section Table of Contents.....	73
Financial Trends	
Net Position By Category.....	74

Changes in Net Position – Water Fund.....	75
Changes in Net Position – Sewer Fund	76
Revenue Capacity	
Residential Water Service Rates.....	77
Suburban Water Service Rates	78
Sewer and Stormwater Service Rates.....	79
Revenue Base and Revenues by Customer Class	80
Largest Users of the System – Water Fund	81
Largest Users of the System – Sewer Fund.....	82
Debt Capacity	
Revenue Bond Coverage Ratios	83
Schedule of Historical Revenue Bonds and Capital Leases – Water Fund	85
Schedule of Historical Revenue Bonds and Notes Payable – Sewer Fund.....	86
Ratios of Outstanding Debt	87
Demographic and Economic Information	
Demographic and Economic Statistics	88
Top 10 Principal Employers	89
Operating Information	
Operating Indicators	90
Schedule of Full-Time Equivalent Employees by Division – Water Fund.....	91
Schedule of Full-Time Equivalent Employees by Division –Sewer Fund.....	92
Schedule of Full-Time Equivalent Employees by Division – Stormwater Fund	93

INTRODUCTORY SECTION





KC WATER

OFFICE OF THE DIRECTOR

4800 E. 63rd Street • Kansas City, MO 64130

P: 816-513-0504 • F: 816-513-0185 • www.kcwaterservices.org

October 30, 2018

The Honorable Mayor, Members of the City Council, City Manager, and Citizens of Kansas City:

City of Kansas City, Missouri Water Services Department (KC Water) is a department of Kansas City, Missouri's Municipal Government. It operates the Water, Wastewater and Stormwater Enterprise Funds, meaning it is financed by the fees collected from its customers. Kansas City municipal government has 19 departments and all of them, with the exception of KC Water and Aviation, are financed by taxes collected by the City. So, that makes KC Water a unique organization in many ways.

From a management perspective, KC Water is led by a Director who reports to the City Manager, just like the Directors of all other City departments. The two major utilities, Water and Wastewater, are each led by a utility officer. In addition, KC Water's utilities are regulated by Environmental Protection Agency (EPA) and Missouri Department of Natural Resources (MDNR) and the utilities follow standards as prescribed by the American Water Works Association (AWWA) and the Water Environment Federation (WEF).

As an entity that operates and manages three utilities (Water, Wastewater, and Stormwater), KC Water must fully recover the cost of managing each utility through its fee structure each fiscal year, essentially operating as a utility business. Each year, KC Water conducts a cost of service study with an outside third party engineering firm to determine the necessary revenue requirements and cost allocation methodology to cover the costs of operation. This cost of service study is the basis for the department's annual budget and follows guidelines as prescribed by the AWWA and the WEF. In addition, the Department manages a long term financial plan to forecast future revenue needs associated with major items such as debt service related to planned bond issues to cover capital mandates. This financial plan is a critical component into the annual cost of service study.

In terms of the annual budget approval process, the department initially submits its budget to the City Manager and Mayor six months prior to the start of the next fiscal year. After review by the City Manager and Mayor, public hearings on the budget are held around the city over the next few months. Two months before the next fiscal year starts, the budget and associated rate ordinances are presented to the four member Finance Committee of the City Council. Once the budget is passed out of the Finance Committee, it is presented by the Department to the full City Council who, in turn, is required to approve or not approve the proposed budget. So, from a governance structure, while the Department Director can recommend a budget and supporting rate structure to the City Manager, rates are ultimately required to receive final approval from the 13-member City Council, one month before the start of the next fiscal year.

KC Water is challenged by the fact that we have a low population density relative to other metropolitan utilities around the country. With 478,000 residents and 320 square miles of service territory, that includes 2,800 miles of water mains and 2,800 miles of sewer mains, our city must manage a network that is larger than the cities of San Francisco, Philadelphia, Boston and Miami (combined population of 3.4 million). With a smaller base and larger territory, average bills are higher than in many other cities.

As management of KC Water, we offer readers the attached Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2018. The CAFR is prepared in conformity with generally accepted governmental auditing standards, attested by a certified public accountant and is in accordance with local, state, and federal laws and requirements. The independent accounting firm of BKD, LLP, whose report is included, has audited the financial statements and related notes.

The report is designed to fairly present KC Water's financial position and results of operations as measured by the financial activity of the various funds. KC Water is responsible for both the accuracy of the data and the completeness and fairness of the presentations, based upon a comprehensive framework of internal controls that it has established for this purpose. Sufficient internal accounting controls exist to provide reasonable, rather than absolute, assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. Management assumes full responsibility for the completeness and reliability of the information contained in this report. Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' Report and provides a narrative introduction, overview, and analysis of basic financial statements and should be read in conjunction with the basic financial statements.

KC Water is responsible for the operation and maintenance of the City's revenue-producing waterworks system ("System"), which includes facilities for obtaining, purifying and delivering potable water for domestic, commercial and industrial consumption and fire protection within the City and surrounding areas. The System is comprised of three separate and distinct units: The Water, Sewer and Stormwater utilities. Each is treated as a separate and distinct enterprise fund.

LOCAL ECONOMY

Kansas City, Missouri is situated at the junction of the Missouri and Kansas rivers and sits opposite Kansas City, Kansas. It is the largest city in the Kansas City Metropolitan Area; the most populous city in Missouri, the sixth largest city in the Midwest, and the 37th most populous city in the United States. Kansas City's location makes it a national transportation hub. The most geo-central market in the nation, metro Kansas City is served by three interstate highways. Kansas City has a diversified economy including transportation, telecommunications, manufacturing, health care, legal services, trade, financial services, and governmental services. The region provides access to over one million jobs in over seven hundred occupations. The top three employers by industry within Kansas City are Services at 35%, which includes professional and business services, as well as education and health services; Trade, Transportation, and Utilities at 20%; and Government at 14%.

Housing in the City of Kansas City is comparatively affordable among major metropolitan cities, with values holding steady. The median price for existing homes is \$133,400, while the median home value in Missouri is \$138,400. Forbes named Kansas City third on its list of the “10 Best Cities to Buy a Home,” which followed up a prior survey naming the City as the thirteenth most affordable city in the United States for its low cost of living and housing affordability. U.S. News and World Report listed Kansas City as 49th on its “Best Places to Live” 2016 ranking and 19th on their “20 Best Affordable places to Live in the U.S.” ranking, showcasing the value of residing in Kansas City.

Kansas City is officially nicknamed the “City of Fountains - Heart of the Nation” with over 200 fountains, the second most in the world just behind Rome, Italy. Kansas City’s Parks and Recreation Department oversees 134 miles of trails and bike ways, 220 urban parks, 29 lakes, 103 playgrounds, 152 ball diamonds, 10 community centers, 105 tennis courts, five public golf courses, six museums and attractions, and 30 pools. Swope Park is one of the nation’s largest city parks, comprising 1,805 acres, and annually attracts more than two million visitors.

Kansas City is recognized for a growing number of hot spot attractions such as the Kauffman Center for the Performing Arts, the National World War I Museum, the Nelson-Atkins Museum of Art, the American Jazz Museum, the Negro Leagues Baseball Museum, and the College Basketball Experience.

In September, 2017 Thrillist put Kansas City on its new list of “9 Surprisingly Great US Food Cities You Have to Visit”. Kansas City made the list for barbeque, fine dining experiences and craft cuisines.

Kansas City was ranked 48th in U.S. News “Top 100 Best Places to Live” survey. To make the top of the list, a place had to have good value, be a desirable place to live, have a strong job market and a high quality of life. Kansas City, Missouri – the larger of two cities that bear the same name – is a major metropolitan area with a diverse population of more than two million people. Straddling two states and two rivers, Kansas City surprises newcomers who expect to find a homey metro area. Instead, they find a place that continues to celebrate its history while continuously innovating. Locals can sit down to a game of cards in a riverboat casino before enjoying a show at the Kansas City Symphony. Locals can honor resident legend Charlie Parker with a stop at the American Jazz Museum before sinking their teeth into some famous barbecue. As more millennials flock to Kansas City for its desirable cost of living and optimal job market, the area has fostered the growth of a creative community. Throughout the area, independent boutiques and coffee shops have sprung up, and building walls are decorated by colorful murals.

Per the Bureau of Labor Statistics, the average unemployment rate (not seasonally adjusted) for Kansas City as of April 30, 2018 was 3.6%, which is 0.3 percentage points lower than the national unemployment rate of 3.9%.

The Water Utility

The primary system includes a 240 million gallon per day treatment plant, 4 major pump stations, 14 re-pump stations, numerous water storage facilities, and approximately 2,800 miles of water mains. Treated water service is provided to approximately 170,000 customers inside and outside the City and 32 active wholesale customers. There are also connections with the transmission systems of 6 other regional water suppliers that can be activated in case of an emergency.

The City obtains its raw water for the primary System from a combination of surface and ground water sources. Surface water comes from the Missouri River and accounts for approximately 80% of the raw water. Ground water comes from a well field in the Missouri River aquifer and accounts for the remaining 20% of raw water. Water treatment is a four-step process that consists of sedimentation, softening, stabilization and filtration. The treated water produced by KC Water meets current federal and state requirements for drinking water.

Water is pumped into the transmission system from storage reservoirs located at the water treatment plant, which is located on the north side of the Missouri River. The water transmission system is comprised of two essentially separate systems, one serving customers located north of the Missouri River and the other serving customers located south of the Missouri River. Water is delivered to the southern system through 2 tunnels under the Missouri River. The distribution systems include booster pumping stations and elevated, underground, and ground level water storage reservoirs. The existing treated water storage capacity is 155 million gallons. The average daily flow during Fiscal Year 2018 was about 94.4 million gallons per day with a peak day demand of 147.6 million gallons, which is about 62% of the primary treatment plant's design capacity.

The number of employees within the Water Utility totaled 475 at year end, April 30, 2018, which is an increase of 1% over the prior year. 61% labor class, 39% management class.

The table below provides a summary of System customers for the past 5 years.

	2014	2015	2016	2017	2018
Retail Customers	150,958	151,073	152,251	153,232	154,220
Commercial / Industrial	16,954	17,865	17,843	17,862	18,028
Wholesale Customers	32	32	32	32	32
Total	167,944	168,970	170,126	171,126	172,280

The table below sets forth the 10 largest users of the System and the percentage of total consumption applicable to each for the Fiscal Year ended April 30, 2018:

User	Type of Business	Annual Consumption (100 cubic feet)	Percentage of Total Consumption
City of Lee's Summit	Wholesale Water	1,255,534	4.0%
Jackson County PWSD No. 1	Wholesale Water	1,118,992	3.6%
City of Belton	Wholesale Water	904,462	2.9%
City of Raymore	Wholesale Water	726,905	2.3%
Raytown Water Company	Wholesale Water	526,632	1.7%
City of Blue Springs	Wholesale Water	526,106	1.7%
Jackson County PWSD No. 2	Wholesale Water	518,291	1.7%
Dogwood Power Management	Utility	451,910	1.5%
KCP&L	Utility	442,137	1.4%
Ford Motor Company	Commercial	416,257	1.3%

The Sewer Utility

The Sewer System serves an area of about 320 square miles. Wastewater collection and treatment services are provided to approximately 166,000 customers inside and outside the City on a retail basis and agreements with 27 surrounding communities and sewage districts on a contractual basis. KC Water maintains sanitary sewers and combined sewers, 40 wastewater pumping stations, 15 flood pumping stations, 3 effluent pumping stations and 6 wastewater treatment plants. The combined sewers transport both sanitary flows and, during rainfall events, stormwater flows. The combined sewers serve an area south of the Missouri River of about 56 square miles. All wastewater transported to the KC Water's treatment plants receives secondary treatment in compliance with federal and state environmental regulations.

A summary of the KC Water's wastewater treatment plants is presented in the table below.

Existing Wastewater Treatment Facilities

Treatment Facility	Approximate First Year of Operation	Current Design Capacity (mgd)	Average Flow (mgd)
Blue River	1964/1985	105.00	60.10
Westside	1977	22.50	15.21
Birmingham	1977	20.00	10.35
Todd Creek	1999	3.40	1.91
Fishing River	2000	2.00	1.01
Rocky Branch	2005	2.80	1.76
TOTAL		155.70	90.34

The System’s wastewater collection and treatment services include the processing of biosolids. Biosolids, the stabilized product generated from treatment of wastewater, is used in land application at a City-owned facility in the cultivation of non-food agriculture. The crops harvested, soy-beans and corn, are most generally used as sources of alternative energy, namely bio-diesel and ethanol. These activities meet the United States Environmental Protection Agency (“EPA”) treatment and pollutant content criteria Part 503.13. Biosolids can be safely recycled and applied as fertilizer to improve the quality of land for agriculture, while increasing crop yields.

The number of employees within the Sewer Utility totaled 318 at year end, April 30, 2018. This is 1% more than the prior year. 66% labor class, 34% management class.

The table below sets forth the 10 largest users of the System and the percentage of total revenue applicable to each for the Fiscal year ended April 30, 2018:

User	Type of Business	Percentage of Total Revenue
Johnson County, KS	Inter-Jurisdictional	8.75%
Gladstone, MO	Inter-Jurisdictional	2.30%
North Kansas City, MO	Inter-Jurisdictional	2.03%
Ford Motor Company	Commercial	1.29%
Liberty, MO	Inter-Jurisdictional	1.03%
Cook Family Foods	Commercial	0.89%
Raytown, MO	Inter-Jurisdictional	0.73%
Hospital Corp of America	Commercial	0.55%
KC Parks & Rec	Governmental	0.49%
Children’s Mercy Hospital	Commercial	0.46%

The Stormwater Utility

Six hundred thirty miles of storm sewer carry stormwater from more than 53,000 stormwater inlets serving Kansas City. In addition, KC Water maintains a flood risk management system that includes 13.5 miles of levee and floodwall, operates 15 flood pump stations, and maintains six detention basins. On an annual basis, the Stormwater utility cleans 18,000 storm inlets, repairs and replaces 300 catch basins, and sweeps over 14,000 miles of stormwater gutters.

What is Stormwater?

Stormwater is simply the water created by rainfall or melting snow. Stormwater is a necessary and important resource, but it can also cause water quality and water quantity issues in urban and suburban areas. When it does not soak into the ground, it runs off, traveling down street gutters and across paved surfaces, bare soil, or sloped lawns. As stormwater travels across paved surfaces, it collects pollutants such as sediment, fertilizers, pesticides, pet waste, oil, de-icing products, yard waste, and litter. It eventually makes its way to a ditch or storm drain in the street. From there, the storm drain system carries the water directly to local streams and rivers without treatment to remove pollutants.

Polluted stormwater can cause many problems, including threats to human and animal health, flooding, and erosion. Many pollutants are toxic, such as organic compounds, bacteria, and viruses. In addition, when too much stormwater runs off paved surfaces, roofs, and lawns, flooding may occur, which can cause damage to property. High volumes of stormwater flowing into a stream also can cause severe stream bank erosion.

Issues related to Stormwater

Because stormwater runoff is the number one vehicle for pollutants entering our local waterways, it is critical that we be aware of what ends up on the ground and, ultimately, in our storm drains.

When rain soaks into the soil it is called infiltration. Infiltration helps clean and filter the water and recharge groundwater supplies. Paved, solid surfaces (also known as “impervious surfaces”) such as parking lots, roads, and driveways keep rain from soaking into the soil. In addition to preventing rain from soaking into the soil, impervious surfaces increase the speed and amount of water that rushes into streams, which in turn can cause erosion, damage properties, harm wildlife habitats, and fill streams with sediment.

In Kansas City, the average size home has a 1,000 square-foot roof. A rainfall of just one inch can cause over 600 gallons of water to run off that roof. Much of this water runs from gutters through downspouts onto impervious surfaces such as streets or driveways, carrying pollutants into storm drains and eventually into our rivers and streams.

In the past, cities installed pipes and storm drains to move stormwater away from homes and buildings as quickly as possible and drain it in the nearest creek or stream. This approach, still practiced in many places today, can result in polluted stormwater, stream bank erosion, and flooding in communities downstream. The new and preferred way to manage stormwater is to keep it onsite, slow it down, spread it out, and let it soak in. This allows the soil to filter out pollutants and enables water to enter streams gradually. Developers and municipalities are now using green infrastructure methods such as rain gardens, bio-retention, native plantings, and porous pavements to help manage stormwater where it falls.

Sewer Overflows

Combined sewers are older systems that carry both stormwater and sewage (also called “wastewater”) to treatment plants. Kansas City has 58 square miles of combined sewers. When stormwater runoff from rain storms completely fills combined sewer pipes, the result is a “Combined Sewer Overflow,” a discharge of untreated wastewater and stormwater into local streams. In areas where sanitary sewers and storm sewers are separate, sewer overflows can occur when downspouts, sump pumps, and floor drains from homes and businesses are connected directly to the wastewater sewer.

The Stormwater Utility Division is responsible for stormwater management for the City of Kansas City, Missouri. Its responsibilities can be classified into quantity and quality management duties. Stormwater quantity management involves the management and coordination of improvements to the stormwater system and flood risk management systems including the levees, floodwalls, flood pump stations and the flood warning system. This entails coordinating the planning, design and construction of the improvements necessary to fulfill these responsibilities. Stormwater quality management involves the coordination, oversight and protection of the city's runoff and surface water quality through the implementation of the MS4 and Land Disturbance Permit requirements. The Stormwater division also sets the policies and standards (as well as implements existing standards) for stormwater infrastructure across the city.

In addition, the Stormwater Line Maintenance group is responsible for maintaining the rain gardens created within the city's right of ways. This responsibility will continue to increase in the future as more rain gardens are created. Other responsibilities now managed by the Stormwater utility include Leaf and Brush Removal and Household Hazardous Waste.

Stormwater Fees

Most homeowners pay a stormwater fee that helps the community maintain its stormwater system. This fee is often collected monthly in a water or other city utility bill, or paid annually with property taxes. Stormwater fees vary across the Kansas City metropolitan region but are generally either a flat or tiered rate, which is based on the amount of impervious surface (such as roofs and driveways) on each property. If you are a resident of Kansas City, Missouri, your stormwater fee is included in your monthly water bill.

Currently, the average Kansas City, Missouri resident pays a stormwater monthly charge of approximately \$2.50 based on a fee of 50 cents per 500 square feet of impervious surface. This rate has remained unchanged since 2003. This fee supports several Stormwater Utility activities such as leaf and brush removal, street sweeping, household hazardous waste disposal, catch-basin cleaning, floodwall and levee inspections, and pipe and inlet maintenance. With such a minimal fee, there is only enough funding to minimally maintain the current stormwater system but not enough to replace or expand existing stormwater infrastructure.

Stormwater fees raise about \$13.4 million annually, vs. Stormwater Utility expenses of about \$21.6 million annually. The deficit is funded through reductions in cash reserves, which is not a sustainable long-term solution to funding the operating deficit.

Stormwater Credits

In order to reduce stress on the stormwater system and encourage more green infrastructure to help reduce stormwater runoff, many communities give stormwater-fee credits to customers. KC Water is no exception, offering two types of stormwater fee credits for property owners that use best management practices on their property.

The first type of credit is a ratio credit for properties that have a large pervious area to help absorb stormwater and prevent it from entering storm drains. Property owners can receive a credit if the ratio of the total property area to the runoff surface area is at least 30:1. For example, if a property totals 30,000 square feet and paved or roofed areas make up only 1,000 square feet of the property, it qualifies for the credit. Properties that qualify are granted a 50% stormwater fee credit.

The second type of stormwater fee credit is a detention credit for the installation of stormwater detention structures on your property. These types of structures are installed and maintained to hold stormwater on the property during the heaviest parts of a storm, thereby reducing flooding and erosion downstream. Typically, detention basins are professionally designed stormwater management systems that are carefully built to ensure that they catch the required amount of water per rain storm for a given area.

The number of employees within the Stormwater Utility totaled 95 at year end, April 30, 2018. This is 2% more than the prior year. 63% labor class, 37% management class.

Capital Improvement Projects

The Water Fund will have invested approximately \$424 million over five years in water capital improvement projects. The projects are dedicated to water distribution; replacement of water transmission mains; rehabilitation of water treatment plants, pump stations, and storage facilities. The largest allocation, or 74.0% of the total capital investment is committed to the water distribution system. The projects are designed to improve system performance and reliability, reduce water main breaks, enhance fire protection, and deliver safe drinking water to customers.

The Water Main Replacement (WMR) Program uses a strategic, data-driven approach to prioritize the replacement of the water distribution system. It is based on replacing approximately 1% of the system annually, approximately 28 miles/year. The capital investment is structured to reduce O&M costs through systematic replacement of aging infrastructure in order to increase system reliability and improve customer service through reduced service interruptions. The prioritization process is based on a business risk exposure assessment of each pipe segment in the system. The 2,800-mile distribution system was divided into more than 70,000 individual segments. Each segment was analyzed for a consequence-of-failure score and a likelihood-of-failure score to create a business risk exposure (BRE) score for each segment. Those segments with the highest BRE score are scheduled for replacement the following year. The model is a dynamic model updated with the latest information and run each year to establish the prioritization for the following year.

Overflow Control Program

The Overflow Control Program (OCP) was developed to meet regulatory requirements set forth by the Environmental Protection Agency and the Missouri Department of Natural Resources. The regulations require minimizing overflows from the combined sewer system and preventing overflows from the separate sanitary sewer system. The parties have agreed to allow a 25-year period to meet those objectives by completing a planned list of improvements within five years. The implementation schedule is targeted to treat 88% of combined sewer flows and eliminate sanitary sewer overflows during a twenty-four hour rainfall event.

The Sewer Fund will have invested approximately \$600 million over five years in capital improvement projects. Of this amount, \$362 million is committed to the 25-year federally mandated OCP. The estimated total cost of OCP over the next 25 years is approximately \$4.5 billion, adjusted for inflation. In addition, annual expenditures for operations and maintenance are expected to increase by approximately \$72 million. It is anticipated that OCP will be financed primarily by the Sewer Fund.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KC Water for its Comprehensive Annual Financial Report for the fiscal year ended April 30, 2017. This was the first year that KC Water submitted a CAFR for consideration for this award. To be awarded a Certificate of Achievement, a government must publish an easily readable and organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This report is intended to meet the Certificate of Achievement Program's requirements and will be submitted to the GFOA to determine its eligibility for a certificate.

Respectfully submitted,



Sean Hennessy
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**KC Water
Missouri**

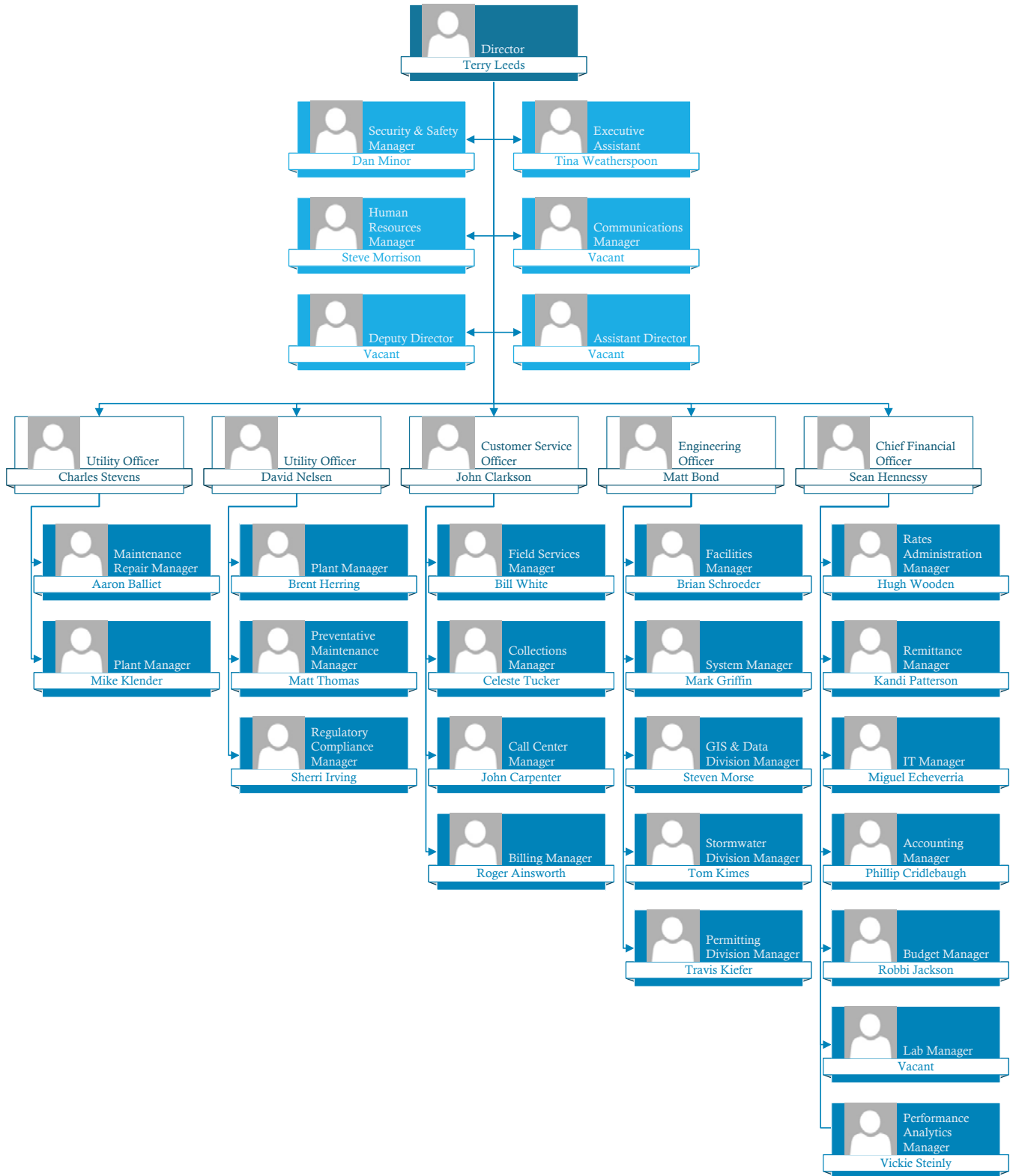
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

April 30, 2017

Christopher P. Morrill

Executive Director/CEO

KC Water Organization Chart



FINANCIAL SECTION

Basic Financial Statements

Required Supplementary Information (Unaudited)

Supplementary Information

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
KC Water, a department of the
City of Kansas City, Missouri
Kansas City, Missouri

We have audited the accompanying financial statements of each major fund of the Water Services Department of the City of Kansas City, Missouri (KC Water), a department of the City of Kansas City, Missouri, as of and for the years ended April 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise KC Water's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of KC Water as of April 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only KC Water and do not purport to, and do not, present fairly the financial position of the City of Kansas City, Missouri as of April 30, 2018 and 2017, and the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information and other postemployment benefits listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise KC Water's basic financial statements. The Introductory Section, Statistical Section, and combining schedule of revenues, expenses and changes in net position – Sewer Fund listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable Mayor and
Members of the City Council
Page 3

The combining schedule of revenues, expenses and changes in net position – Sewer Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues, expenses and changes in net position – Sewer Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Kansas City, Missouri
October 30, 2018

KC Water
A Department of the City of Kansas City, Missouri
Management's Discussion and Analysis
Years Ended April 30, 2018 and 2017

Management's discussion and analysis (MD&A) of KC Water, a department of the City of Kansas City, Missouri (comprised of three separate and distinct enterprise funds: Water, and the combined Sewer and Storm Fund) provides readers a narrative overview and analysis of each Fund's financial statements and activities for the fiscal years ended April 30, 2018 and 2017, with selected comparative information for the fiscal year ended April 30, 2016.

Readers are encouraged to consider the information presented here in conjunction with the financial statements and notes in order to provide a complete understanding of the financial performance and activities during the years ended April 30, 2018 and 2017.

Overview of the Financial Statements

The accompanying financial statements are prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB). Revenues and expenses are recognized when earned and incurred, not when received or paid. Capital assets include land, buildings, improvements, equipment and infrastructure assets, such as water mains, pumping stations and treatment plants. Capital assets, except land, are depreciated over their estimated useful lives. Major outlays for capital improvements are capitalized as projects during construction. Capital assets not completed by year-end have been reported as construction-in-progress. (See Notes to Financial Statements for significant accounting policies).

The statements of net position present information about each fund's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources reported as net position.

The statements of revenues, expenses and changes in net position present information showing how each fund's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The statements of cash flows relate to the flows of cash and cash equivalents. Consequently, only transactions that affect each fund's cash accounts through operating activities, noncapital financing activities, capital and related financing activities and investing activities are presented in the statements.

Financial Position and Assessment

Summary of Net Position - KC Water

(In thousands)

	April 30,		
	2018	2017	2016
Assets			
Current assets - unrestricted	\$ 126,163	\$ 104,141	\$ 105,862
Current assets - restricted	118,535	68,807	152,786
Noncurrent investments - unrestricted	317,414	292,648	220,425
Noncurrent investments - restricted	285,580	248,607	180,106
Capital assets	2,241,096	2,106,631	1,969,420
Other assets	13,177	6,296	6,939
Total assets	<u>3,101,965</u>	<u>2,827,130</u>	<u>2,635,538</u>
Deferred Outflows of Resources			
Loss on refunding	3,106	3,675	4,281
Pension plan	23,710	31,927	5,683
Total deferred outflows of resources	<u>26,816</u>	<u>35,602</u>	<u>9,964</u>
Total assets and deferred outflows of resources	<u>\$ 3,128,781</u>	<u>\$ 2,862,732</u>	<u>\$ 2,645,502</u>
Liabilities			
Current liabilities	\$ 57,745	\$ 45,535	\$ 37,247
Liabilities payable from restricted assets	68,881	60,452	57,706
Long-term liabilities	1,069,067	936,081	855,320
Total liabilities	<u>1,195,693</u>	<u>1,042,068</u>	<u>950,273</u>
Deferred Inflows of Resources - Pension Plan	<u>967</u>	<u>1,124</u>	<u>2,989</u>
Net Position			
Net investment in capital assets	1,502,642	1,425,852	1,354,131
Restricted-expendable	95,726	93,666	92,627
Unrestricted	333,753	300,022	245,482
Total net position	<u>1,932,121</u>	<u>1,819,540</u>	<u>1,692,240</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,128,781</u>	<u>\$ 2,862,732</u>	<u>\$ 2,645,502</u>

The Water Fund

Within the Water Fund, total assets increased by \$34.8 million or 2.7% from the previous year. Restricted cash and investments decreased by \$32.9 million or 21.3%. Unrestricted cash and investments used in daily operations increased by 2.5%. However, notes receivable decreased by 12.2%. The decrease is attributable to the \$508,778 of scheduled payments received from entities under intergovernmental construction cost agreements and \$89,088 of early payoff. Capital assets increased by \$46.8 million or 4.9% as anticipated by the ongoing capital improvement program. Total liabilities decreased by \$18.4 million or 3.5%.

At the close of FY2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in a net position of \$823.4 million; of this amount, \$137.1 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Water Fund and may not be used to fund the City's governmental activities. Total net position increased by \$48.2 million or 6.2% over the previous year, indicating that the Water Fund improved its financial position. The largest portion of net position, \$647.5 million or 78.6%, consists of investment in capital assets (*e.g.*, land, buildings, water treatment facility, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to the customers of the water collection, processing and distribution systems.

In FY2017, total assets of the Water Fund increased by \$123.0 million or 10.6% from the previous year. Restricted cash and investments increased by \$43.2 million or 38.9% due to a sale of bonds in February 2017 for future construction use. Unrestricted cash assets used in daily operations increased by 29.5%. Capital assets increased by \$47.6 million or 5.3% as anticipated from the ongoing capital improvements program.

Total liabilities of the Water Fund increased by \$87.3 million or 20.1%. The majority of the increase in liabilities was due to the sale of bonds for \$78.1 million. The rest of the increase in liabilities, \$17.3 million, was due to the increase in the net pension liability.

At the close of FY2017, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$775.2 million; of this amount, \$122.7 million is considered unrestricted. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$50.3 million or 6.9% over the previous year, indicating that the Fund improved its financial position. The largest portion of net position, \$614.2 million or 79.2%, consists of investment in capital assets (*e.g.*, land, buildings, water treatment facilities, water utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the water collection, processing and distribution systems.

Sewer and Storm Funds Combined

Within the Sewer Fund, total assets increased by \$240.0 million or 15.5% from the prior year. During FY2018, there were \$165 million of new Sewer Revenue Bonds issued. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement increased by \$118.6 million or 73.1%. Unrestricted cash and investments used in daily operations increased by 13.8%. Capital assets increased by \$87.6 million or 7.6% as anticipated from the ongoing capital improvements program.

Total liabilities increased by \$172.0 million or 33.1%. Postemployment benefits (pension and OPEB) decreased by \$1.1 million or 3.4%.

At the close of the year, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,108.7 million for the Sewer Fund. Of this amount, \$196.7 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$64.4 million or 6.2% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$855.2 million or 77.1%, consists of net investment in capital assets (*e.g.*, land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

In FY2017, total assets of the Sewer Fund increased by \$68.6 million or 4.7% from the prior year. During the year, there were no new Sewer Revenue Bonds issued. Cash provided by operating activities were higher. Cash, cash equivalents and investments that are restricted for debt service costs, construction and renewal and replacement decreased by approximately 26.6%. Unrestricted assets used in daily operations increased by approximately 19.9%. Most of the increase was attributable to the 2.0% rise in net accounts receivable resulting from the 13.0% scheduled increase in sewer service fees. Capital assets increased by \$89.6 million or 8.4% as anticipated from the ongoing capital improvements program.

Total liabilities increased by \$4.5 million or less than 1.0%. Contract retainage payable increased by \$2.3 million or 97.2% as the result of increased construction activity. Claims liability increased by \$1.58 million or 27.3% and postemployment benefits (pension and OPEB) increased by \$14.7 million or 92.5%.

At the close of FY2017, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources resulting in net position of \$1,044.3 million for the Sewer Fund. Of this amount, \$177.3 million is unrestricted net position. The unrestricted net position may be used to meet ongoing business activities of the Fund and may not be used to fund the City's governmental activities. Total net position increased by \$77.0 million or 8.0% from the previous year indicating that the Fund improved its financial position. The largest portion of net position, \$811.6 million or 77.7%, consists of net investment in capital assets (*e.g.*, land, buildings, wastewater treatment facilities, sewer and stormwater utility lines and improvements, machinery and equipment) less any outstanding debt related to those assets. Capital assets were used to provide services to customers of the wastewater and stormwater systems.

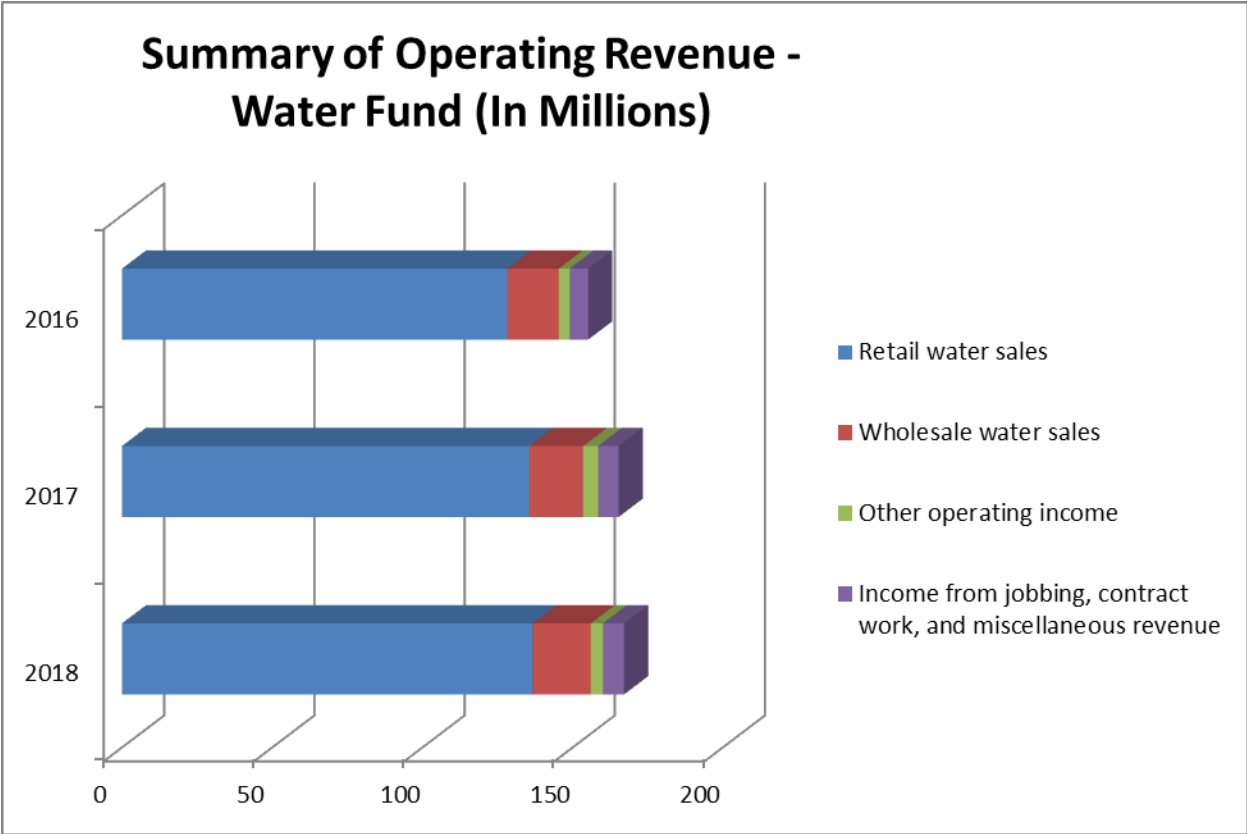
Summary of Revenues, Expenses and Changes in Net Position - KC Water
(In thousands)

	Year Ended April 30		
	2018	2017	2016
Operating revenues	\$ 392,674	\$ 375,255	\$ 348,817
Operating expenses	<u>(268,782)</u>	<u>(237,887)</u>	<u>(216,717)</u>
Operating income	123,892	137,368	132,100
Nonoperating expenses, net	<u>(22,529)</u>	<u>(18,121)</u>	<u>(16,923)</u>
Increase in net position before capital contributions and transfers	101,363	119,247	115,177
Payment-in-lieu of taxes	(4,396)	(2,960)	-
Capital contributions	<u>15,614</u>	<u>11,013</u>	<u>9,904</u>
Change in net position	112,581	127,300	125,081
Net position, beginning of year	<u>1,819,540</u>	<u>1,692,240</u>	<u>1,567,159</u>
Total net position - end of the year	<u><u>\$ 1,932,121</u></u>	<u><u>\$ 1,819,540</u></u>	<u><u>\$ 1,692,240</u></u>

	Year Ended April 30		
	2018	2017	2016
Residential and commercial sales	\$ 341,597	\$ 324,597	\$ 296,959
Intermunicipal sewer charges	33,518	33,688	37,243
Other operating revenue	10,475	10,110	8,432
Income from jobbing, contract work and miscellaneous revenue	<u>7,084</u>	<u>6,860</u>	<u>6,183</u>
Total operating revenues	<u><u>\$ 392,674</u></u>	<u><u>\$ 375,255</u></u>	<u><u>\$ 348,817</u></u>
Operating revenues - water	\$ 167,214	\$ 165,357	\$ 155,209
Operating revenues - sewer	<u>225,460</u>	<u>209,898</u>	<u>193,608</u>
Total operating revenues	<u><u>\$ 392,674</u></u>	<u><u>\$ 375,255</u></u>	<u><u>\$ 348,817</u></u>

The Water Fund

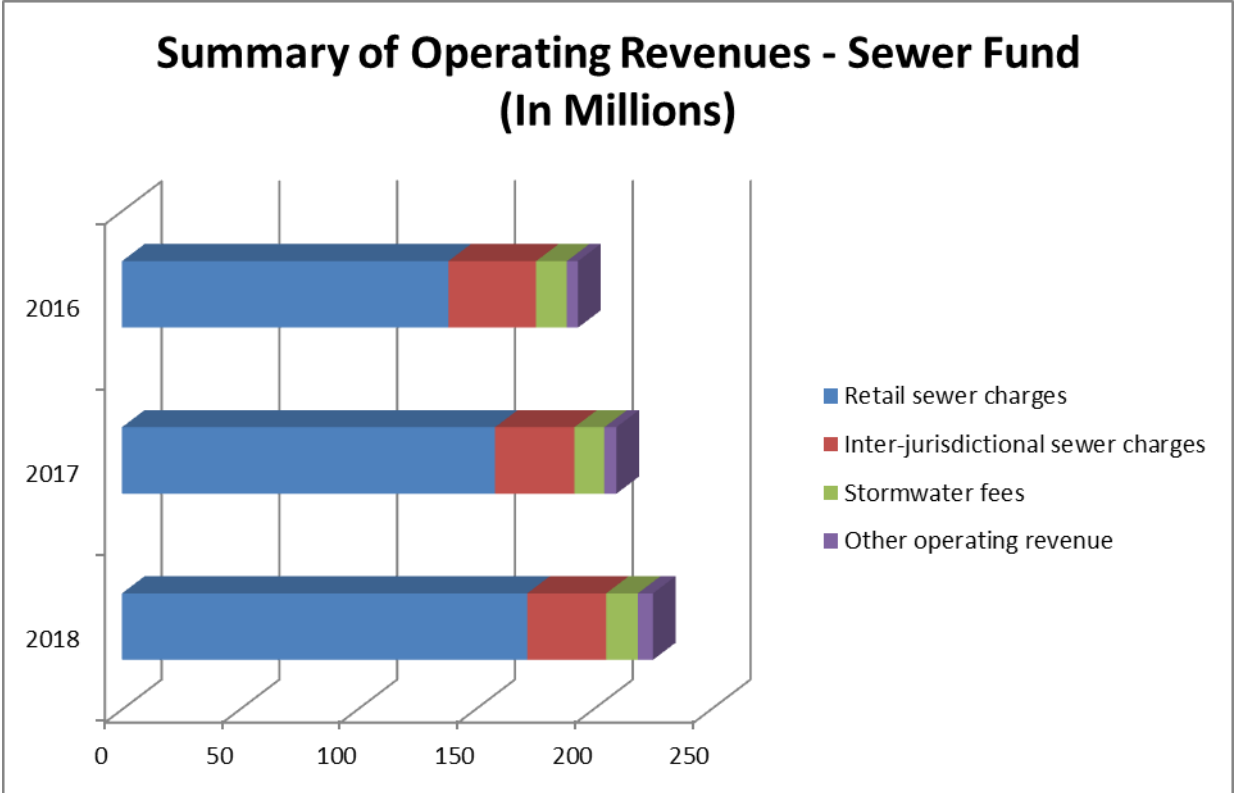
Within the Water Fund, in FY2018, total operating revenues increased by \$1.9 million or 1.1%. The scheduled 1% rate increase contributed additional revenue while water consumption decreased. Overall water consumption by customers decreased by 1.04 million CCF (hundred cubic feet) or 2.5%. Income from jobbing, contract work and miscellaneous revenue increased by \$0.2 million or 3.3%, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.



At the close of FY2017, the Water Fund total operating revenues increased by \$10.2 million or 6.5%. The scheduled 3% rate increase contributed additional revenue, and water consumption increased. Water consumption by retail residential and commercial customers increased by 1.28 million CCF or 5.6%. Consumption by wholesale or governmental customers increased by 0.26 million CCF or 3.6%, with the resulting increase in sales of \$8.1 million or 5.1%. Income from jobbing, contract work and miscellaneous revenue increased by \$0.7 million, including reimbursable revenue from prorating the cost of Consumer Services to the Sewer Fund.

Sewer and Storm Funds Combined

Within the Sewer Fund, total operating revenues increased by \$15.6 million or 7.4% in FY2018. Residential and commercial retail sewer charges contributed \$14.4 million to the increase, primarily due to the scheduled 9% sewer rate increase in effect all year. Revenue from inter-jurisdictional services decreased \$0.2 million, which lowered the overall operating revenue increase by 1.1%. Sales to inter-jurisdictional customers decreased by 0.5% over the prior year due primarily to slightly lower metered flows. Stormwater fees increased \$0.7 million or 5.4% during the year. There was a 26.4% increase in other operating revenue that consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots.



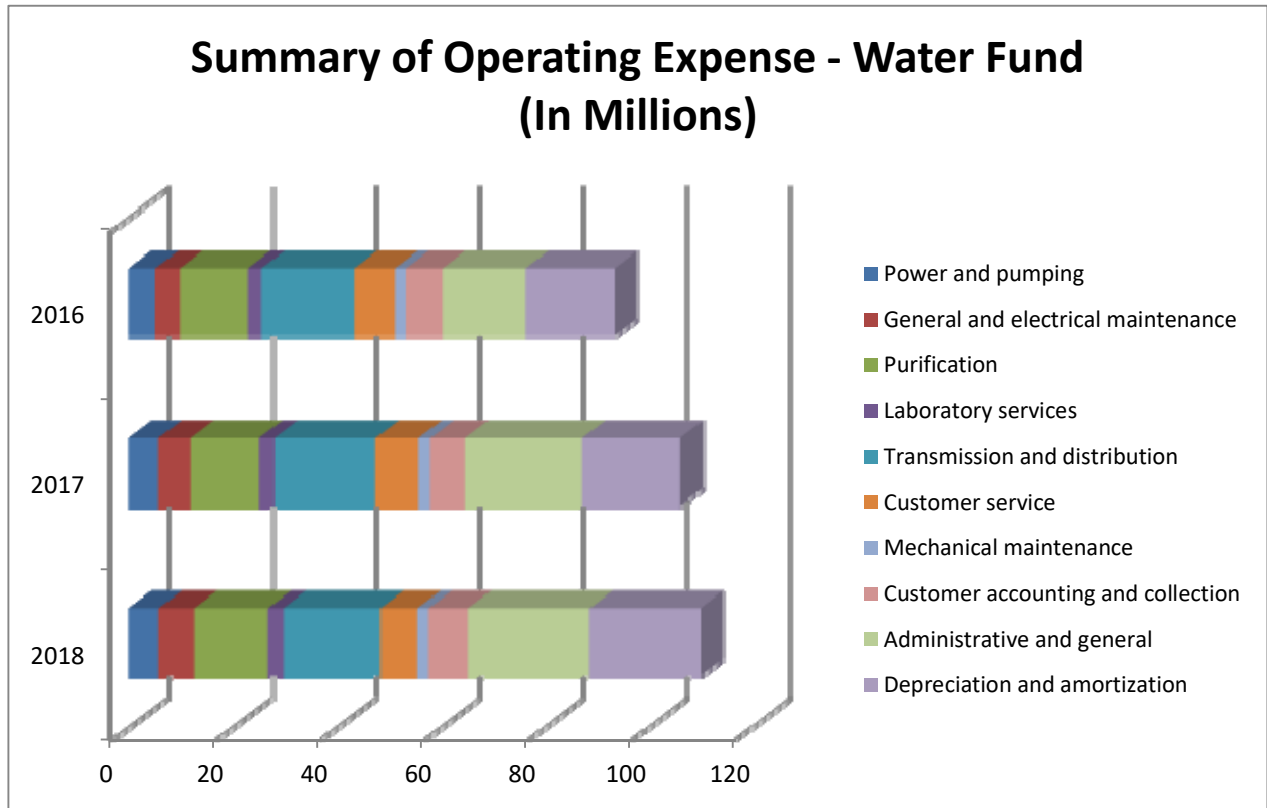
At the close of FY2017, the Sewer Fund total operating revenues increased by \$16.3 million or 8.4%. The increase was attributable mostly to the scheduled 13% sewer rate increase in effect all year. Additional sales, net of bad debt expense, to residential and commercial retail customers contributed \$19.8 million to operating revenues, while inter-jurisdictional charges decreased by \$3.6 million. Other operating revenue consists primarily of forfeitures and penalties, and rentals of equipment, miscellaneous facilities and parking lots. Other operating revenue increased by approximately \$0.3 million or 6.7%.

Summary of Operating Expenses - KC Water
(In thousands)

	Year Ended April 30		
	2018	2017	2016
Power and pumping	\$ 5,954	\$ 5,901	\$ 5,288
General and electrical maintenance	6,827	6,152	4,676
Purification	14,156	13,186	13,081
Laboratory services	2,915	2,907	2,642
Transmission and distribution	18,678	19,437	17,819
Customer service	7,087	8,263	7,769
Mechanical maintenance	2,206	2,306	2,152
Customer accounting and collection	7,597	6,659	6,984
Sewage treatment and pumping	35,706	29,346	30,674
Sewer maintenance	36,806	30,900	30,082
Industrial and household hazardous waste control	1,471	1,409	1,339
Administrative and general	74,367	62,393	48,429
Depreciation and amortization	55,012	49,028	45,782
	<u>\$ 268,782</u>	<u>\$ 237,887</u>	<u>\$ 216,717</u>
Operating expenses - water	\$ 110,237	\$ 106,344	\$ 93,722
Operating expense - sewer	158,545	131,543	122,995
	<u>\$ 268,782</u>	<u>\$ 237,887</u>	<u>\$ 216,717</u>

The Water Fund

Total operating expenses of the Water Fund increased by \$3.9 million or 3.7% over the previous year. General and electrical maintenance expenses rose by \$0.7 million or 11.0%. This was due to an increase in repairs and maintenance of equipment costs. Transmission and distribution expense decreased by \$0.8 million or 3.9%. This was due to using less supplemental work forces for pipeline repair in FY2018. Administrative and general expenses increased by \$0.8 million or 3.6%. Depreciation and amortization increased by \$2.5 million or 13.0% as anticipated by the ongoing capital improvement plan.

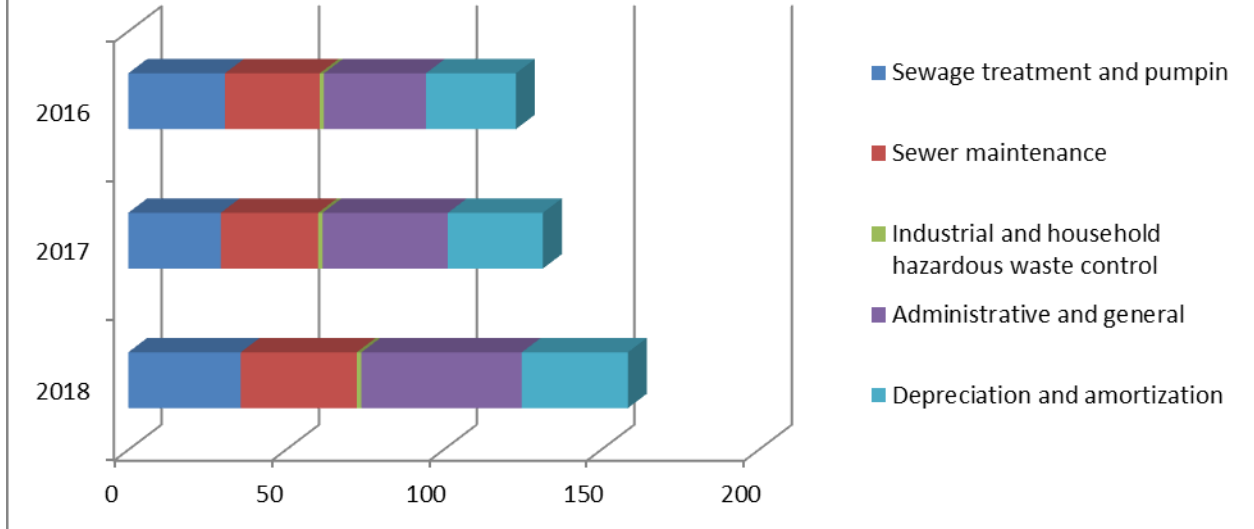


In FY2017, total operating expenses of the Water Fund increased by \$12.6 million or 13.5% over the previous year. Power and pumping increased by \$0.6 million or 11.6% mostly because of an increase of electricity rates used to pump water. General and electrical maintenance expenses rose by \$1.5 million or 31.6%. This was due to an increase in repairs and maintenance of equipment costs. Transmission and distribution expense increased by \$1.6 million or 9.1%. This was due to using additional supplemental work forces for pipeline repair. Administrative and general expenses increased by \$6.5 million or 40.7%. This was due to an increase in the general liability insurance expense due to an increase in lawsuits. Depreciation and amortization increased by \$1.7 million or 9.7% as anticipated by the ongoing capital improvement plan.

Sewer and Storm Funds Combined

Total operating expenses of the Sewer Fund increased by \$27.0 million or 20.5% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses increased by \$6.4 million or 21.7%, sewer maintenance expenses increased by \$5.9 million or 19.1%, administrative and general expenses increased by \$11.2 million or 28.1% and depreciation and amortization expenses increased by \$3.5 million or 11.7%.

Summary of Operating Expenses - Sewer Fund (In Millions)



In FY2017, total operating expenses of the Sewer Fund increased by \$8.5 million or 7.0% over the previous year. The Fund continues investing in sewer system improvements in order to comply with the Overflow Control Program (OCP) as mandated by the Environmental Protection Agency (EPA). Sewage treatment and pumping expenses decreased by \$1.3 million or 4.3%, sewer maintenance expenses increased slightly, administrative and general expenses increased by \$7.4 million or 22.9% and depreciation and amortization expenses increased by \$1.6 million or 5.5%.

Capital Assets

Water Fund

Capital assets in the Water Fund totaled \$996.2 million (net of accumulated depreciation) and accounted for 75.9% of total assets at April 30, 2018. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$82.7 million were completed. They included \$69.6 million of constructed water mains and appurtenances and \$3.1 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$4.8 million in assets contributed from property developers. Additions and replacements of motorized vehicles and equipment totaled \$2.9 million. The increases in depreciable capital assets were offset by disposals and retirements of \$10.4 million.

At year end 2017 capital assets totaled \$949.3 million (net of accumulated depreciation) and accounted for 74% of total assets at April 30, 2017. Construction activities are ongoing to replace older and undersized water mains throughout the City, upgrade and improve water treatment plant operations, and modernize infrastructure. During the year, projects totaling \$99.0 million were completed. They included \$63.5 million of constructed water mains and appurtenances and \$10.5 million for treatment plant and equipment upgrades. In addition to completed projects, there was \$2.3 million in assets contributed from property developers. Additions and replacements of machinery and equipment totaled \$4.7 million. The increases in depreciable capital assets were offset by disposals and retirements of \$12.6 million.

Sewer Fund

At April 30, 2018, capital assets of the Sewer Fund totaled \$1,244.9 million (net of accumulated depreciation) and accounted for 69.6% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$185.9 million were completed. The investment in infrastructure included \$104.9 million for sanitary sewer rehabilitation and replacement; \$13.0 million for storm sewer and waterways improvements; and \$8.4 million for pumping stations and equipment. In addition to completed projects, there was \$10.8 million in contributed assets from property developers and assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$27.6 million.

At April 30, 2017, capital assets totaled \$1,157.3 million (net of accumulated depreciation) and accounted for 74.7% of total assets. Construction activities are ongoing to repair and improve the City's wastewater system and comply with the Federal Consent Decree to reduce pollutants discharged into streams and waterways. See additional discussion of the Overflow Control Program (OCP) in the next section. During the year, projects totaling \$85.6 million were completed. The investment in infrastructure included \$59.0 million for sanitary sewer rehabilitation and replacement; \$7.3 million for storm sewer and waterways improvements; and \$21.1 million for pumping stations and equipment. In addition to completed projects, there was \$7.5 million in contributed assets from property developers and \$2.7 million of assets transferred from Public Works. The increases in depreciable capital assets were offset by disposals and retirements of \$11.2 million.

Additional information on the Department's capital assets can be found in *Note 5: Capital Assets*.

Debt Administration

Debt Administration provides long-term debt planning, issuance and administration in accordance with the approved Capital Improvement Program to meet the City’s capital infrastructure needs. The City promotes effective communication with bond rating agencies in order to maintain its high credit rating and manages debt in accordance with established debt policies. Water revenue bond proceeds are used to finance improvements to the water collection, processing and distribution systems. Wastewater revenue bond proceeds are used to finance improvements to the stormwater management and control systems, and wastewater collection and processing systems. The Fund’s outstanding debt is aligned in such a manner to meet the most stringent debt service requirements. In addition, water system net revenues secure outstanding bonds of the Water Fund and wastewater system net revenues secure outstanding bonds of the Sewer Fund.

Moody’s Investors Service maintains an Aa2 rating on the City’s senior lien water revenue debt and the senior and junior sanitary sewer revenue bonds. Water revenue bond proceeds have been used to fund critical water main replacements and extensions, water treatment plant and pump station improvements and enhancements to service reliability for customers. Sanitary sewer bond proceeds will fund treatment plant, pumping station and sewer conveyance system improvements.

Moody’s rating affirmation reflects the:

- Large service area that covers the majority of the Kansas City, Missouri, metropolitan area
- Stable regional economy
- Debt service coverage levels that have improved following consecutive rate increases
- Adequate net working capital
- Favorable debt profile with future borrowing expected
- Satisfactory legal covenants for bondholders

Credit Rating Agencies	Water and Wastewater Bonds Credit Rating
Moody’s	Aa2
Standard & Poor’s	Water - AA+, Wastewater - AA

Standard & Poor’s Ratings Services has maintained an AA+ rating on the City’s existing water revenue secured debt and AA rating on the City’s existing wastewater secured debt. The rating reflects their assessment of the water and sewer systems:

- Large service base that serves much of the Kansas City metropolitan area (MSA)
- Rates are affordable, given the combined water and sewer rates are above 4% of the City’s median household effective buying income
- Strong financial performance

In April 2014, the City received citizens’ approval of an additional \$500 million in water revenue bonds, of which \$362.1 million remains for the purpose of extending and improving the water system.

In August 2012, citizens voted to authorize \$500 million in additional sewer revenue bonds. Following the Series 2018A bond issue, the City will have approximately \$159.7 million remaining from its original bond authorization.

The Water and Sewer Funds have the right under the respective bond ordinances to issue additional bonds payable from the same sources and secured by the same revenues, but only in accordance with and subject to the terms and conditions set forth in the respective bond ordinances. The Funds are both required to meet an earnings test before issuing any additional bonds on parity with existing debt.

Additional information about the Department's long-term debt can be found in *Note 6: Long-Term Obligations and Restricted Assets*.

Request for Information

This financial report is designed to provide the Department's management, investors, creditors and customers with a general view of the Department's finances and to demonstrate the Department's accountability for the funds it receives and expends. For additional information about this report or if you need additional financial information, please contact:

Sean Hennessy
Chief Financial Officer
KC Water
4800 East 63rd Street
Kansas City, Missouri 64130



FINANCIAL SECTION

Basic Financial Statements

KC Water
A Department of the City of Kansas City, Missouri
Statement of Net Position
April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Investments	16,160,547	24,480,237	40,640,784
Accounts receivable, net	24,339,811	38,646,565	62,986,376
Accrued interest receivable	292,043	218,413	510,456
Current portion of notes receivable	526,276	-	526,276
Inventories	2,319,374	723,187	3,042,561
Due from other City funds	7,650,679	8,302	7,658,981
	<u>55,586,325</u>	<u>70,576,313</u>	<u>126,162,638</u>
Total unrestricted current assets			
Restricted assets			
Cash and cash equivalents	14,206,586	10,896,830	25,103,416
Investments	6,531,290	85,048,457	91,579,747
Accrued interest receivable	650,398	1,201,013	1,851,411
	<u>21,388,274</u>	<u>97,146,300</u>	<u>118,534,574</u>
Total restricted current assets			
Total current assets			
	<u>76,974,599</u>	<u>167,722,613</u>	<u>244,697,212</u>
Investments	126,217,735	191,196,502	317,414,237
Restricted assets - investments	100,680,438	184,899,659	285,580,097
Notes receivable	3,760,119	-	3,760,119
Due from other City funds	7,620,827	-	7,620,827
Prepaid bond insurance, net of accumulated amortization	1,796,401	-	1,796,401
Capital assets, depreciable, net	967,539,676	1,184,610,980	2,152,150,656
Capital assets, nondepreciable	28,653,480	60,291,809	88,945,289
	<u>1,313,243,275</u>	<u>1,788,721,563</u>	<u>3,101,964,838</u>
Total assets			
Deferred Outflows of Resources			
Loss on refunding	1,969,672	1,136,750	3,106,422
Items related to pension plan	12,619,821	11,089,740	23,709,561
	<u>14,589,493</u>	<u>12,226,490</u>	<u>26,815,983</u>
Total deferred outflows of resources			
	<u>14,589,493</u>	<u>12,226,490</u>	<u>26,815,983</u>
Total assets and deferred outflows of resources			
	<u>\$ 1,327,832,768</u>	<u>\$ 1,800,948,053</u>	<u>\$ 3,128,780,821</u>

See Notes to Financial Statements

	Water	Sewer	Total
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Accounts payable	\$ 10,899,790	\$ 34,255,114	\$ 45,154,904
Current portion of compensated absences	873,522	726,119	1,599,641
Accrued payroll and related expenses	1,662,152	1,538,787	3,200,939
Contracts and retainage payable	361,988	734,358	1,096,346
Other liabilities	319,126	-	319,126
Current portion of due to other City funds	392,259	29,852	422,111
Current portion of claims liability	4,189,080	1,762,357	5,951,437
	<u>18,697,917</u>	<u>39,046,587</u>	<u>57,744,504</u>
Total current liabilities, less liabilities payable from restricted assets			
Liabilities payable from restricted assets			
Accrued interest and fiscal agent fees	6,935,528	7,201,254	14,136,782
Current portion of revenue bonds and notes payable	19,625,000	25,236,300	44,861,300
Contracts and retainage payable	2,214,345	4,614,852	6,829,197
Customer deposits	3,053,522	-	3,053,522
	<u>31,828,395</u>	<u>37,052,406</u>	<u>68,880,801</u>
Total liabilities payable from restricted assets			
Total current liabilities			
	<u>50,526,312</u>	<u>76,098,993</u>	<u>126,625,305</u>
Claims liability	14,411,633	5,962,977	20,374,610
Compensated absences	2,749,028	2,070,230	4,819,258
Net pension liability	29,029,374	24,792,427	53,821,801
Other postemployment benefit obligation	5,463,202	4,616,767	10,079,969
Revenue bonds and notes payable, net of current portion	401,742,928	578,228,912	979,971,840
	<u>503,922,477</u>	<u>691,770,306</u>	<u>1,195,692,783</u>
Total liabilities			
Deferred Inflows of Resources - Pension Plan			
	<u>521,618</u>	<u>445,486</u>	<u>967,104</u>
Net Position			
Net investment in capital assets	647,464,407	855,177,897	1,502,642,304
Restricted			
Capital projects	23,714,871	35,129,621	58,844,492
Debt service	15,118,951	21,762,305	36,881,256
Unrestricted	137,090,444	196,662,438	333,752,882
	<u>823,388,673</u>	<u>1,108,732,261</u>	<u>1,932,120,934</u>
Total net position			
Total liabilities, deferred inflows of resources and net position			
	<u>\$ 1,327,832,768</u>	<u>\$ 1,800,948,053</u>	<u>\$ 3,128,780,821</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Net Position
April 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 6,752,581	\$ 9,186,720	\$ 15,939,301
Investments	12,578,071	17,156,604	29,734,675
Accounts receivable, net	20,492,504	32,210,995	52,703,499
Accrued interest receivable	346,343	494,428	840,771
Current portion of notes receivable	508,778	-	508,778
Inventories	3,306,707	845,716	4,152,423
Due from other City funds	253,929	7,254	261,183
	<u>44,238,913</u>	<u>59,901,717</u>	<u>104,140,630</u>
Restricted assets			
Cash and cash equivalents	8,263,340	7,703,553	15,966,893
Investments	31,018,467	21,038,276	52,056,743
Accrued interest receivable	373,423	410,172	783,595
	<u>39,655,230</u>	<u>29,152,001</u>	<u>68,807,231</u>
	<u>83,894,143</u>	<u>89,053,718</u>	<u>172,947,861</u>
Investments	123,832,470	168,816,009	292,648,479
Restricted assets - investments	115,074,250	133,533,055	248,607,305
Notes receivable	4,375,483	-	4,375,483
Prepaid bond insurance, net of accumulated amortization	1,919,583	-	1,919,583
Capital assets, depreciable, net	906,955,007	1,033,382,823	1,940,337,830
Capital assets, nondepreciable	42,393,545	123,899,918	166,293,463
	<u>1,278,444,481</u>	<u>1,548,685,523</u>	<u>2,827,130,004</u>
Deferred Outflows of Resources			
Loss on refunding	2,390,817	1,284,265	3,675,082
Items related to pension plan	17,314,711	14,611,847	31,926,558
	<u>19,705,528</u>	<u>15,896,112</u>	<u>35,601,640</u>
	<u>\$ 1,298,150,009</u>	<u>\$ 1,564,581,635</u>	<u>\$ 2,862,731,644</u>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position	Water (restated)	Sewer (restated)	Total (restated)
Current liabilities			
Accounts payable	\$ 9,725,360	\$ 23,280,576	\$ 33,005,936
Current portion of compensated absences	833,384	731,196	1,564,580
Accrued payroll and related expenses	1,535,185	1,262,052	2,797,237
Contracts and retainage payable	437,373	708,047	1,145,420
Other liabilities	319,126	-	319,126
Current portion of due to other City funds	389,681	253,885	643,566
Current portion of claims liability	4,158,719	1,900,183	6,058,902
	<u>17,398,828</u>	<u>28,135,939</u>	<u>45,534,767</u>
Total current liabilities, less liabilities payable from restricted assets			
Liabilities payable from restricted assets			
Accrued interest and fiscal agent fees	6,576,120	5,719,527	12,295,647
Current portion of revenue bonds and notes payable	19,610,000	19,961,818	39,571,818
Contracts and retainage payable	2,114,050	3,985,092	6,099,142
Customer deposits	2,485,195	-	2,485,195
	<u>30,785,365</u>	<u>29,666,437</u>	<u>60,451,802</u>
Total liabilities payable from restricted assets			
Total current liabilities	<u>48,184,193</u>	<u>57,802,376</u>	<u>105,986,569</u>
Claims liability	12,504,927	5,448,602	17,953,529
Compensated absences	2,721,618	2,118,543	4,840,161
Net pension liability	30,723,968	25,927,891	56,651,859
Other postemployment benefit obligation	5,437,790	4,592,153	10,029,943
Revenue bonds and notes payable, net of current portion	422,761,618	423,843,789	846,605,407
	<u>522,334,114</u>	<u>519,733,354</u>	<u>1,042,067,468</u>
Total liabilities			
Deferred Inflows of Resources - Pension Plan	<u>609,750</u>	<u>514,569</u>	<u>1,124,319</u>
Net Position			
Net investment in capital assets	614,223,737	811,627,922	1,425,851,659
Restricted			
Capital projects	23,797,302	41,025,858	64,823,160
Debt service	14,463,454	14,380,009	28,843,463
Unrestricted	122,721,652	177,299,923	300,021,575
	<u>775,206,145</u>	<u>1,044,333,712</u>	<u>1,819,539,857</u>
Total net position			
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,298,150,009</u>	<u>\$ 1,564,581,635</u>	<u>\$ 2,862,731,644</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Revenues, Expenses and Changes in Net Position
Year Ended April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Residential and commercial sales	\$ 156,118,392	\$ 185,478,250	\$ 341,596,642
Intermunicipal sewer charges	-	33,517,836	33,517,836
Other operating revenue	4,011,261	6,463,802	10,475,063
Income from jobbing, contract work and miscellaneous revenues	7,084,210	-	7,084,210
	<u>167,213,863</u>	<u>225,459,888</u>	<u>392,673,751</u>
Total operating revenues			
Operating Expenses			
Power and pumping	5,953,828	-	5,953,828
General and electrical maintenance	6,827,393	-	6,827,393
Purification	14,156,235	-	14,156,235
Laboratory services	2,914,501	-	2,914,501
Transmission and distribution	18,678,483	-	18,678,483
Customer service	7,087,348	-	7,087,348
Mechanical maintenance	2,205,877	-	2,205,877
Customer accounting and collection	7,597,356	-	7,597,356
Sewage treatment and pumping	-	35,705,684	35,705,684
Sewer maintenance	-	36,805,512	36,805,512
Industrial and household hazardous waste control	-	1,470,939	1,470,939
Administrative and general	23,460,691	50,906,139	74,366,830
Depreciation and amortization	21,354,867	33,656,813	55,011,680
	<u>110,236,579</u>	<u>158,545,087</u>	<u>268,781,666</u>
Total operating expenses			
Operating Income	<u>56,977,284</u>	<u>66,914,801</u>	<u>123,892,085</u>
Nonoperating Revenues (Expenses)			
Interest income	1,265,617	1,455,586	2,721,203
Interest expense and fiscal agent fees	(12,984,672)	(12,347,984)	(25,332,656)
Other	53,426	29,550	82,976
	<u>(11,665,629)</u>	<u>(10,862,848)</u>	<u>(22,528,477)</u>
Total nonoperating expenses, net			
Excess of Revenues Over Expenses Before Capital Contributions and Transfers	45,311,655	56,051,953	101,363,608
Capital Contributions	4,764,615	10,849,031	15,613,646
Payment-in-Lieu of Taxes	<u>(1,893,742)</u>	<u>(2,502,435)</u>	<u>(4,396,177)</u>
Increase in Net Position	48,182,528	64,398,549	112,581,077
Net Position, Beginning of Year	<u>775,206,145</u>	<u>1,044,333,712</u>	<u>1,819,539,857</u>
Net Position, End of Year	<u>\$ 823,388,673</u>	<u>\$ 1,108,732,261</u>	<u>\$ 1,932,120,934</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Revenues, Expenses and Changes in Net Position
Year Ended April 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Revenues			
Residential and commercial sales	\$ 153,502,388	\$ 171,095,023	\$ 324,597,411
Intermunicipal sewer charges	-	33,687,701	33,687,701
Other operating revenue	4,995,566	5,114,883	10,110,449
Income from jobbing, contract work and miscellaneous revenues	6,859,793	-	6,859,793
	<u>165,357,747</u>	<u>209,897,607</u>	<u>375,255,354</u>
Total operating revenues			
Operating Expenses			
Power and pumping	5,900,861	-	5,900,861
General and electrical maintenance	6,151,741	-	6,151,741
Purification	13,185,929	-	13,185,929
Laboratory services	2,906,656	-	2,906,656
Transmission and distribution	19,436,953	-	19,436,953
Customer service	8,263,111	-	8,263,111
Mechanical maintenance	2,305,651	-	2,305,651
Customer accounting and collection	6,658,713	-	6,658,713
Sewage treatment and pumping	-	29,345,704	29,345,704
Sewer maintenance	-	30,899,733	30,899,733
Industrial and household hazardous waste control	-	1,409,208	1,409,208
Administrative and general	22,639,576	39,753,428	62,393,004
Depreciation and amortization	18,893,810	30,134,434	49,028,244
	<u>106,343,001</u>	<u>131,542,507</u>	<u>237,885,508</u>
Total operating expenses			
Operating Income	<u>59,014,746</u>	<u>78,355,100</u>	<u>137,369,846</u>
Nonoperating Revenues (Expenses)			
Interest income	1,238,646	2,166,678	3,405,324
Interest expense and fiscal agent fees	(12,005,062)	(9,459,096)	(21,464,158)
Other	(3,961)	(59,551)	(63,512)
	<u>(10,770,377)</u>	<u>(7,351,969)</u>	<u>(18,122,346)</u>
Total nonoperating expenses, net			
Excess of Revenues Over Expenses Before Capital Contributions and Transfers	48,244,369	71,003,131	119,247,500
Capital Contributions	<u>3,465,581</u>	<u>7,547,696</u>	<u>11,013,277</u>
Payment-in-Lieu of Taxes	<u>(1,372,416)</u>	<u>(1,588,818)</u>	<u>(2,961,234)</u>
Increase in Net Position	50,337,534	76,962,009	127,299,543
Net Position, Beginning of Year	<u>724,868,611</u>	<u>967,371,703</u>	<u>1,692,240,314</u>
Net Position, End of Year	<u>\$ 775,206,145</u>	<u>\$ 1,044,333,712</u>	<u>\$ 1,819,539,857</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Cash Flows
Year Ended April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Activities			
Cash received from customers	\$ 159,133,861	\$ 218,535,722	\$ 377,669,583
Receipts from interfund services provided	5,025,098	487,548	5,512,646
Cash paid to employees, including benefits	(30,497,058)	(30,961,655)	(61,458,713)
Cash paid to suppliers	(48,826,464)	(87,032,081)	(135,858,545)
Cash paid for interfund services used	<u>(6,545,240)</u>	<u>(10,447,535)</u>	<u>(16,992,775)</u>
Net cash provided by operating activities	<u>78,290,197</u>	<u>90,581,999</u>	<u>168,872,196</u>
Noncapital Financing Activities			
Payment-in-lieu of taxes	(1,893,742)	(2,502,435)	(4,396,177)
Loan to Flood Control Fund	<u>(15,241,653)</u>	<u>-</u>	<u>(15,241,653)</u>
Net cash used in noncapital financing activities	<u>(17,135,395)</u>	<u>(2,502,435)</u>	<u>(19,637,830)</u>
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(56,029,439)	(87,474,608)	(143,504,047)
Proceeds from issuance of revenue bonds	-	181,295,210	181,295,210
Principal payments on revenue bonds and notes payable	(19,610,000)	(19,959,800)	(39,569,800)
Fiscal agent fees and interest paid on revenue bonds and notes payable	(16,739,498)	(17,561,884)	(34,301,382)
Proceeds from sale of capital assets	158,339	208,735	367,074
Proceeds from repayment of notes receivable	<u>597,866</u>	<u>-</u>	<u>597,866</u>
Net cash provided by (used in) capital and related financing activities	<u>(91,622,732)</u>	<u>56,507,653</u>	<u>(35,115,079)</u>
Investing Activities			
Investment purchases	(171,872,343)	(454,571,475)	(626,443,818)
Investment maturities and sales	206,649,713	311,406,117	518,055,830
Interest received on investments	<u>(821,180)</u>	<u>(915,693)</u>	<u>(1,736,873)</u>
Net cash provided by (used in) investing activities	<u>33,956,190</u>	<u>(144,081,051)</u>	<u>(110,124,861)</u>
Net Increase in Cash and Cash Equivalents	3,488,260	506,166	3,994,426
Cash and Cash Equivalents, Beginning of Year	<u>15,015,921</u>	<u>16,890,273</u>	<u>31,906,194</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,504,181</u>	<u>\$ 17,396,439</u>	<u>\$ 35,900,620</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Cash Flows (Continued)
Year Ended April 30, 2018

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating income	\$ 56,977,284	\$ 66,914,801	\$ 123,892,085
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	21,354,867	33,656,813	55,011,680
Changes in asset, deferred outflows of resources, liabilities and deferred inflows of resources			
Accounts receivable and deferred outflows of resources	(3,847,307)	(6,435,570)	(10,282,877)
Inventories	987,333	122,529	1,109,862
Due from other funds	224,076	(1,048)	223,028
Accounts payable	(3,046,119)	(6,393,562)	(9,439,681)
Compensated absences	67,548	(53,390)	14,158
Accrued payroll and related expenses	126,967	276,736	403,703
Due to other funds	2,578	(224,033)	(221,455)
Claims liability	1,937,067	376,549	2,313,616
Customer deposits	568,327	-	568,327
Net pension liability	(1,694,594)	(1,135,464)	(2,830,058)
Deferred outflows of resources - pensions	4,694,890	3,522,107	8,216,997
Deferred inflows of resources - pensions	(88,132)	(69,083)	(157,215)
Other postemployment benefit obligation	25,412	24,614	50,026
Total adjustments	<u>21,312,913</u>	<u>23,667,198</u>	<u>44,980,111</u>
Net cash provided by operating activities	<u>\$ 78,290,197</u>	<u>\$ 90,581,999</u>	<u>\$ 168,872,196</u>
Components of Cash and Cash Equivalents at End of Year			
Unrestricted	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Restricted	<u>14,206,586</u>	<u>10,896,830</u>	<u>25,103,416</u>
	<u>\$ 18,504,181</u>	<u>\$ 17,396,439</u>	<u>\$ 35,900,620</u>
Noncash Activities			
Contributions of capital assets	\$ 4,764,615	\$ 10,849,031	\$ 15,613,646
Change in fair value of investments	(1,864,122)	(1,915,553)	(3,779,675)
Accounts payable incurred for purchase of capital assets	6,041,531	20,862,575	26,904,106

KC Water
A Department of the City of Kansas City, Missouri
Statement of Cash Flows
Year Ended April 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating Activities			
Cash received from customers	\$ 158,942,906	\$ 208,051,063	\$ 366,993,969
Receipts from interfund services provided	6,196,703	1,213,441	7,410,144
Cash paid to employees, including benefits	(31,759,866)	(31,495,163)	(63,255,029)
Cash paid to suppliers	(44,612,351)	(60,118,039)	(104,730,390)
Cash paid for interfund services used	(8,849,124)	(12,046,846)	(20,895,970)
	<u>79,918,268</u>	<u>105,604,456</u>	<u>185,522,724</u>
Net cash provided by operating activities			
Noncapital Financing Activities			
Payment-in-lieu of taxes	(1,372,416)	(1,588,818)	(2,961,234)
	<u>(1,372,416)</u>	<u>(1,588,818)</u>	<u>(2,961,234)</u>
Net cash used in noncapital financing activities			
Capital and Related Financing Activities			
Acquisition and construction of capital assets	(57,835,976)	(90,051,614)	(147,887,590)
Proceeds from issuance of revenue bonds	85,306,327	-	85,306,327
Principal payments on revenue bonds and notes payable	(16,485,000)	(21,493,700)	(37,978,700)
Fiscal agent fees and interest paid on revenue bonds and notes payable	(15,274,199)	(16,375,297)	(31,649,496)
Proceeds from sale of capital assets	115,593	120,632	236,225
Proceeds from repayment of notes receivable	496,395	-	496,395
	<u>(3,676,860)</u>	<u>(127,799,979)</u>	<u>(131,476,839)</u>
Net cash used in capital and related financing activities			
Investing Activities			
Investment purchases	(320,828,144)	(252,738,280)	(573,566,424)
Investment maturities and sales	258,413,339	284,519,125	542,932,464
Interest received on investments	144,911	849,639	994,550
	<u>(62,269,894)</u>	<u>32,630,484</u>	<u>(29,639,410)</u>
Net cash provided by (used in) investing activities			
Net Increase in Cash and Cash Equivalents	12,599,098	8,846,143	21,445,241
Cash and Cash Equivalents, Beginning of Year	<u>2,416,823</u>	<u>8,044,130</u>	<u>10,460,953</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,015,921</u>	<u>\$ 16,890,273</u>	<u>\$ 31,906,194</u>

KC Water
A Department of the City of Kansas City, Missouri
Statement of Cash Flows (Continued)
Year Ended April 30, 2017

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities			
Operating income	\$ 59,014,746	\$ 78,355,100	\$ 137,369,846
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	18,893,810	30,134,434	49,028,244
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources			
Accounts receivable and special assessments receivable	(331,052)	(629,329)	(960,381)
Inventories	402,296	(14,450)	387,846
Due from other funds	72,387	(3,774)	68,613
Accounts payable	(6,129,089)	(5,756,846)	(11,885,935)
Compensated absences	(137,664)	280,310	142,646
Accrued payroll and related expenses	201,853	98,997	300,850
Due to other funds	4,681	23,660	28,341
Other liabilities	-	(112,608)	(112,608)
Claims liability	5,595,145	1,576,257	7,171,402
Customer deposits	46,513	-	46,513
Net pension liability	17,343,843	13,633,165	30,977,008
Deferred inflow/outflow of resources - pensions	(15,093,503)	(12,010,636)	(27,104,139)
Other postemployment benefit obligation	34,302	30,176	64,478
Total adjustments	<u>20,903,522</u>	<u>27,249,356</u>	<u>48,152,878</u>
Net cash provided by operating activities	<u>\$ 79,918,268</u>	<u>\$ 105,604,456</u>	<u>\$ 185,522,724</u>
Components of Cash and Cash Equivalents at End of Year			
Unrestricted	\$ 6,752,581	\$ 9,186,720	\$ 15,939,301
Restricted	<u>8,263,340</u>	<u>7,703,553</u>	<u>15,966,893</u>
	<u>\$ 15,015,921</u>	<u>\$ 16,890,273</u>	<u>\$ 31,906,194</u>
Noncash Activities			
Contributions of capital assets	\$ 3,465,581	\$ 7,547,696	\$ 11,013,277
Change in fair value of investments	(841,730)	(1,048,249)	(1,889,979)
Accounts payable incurred for purchase of capital assets	5,698,786	17,501,373	23,200,159

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The financial statements of the Water Services Department (KC Water or the “Department”) of the City of Kansas City, Missouri (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America.

KC Water is comprised of the Water, Sewer and Storm funds, enterprise funds of the City of Kansas City, Missouri. The financial statements of KC Water present each major fund and the respective changes in their financial position and, where applicable, cash flows thereof as of April 30, 2018 and 2017, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements are not intended to present fairly the financial position of the City. The Water Fund is supported wholly by water service charges and is responsible for the administration, promotion, operation and maintenance of the water system. The Sewer Fund includes sewer and stormwater accounts. The Sewer Fund is supported wholly by sewer service charges and is responsible for the administration, promotion, operation and maintenance of the wastewater and stormwater systems.

Basis of Accounting and Presentation

The financial statements of KC Water have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated non-exchange transactions that are not program specific, investment income and interest on capital assets-related debt are included in non-operating revenues and expenses. KC Water first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Cash and Cash Equivalents

For purposes of the statements of cash flows, KC Water’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

Investments

All investments are reported at fair value. The fair value of marketable securities is based on quotations that are generally obtained from national securities exchanges. Where marketable securities are not listed on an exchange, quotations are obtained from brokerage firms or pricing services.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Accounts Receivable

Accounts receivable balances are recorded at the invoiced amount. KC Water provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Revenue Recognition

Revenues are recognized when earned. Unbilled revenue representing estimated consumer usage for the period between the last billing date and the end of the period is accrued by the Department.

Inventories

Inventories, consisting of repair parts, materials, supplies, chemicals, rock and fuel, are valued at cost.

Prepaid Bond Insurance

Prepaid bond insurance, net of accumulated amortization, represents insurance costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Capital Assets and Depreciation/Amortization

Capital assets are stated at cost, including capitalized interest on construction, or estimated historical cost. These include assets funded by revenue and general obligation bonds, contributions and special assessments. Contributed assets are valued at acquisition value at the date of contribution. KC Water has a capitalization threshold of \$100,000 for building improvements, \$25,000 for land improvements, and \$5,000 for all other capitalizable assets.

Depreciation is provided on the straight-line method. Buildings, water lines and improvements are depreciated on a composite basis ranging from 40 to 100 years. Machinery and equipment are depreciated on a unit basis over useful lives of 3 to 20 years. Sewer and storm lines are depreciated on a composite basis with a useful life of 100 and 40 years, respectively. Treatment plants and other facilities are depreciated on a composite basis with useful lives of 25 to 55 years. Green infrastructure is depreciated on a composite basis with useful lives of 25 to 100 years. Land improvements are depreciated on a composite basis with useful lives of 20-30 years.

At the time of retirement or other disposition of assets for which depreciation is computed on the composite method, the original cost of the assets, net of any proceeds from their sale, are removed from the asset and accumulated depreciation accounts and no retirement gain or loss is recorded. For retirements or dispositions of assets for which depreciation is computed on the unit method, the asset and related depreciation accounts are eliminated and the difference between the net carrying value and any proceeds is recorded as a gain or loss.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Any conspicuous or known events, or changes in circumstances, affecting a capital asset are reviewed by the Department to determine whether there is a significant and unexpected decline in the service utility of the capital asset, which could indicate asset impairment.

Expenses for maintenance and repairs of property are charged to operations as incurred.

Interest costs capitalized on project-related debt for the years ended April 30, 2018 and 2017 totaled \$3,141,689 and \$2,952,110 for the Water Fund, respectively; \$5,167,337 and \$5,919,785 for the Sewer Fund, respectively.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Department that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position that is applicable to a future reporting period.

Water Fund: As of April 30, 2018 and 2017, the Fund's deferred outflows of resources of \$14,589,493 and \$19,705,528, respectively, were comprised of deferred losses on bond refundings, changes in assumptions for the net pension liability, difference between projected and actual earnings on pension plan investments, change in the Water Fund's proportion of the net pension liability, and the Water Fund's contributions made subsequent to the measurement date of the net pension liability. As of April 30, 2018 and 2017, the Fund's deferred inflows of resources of \$521,618 and \$609,750, respectively, were comprised of the difference between projected and actual experience of plan participants.

Sewer Fund: As of April 30, 2018 and 2017, the Sewer Fund's deferred outflows of resources of \$12,226,490 and \$15,896,112, respectively, were comprised of deferred losses on bond refunding, changes in assumptions for the net pension liability, difference between projected and actual earnings on pension plan investments, change in the Sewer Fund's proportion of the net pension liability, and the Sewer Fund's contributions made subsequent to the measurement date of the net position liability. As of April 30, 2018 and 2017, the Sewer Fund's deferred inflows of resources of \$445,486 and \$514,569, respectively, were comprised of the difference between projected and actual experience of plan participants.

Compensated Absences

Under the terms of the City's personnel policy, KC Water employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the annual rate of 10 to 20 days, depending on the employee's length of service. Sick leave is accumulated at the rate of 3.7 hours per two-week pay period. The maximum amount of vacation that may be carried forward, which is accrued in the Water and Sewer Funds, is two times the amount earned in a year. Sick leave with pay may be accumulated up to a limit of 2,080 hours. Upon separation from service, employees may convert accrued sick leave at the ratio of four hours of sick leave to one hour of vacation leave credit.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Retiring employees 55 years or older with at least 25 years of creditable service; employees who are to receive a line-of-duty disability pension; and employees who qualify for a City pension and retire with a normal retirement, take early retirement at age 60 or thereafter, or die are entitled to sick leave credit at the rate of two hours of sick leave to one hour of vacation leave credit.

Pension Plan

For the purpose of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Employees' Retirement System (the Plan) and additions/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employer contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See *Note 10* for the retirement plan description.

Net Position

Net position of each major fund is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets, net of unspent proceeds. Restricted net position is made up of noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to each respective Fund, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of Adoption of New Accounting Standard

In 2018, the Department adopted the provisions of GASB Statement No. 82, *Pension Issues – Amendment of GASB Statements No. 67, 68 and 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, Statement No. 68 and Statement No. 73. Specifically, GASB 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. Adoption did not have a significant impact on amounts reported or disclosed.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

New Accounting Pronouncements Not Yet Adopted

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity and creating additional transparency. The Department will implement GASB Statement No. 75 beginning with the year ending April 30, 2019.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018. The statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs).

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for the Department for the year ending December 31, 2019.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurements and application, and postemployment benefits (pensions and other postemployment benefits ([OPEB])). The requirements of this statement are effective for the Department for the year ending December 31, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for financial statements for fiscal years beginning after June 15, 2017. GASB 86 eliminates an inconsistency in the literature related to in-substance defeasance of debt. Under previous guidance, debt could only be considered defeased if there was a refunding. GASB 86 now allows defeasance treatment even if the government uses existing assets and does not issue new debt. However, any resulting gain or loss will be recognized in the period of the defeasance. GASB 86 also includes guidance on handling prepaid insurance in any debt extinguishment. Additionally, there is a new requirement for all in-substance defeasances to disclose any ability to substitute risk-free monetary assets with those that are not.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for reporting periods beginning after December 15, 2019. GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments based on the principle that leases are financing of the right to use an underlying asset.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

The main rules of GASB 87 with respect to government entities that are lessees require that the lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under GASB 87, government entities that are lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease.

GASB 87 provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. GASB 87 also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties.

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88): GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt. GASB 88 is effective for financial statements for fiscal years beginning after June 15, 2018. Earlier application is permitted.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. GASB 89 will be applied prospectively to interest incurred after the date of adoption.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90). GASB 90's primary objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB 90 defines a majority equity interest and specifies these reporting requirements. GASB 90 is effective for financial statements for fiscal years beginning after December 15, 2018. Earlier application is encouraged. GASB 90 will be applied retrospectively, except for certain provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100% equity interest. Those provisions should be applied on a prospective basis.

The Department has not completed its assessment of the impact of the adoption of these statements.

Note 2: Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. The pool is comprised of demand and time deposits, repurchase agreements and other investments with maturities of less than five years. The Department's allocation of this pool was approximately 47.39% and 47.1% as of April 30, 2018 and 2017, respectively. As of April 30, 2018 and 2017, the carrying amount (book value) of the City's deposits, including certificates of deposit and the collateralized money market account was approximately \$30,015,000 and \$30,794,000, respectively, which was covered by federal depository insurance or by collateral held by the City's agents under joint custody agreements in accordance with the City's administrative code. The Department's allocation of deposits was \$14,603,543 and \$27,967,973 at April 30, 2018 and 2017, respectively.

The City of Kansas City, Missouri is empowered by City Charter to invest in the following types of securities:

1. *United States Treasury Securities (Bills, Notes, Bonds and Strips)*. The City may invest in obligations of the United States government for which the full faith and credit of the United States are pledged for the payment of principal and interest.
2. *United States Agency/GSE Securities*. The City may invest in obligations issued or guaranteed by any agency of the United States government and in obligations issued by any government-sponsored enterprise (GSE) that has a liquid market and a readily determinable market value that are described as follows:
 - a. U.S. Government Agency Coupon and Zero Coupon Securities.
 - b. U.S. Government Agency Callable Securities. Restricted to securities callable at par only.
 - c. U.S. Government Agency Step-Up Securities. The coupon rate is fixed for an initial term. At coupon date, the coupon rate rises to a new, higher fixed interest rate.
 - d. U.S. Government Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

- e. U.S. Government Agency Mortgage-Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than five (5) years when analyzed in a +300 basis point interest rate environment.
- 3. *Repurchase Agreements.* The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Bond Market Association's guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.
- 4. *Bankers' Acceptances.* The City may invest in bankers' acceptances issued by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation.
- 5. *Commercial Paper.* The City may invest in commercial paper issued by domestic corporations, which has received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized rating agency at the time of purchase. In addition, the City's portfolio may not contain commercial paper of any one corporation, the total value of which exceeds 2% of the City's aggregate investment portfolio.
- 6. *Municipal Securities (State and Local Government Obligations).* The City may invest in municipal obligations that are issued in either tax-exempt or taxable form. The City's portfolio may not contain municipal obligations of any one issuer, the total value of which exceeds two percent (2%) of the City's aggregate investment portfolio, unless the obligation is pre-refunded or escrowed to maturity with securities guaranteed by the United States government.
 - a. Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard and Poor's or Moody's.
 - b. Any full faith and credit obligations of any city, county or school district in the State of Missouri rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - c. Any full faith and credit obligations or revenue bonds of the City of Kansas City, Missouri rated at least A or Aa2 by Standard and Poor's or Moody's.
 - d. Any full faith and credit obligation of any state or territory of the United States of America rated at least AA or Aa2 by Standard and Poor's or Moody's.
 - e. Any full faith and credit obligations of any city, county or school district in any state or territory of the United States of America rated at least AAA or Aaa by Standard and Poor's or Moody's.
 - f. Any revenue bonds issued by the Missouri Department of Transportation rated at least AA or Aa2 by Standard and Poor's or Moody's.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

- g. Any municipal obligation that is pre-refunded or escrowed to maturity as to both principal and interest with escrow securities that are fully guaranteed by the United States government, without regard to rating by Standard and Poor's or Moody's.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of an increase in interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy limits the final maturity on any security owned to a maximum of five years. In addition, the City compares the weighted average maturity of its portfolio to the weighted average maturity of the Blended Bloomberg Barclay, U.S. Treasury/Agency 1-3 year Government/Agency index, and relative to the index, may decrease the weighted average maturity of the portfolio during periods of rising interest rates or increase it during periods of declining rates.

As of April 30, 2018, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				Weighted Average
		Less Than 1	1 – 2	2 – 3	3 – 5	
Pooled investments						
U.S. Treasury bills	\$ 34,852	\$ 34,852	\$ -	\$ -	\$ -	0.23
U.S. Treasury notes/bonds	208,656	97,682	74,653	16,885	19,436	1.24
U.S. agency discounts	19,948	19,948	-	-	-	0.15
U.S. agencies – noncallable	608,153	219,430	146,667	113,372	128,684	1.84
U.S. agencies – callable	153,000	31,478	-	21,904	99,618	3.05
Total pooled	<u>1,024,609</u>	<u>403,390</u>	<u>221,320</u>	<u>152,161</u>	<u>247,738</u>	<u>1.79</u>
Non-pooled investments						
U.S. Treasury bills	57,343	57,343	-	-	-	0.15
U.S. Treasury notes/bonds	44,471	27,320	9,805	7,346	-	1.11
U.S. agency discounts	24,848	24,848	-	-	-	0.32
U.S. agencies – noncallable	163,313	74,331	81,663	7,319	-	1.02
U.S. agencies – callable	17,036	-	1,972	12,176	2,888	2.39
Total non-pooled	<u>307,011</u>	<u>183,842</u>	<u>93,440</u>	<u>26,841</u>	<u>2,888</u>	<u>0.90</u>
	<u>\$ 1,331,620</u>	<u>\$ 587,232</u>	<u>\$ 314,760</u>	<u>\$ 179,002</u>	<u>\$ 250,626</u>	<u>1.59</u>

The Department's allocation of pooled investments at April 30, 2018 was \$485,197,861. The Department's non-pooled investments at April 30, 2018 were \$267,441,678.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

As of April 30, 2017, the City had the following investments and maturities (amounts are in thousands):

Investment Type	Fair Value	Investment Maturities (in Years)				Weighted Average
		Less Than 1	1 – 2	2 – 3	3 – 5	
Pooled investments						
U.S. Treasury bills	\$ 6,999	\$ 6,999	\$ -	\$ -	\$ -	1.01
U.S. Treasury notes/bonds	213,168	46,063	70,799	68,811	27,495	1.80
U.S. agency discounts	19,989	19,989	-	-	-	0.07
U.S. agencies – noncallable	553,281	251,433	155,655	72,662	73,531	1.50
U.S. agencies – callable	186,366	88,553	9,974	13,574	74,265	2.28
Total pooled	979,803	413,037	236,428	155,047	175,291	1.39
Non-pooled investments						
U.S. Treasury notes/bonds	9,920	-	-	9,920	-	1.38
U.S. agency discounts	29,914	29,914	-	-	-	0.87
U.S. agencies – noncallable	136,716	76,937	49,732	10,047	-	1.10
U.S. agencies – callable	7,431	-	-	1,989	5,442	1.38
Total non-pooled	183,981	106,851	49,732	21,956	5,442	1.16
	<u>\$ 1,163,784</u>	<u>\$ 519,888</u>	<u>\$ 286,160</u>	<u>\$ 177,003</u>	<u>\$ 180,733</u>	<u>1.37</u>

The Department's allocation of pooled investments at April 30, 2017 was \$453,986,782. The Water Fund's non-pooled investments at April 30, 2017 were \$169,066,270.

Some of the restricted assets are held by a trustee associated with the proceeds from sewer state revolving bonds within the Sewer Fund. The amount held by the trustee includes investments that are insured or registered or for which securities are held by the Sewer Fund or its agent in the Sewer Fund's name or under joint agreements. Restricted assets held by the trustee were \$3,872,403 and \$3,930,371 at April 30, 2018 and 2017, respectively, and consisted primarily of money market funds.

Callable Agency Securities. The City actively monitors its callable bond portfolio with respect to probability of call relative to market rates of interest. As of April 30, 2018 and 2017, the total fair value of the City's callable bond portfolio (pooled and non-pooled) is \$170,036,000 and \$193,796,940, respectively.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill its obligation. In order to prevent over concentration by investment type and thereby mitigate credit risk, the City's Investment Policy provides for diversification of the portfolio by investment type as follows:

Investment Type	Maximum
U.S. Treasury securities and government guaranteed securities	100%
Collateralized time and demand deposits	100%
U.S. government agency and GSE securities	80%
Collateralized repurchase agreements	50%
U.S. agency callable securities	30%
Commercial paper	30%
Bankers acceptances	30%
Qualified municipal obligations	30%

As of April 30, 2018, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	Fair Value	Moody's/ S&P Ratings
U.S. agency securities	\$ 986,298	Aaa/AA+

As of April 30, 2017, the City had the following nongovernmental guaranteed securities that are rated by both Moody's and Standard & Poor's (amounts are in thousands):

	Fair Value	Moody's/ S&P Ratings
U.S. agency securities	\$ 933,697	Aaa/AA+

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party (*i.e.*, the City's safekeeping institution).

The City's investment policy requires that all funds on deposit with any financial institution be secured with collateral securities in an amount equal to at least 102 percent of the deposit less any amount insured by the Federal Deposit Insurance Corporation (FDIC), or any other governmental agency performing a similar function. As of April 30, 2018 and 2017, all deposits were adequately and fully collateralized.

The City's investment policy required that all investment securities be held in the City's name in the City's safekeeping account at its safekeeping institution, thereby mitigating custodial credit risk. As of April 30, 2018 and 2017, all investment securities were in the City's name in the City's safekeeping accounts at its safekeeping institutions. In addition, all collateral securities were in the City's joint custody account(s) at the Federal Reserve Bank and were either U.S. Treasury (U.S. government guaranteed) or U.S. agency (Aaa/AA+ rated) obligations with the exception of an Irrevocable Letter of Credit issued in the City's favor by the Federal Home Loan Bank in the amount of \$35,000,000 to secure the City's deposits at Commerce Bank. The current Letter of Credit expires May 31, 2018, and is safekept in the City's cash vault in the Cash Operations section of the Treasury Division. In addition, there are two Irrevocable Letters of Credit issued in the City's favor by the Federal Home Loan Bank in the amount of \$5,000,000 each to secure Certificates of Deposit. The two Letters of Credit expire December 17, 2018 and November 18, 2019, and are also safekept in the City's cash vault in the Cash Operations section of the Treasury Division.

Concentration of Credit Risk

At April 30, 2018, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 7%, 31%, 13% and 21%, respectively, of the City's total investments.

At April 30, 2017, more than five percent of the City's investments are in the following U.S. agency discount note/securities: Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments are 12%, 29%, 13% and 24%, respectively, of the City's total investments.

In the City's opinion, the debt securities issued by these agencies do not have an explicit government guarantee, but rather an implied guarantee and, therefore, the City does not impose limits as to the concentration of any one agency. However, total agency securities in the portfolio are limited by the investment policy to 80% of the total portfolio value.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Summary

The following is a complete listing of cash and investments held by KC Water at April 30, 2018 and 2017:

	2018		
	Water	Sewer	Total
Deposits	\$ 6,031,681	\$ 8,571,862	\$ 14,603,543
Pooled investments	199,920,510	285,277,351	485,197,861
Non-pooled investments	62,142,000	205,299,678	267,441,678
Trustee accounts	-	3,872,403	3,872,403
	<u>\$ 268,094,191</u>	<u>\$ 503,021,294</u>	<u>\$ 771,115,485</u>
Total			
	2017		
	Water	Sewer	Total
Deposits	\$ 15,009,021	\$ 12,960,952	\$ 27,969,973
Pooled investments	202,550,158	251,436,624	453,986,782
Non-pooled investments	79,960,000	89,106,270	169,066,270
Trustee accounts	-	3,930,371	3,930,371
	<u>\$ 297,519,179</u>	<u>\$ 357,434,217</u>	<u>\$ 654,953,396</u>
Total			

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

The deposits and investments of KC Water at April 30, 2018 and 2017 are reflected in the statements of net position as follows:

	2018		
	Water	Sewer	Total
Current assets			
Unrestricted			
Cash and cash equivalents	\$ 4,297,595	\$ 6,499,609	\$ 10,797,204
Investments	16,160,547	24,480,237	40,640,784
Restricted			
Cash and cash equivalents	14,206,586	10,896,830	25,103,416
Investments	6,531,290	85,048,457	91,579,747
Investments	126,217,735	191,196,502	317,414,237
Restricted investments	100,680,438	184,899,659	285,580,097
Total	\$ 268,094,191	\$ 503,021,294	\$ 771,115,485
	2017		
	Water	Sewer	Total
Current assets			
Unrestricted			
Cash and cash equivalents	\$ 6,752,581	\$ 9,186,720	\$ 15,939,301
Investments	12,578,071	17,156,604	29,734,675
Restricted			
Cash and cash equivalents	8,263,340	7,703,553	15,966,893
Investments	31,018,467	21,038,276	52,056,743
Investments	123,832,470	168,816,009	292,648,479
Restricted investments	115,074,250	133,533,055	248,607,305
Total	\$ 297,519,179	\$ 357,434,217	\$ 654,953,396

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Note 3: Accounts Receivable

A summary of accounts receivable at April 30, 2018 and 2017 is as follows:

	April 30, 2018		
	Water	Sewer	Total
Residential and commercial customers	\$ 25,934,393	\$ 30,813,229	\$ 56,747,622
Unbilled utility revenue	10,001,844	12,880,683	22,882,527
Intermunicipal sewer customers	-	8,741,622	8,741,622
Other accounts receivable	521,112	89,107	610,219
	<u>36,457,349</u>	<u>52,524,641</u>	<u>88,981,990</u>
Less allowance for doubtful accounts	<u>12,117,538</u>	<u>13,878,076</u>	<u>25,995,614</u>
Net accounts receivable	<u>\$ 24,339,811</u>	<u>\$ 38,646,565</u>	<u>\$ 62,986,376</u>
	April 30, 2017		
	Water	Sewer	Total
Residential and commercial customers	\$ 24,512,510	\$ 26,312,964	\$ 50,825,474
Unbilled utility revenue	9,167,630	10,420,970	19,588,600
Intermunicipal sewer customers	-	9,238,862	9,238,862
Other accounts receivable	-	193,052	193,052
	<u>33,680,140</u>	<u>46,165,848</u>	<u>79,845,988</u>
Less allowance for doubtful accounts	<u>13,187,636</u>	<u>13,954,853</u>	<u>27,142,489</u>
Net accounts receivable	<u>\$ 20,492,504</u>	<u>\$ 32,210,995</u>	<u>\$ 52,703,499</u>

Note 4: Notes Receivable

The Water Fund has built several major transmission mains to reach wholesale customers. These customers agree to pay for a proportionate share of the main based on their projected use of the capacity. At the time they start using the main, they can either pay the entire amount or pay the Water Fund over a time period at an interest rate tied to the bond interest rate. The monthly payment is included in their water billing.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Notes receivable outstanding consist of the following issues at April 30, 2018 and 2017:

Customer	Interest Rates	Loan Completion Date	2018	2017
Dogwood Energy	5.565%	February 2023	\$ 1,466,368	\$ 1,715,085
Platte County PWSD #2	4.126	April 2026	212,354	234,310
City of Dearborn	4.126	April 2026	161,286	201,543
Cass County PWSD #3	4.394	January 2028	-	100,208
Lee's Summit	4.238	March 2028	1,896,022	2,046,698
Cass County PWSD #10	4.238	November 2029	550,365	586,417
			<u>4,286,395</u>	<u>4,884,261</u>
Less current portion			<u>(526,276)</u>	<u>(508,778)</u>
Noncurrent portion			<u>\$ 3,760,119</u>	<u>\$ 4,375,483</u>

Note 5: Capital Assets

Capital asset activity for the year ended April 30, 2018 is as follows:

Water Fund	May 1, 2017	Additions	Retirements/ Adjustments	April 30, 2018
Depreciable assets				
Buildings	\$ 178,150,081	\$ 6,801,103	\$ (1,890,020)	\$ 183,061,164
Utility lines and improvements	845,509,347	71,946,325	(5,260,471)	912,195,201
Machinery and equipment	99,023,157	3,223,758	(3,246,175)	99,000,740
Total depreciable assets	<u>1,122,682,585</u>	<u>81,971,186</u>	<u>(10,396,666)</u>	<u>1,194,257,105</u>
Accumulated depreciation				
Buildings	(73,278,817)	(2,953,486)	1,890,020	(74,342,283)
Utility lines and improvements	(106,087,875)	(12,725,457)	5,260,470	(113,552,862)
Machinery and equipment	(36,360,886)	(5,552,740)	3,091,342	(38,822,284)
Total accumulated depreciation	<u>(215,727,578)</u>	<u>(21,231,683)</u>	<u>10,241,832</u>	<u>(226,717,429)</u>
Total depreciable assets, net	<u>906,955,007</u>	<u>60,739,503</u>	<u>(154,834)</u>	<u>967,539,676</u>
Nondepreciable assets				
Land and permanent right of ways	4,178,312	724,602	-	4,902,914
Construction in process	38,215,233	54,012,879	(68,477,546)	23,750,566
Total nondepreciable assets	<u>42,393,545</u>	<u>54,737,481</u>	<u>(68,477,546)</u>	<u>28,653,480</u>
Capital assets, net	<u>\$ 949,348,552</u>	<u>\$ 115,476,984</u>	<u>\$ (68,632,380)</u>	<u>\$ 996,193,156</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Sewer Fund	May 1, 2017	Additions	Retirements/ Adjustments	April 30, 2018
Depreciable assets				
Sewerage treatment plant and other facilities	\$ 339,584,763	\$ 13,649,992	\$ (13,737,684)	\$ 339,497,071
Sewer lines	962,542,618	115,670,216	(8,241,765)	1,069,971,069
Equipment	126,592,273	37,522,903	(5,641,411)	158,473,765
Land improvements	-	9,874,427	54,662	9,929,089
Green infrastructure	-	8,671,373	-	8,671,373
Total depreciable assets	1,428,719,654	185,388,911	(27,566,198)	1,586,542,367
Accumulated depreciation				
Sewerage treatment plant and other facilities	(221,559,092)	(8,261,658)	13,685,148	(216,135,602)
Sewer lines	(122,178,690)	(15,627,759)	8,241,763	(129,564,686)
Equipment	(51,599,049)	(9,258,839)	5,137,472	(55,720,416)
Land improvements	-	(436,515)	(2,126)	(438,641)
Green infrastructure	-	(72,042)	-	(72,042)
Total accumulated depreciation	(395,336,831)	(33,656,813)	27,062,257	(401,931,387)
Total depreciable assets, net	1,033,382,823	151,732,098	(503,941)	1,184,610,980
Nondepreciable assets				
Land and permanent right of ways	13,401,078	479,317	-	13,880,395
Construction in process	110,498,840	102,502,021	(166,589,447)	46,411,414
Total nondepreciable assets	123,899,918	102,981,338	(166,589,447)	60,291,809
Capital assets, net	<u>\$1,157,282,741</u>	<u>\$ 254,713,436</u>	<u>\$ (167,093,388)</u>	<u>\$ 1,244,902,789</u>
Total Department Capital Asset, net	<u>\$2,106,631,293</u>	<u>\$ 370,190,420</u>	<u>\$ (235,725,768)</u>	<u>\$ 2,241,095,945</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Capital asset activity for the year ended April 30, 2017 is as follows:

Water Fund	May 1, 2016	Additions	Retirements/ Adjustments	April 30, 2017
Depreciable assets				
Buildings	\$ 173,549,863	\$ 12,998,983	\$ (8,398,765)	\$ 178,150,081
Utility lines and improvements	773,237,115	75,274,425	(3,002,193)	845,509,347
Machinery and equipment	75,320,442	24,872,932	(1,170,217)	99,023,157
Total depreciable assets	<u>1,022,107,420</u>	<u>113,146,340</u>	<u>(12,571,175)</u>	<u>1,122,682,585</u>
Accumulated depreciation				
Buildings	(79,274,944)	(2,402,638)	8,398,765	(73,278,817)
Utility lines and improvements	(97,923,491)	(11,166,577)	3,002,193	(106,087,875)
Machinery and equipment	(32,213,967)	(5,201,414)	1,054,495	(36,360,886)
Total accumulated depreciation	<u>(209,412,402)</u>	<u>(18,770,629)</u>	<u>12,455,453</u>	<u>(215,727,578)</u>
Total depreciable assets, net	<u>812,695,018</u>	<u>94,375,711</u>	<u>(115,722)</u>	<u>906,955,007</u>
Nondepreciable assets				
Land and permanent right of ways	4,089,224	89,088	-	4,178,312
Construction in process	84,956,648	52,217,360	(98,958,775)	38,215,233
Total nondepreciable assets	<u>89,045,872</u>	<u>52,306,448</u>	<u>(98,958,775)</u>	<u>42,393,545</u>
Capital assets, net	<u>\$ 901,740,890</u>	<u>\$ 146,682,159</u>	<u>\$ (99,074,497)</u>	<u>\$ 949,348,552</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Sewer Fund	May 1, 2016	Additions	Retirements/ Adjustments	April 30, 2017
Depreciable assets				
Sewerage treatment plant and other facilities	\$ 341,153,397	\$ 3,490,054	\$ (5,058,688)	\$ 339,584,763
Sewer lines	892,921,550	73,782,375	(4,161,307)	962,542,618
Equipment	105,420,212	23,193,551	(2,021,490)	126,592,273
Total depreciable assets	<u>1,339,495,159</u>	<u>100,465,980</u>	<u>(11,241,485)</u>	<u>1,428,719,654</u>
Accumulated depreciation				
Sewerage treatment plant and other facilities	(218,381,759)	(8,236,021)	5,058,688	(221,559,092)
Sewer lines	(111,793,340)	(14,546,657)	4,161,307	(122,178,690)
Equipment	(46,019,880)	(7,420,376)	1,841,207	(51,599,049)
Total accumulated depreciation	<u>(376,194,979)</u>	<u>(30,203,054)</u>	<u>11,061,202</u>	<u>(395,336,831)</u>
Total depreciable assets, net	<u>963,300,180</u>	<u>70,262,926</u>	<u>(180,283)</u>	<u>1,033,382,823</u>
Nondepreciable assets				
Land and permanent right of ways	13,384,572	16,506	-	13,401,078
Construction in process	90,994,178	105,143,209	(85,638,547)	110,498,840
Total nondepreciable assets	<u>104,378,750</u>	<u>105,159,715</u>	<u>(85,638,547)</u>	<u>123,899,918</u>
Capital assets, net	<u>\$1,067,678,930</u>	<u>\$ 175,422,641</u>	<u>\$ (85,818,830)</u>	<u>\$ 1,157,282,741</u>
Total Department Capital Asset, net	<u>\$1,969,419,820</u>	<u>\$ 322,104,800</u>	<u>\$ (184,893,327)</u>	<u>\$ 2,106,631,293</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Note 6: Long-Term Obligations and Restricted Assets

Revenue bonds and notes payable outstanding consist of the following issues at April 30, 2018 and 2017:

Issue	Interest Rates	Maturity Through	2018	2017
Water Fund				
2008 Series A	4.66%	December 2027	\$ 22,175,000	\$ 23,885,000
2009 Series A	2.00 – 5.25%	December 2032	97,625,000	107,905,000
2012 Series A	1.00 – 5.00%	December 2036	39,255,000	40,700,000
2013 Series A	2.00 – 4.00%	December 2037	51,090,000	52,655,000
2014 Series A	2.00 – 5.00%	December 2038	50,280,000	51,975,000
2015 Series A	3.25 – 5.00%	December 2039	58,380,000	58,865,000
2017 Series A	3.13 – 5.00%	December 2041	75,700,000	78,130,000
Sewer Fund				
State Series 1998A	3.90% – 5.25%	January 2019	695,000	1,360,000
State Series 1999A	3.625% – 5.25%	January 2020	870,000	1,275,000
State Series 2000A	4.60% – 5.75%	July 2020	2,320,000	3,055,000
State Series 2000B	4.25% – 5.625%	July 2020	2,090,000	2,755,000
Stormwater 2000	1.70%	December 2020	218,800	289,600
Stormwater 2001 & 2002	1.60%	December 2021	1,313,000	1,632,000
State Series 2001B	3.00% – 5.375%	July 2022	5,050,000	5,985,000
State Series 2002J	2.00% – 5.50%	July 2022	3,015,000	3,570,000
Series 2004H	3.00% – 5.25%	January 2025	4,235,000	4,775,000
Stormwater 2007	1.40%	June 2027	223,000	243,000
Series 2009A	2.50% – 5.25%	January 2034	53,105,000	55,400,000
Series 2009B	1.480%	July 2030	9,390,900	10,065,900
Series 2011A	2.00% – 5.00%	January 2037	73,135,000	76,060,000
Series 2012A	2.00% – 5.00%	January 2037	65,245,000	68,295,000
Series 2016A	2.00% – 5.00%	January 2040	170,885,000	176,990,000
Series 2018A	3.125% - 5.00%	January 2042	165,000,000	-
			<u>951,295,700</u>	<u>825,865,500</u>
Add premiums			75,012,864	61,585,379
Less				
Current portion			(44,861,300)	(39,571,818)
Discount			<u>(1,475,424)</u>	<u>(1,273,654)</u>
			<u>\$ 979,971,840</u>	<u>\$ 846,605,407</u>
Noncurrent revenue bonds and notes payable			<u>\$ 979,971,840</u>	<u>\$ 846,605,407</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Changes in long-term obligations during the year ended April 30, 2018 are as follows:

	May 1, 2017	Additions	Reductions	April 30, 2018	Due Within One Year
Water Fund					
Revenue bonds	\$ 414,115,000	\$ -	\$ (19,610,000)	\$ 394,505,000	\$ 19,625,000
Less					
Unamortized bond discount	(508,869)	-	22,740	(486,129)	-
Add					
Unamortized bond premium	28,765,487	-	(1,416,430)	27,349,057	-
Net pension liability	30,723,968	1,492,703	(3,187,297)	29,029,374	-
Net other postemployment benefit obligations	5,437,790	577,556	(552,144)	5,463,202	-
Compensated absences	3,555,002	708,296	(640,748)	3,622,550	873,522
Claims payable	16,663,646	5,621,922	(3,684,855)	18,600,713	4,189,080
	<u>498,752,024</u>	<u>8,400,477</u>	<u>(29,068,734)</u>	<u>478,083,767</u>	<u>24,687,602</u>
Sewer Fund					
Revenue bonds and notes payable	411,750,500	165,000,000	(19,959,800)	556,790,700	25,236,300
Less					
Unamortized bond discount	(764,785)	(262,682)	38,172	(989,295)	-
Add					
Unamortized bond premium	32,819,892	16,557,891	(1,713,977)	47,663,806	-
Net pension liability	25,927,891	1,586,635	(2,722,099)	24,792,427	-
Net other postemployment benefit obligations	4,592,153	507,130	(482,516)	4,616,767	-
Compensated absences	2,849,739	516,581	(569,971)	2,796,349	726,119
Claims payable	7,348,785	1,734,391	(1,357,842)	7,725,334	1,762,357
	<u>484,524,175</u>	<u>185,639,946</u>	<u>(26,768,033)</u>	<u>643,396,088</u>	<u>27,724,776</u>
Total Department	<u>\$ 983,276,199</u>	<u>\$ 194,040,423</u>	<u>\$ (55,836,767)</u>	<u>\$ 1,121,479,855</u>	<u>\$ 52,412,378</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Changes in long-term obligations during the year ended April 30, 2017 are as follows:

	<u>May 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>April 30, 2017</u>	<u>Due Within One Year</u>
Water Fund					
Revenue bonds	\$ 352,470,000	\$ 78,130,000	\$ (16,485,000)	\$ 414,115,000	\$ 19,610,000
Less					
Unamortized bond discount	(364,233)	(161,925)	17,289	(508,869)	-
Add					
Unamortized bond premium	22,596,586	7,338,252	(1,169,351)	28,765,487	-
Net pension liability	13,380,125	20,316,304	(2,972,461)	30,723,968	-
Net other postemployment benefit obligations	5,403,488	553,270	(518,968)	5,437,790	-
Compensated absences	3,692,666	476,000	(613,664)	3,555,002	833,384
Claims payable	11,068,501	9,664,009	(4,068,864)	16,663,646	4,158,719
	<u>408,247,133</u>	<u>116,315,910</u>	<u>(25,811,019)</u>	<u>498,752,024</u>	<u>24,602,103</u>
Sewer Fund					
Revenue bonds and notes payable	433,244,200	-	(21,493,700)	411,750,500	19,961,818
Less					
Unamortized bond discount	(804,562)	-	39,777	(764,785)	-
Add					
Unamortized bond premium	34,437,602	-	(1,617,710)	32,819,892	-
Net pension liability	11,291,458	17,144,886	(2,508,453)	25,927,891	-
Net other postemployment benefit obligations	4,561,977	473,782	(443,606)	4,592,153	-
Compensated absences	2,569,429	850,000	(569,690)	2,849,739	731,196
Claims payable	5,772,528	3,648,323	(2,072,066)	7,348,785	1,990,183
	<u>491,072,632</u>	<u>22,116,991</u>	<u>(28,665,448)</u>	<u>484,524,175</u>	<u>22,683,197</u>
Total Department	<u>\$ 899,319,765</u>	<u>\$ 138,432,901</u>	<u>\$ (54,476,467)</u>	<u>\$ 983,276,199</u>	<u>\$ 47,285,300</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

The annual requirements to retire the bonds and notes payable outstanding as of April 30, 2018 are as follows:

Year Ending April 30	Water Fund		Sewer Fund		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 19,625,000	\$ 16,645,268	\$ 25,236,300	\$ 22,784,347	\$ 44,861,300	\$ 48,020,647
2020	20,425,000	15,854,824	24,474,000	22,713,165	44,899,000	38,567,989
2021	21,245,000	15,011,079	24,950,300	21,676,186	46,195,300	36,687,265
2022	20,515,000	14,047,592	24,266,000	20,664,012	44,781,000	34,711,604
2023	21,315,000	13,207,645	24,026,600	19,680,766	45,341,600	32,888,411
2024 - 2028	93,390,000	52,247,063	116,657,900	83,043,096	210,047,900	135,290,159
2029 - 2033	88,685,000	32,619,063	134,839,600	54,255,974	223,524,600	86,875,037
2034 - 2038	79,210,000	15,145,544	123,755,000	25,366,012	202,965,000	40,511,556
2039 - 2043	30,095,000	2,468,600	58,585,000	5,149,050	88,680,000	7,617,650
	<u>\$ 394,505,000</u>	<u>\$ 177,246,678</u>	<u>\$ 556,790,700</u>	<u>\$ 275,332,608</u>	<u>\$ 951,295,700</u>	<u>\$ 461,170,318</u>

The amount of outstanding advance refunding of insubstance defeased debt as of April 30, 2018 and 2017 of the Water Fund was a total of \$33,000,000 and \$37,250,000, respectively.

All funds obtained through the issuance of water revenue bonds are restricted for the purpose of extending and improving the facilities of the Water Fund. All debt service requirements are payable solely from revenues generated by the Water Fund. Under the terms of the ordinances enacted at the time of the issuance of the revenue bonds, the 2009A, 2012A, 2013A, 2014A, 2015A and 2017A bonds (Senior Bonds) share equal claim to the revenue generated by the Water Fund. The pledge of revenue is senior to the pledge of such revenues for the payment of the 2008A bonds (Subordinate Bond). The ordinances require the City to maintain adequate insurance coverage and establish the priority for the allocation of revenue generated by the Water Fund.

All funds obtained through the issuance of sewer revenue bonds are restricted for the purpose of extending and improving the Sewerage System. All debt service requirements of these bonds are payable solely from revenues generated by the Sewer Fund. The revenue bond ordinances require the Sewer Fund to maintain adequate insurance coverage and employ an independent consulting engineer to evaluate the physical condition and operation of the sewerage system on a periodic basis. In addition, the ordinance established the priority for the allocation of revenue generated by the sewerage system.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

After the Water and Sewer Funds meet normal operating and maintenance expenses of each fund, respectively, all remaining moneys are to be allocated to the following accounts in the order listed below:

Account	Restriction
Principal and interest	For the monthly accumulation of moneys to meet the maturing revenue bond principal and interest requirement. Each month, the City is to set aside 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment.
Construction	For recording bond proceeds to be used to finance construction.
Renewal and replacement	For the monthly accumulation of moneys, up to an amount equal to the prior year annual depreciation plus additional amounts to cover future budgeted capital improvements, to pay for the maintenance and replacements necessary to keep the system operating efficiently.

The bond ordinances also require that the Water and Sewer Funds establish additional reserve accounts for the retirement of the bonds totaling \$74,120,466 and \$65,182,966 at April 30, 2018, and 2017, respectively. However, in lieu of setting aside cash, the ordinances allow the Funds to obtain insurance policies. The Water and Sewer Funds have obtained insurance policies to satisfy \$15,304,827 a year of the reserve requirements. As of April 30, 2018 and 2017, both the Water and Sewer Fund's debt service coverage ratios were above the 130% threshold, so the remaining bond reserve accounts were not required to be funded.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Restricted accounts are reported on the accompanying statements of net position as restricted assets for 2018 and 2017 as follows:

	April 30, 2018		
	Water	Sewer	Total
Principal and interest	\$ 15,395,672	\$ 17,171,558	\$ 32,567,230
Debt service reserve	-	5,008,338	5,008,338
Construction	73,503,324	218,645,538	292,148,862
Renewal and replacement	30,105,460	41,168,183	71,273,643
Retention pond maintenance	-	52,342	52,342
Customer deposits	3,064,256	-	3,064,256
	<u>\$ 122,068,712</u>	<u>\$ 282,045,959</u>	<u>\$ 404,114,671</u>
	April 30, 2017		
	Water	Sewer	Total
Principal and interest	\$ 14,498,410	\$ 14,553,831	\$ 29,052,241
Debt service reserve	-	5,140,876	5,140,876
Construction	107,667,363	101,850,493	209,517,856
Renewal and replacement	30,072,505	41,088,042	71,160,547
Retention pond maintenance	-	51,814	51,814
Customer deposits	2,491,202	-	2,491,202
	<u>\$ 154,729,480</u>	<u>\$ 162,685,056</u>	<u>\$ 317,414,536</u>

Note 7: Pledged Revenues

Water Fund – The City has pledged revenues of the Water Fund, net of specified operating expenses, to repay \$394,505,000 in water revenue bonds. The bonds were issued to provide improvements to the water system and facilities. The various issues and maturity dates are listed in *Note 6*. The bonds are payable solely from the revenues derived by the Water Fund. Annual principal and interest payments on the bonds and capital leases are expected to require approximately 28% of net revenues on average over the next 24 years. The total principal and interest remaining to be paid on the bonds is \$571,751,678. Principal and interest paid for the year ended April 30, 2018 and total net revenues were \$36,332,648 and \$85,154,327, respectively.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Sewer Fund – They City has pledged revenues of the Sewer Fund, net of specified operating expenses, to repay sewer system revenue bonds and loans. The bonds were issued to provide improvements to the sewer system and facilities. The loans were issued to fund stormwater basin studies and improvements. The various issues and maturity dates are listed in *Note 6*.

The sewer bonds through and including 1998A are senior bonds that have claim to both sewer and stormwater revenue. Those bonds will be paid off in January of 2019. Total principal and interest on those bonds is \$729,750, which is expected to require 1% of net sewer and stormwater revenues. The remaining sewer bonds are subordinate bonds that have claim to only sewer revenues. Total principal and interest on those bonds is \$829,562,578 and is expected to require approximately 33% of net sewer revenues. The stormwater loans are payable from stormwater revenues. Total principal and interest on those loans is \$1,830,982 and is expected to require more than what is available from the net stormwater revenues. Principal and interest paid for the year ended April 30, 2018 and net revenues for the Sewer Fund were \$37,028,647 and \$102,027,200, respectively.

Note 8: Due to/from Other City Funds

Amounts due to/from other City funds at April 30, 2018 were as follows:

Payables	Receivables			Total
	Water	Sewer	General	
Water Fund	\$ -	\$ 7,259	\$ 385,000	\$ 392,259
Sewer Fund	29,852	-	-	29,852
Flood Control Fund	15,241,654	-	-	15,241,654
General Fund	-	1,043	-	1,043
	<u>\$ 15,271,506</u>	<u>\$ 8,302</u>	<u>\$ 385,000</u>	<u>\$ 15,664,808</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Amounts due to/from other City funds at April 30, 2017 were as follows:

	Receivables			
Payables	Water	Sewer	General	Total
Water Fund	\$ -	\$ 4,680	\$ 385,001	\$ 389,681
Sewer Fund	253,885	-	-	253,885
General Fund	44	2,574	-	2,618
	<u>\$ 253,929</u>	<u>\$ 7,254</u>	<u>\$ 385,001</u>	<u>\$ 646,184</u>

Amounts due from and due to the Water and Sewer Funds represent reimbursement of operating costs between the two funds. Amounts due from and due to the General fund represent reimbursement of operating costs between the funds.

In 2018, the Water Fund transferred \$15,241,654 to the City’s Flood Control Fund to assist with flood control projects. This receivable is recorded on the statement of net position as due from other funds and is expected to be repaid with general obligation bonds issued by the City in Fiscal year 2019 and 2020. The note bears interest at a rate of 2.00%.

Note 9: Payment-in-Lieu of Taxes (PILOT) and Administrative Service Fees

The Water and Sewer Funds are exempt from federal and state income taxes and local property taxes because they are enterprise funds of the City of Kansas City, Missouri. However the Funds are required by a City Ordinance to pay a percentage of gross operating revenues to the General Fund of the City of Kansas City, Missouri. The payment-in-lieu of tax was established at 1.0% of residential and commercial revenue, effective as of May 1, 2016, and increased to 1.5% as of May 1, 2017. The amount transferred for the PILOT management does not consider to be commensurate with the services received, as such, management has classified this as a transfer on the statement of revenues, expenses and changes in net position.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

In addition to these PILOT payments, the Water and Sewer Funds make payments to the General Fund of the City for office space and certain administrative, data processing and accounting services. For the years ended April 30, 2018 and 2017, total payments for administrative and general expenses and transfers for PILOT's are as follows:

	2018	2017
Water Fund		
Administrative, data processing and accounting	\$ 5,440,070	\$ 5,498,379
Overhead allocation for self-insured claims	6,164,455	5,595,145
PILOT	1,893,742	1,372,416
Sewer Fund		
Administrative, data processing and accounting	5,592,944	5,272,354
Overhead allocation for self-insured claims	2,682,158	1,522,034
PILOT	2,502,435	1,588,818
	\$ 24,275,804	\$ 20,849,146

The Water Fund provides billing and collection services for the City of Kansas City, Missouri Sewer Fund and charged the City of Kansas City, Missouri Sewer Fund \$4,522,070 and \$5,106,255 for these services for the years ended April 30, 2018 and 2017, respectively.

Note 10: Employees' Retirement System

The City sponsors a contributory, single-employer defined benefit pension plan, the Employees' Retirement System (the Plan), covering substantially all employees of the Department. However, for purposes of the Department's financial statements, the City has allocated the pension related items and the Department has disclosed the Plan as a cost-sharing multiple employer defined benefit pension plan in accordance with the requirements of GASB statement No. 68.

The Board of Trustees of the Employees' Retirement System of the City of Kansas City, Missouri (the Board) administers the Plan.

The Plan was established in the code of ordinances under Part II, Chapter II, Article IX, Division 2, Section 2-1172 which states, "All full-time, permanent employees in the classified and unclassified services shall become members of the retirement system as a condition of employment, including all full-time, permanent former Metropolitan Ambulance Service Trust (MAST) employees who became city employees as of April 25, 2010, and who did not become members of the Firefighters' Pension System. Former MAST employees have the option within 60 days of the passage of this ordinance to elect to become members of this plan in lieu of participation in the defined contribution plan set out in Division 10. Also included in membership are those who have retired in circumstances establishing eligibility for an annuity in this pension system and inactive members on leave of absence."

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

The Board of Trustees of the Plan shall consist of ten members, including the Director of Human Resources and Director of Finance, and seven shall be appointed by the Mayor as follows:

- a. One shall be a retired member of the system.
- b. Four, other than the forgoing, shall be recognized business and/or civic leaders with financial backgrounds, such as investments, management of employees' benefit plans, who are not employees of the City. At the Mayor's option, one of this group may be a City Council person with a financial background who shall serve as an ex-officio member of the Board with a right to vote.
- c. Two shall be active employees and members of the retirement system as recommended by the union.
- d. In the event that Local 42, IAFF, has 200 or more members, including retirees, participating in the Employees' Retirement System, Local 42 will have one designated member who will be vested with the same voting rights as the other trustees.

The Board is responsible for establishing or amending plan provisions. The Board issues publicly available financial reports that include financial statements and required supplementary information. The financial reports may be obtained by writing to:

Employees' Pension Systems

The Retirement Division
City Hall-10th Floor
414 East 12th Street
Kansas City, Missouri 64106
Phone 816.513.1928

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Retirement Benefits

Benefit terms for the Plan are established in the City administrative code and can only be amended by the City Council. The Plan provides retirement benefits as well as pre-retirement death benefits as noted below:

Tier I Members

The Plan provides retirement benefits for those employees hired before April 20, 2014 (Tier I Members). Employees become vested for retirement benefits after five years of service. Members who retire with total age and creditable service equal to 80, or the later of age 60 and 10 years of creditable service, are entitled to an annual pension based on a percentage of final average compensation multiplied by years and months of creditable service. If married at the time of retirement, the percentage is 2.0% for general employees and 2.2% for elected officials, and if unmarried at the date of retirement, the percentage is 2.2% up to a maximum of 70% of final average compensation as defined in the Plan. If the employee has at least 10 years of creditable service, the minimum benefit is \$400 per month.

If members terminate prior to retirement and before rendering five years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. Such refunds result in the forfeiture of all other benefits under the Plan. Members terminating prior to retirement with five or more years of service may elect to receive a refund of their member contributions with interest as a lump-sum distribution, or they may elect to receive a deferred pension. An automatic annual cost-of-living adjustment of 3%, non-compounded, is provided annually.

Tier II Members

The Plan provides retirement benefits for those employees hired on or after April 20, 2014 (Tier II Members). Employees become vested for retirement benefits after ten years of service. Members who retire with total age and creditable service equal to 85, or the later of age 62 and 10 years of creditable service, are entitled to an annual pension of 1.75% of final average compensation multiplied by the number of years of creditable service, subject to a maximum limit of 70% of final average compensation as defined in the Plan.

If employees terminate prior to retirement and before rendering ten years of service, they forfeit the right to receive the portion of their accumulated plan benefits attributable to City contributions and are refunded their member contributions with interest. An annual cost-of-living adjustment, not to exceed 2.5%, non-compounded, per year is provided to pensioners age 62 and older if the prior year funding ratio is equal to or greater than 80% and will be equal to the percentage increase in the prior 12 months of the final national Consumer Price Index.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Death Benefits

If a retired member dies, the following benefits shall be paid:

To the member's spouse until death, a retirement benefit equal to one-half of the member's normal retirement benefit. To the member's designated beneficiary or estate, if there is no surviving spouse, any remaining member contributions and interest. If an active member dies, the member contributions and interest are distributed to the surviving spouse or, if none, to the designated beneficiary. The surviving spouse, however, may elect to receive monthly benefit payments instead of the lump-sum distribution if the member had five or more years of creditable service.

Contributions

Funding is provided by contributions from Plan members, the Fund and earnings on investments. Members contribute 5% of their base salary. The Water and Sewer Funds' contributions are set by the City Council in conjunction with its approval of the annual budget, based on the actuarially determined contribution rate set by the Plan's consulting actuary. For the years beginning May 1, 2017 and 2016, both the Water and Sewer Funds contributed 15.40% and 13.81% of payroll, respectively, which is the actuarially determined Board contribution rates for the respective years. Future Fund contributions will be determined through each Fund's budgeting process.

The Department's governing body has the authority to establish and amend the contribution requirements of each major fund and active employees. The governing body establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Water and Sewer Funds are required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended April 30, 2018 and 2017, employees within the Water Fund contributed \$1,132,025 and \$998,950, respectively, and the Sewer Fund contributed \$3,187,297 and \$2,972,461, respectively, to the Plan. For the years ended April 30, 2018 and 2017, employees within the Sewer Fund contributed \$966,801 and \$842,814, respectively, and the Water Fund contributed \$2,722,121 and \$2,508,453, respectively, to the Plan.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At April 30, 2018 and 2017, the Water Fund reported a liability of \$29,029,374 and \$30,723,968, respectively, for its proportionate share of the net pension liability. At April 30, 2018 and 2017, the Sewer Fund reported a liability of \$24,792,427 and \$25,927,891, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of April 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 30, 2016 and 2015 rolled forward one year to the measurement dates. The Water and Sewer Funds' proportion of the net pension liability was based on the respective Fund's actual contributions to the pension plan for the

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

years ended April 30, 2017 and 2016. At April 30, 2018 and 2017, the Water Fund's proportion was 13.07% and 12.54%, respectively. At April 30, 2018 and 2017, the Sewer Fund's proportion was 11.16% and 10.58%, respectively.

For the years ended April 30, 2018 and 2017, the Water Fund recognized pension expense of \$6,800,374 and \$5,193,216, respectively. For the years ended April 30, 2018 and 2017, the Sewer Fund recognized pension expense of \$5,807,834 and \$4,159,127, respectively.

At April 30, 2018 and 2017, KC Water reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Water Fund				
Net difference between projected and actual earnings on pension plan investments	\$ 4,767,051	\$ -	\$ 10,021,742	\$ -
Changes in assumptions	3,376,343	-	4,320,508	-
Differences between expected and actual experience	-	521,618	-	609,750
Changes in Fund proportion	1,289,130	-	-	-
Fund contributions made subsequent to the measurement date of the net pension liability	3,187,297	-	2,972,461	-
	<u>12,619,821</u>	<u>521,618</u>	<u>17,314,711</u>	<u>609,750</u>
Sewer Fund				
Net difference between projected and actual earnings on pension plan investments	4,071,282	-	8,457,326	-
Changes in assumptions	2,883,552	-	3,646,068	-
Differences between expected and actual experience	-	445,486	-	514,569
Changes in Fund proportion	1,412,785	-	-	-
Fund contributions made subsequent to the measurement date of the net pension liability	2,722,121	-	2,508,453	-
	<u>11,089,740</u>	<u>445,486</u>	<u>14,611,847</u>	<u>514,569</u>
Total Department	<u>\$ 23,709,561</u>	<u>\$ 967,104</u>	<u>\$ 31,926,558</u>	<u>\$ 1,124,319</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

At April 30, 2018 and 2017, the Water Fund reported \$3,187,297 and \$2,972,461, respectively, and the Sewer Fund reported \$2,722,121 and \$2,508,453, respectively, of deferred outflows of resources resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2018, related to pensions, will be recognized in pension expense as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2019	\$ 3,085,285	\$ 2,721,347	\$ 5,806,632
2020	3,085,285	2,721,346	5,806,631
2021	3,314,253	2,916,896	6,231,149
2022	<u>(573,917)</u>	<u>(437,456)</u>	<u>(1,011,373)</u>
	<u>\$ 8,910,906</u>	<u>\$ 7,922,133</u>	<u>\$ 16,833,039</u>

Actuarial Assumptions

The total pension liability in the May 1, 2016 and 2015 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Ranges from 4.0% to 8.0%
Ad hoc cost-of-living adjustments	3.0%, simple for Tier I, 2.5% for Tier II
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Annuitant Mortality Table, projected using a modified scale, MP-2015 on a generational basis for healthy individuals and the RP-2000 Combined Disability Mortality Table projected using a modified scale MP-2015 on a generational basis for disabled individuals.

The actuarial assumptions used in the May 1, 2016 and 2015 valuations were based on the results of an actuarial experience study for the period 2006 – 2010 and showed that there were sufficient margins in the rates to provide for potential future improvements in mortality.

The investment return assumption of 7.50% was selected based upon an analysis that included (a) capital market assumptions provided by the investment consultant, (b) the asset allocation of the fund and (c) investment return assumptions of other public retirement systems.

The inflation assumption of 3.0% was selected based upon an analysis that included (a) input from the investment consultant, (b) historical inflation as measured by Consumer Price Index and (c) implied inflation in long-term government bonds.

The long-term wage growth assumption of 4.0% was based upon the inflation assumption of 3.0% plus a real growth wage assumption of 1.0% which was derived from an analysis of historical increases in Social Security Average earnings.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Long-Term Expected Real Rate of Return

Best-estimates arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of April 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap Equity	16.0%	3.8%
Small Cap Equity	5.5%	4.3%
Non-US Equity	7.0%	5.3%
Global Equity	19.0%	4.7%
Emerging Markets Equity	3.0%	7.3%
Opportunistic Equity	12.0%	3.8%
Fixed Income	26.5%	0.1%
Real Assets	10.0%	4.0%
Cash	1.0%	-0.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, which is the assumed long-term expected rate of return in Plan investments. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Fund contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position will be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Sensitivity of the Water and Sewer Fund's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The net pension liability of the Water and Sewer Funds have been calculated using a discount rate of 7.50%. The following presents the net pension liability using a discount rate 1% higher and 1% lower than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
2018			
Water Fund's net pension liability	\$ 49,784,297	\$ 29,029,374	\$ 11,646,675
Sewer Fund's net pension liability	42,517,960	24,792,427	9,946,768
Total Department	<u>\$ 92,302,257</u>	<u>\$ 53,821,801</u>	<u>\$ 21,593,443</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial report, located at www.kcmo.org.

Payable to the Pension Plan

At April 30, 2018 and 2017, the Water Fund reported a payable of \$143,000 and \$158,000, respectively, for the outstanding amount of contributions to the pension plan. At April 30, 2018 and 2017, the Sewer Fund reported a payable of \$122,000 and \$133,000, respectively, for the outstanding amount of contributions to the pension plan.

Note 11: Other Postemployment Benefits

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45), other postemployment benefits (OPEB) are recorded in the financial statements as noncurrent liabilities on the statements of net position and are included as an operating expense in salaries and wages and employee benefits on the statements of revenues, expenses and changes in net position.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Plan Description

The City sponsors a single-employer, defined benefit health care plan that provides health care benefits to retirees and their dependents, including medical, dental and vision coverage. The City requires the retirees to pay 100% of the same medical premium charged to active participants. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered OPEB under GASB 45.

Retirees and spouses have the same benefits as active employees. Retiree coverage terminates either when the retiree becomes covered under another employer health plan or when the retiree reaches Medicare eligibility age, which is currently age 65. Spousal coverage is available until the retiree becomes covered under another employer health plan, attains Medicare eligibility age or dies.

The net OPEB obligation at April 30, 2018 is as follows:

	City	Water	Sewer
Annual required contribution (ARC)	\$ 8,912,701	\$ 659,396	\$ 576,244
Interest on net OPEB obligation	3,248,508	244,701	206,647
Adjustment to annual required contribution	(4,334,977)	(326,541)	(275,760)
Annual OPEB cost (expense)	<u>7,826,232</u>	<u>577,556</u>	<u>507,131</u>
Contributions made (employer)	(7,463,023)	(552,144)	(482,516)
Change in net OPEB obligation	363,209	25,412	24,615
Net OPEB obligation, April 30, 2017	<u>72,189,070</u>	<u>5,437,790</u>	<u>4,592,152</u>
Net OPEB obligation, April 30, 2018	<u><u>\$ 72,552,279</u></u>	<u><u>\$ 5,463,202</u></u>	<u><u>\$ 4,616,767</u></u>

Funded Status and Funding Progress

As of May 1, 2016, the most recent actuarial valuation date, the OPEB plan was 0.0% funded. The actuarial accrued liability for benefits was \$89.1 million, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$89.1 million. The covered payroll (annual payroll of active employees covered by the OPEB plan) was \$226.1 million, and the ratio of UAAL to the covered payroll was 39.4%.

Although determinations of the actuarial status were not made for individual funds, the City has allocated its 2018 and 2017 overall net OPEB obligation of approximately \$72,600,000 and \$72,189,000, respectively, to each participating fund. For the years ended April 30, 2018 and 2017, the Water Fund's allocation was approximately \$5,463,000 and \$5,438,000, respectively, and the Sewer Fund's allocation was approximately \$4,616,000 and \$4,592,000, respectively.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements and presents multi-year trend information over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the May 1, 2016 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets (of which there are none) and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 8.5 - 7.5% annually, reduced by decrements to an ultimate rate of 4.5% after nine years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a 20-year level percentage of pay. The remaining amortization period at April 30, 2018 was 30 years.

Note 12: Commitments

At April 30, 2018 and 2017, the City had made purchase commitments primarily for additions to utility lines and improvements on behalf of the Water Fund of approximately \$55,863,000 and \$35,001,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

At April 30, 2018 and 2017, the City had made purchase commitments, primarily for additions to plant on behalf of the Sewer Fund of approximately \$171,478,000 and \$125,991,000, respectively. These commitments will be funded by a combination of existing resources and future debt issuances.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

In January 2018, the Sewer Fund entered into a forward delivery bond purchase agreement for the Series 2018B with an expected delivery date in October 2018. The 2018B Series Sewer System Refunding Revenue Bonds (2018B Series) will have a par value of \$42,055,000, maturity dates ranging from 2020 to 2034 and an average expected interest rate of 5%. The contract was entered into by the Sewer Fund and an underwriter to purchase the 2018B Series on the delivery date for the purpose of effecting a refunding of an outstanding issue that cannot be advance refunded.

Note 13: Risk Management

KC Water is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department is self-insured for workers' compensation and general liability exposures and participates in the City's self-insurance programs. The City has purchased insurance to limit the exposure to \$1,000,000 on workers' compensation claims per occurrence occurring prior to fiscal year 1997, \$500,000 exposure for all claims originating in fiscal year 1997, \$400,000 exposure for all claims originating in fiscal year 1998, \$2,000,000 exposure for all claims originating in fiscal years 2003 through 2007, \$1,000,000 exposure for all claims originating in fiscal years 2008 through 2011, and \$2,000,000 for all claims originating thereafter. The City also purchases an excess liability policy to cover torts, which are not barred by sovereign immunity. The policy has a \$5,400,000 retention and a \$10,000,000 loss limit. Current sovereign tort immunity statutes and law limit general liability and automobile claim exposure to a maximum of \$420,606 per person and \$2,804,046 per occurrence. Settled claims have not exceeded the self-insured retention in any of the past three fiscal years.

The City also maintains commercial insurance coverage for those areas not covered by the City's self-insurance programs, such as excess general liability, property, cyber and auto. Settled claims have not exceeded commercial insurance coverage for the past three years.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

All funds of the City participate in the program and make payments based on estimates of the amounts needed to pay prior and current year claims. The claims liability for the Water and Sewer Funds includes an estimate of claims incurred but not reported (IBNR), which was determined based upon historical claims experience. Activity in the Water and Sewer Fund's claims liability for the years ended April 30, 2018, 2017 and 2016 is summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Water			
Balance, beginning of the year	\$ 16,663,646	\$ 11,068,501	\$ 10,470,580
Current year claims incurred and changes in estimates for claims incurred in prior years	9,052,990	9,664,009	3,131,746
Claims and expenses paid	<u>(7,115,923)</u>	<u>(4,068,864)</u>	<u>(2,533,825)</u>
Balance, end of the year	18,600,713	16,663,646	11,068,501
Less current portion	<u>(4,189,080)</u>	<u>(4,158,719)</u>	<u>(2,893,181)</u>
Noncurrent portion	<u>\$ 14,411,633</u>	<u>\$ 12,504,927</u>	<u>\$ 8,175,320</u>
Sewer			
Balance, beginning of the year	\$ 7,348,785	\$ 5,772,528	\$ 5,572,358
Current year claims incurred and changes in estimates for claims incurred in prior years	5,263,103	3,648,323	2,530,842
Claims and expenses paid	<u>(4,886,554)</u>	<u>(2,072,066)</u>	<u>(2,330,672)</u>
Balance, end of the year	7,725,334	7,348,785	5,772,528
Less current portion	<u>(1,762,357)</u>	<u>(1,900,183)</u>	<u>(1,544,973)</u>
Noncurrent portion	<u>\$ 5,962,977</u>	<u>\$ 5,448,602</u>	<u>\$ 4,227,555</u>

Note 14: Disclosures About Fair Value of Assets

KC Water categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

The City has the following recurring fair value measurements as of April 30, 2018 and 2017:

- U.S. Treasury Bills, U.S. Treasury Notes/Bonds and Federal agencies of approximately \$1,331,620,000 and \$1,163,784,000 as of April 30, 2018 and 2017, respectively, are valued using quoted prices for similar assets, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets (Level 2) inputs.

Note 15: Net Position

Net investment in capital assets is comprised of the following:

	April 30, 2018		
	Water	Sewer	Total
Capital Related Assets			
Land	\$ 4,902,914	\$ 13,880,395	\$ 18,783,309
Construction in progress	23,750,566	46,411,414	70,161,980
Buildings	183,061,164	-	183,061,164
Treatment plant and other facilities	-	339,497,071	339,497,071
Utility line and improvements	912,195,201	1,069,971,069	1,982,166,270
Land improvements	-	9,929,089	9,929,089
Green infrastructure	-	8,671,373	8,671,373
Machinery and equipment	99,000,740	158,473,765	257,474,505
	<u>1,222,910,585</u>	<u>1,646,834,176</u>	<u>2,869,744,761</u>
Less accumulated depreciation	<u>(226,717,429)</u>	<u>(401,931,387)</u>	<u>(628,648,816)</u>
Capital assets, net	<u>996,193,156</u>	<u>1,244,902,789</u>	<u>2,241,095,945</u>
Deferred outflows of resources - loss on refunding	<u>1,969,672</u>	<u>1,136,750</u>	<u>3,106,422</u>
Less Related Liabilities			
Current portion, bonds and capital leases payable	19,625,000	25,236,300	44,861,300
Bonds and notes payable, net of premium, discount and unspent proceeds	328,497,088	360,276,132	688,773,220
Contracts and retainages payable	<u>2,576,333</u>	<u>5,349,210</u>	<u>7,925,543</u>
Total capital related liabilities	<u>350,698,421</u>	<u>390,861,642</u>	<u>741,560,063</u>
Net investment in capital assets	<u>\$ 647,464,407</u>	<u>\$ 855,177,897</u>	<u>\$1,502,642,304</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

	April 30, 2017		
	Water	Sewer	Total
Capital Related Assets			
Land	\$ 4,178,312	\$ 13,401,078	\$ 17,579,390
Construction in progress	38,215,233	110,498,840	148,714,073
Buildings	178,150,081	-	178,150,081
Treatment plant and other facilities	-	339,584,763	339,584,763
Utility line and improvements	845,509,347	962,542,618	1,808,051,965
Machinery and equipment	99,023,157	126,592,273	225,615,430
	<u>1,165,076,130</u>	<u>1,552,619,572</u>	<u>2,717,695,702</u>
Less accumulated depreciation	<u>(215,727,578)</u>	<u>(395,336,831)</u>	<u>(611,064,409)</u>
Capital assets, net	<u>949,348,552</u>	<u>1,157,282,741</u>	<u>2,106,631,293</u>
Deferred outflows of resources - loss on refunding	<u>2,390,817</u>	<u>1,284,265</u>	<u>3,675,082</u>
Less Related Liabilities			
Current portion, bonds and capital leases payable	19,610,000	19,961,818	39,571,818
Bonds and notes payable, net of premium, discount and unspent proceeds	315,354,209	322,284,127	637,638,336
Contracts and retainages payable	2,551,423	4,693,139	7,244,562
Total capital related liabilities	<u>337,515,632</u>	<u>346,939,084</u>	<u>684,454,716</u>
Net investment in capital assets	<u>\$ 614,223,737</u>	<u>\$ 811,627,922</u>	<u>\$1,425,851,659</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Restricted net position at April 30, 2018 and 2017 is as follows:

	April 30, 2018		
	Water	Sewer	Total
Restricted Assets			
Cash and cash equivalents	\$ 14,206,586	\$ 10,896,830	\$ 25,103,416
Investments	107,211,728	269,948,116	377,159,844
Interest receivable	650,398	1,201,013	1,851,411
	<u>122,068,712</u>	<u>282,045,959</u>	<u>404,114,671</u>
Less Liabilities from Restricted Assets			
Debt related to unspent bond proceeds	73,245,840	217,952,779	291,198,619
Accrued interest and fiscal agent fees	6,935,528	7,201,254	14,136,782
Customer deposits	3,053,522	-	3,053,522
	<u>83,234,890</u>	<u>225,154,033</u>	<u>308,388,923</u>
Restricted Net Position	<u>\$ 38,833,822</u>	<u>\$ 56,891,926</u>	<u>\$ 95,725,748</u>
	April 30, 2017		
	Water	Sewer	Total
Restricted Assets			
Cash and cash equivalents	\$ 8,263,340	\$ 7,703,553	\$ 15,966,893
Investments	146,092,717	154,571,331	300,664,048
Interest receivable	373,423	410,172	783,595
	<u>154,729,480</u>	<u>162,685,056</u>	<u>317,414,536</u>
Less Liabilities from Restricted Assets			
Debt related to unspent bond proceeds	107,407,409	101,559,662	208,967,071
Accrued interest and fiscal agent fees	6,576,120	5,719,527	12,295,647
Customer deposits	2,485,195	-	2,485,195
	<u>116,468,724</u>	<u>107,279,189</u>	<u>223,747,913</u>
Restricted Net Position	<u>\$ 38,260,756</u>	<u>\$ 55,405,867</u>	<u>\$ 93,666,623</u>

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Note 16: City Sewer Overflow Control Plan

The City submitted a plan to control overflows from the City's combined and separate sanitary sewer systems to the United States Environmental Protection Agency (the EPA) and the Missouri Department of Natural Resources (the MDNR). The control plan is being driven by requirements of the *Clean Water Act* and by polices of the EPA. The City has reached an agreement with the federal government, in the form of a consent decree that includes a sewer overflow control plan, resolution of past *Clean Water Act* violations and the imposition of a penalty. The Consent Decree was lodged on May 18, 2010, and the court issued an order approving and entering the Consent Decree. A separate agreement has been reached with the state, resolving past sewer overflow violations, imposing a penalty and developing a sewer overflow response plan. The City has been timely fulfilling its obligations under this settlement.

The current estimated capital costs of this control plan are \$4.5 billion with estimated inflation at the end of the 25-year timeframe. In addition, there will be a substantial increase in annual expenditures for operation and maintenance. It is anticipated that this plan will be funded primarily from the City's Sewer Fund, which is separate from the General Fund. The City does not anticipate that the City's General Fund will be relied upon to assist in the financing of the control plan; however, further future analysis will be required. Specifically, upon approval and implementation of the control plan, specific financing strategies to offset the cost of the control plan will be evaluated and implemented, which could include appropriation of moneys from the City's General Fund. In November of 2016, Water Services and its Overflow Control Program team submitted a request for a second medication that extended the completion date for six particular projects in order to better sequence construction, capitalize on the timing of other municipal infrastructure projects and to optimize the scope of particular projects to achieve greater public benefits. The EPA approved these modifications in November of 2017.

KC Water
A Department of the City of Kansas City, Missouri
Notes to Financial Statements
April 30, 2018 and 2017

Note 17: Restatement of Prior-Year Financial Statements

Fiscal year 2017 has been restated to distinguish between the major categories of restrictions on net position. The following financial statement line items for the fiscal year 2017 were affected by the correction:

	As Restated	As Previously Reported	Effects of Change
Net Position - Water			
Restricted - expandable	\$ -	\$ 38,260,756	\$(38,260,756)
Restricted - capital projects	23,797,302	-	23,797,302
Restricted - debt service	14,463,454	-	14,463,454
Net Position - Sewer			
Restricted - expandable	-	55,405,867	(55,405,867)
Restricted - capital projects	41,025,858	-	41,025,858
Restricted - debt service	14,380,009	-	14,380,009
Net Position - Total			
Restricted - expandable	-	93,666,623	(93,666,623)
Restricted - capital projects	64,823,160	-	64,823,160
Restricted - debt service	28,843,463	-	28,843,463

Note 18: Subsequent Events

Debt

On October 4, 2018, the City issued its Sanitary Sewer System Refunding Revenue Bonds, Series 2018B (“Series 2018B Bonds”) in the amount of \$42,055,000. The Series 2018B Bonds financed the refunding of the \$53,105,000 of outstanding Sanitary Sewer System Revenue Bonds, Series 2009A, which will be redeemed on January 1, 2019. The City entered into a forward delivery bond purchase agreement, on January 31, 2018, related to the Series 2018B Bonds.



FINANCIAL SECTION

Required Supplementary Information (Unaudited)

KC Water
A Department of the City of Kansas City, Missouri
Schedule of the Department's Proportionate Share of the Net Pension Liability
Employees' Retirement System of the City of Kansas City, Missouri
Last Ten Fiscal Years

	2018	2017	2016
Water Fund's proportion of the net pension liability	13.07%	12.54%	12.54%
Water Fund's proportionate share of the net pension liability	\$ 29,029,374	\$ 30,723,968	\$13,380,125
Water Fund's covered payroll	\$ 21,467,220	\$ 20,923,378	\$21,020,683
Water Fund's proportionate share of the net pension liability as a percentage of its covered payroll	135.23%	146.84%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	83.10%	80.69%	91.05%
	2018	2017	2016
Sewer Fund's proportion of the net pension liability	11.16%	10.58%	10.58%
Sewer Fund's proportionate share of the net pension liability	\$ 24,792,427	\$ 25,927,891	\$11,291,459
Sewer Fund's covered payroll	\$ 18,330,082	\$ 17,653,058	\$17,739,310
Sewer Fund's proportionate share of the net pension liability as a percentage of its covered payroll	135.26%	146.87%	63.65%
Plan fiduciary net position as a percentage of the total pension liability	83.10%	80.69%	91.05%

Note to Schedule: This schedule is intended to show a ten-year trend. Additional years will be reported as they become available.

This information is presented as of the measurement date for each fiscal year, which is April 30 of the prior year.

KC Water
A Department of the City of Kansas City, Missouri
Schedule of the Department's Contributions
Employees' Retirement System of the City of Kansas City, Missouri
Last Ten Fiscal Years

Water	2018	2017	2016
Water Fund's contractually required contribution	\$ 3,187,882	\$ 2,889,519	\$ 3,077,428
Contributions in relation to the contractually required contribution	<u>3,206,129</u>	<u>2,972,461</u>	<u>3,082,377</u>
Contribution deficiency (excess)	<u>\$ (18,247)</u>	<u>\$ (82,942)</u>	<u>\$ (4,949)</u>
Water Fund's covered payroll	\$ 21,932,901	\$ 20,596,705	\$20,923,378
Contributions as a percentage of covered payroll	14.62%	14.44%	14.73%
Sewer	2018	2017	2016
Sewer Fund's contractually required contribution	\$ 2,722,017	\$ 2,437,887	\$ 2,596,426
Contributions in relation to the contractually required contribution	<u>2,737,598</u>	<u>2,508,453</u>	<u>2,601,211</u>
Contribution deficiency (excess)	<u>\$ (15,581)</u>	<u>\$ (70,566)</u>	<u>\$ (4,785)</u>
Sewer Fund's covered payroll	\$ 18,727,711	\$ 17,377,443	\$17,653,058
Contributions as a percentage of covered payroll	14.62%	14.44%	14.73%

Note to Schedule: This schedule is intended to show a ten-year trend. Additional years will be reported as they become available.

This information is presented as of the Department's most recent fiscal year end.

There are no significant changes to benefit assumptions and/or actuarial methods.

KC Water
A Department of the City of Kansas City, Missouri
Schedule of the Funding Progress
Year Ended April 30, 2018
(In thousands)

Other Postemployment Benefits						
(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	as a Percentage of Covered Payroll
City of Kansas City - Employee/Firefighter Other Postemployment Benefits						
5/1/2012	\$ -	\$ 105,013	\$ 105,013	0%	\$ 221,197	47.47%
5/1/2014	-	97,828	97,828	0%	227,039	43.09%
5/1/2016	-	89,146	89,146	0%	226,100	39.43%

Note: Valuation and determinations of the actuarial status were not made for individual funds; as such, the above information is for the entire City OPEB Plan.



FINANCIAL SECTION

Supplementary Information

KC Water
A Department of the City of Kansas City, Missouri
Combining Schedule of Revenues, Expenses and Changes in Net Position –
Sewer Fund
Year Ended April 30, 2018

	Wastewater	Stormwater	Total
Operating Revenues			
Residential and commercial sales	\$ 172,044,084	\$ 13,434,166	\$ 185,478,250
Intermunicipal sewer charges	33,517,836	-	33,517,836
Other operating revenues	5,652,415	811,387	6,463,802
	<u>211,214,335</u>	<u>14,245,553</u>	<u>225,459,888</u>
Operating Expenses			
Sewerage treatment and pumping	35,605,983	99,701	35,705,684
Sewer maintenance	28,514,416	8,291,096	36,805,512
Industrial and household hazardous waste control	817,506	653,433	1,470,939
Administrative and general	45,569,553	5,336,586	50,906,139
Depreciation and amortization	26,414,535	7,242,278	33,656,813
	<u>136,921,993</u>	<u>21,623,094</u>	<u>158,545,087</u>
Operating Income (Loss)	<u>74,292,342</u>	<u>(7,377,541)</u>	<u>66,914,801</u>
Nonoperating Revenues (Expenses)			
Interest income	1,399,152	56,434	1,455,586
Interest expense and fiscal agent fees	(12,303,244)	(44,740)	(12,347,984)
Other	17,243	12,307	29,550
	<u>(10,886,849)</u>	<u>24,001</u>	<u>(10,862,848)</u>
Excess of Revenues Over (Under) Expenses Before Capital Contributions	63,405,493	(7,353,540)	56,051,953
Capital Contributions	759,456	10,089,575	10,849,031
Payment-in-Lieu of Taxes	<u>(2,502,435)</u>	<u>-</u>	<u>(2,502,435)</u>
Increase in Net Position	<u>\$ 61,662,514</u>	<u>\$ 2,736,035</u>	<u>\$ 64,398,549</u>

STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographic and Economic Information

Operating Information

Statistical Section

(Unaudited)

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Department's overall financial health.

<i>Contents</i>	Page
<u>Financial Trends</u>	74
These schedules contain trend information to help the reader understand how the utility's financial performance and well-being have changed over time.	
<u>Revenue Capacity</u>	77
These schedules contain information to help the reader assess the Department's most significant local revenue source.	
<u>Debt Capacity</u>	83
These schedules present information to help the reader assess the affordability of the Department's current levels of outstanding debt and the Department's ability to issue additional debt in the future.	
<u>Demographic and Economic Information</u>	88
These schedules offer demographic and economic indicators to help the reader understand how the information in the utility's financial activities takes place.	
<u>Operating Information</u>	90
These schedules contain service and infrastructure data to help the readers understand how the information in the utility's financial report relates to the services the utility provides and the activities it performs.	



STATISTICAL SECTION

Financial Trends

KC Water
A Department of the City of Kansas City, Missouri
Net Position by Category
Last Ten Fiscal Years

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Water Fund										
Net investment in capital assets	\$ 428,340,318	\$ 438,188,214	\$ 455,704,677	\$ 470,155,178	\$ 488,842,664	\$ 513,054,370	\$ 552,399,594	\$ 593,543,635	\$ 614,223,737	\$ 647,464,407
Restricted - expendable	4,887,540	12,703,629	11,382,337	10,008,982	13,199,410	26,454,618	24,439,399	37,103,229	38,260,756	38,833,822
Unrestricted	14,458,602	15,160,220	35,888,149	57,021,378	83,331,615	83,631,558	99,975,615	94,221,747	122,721,652	137,090,444
Total net position	447,686,460	466,052,063	502,975,163	537,185,538	585,373,689	623,140,546	676,814,608	724,868,611	775,206,145	823,388,673
Sewer Fund										
Net investment in capital assets	563,947,955	591,072,327	608,273,541	629,443,591	651,557,999	693,704,508	733,946,847	760,587,456	811,627,922	855,177,897
Restricted - expendable	7,418,277	7,377,826	7,465,340	7,815,116	11,664,261	22,724,620	31,483,449	55,523,858	55,405,867	56,891,926
Unrestricted	29,211,764	29,102,652	53,640,792	73,415,975	87,048,093	113,228,784	140,969,348	151,260,389	177,299,923	196,662,438
Total net position	600,577,996	627,552,805	669,379,673	710,674,682	750,270,353	829,657,912	906,399,644	967,371,703	1,044,333,712	1,108,732,261
Total Department										
Net investment in capital assets	992,288,273	1,029,260,541	1,063,978,218	1,099,598,769	1,140,400,663	1,206,758,878	1,286,346,441	1,354,131,091	1,425,851,659	1,502,642,304
Restricted - expendable	12,305,817	20,081,455	18,847,677	17,824,098	24,863,671	49,179,238	55,922,848	92,627,087	93,666,623	95,725,748
Unrestricted	43,670,366	44,262,872	89,528,941	130,437,353	170,379,708	196,860,342	240,944,963	245,482,136	300,021,575	333,752,882
Total net position	1,048,264,456	1,093,604,868	1,172,354,836	1,247,860,220	1,335,644,042	1,452,798,458	1,583,214,252	1,692,240,314	1,819,539,857	1,932,120,934

Source: Comprehensive Annual Financial Report for 2017 and 2018 and historical audited financials for remaining years

Note: The Water and Sewer Funds adopted GASB 65 starting in 2013. Previous years have not been restated for the adoption of GASB 65.

Note: The Water and Sewer Funds adopted GASB 68 starting in 2016. Previous years have not been restated for the adoption of GASB 68.

KC Water
A Department of the City of Kansas City, Missouri
Changes in Net Position - Water Fund
Last Ten Fiscal Years

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Operating Revenues										
Water sales	\$ 79,369,329	\$ 79,402,865	\$ 104,809,250	\$ 113,795,787	\$ 139,044,243	\$ 136,645,032	\$ 141,805,902	\$ 145,387,719	\$ 153,502,388	\$ 156,118,392
Other water revenue	2,401,532	3,051,231	3,043,482	4,425,641	4,128,038	3,132,691	3,363,610	3,638,548	4,995,566	4,011,261
Income form jobbing and contract work and miscellaneous revenues	4,360,006	5,729,988	7,355,893	7,026,768	6,470,794	4,459,597	5,133,697	6,183,139	6,859,793	7,084,210
Total operating revenues	86,130,867	88,184,084	115,208,625	125,248,196	149,643,075	144,237,320	150,303,209	155,209,406	165,357,747	167,213,863
Operating Expenses										
Power and pumping	5,065,124	4,540,886	4,955,130	4,844,668	5,391,806	4,924,274	4,958,291	5,287,722	5,900,861	5,953,828
General and electrical maintenance	2,282,020	2,517,212	2,541,658	4,034,162	4,347,317	4,758,471	4,733,179	4,676,138	6,151,741	6,827,393
Purification	11,078,707	11,549,618	11,892,058	11,020,685	12,245,660	12,159,176	12,141,165	13,081,316	13,185,929	14,156,235
Laboratory services	2,960,532	2,433,467	2,477,521	2,470,682	2,471,376	2,593,992	2,688,627	2,641,992	2,906,656	2,914,501
Transmission and distribution	13,925,182	13,303,041	11,488,867	21,122,053	23,062,262	20,756,589	16,869,006	17,818,781	19,436,953	18,678,483
Customer service	7,156,669	7,040,500	7,295,986	7,236,663	7,851,497	8,229,725	9,122,385	7,768,625	8,263,111	7,087,348
Mechanical maintenance	3,122,413	2,634,981	2,754,732	2,751,426	2,929,851	2,928,413	2,680,090	2,151,887	2,305,651	2,205,877
Customer accounting and collection	4,520,029	4,258,158	4,963,537	5,184,265	5,650,757	9,215,812	10,558,460	6,983,041	6,658,713	7,597,356
Administrative and general	13,423,079	14,477,547	16,123,070	14,585,368	14,748,958	19,056,962	16,352,602	16,090,363	22,639,576	23,460,691
Depreciation and amortization	10,270,730	10,260,837	10,708,385	13,793,442	14,375,320	15,024,352	15,616,130	17,222,379	18,893,810	21,354,867
Total operating expenses	73,804,485	73,016,247	75,200,944	87,043,414	93,074,804	99,647,766	95,719,935	93,722,244	106,343,001	110,236,579
Operating Income	12,326,382	15,167,837	40,007,681	38,204,782	56,568,271	44,589,554	54,583,274	61,487,162	59,014,746	56,977,284
Non-Operating Expenses										
Interest income	1,564,504	2,555,115	1,625,220	1,457,756	977,115	632,555	1,851,862	1,516,951	1,238,646	1,265,617
Interest expense and fiscal agent fees	(6,375,875)	(7,208,735)	(9,103,896)	(9,774,619)	(9,772,564)	(9,586,155)	(11,600,786)	(9,554,013)	(12,005,062)	(12,984,672)
Other	225,141	(7,600)	(214,237)	(192,146)	(472,629)	(7,312)	78,478	(113,555)	(3,961)	53,426
Total nonoperating expenses, net	(4,586,230)	(4,661,220)	(7,692,913)	(8,509,009)	(9,268,078)	(8,960,912)	(9,670,446)	(8,150,617)	(10,770,377)	(11,665,629)
Excess of Revenues Over Expenses Before Capital Contributions	7,740,152	10,506,617	32,314,768	29,695,773	47,300,193	35,628,642	44,912,828	53,336,545	48,244,369	45,311,655
Capital Contributions	3,522,492	7,858,986	4,608,332	4,514,602	2,617,234	2,138,215	8,761,234	3,188,326	3,465,581	4,764,615
Payment-in-lieu of taxes	-	-	-	-	-	-	-	-	(1,372,416)	(1,893,742)
Increase in Net Position	\$ 11,262,644	\$ 18,365,603	\$ 36,923,100	\$ 34,210,375	\$ 49,917,427	\$ 37,766,857	\$ 53,674,062	\$ 56,524,871	\$ 50,337,534	\$ 48,182,528

Source: Comprehensive Annual Financial Report for 2017 and 2018 and historical audited financials for remaining years

KC Water
A Department of the City of Kansas City, Missouri
Changes in Net Position - Sewer Fund
Last Ten Fiscal Years

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Operating Revenues										
Retail sewer charges	\$ 48,752,005	\$ 52,411,606	\$ 70,226,412	\$ 76,448,889	\$ 93,951,330	\$ 106,689,690	\$ 119,719,601	\$ 138,557,694	\$ 158,353,571	\$ 172,044,086
Intermunicipal sewer charges	21,098,061	21,707,817	23,123,947	23,925,569	24,508,149	28,047,478	32,700,685	37,242,952	33,687,701	33,517,836
Stormwater fees	9,957,532	11,647,996	10,380,081	11,306,712	12,648,966	12,866,145	12,980,291	13,014,456	12,741,452	13,434,164
Other operating revenues	5,074,154	6,149,271	5,636,666	4,650,554	3,873,393	3,647,080	4,093,029	4,792,703	5,114,883	6,463,802
Total operating revenues	84,881,752	91,916,690	109,367,106	116,331,724	134,981,838	151,250,393	169,493,606	193,607,805	209,897,607	225,459,888
Operating Expenses										
Sewerage treatment and pumping	19,061,496	19,572,886	20,448,799	21,568,513	21,530,125	22,025,549	24,479,377	30,673,879	29,345,704	35,705,684
Sewer maintenance	21,348,055	23,275,663	19,492,673	23,594,922	25,169,485	26,767,154	30,295,934	30,082,417	30,899,733	36,805,512
Administrative and general	17,740,844	18,255,432	17,963,877	17,401,764	22,351,473	23,205,978	27,192,886	32,340,109	39,753,428	50,906,139
Industrial and household hazardous waste control	2,264,239	2,214,016	1,422,844	1,268,901	1,318,222	1,277,181	1,322,689	1,339,268	1,409,208	1,470,939
Depreciation and amortization	16,790,094	18,295,727	21,821,399	22,376,178	22,450,445	23,947,433	26,491,741	28,558,919	30,134,434	33,656,813
Total operating expenses	77,204,728	81,613,724	81,149,592	86,210,278	92,819,750	97,223,295	109,782,627	122,994,592	131,542,507	158,545,087
Operating Income	7,677,024	10,302,966	28,217,514	30,121,446	42,162,088	54,027,098	59,710,979	70,613,213	78,355,100	66,914,801
Non-Operating Revenues (expenses)										
Interest income	1,725,557	3,123,824	2,407,523	2,916,533	1,803,044	1,073,477	2,612,752	2,052,642	2,166,678	1,455,586
Interest expense and fiscal agent fees	(4,404,748)	(4,562,766)	(5,427,078)	(6,077,376)	(6,463,942)	(6,813,348)	(7,760,680)	(10,797,250)	(9,459,096)	(12,347,984)
Other	109,101	12,826	(596,737)	4,389	(722,436)	244,250	(38,763)	(28,187)	(59,551)	29,550
Total non-operating expenses	(2,570,090)	(1,426,116)	(3,616,292)	(3,156,454)	(5,383,334)	(5,495,621)	(5,186,691)	(8,772,795)	(7,351,969)	(10,862,848)
Net income before capital contributions	5,106,934	8,876,850	24,601,222	26,964,992	36,778,754	48,531,477	54,524,288	61,840,418	71,003,131	56,051,953
Capital Contributions	25,598,193	18,097,959	17,225,646	14,330,017	5,693,415	30,856,082	22,217,444	6,716,328	7,547,696	10,849,031
Payment-in-lieu of taxes	-	-	-	-	-	-	-	-	(1,588,818)	(2,502,435)
Increase in Net Position	\$ 30,705,127	\$ 26,974,809	\$ 41,826,868	\$ 41,295,009	\$ 42,472,169	\$ 79,387,559	\$ 76,741,732	\$ 68,556,746	\$ 76,962,009	\$ 64,398,549

Source: Comprehensive Annual Financial Report for 2017 and 2018 and historical audited financials for remaining years

Retail sewer charges and stormwater revenues are combined within the Statement of Revenues, Expenses and Changes in Net Position



STATISTICAL SECTION

Revenue Capacity

KC Water
A Department of the City of Kansas City, Missouri
Residential Water Service Rates
Last Ten Fiscal Years

Water Rates

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Residential Rates										
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	9.00	10.35	11.40	10.85	10.85	11.90	13.09	13.50	13.90	13.90
3/4	9.50	10.95	12.05	11.70	11.70	12.80	14.08	14.50	14.95	14.95
1	12.00	13.80	15.20	14.25	14.30	15.65	17.22	17.75	18.30	18.30
1 1/2	18.00	20.70	22.80	17.70	17.80	19.50	21.45	22.10	22.08	22.08
2	23.50	27.00	29.70	27.00	27.40	30.00	33.00	34.00	35.00	35.00
3	50.50	57.50	63.50	86.50	93.50	102.50	112.75	116.00	119.50	119.50
4	63.00	72.50	80.00	108.50	118.00	129.00	141.90	146.00	150.50	150.50
6	92.50	106.50	117.00	161.50	176.00	192.00	211.20	217.50	224.00	224.00
8	142.00	163.00	179.00	246.00	254.00	278.00	305.80	315.00	324.00	324.00
10	195.00	224.00	246.00	322.00	333.00	365.00	401.50	414.00	426.00	426.00
12	227.00	261.00	287.00	380.00	393.00	430.00	473.00	487.00	502.00	502.00
Ordinary Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.16	2.39	2.70	3.18	3.67	4.02	4.45	4.60	4.60	4.63
Next 4,400 cubic feet	2.40	2.65	3.00	3.58	4.08	4.50	4.75	4.85	5.09	5.14
Next 995,000 cubic feet	2.10	2.25	2.45	2.71	3.19	3.65	4.00	4.10	4.29	4.40
Over 1,000,000 cubic feet	1.51	1.61	1.75	2.04	2.25	2.50	2.75	2.90	3.03	3.05
Seasonal off-peak commodity charges	1.51	1.61	1.75	2.04	2.34	2.48	2.65	2.80	2.93	2.95
Fire Protection - Size of Connection	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually	Annually
4 inch or less	72.00	76.00	87.00	87.00	91.00	100.00	107.00	110.00	116.00	116.00
6 inch	177.00	185.00	211.00	217.00	268.00	293.00	315.00	323.00	341.00	341.00
8 inch	334.00	350.00	399.00	435.00	572.00	625.00	670.00	688.00	726.00	726.00
10 inch	546.00	572.00	652.00	745.00	1,028.00	1,123.00	1,205.00	1,237.00	1,306.00	1,306.00
12 inch	818.00	857.00	977.00	1,159.00	1,662.00	1,815.00	1,948.00	2,000.00	2,110.00	2,110.00
16 inch	1,545.00	1,618.00	1,845.00	2,326.00	3,541.00	3,868.00	4,150.00	4,261.00	4,496.00	4,496.00

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantees.

KC Water
A Department of the City of Kansas City, Missouri
Suburban Water Service Rates
Last Ten Fiscal Years

Water Rates

Water Rates	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Suburban Rate										
Service Charges - Meter size (inches)	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly
5/8	10.00	11.50	12.65	12.10	12.10	13.25	14.25	14.70	15.15	15.15
3/4	10.50	12.10	13.30	13.05	13.05	14.30	15.35	15.80	16.25	16.25
1	12.50	14.40	15.85	15.95	15.95	17.45	18.75	19.30	19.90	19.90
1 1/2	18.50	21.30	23.40	19.80	19.80	21.70	23.30	24.00	24.70	24.70
2	24.00	27.60	30.40	30.40	30.40	33.30	35.80	36.90	38.00	38.00
3	52.50	60.50	66.50	90.50	96.00	105.00	113.00	116.50	120.00	120.00
4	66.00	76.00	83.50	114.00	121.50	133.50	143.50	148.00	152.50	152.50
6	97.00	111.50	122.50	169.50	181.00	198.00	213.00	219.50	226.00	226.00
8	144.00	166.00	183.00	254.00	260.00	285.00	306.00	315.00	324.00	324.00
10	201.00	231.00	254.00	348.00	348.00	381.00	410.00	422.00	435.00	435.00
12	235.00	270.00	297.00	408.00	409.00	448.00	482.00	496.00	511.00	511.00
Retail Commodity Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
First 600 cubic feet	2.25	2.52	2.84	0.00	-	3.74	-	-	-	-
Next 4,400 cubic feet	2.50	2.80	3.15	0.00	-	4.15	-	-	-	-
First 5,000	-	-	-	3.25	3.45	-	4.45	4.90	5.00	5.05
Over 5,000 cubic feet	2.10	2.25	2.45	2.76	3.07	3.25	3.50	3.90	3.98	4.05
Wholesale Customers	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
Unrestricted	1.45	1.59	1.67	1.74	1.95	2.00	2.10	2.17	2.26	2.28
Restricted	1.40	1.54	1.62	1.69	1.89	1.94	2.04	2.10	2.18	2.20
Repumping Charge	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF	per 100 CCF
1st repumping charge	0.12	0.13	0.15	0.16	0.18	0.18	0.19	0.19	0.20	0.20
2nd repumping charge	0.23	0.23	0.23	0.23	0.25	0.25	0.26	0.26	0.27	0.27

Source: Annual Schedule of Water & Sanitary Sewer Rates, Stormwater fees, Meter Readings, Billing Practices and Bill Payment Guarantees.

KC Water
A Department of the City of Kansas City, Missouri
Sewer and Stormwater Service Rates
Last Ten Fiscal Years

Sewer and Stormwater Rates

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Residential Rates										
Service Charges										
Sanitary sewer - monthly	8.60	8.60	9.90	9.90	11.55	12.20	15.10	17.05	18.05	19.30
Volume charge - per 100 CCF	2.05	2.28	2.62	3.16	3.82	4.54	5.25	6.05	7.18	7.84
Residential accounts	15.38	17.13	19.70	23.70	28.65	34.05	37.00	39.75	41.00	47.04
Commercial and Industrial discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.225	0.225	0.259	0.297	0.297	0.303	0.320	0.320	0.320	0.350
Suspended solids (per pound of excess SS)	0.137	0.137	0.158	0.181	0.181	0.181	0.190	0.190	0.190	0.190
Oil and grease (per pound of excess O&G)	0.085	0.099	0.114	0.131	0.131	0.131	0.140	0.140	0.140	0.140
Nonresidential Users										
Metered connections - per 100 CCF	1.39	1.55	1.78	2.01	2.01	2.50	2.80	2.92	3.00	3.15
Metered connections directly to treatment plant - per 100 CCF	-	-	-	-	2.13	2.13	-	-	-	-
Service charges - monthly	8.50	8.60	9.90	9.90	9.90	9.90	11.15	12.40	12.50	11.50
Unmetered connections per 100 CCF	1.98	2.14	2.46	2.79	2.79	3.21	3.55	3.70	3.85	4.53
Unmetered connections - no consumption data	20.25	21.90	25.20	28.55	30.26	34.50	37.00	39.75	41.00	45.00
Customers billed directly by KC Water										
Service charges - monthly	9.69	10.50	12.30	13.50	17.84	17.84	20.50	24.10	25.55	26.20
Volume charges	2.25	2.51	2.94	3.38	5.56	6.35	7.10	8.00	9.35	10.90
High concentration discharges										
Biochemical oxygen demand (per pound of excess BOD)	0.225	0.255	0.293	0.335	0.341	0.382	0.400	0.400	0.400	0.400
Suspended solids (per pound of excess SS)	0.137	0.456	0.790	0.205	0.205	0.205	0.215	0.215	0.215	0.220
Oil and grease (per pound of excess O&G)	0.085	0.101	0.116	0.133	0.133	0.133	0.141	0.141	0.141	0.150
Stormwater Rates										
Stormwater fee amount	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.	500 sq. ft.
	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Source: Annual Schedule of: Water & Sanitary Sewer Service Rates, Stormwater Fees, Meter Readings, Billing Practices and Bill Payment Guarantees

KC Water
A Department of the City of Kansas City, Missouri
Revenues Base and Revenues by Customer Class
Last Ten Fiscal Years

	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Water Revenues										
Water sales	\$ 67,164,669	\$ 68,196,915	\$ 91,072,250	\$ 97,503,707	\$ 118,403,327	\$ 118,795,707	\$ 124,494,777	\$ 128,315,706	\$ 135,664,964	\$ 136,752,620
Wholesale water sales	12,204,660	11,205,949	13,737,000	16,292,080	20,640,916	17,849,325	17,311,125	17,072,013	17,837,424	19,365,772
Other water revenues	4,360,006	5,729,988	7,355,893	7,026,768	6,470,794	4,459,597	5,133,697	6,183,139	4,995,566	4,011,262
Income from jobbing and contract work and miscellaneous revenues	-	-	-	-	-	-	-	-	-	-
	2,401,532	3,051,231	3,043,482	4,425,641	4,128,038	3,132,691	3,363,610	3,638,548	6,859,793	7,084,205
Total operating revenues	\$ 86,130,867	\$ 88,184,083	\$ 115,208,625	\$ 125,248,196	\$ 149,643,075	\$ 144,237,320	\$ 150,303,209	\$ 155,209,406	\$ 165,357,747	\$ 167,213,859
Water Customer Served (Res. & Comm.)	153,004	158,826	159,000	163,608	167,608	167,912	151,073	170,094	171,094	172,248
Average Revenue Per Customer (Res. & Comm.)	\$ 438.97	\$ 429.38	\$ 572.78	\$ 595.96	\$ 706.43	\$ 707.49	\$ 824.07	\$ 754.38	\$ 792.93	\$ 793.93
Water Consumption (millions of gallons)	36,400	31,359	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011
Sewer and Stormwater Revenues										
Retail Sewer Charges	\$ 48,752,005	\$ 52,411,606	\$ 70,226,412	\$ 76,448,889	\$ 93,951,330	\$ 106,689,690	\$ 119,719,601	\$ 138,557,694	\$ 158,353,580	\$ 172,044,093
Intermunicipal sewer charges	21,098,061	21,707,817	23,123,947	23,925,569	24,508,149	28,047,478	32,700,685	37,242,952	33,687,703	33,517,837
Stormwater fees	9,957,532	11,647,996	10,380,081	11,306,712	12,648,966	12,866,145	12,980,291	13,014,456	12,741,452	13,434,164
Other operating revenues	5,074,154	6,149,271	5,636,666	4,650,554	3,873,393	3,647,080	4,093,029	4,792,703	5,114,883	6,463,802
Total operating revenues	84,881,752	91,916,690	109,367,106	116,331,724	134,981,838	151,250,393	169,493,606	193,607,805	209,897,618	225,459,897
Total utility operating revenues	\$ 171,012,619	\$ 180,100,773	\$ 224,575,731	\$ 241,579,920	\$ 284,624,913	\$ 295,487,713	\$ 319,796,815	\$ 348,817,211	\$ 375,255,365	\$ 392,673,756
Sewer Customer Served (Res. & Comm.)	151,649	152,700	153,445	158,482	162,485	163,464	164,060	164,609	165,163	166,267
Average Revenue Per Customer (Res. & Comm.)	\$ 321.48	\$ 343.23	\$ 457.67	\$ 482.38	\$ 578.22	\$ 652.68	\$ 729.73	\$ 841.74	\$ 958.77	\$ 1,034.75
Average daily sewage treatment (millions of gallons)	115	117	117	103	91	72	93	111	96	72

Source: Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years.
The source for the revenue base and customers served is from the Performance Management division records within KC Water.

KC Water
A Department of the City of Kansas City, Missouri
Largest Users of the System - Water Fund
Last Ten Fiscal Years

User	Type of Business	FYE 2009		FYE 2010		FYE 2011		FYE 2012		FYE 2013	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	1	1,392,116	3	754,852	3	903,288	1	1,390,387	1	1,390,387
Jackson County PWSD No. 1	Wholesale Water	2	1,163,850	1	1,105,095	1	1,242,452	2	1,241,662	2	1,241,662
City of Belton	Wholesale Water	3	937,997	2	826,540	2	936,325	3	960,495	3	960,495
City of Raymore	Wholesale Water	4	676,215	4	600,968	4	685,295	5	593,028	5	593,028
City of Blue Springs	Wholesale Water	6	547,796	7	322,358	5	655,340	4	902,400	4	902,400
Raytown Water Company	Wholesale Water	5	600,375	5	552,155	6	575,210	7	465,216	7	465,216
KCP&L	Utility										
Ford Motor Co.	Commercial										
Public Water Dist No. 2 - Cass Co.	Wholesale Water		309,804	8	309,804			10	285,266	10	285,266
City of Platte City	Wholesale Water	9	361,084	9	297,185	10	298,040	9	330,140	9	330,140
Veolia - Kansas City	Utility					7	368,803	8	403,892	8	403,892
Bayer Crop Science	Commercial										
Dogwood Energy Facility	Utility	7	408,293	10	204,323	7	313,248				
Pollution Control Department	Utility							6	473,051	6	473,051
Jackson County PWSD No. 2	Wholesale Water					8	311,712				
Trigen - Kansas City	Utility	8	405,662	6	405,662						

User	Type of Business	FYE 2014		FYE 2015		FYE 2016		FYE 2017		FYE 2018	
		Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)	Rank	Consumption (100 cubic ft.)
City of Lee's Summit	Wholesale Water	1	1,337,990	1	1,158,421	1	1,085,887	1	1,299,392	1	1,255,534
Jackson County PWSD No. 1	Wholesale Water	2	1,165,515	2	1,086,747	2	993,062	2	1,091,671	2	1,118,992
City of Belton	Wholesale Water	3	892,774	3	756,111	3	896,335	6	551,936	3	904,462
City of Raymore	Wholesale Water	5	681,226	4	694,981	4	659,421	3	707,192	4	726,905
City of Blue Springs	Wholesale Water	4	775,864	6	539,390	10	230,650	7	528,055	6	526,106
Raytown Water Company	Wholesale Water	6	536,878	5	564,064	5	550,473	5	562,841	5	526,632
KCP&L	Utility	8	504,550	8	444,332	7	514,356			9	442,137
Ford Motor Co.	Commercial	10	347,806	10	389,774	6	546,240	9	466,116	10	416,257
Public Water Dist No. 2 - Cass Co.	Wholesale Water							10	465,054	7	518,291
City of Platte City	Wholesale Water					9	428,825				
Veolia - Kansas City	Utility	7	525,638	7	478,288	8	504,291	4	706,133		
Bayer Crop Science	Commercial	9	389,998								
Dogwood Energy Facility	Utility			9	400,258			8	518,856	8	451,910
Pollution Control Department	Utility										
Jackson County PWSD No. 2	Wholesale Water	10	354,444								
Trigen - Kansas City	Utility										

Source: Performance Management Division records within KC Water.

KC Water
A Department of the City of Kansas City, Missouri
Largest Users of the System - Sewer Fund
Last Ten Fiscal Years

User	FYE 2009		FYE 2010		FYE 2011		FYE 2012		FYE 2013	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	14.80%	1	13.23%	1	14.00%	1	11.08%	1	8.62%
Liberty, MO	2	4.20%	2	3.81%	2	4.00%	2	3.45%	3	2.31%
Gladstone, MO	3	3.60%	3	3.23%	3	3.00%	3	2.78%	2	2.69%
North Kansas City, MO	4	2.10%	4	2.28%	4	2.00%	4	1.87%	4	1.92%
Ford Motor Company	5	1.40%	6	0.96%	6	1.00%	7	0.59%	6	0.94%
Raytown, MO	6	1.00%	5	0.99%	5	1.00%	5	0.94%	7	0.75%
Trigen - Kansas City	7	0.80%	7	0.93%	7	1.00%				
Riverside, MO	8	0.60%	9	0.60%	9	0.70%	8	0.58%		
Pleasant Valley, MO	9	0.50%	10	0.44%	10	0.50%	9	0.40%	8	0.42%
Independence, MO	10	0.40%	8	0.65%	8	0.70%	10	0.34%	9	0.37%
Honeywell										
Roberts Dairy										
Veolia - Kansas City							6	0.65%	5	1.17%
Cook Family Foods									10	0.36%

User	FYE 2014		FYE 2015		FYE 2016		FYE 2017		FYE 2018	
	% of Total		% of Total		% of Total		% of Total		% of Total	
	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue	Rank	Revenue
Johnson County, KS	1	8.62%	1	8.93%	1	10.01%	1	9.94%	1	8.75%
Liberty, MO	3	2.31%	2	2.55%	2	3.00%	2	3.15%	5	1.03%
Gladstone, MO	2	2.69%	3	2.70%	3	2.71%	4	2.30%	2	2.30%
North Kansas City, MO	4	1.92%	4	1.94%	5	1.93%	5	1.65%	3	2.03%
Ford Motor Company	6	0.94%	6	0.91%	6	1.24%	3	2.54%	4	1.29%
Raytown, MO	7	0.75%	7	0.75%	8	0.70%	9	0.63%	7	0.73%
Trigen - Kansas City										
Riverside, MO										
Pleasant Valley, MO	8	0.42%								
Independence, MO	9	0.37%	9	0.48%	9	0.57%	10	0.45%		
Honeywell			8	0.70%	7	0.85%	8	0.66%		
Roberts Dairy					10	0.56%				
Veolia - Kansas City	5	1.17%	5	1.33%	4	2.10%	6	1.17%		
Cook Family Foods	10	0.36%	10	0.46%			7	0.77%	6	0.89%
Hospital Corp of America									8	0.55%
KC Parks & Rec District 3									9	0.49%
Childrens Mercy Hospital and Clinics									10	0.46%

Source: Performance Management Division records within KC Water.



STATISTICAL SECTION

Debt Capacity

KC Water
A Department of the City of Kansas City, Missouri
Revenue Bond Coverage Ratios
Last Ten Fiscal Years
(In Thousands)

A.

Fiscal Year	Water Fund				Debt Service requirements (3)			
	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)					
				Principal	Interest	Total	Coverage	
2008	\$ 87,201	\$ 61,358	\$ 25,843	\$ 11,986	\$ 7,920	\$ 19,906	1.30	
2009	88,191	63,534	24,657	12,771	8,418	21,189	1.16	

- (1) Generally, gross revenues include water sales, other water revenues, interest on investments, income from jobbing and contract work and miscellaneous revenues derived from the water system. Beginning in fiscal year 2003, the principal portion of contract payments received from other governmental units were included in gross revenues.
- (2) Generally, direct operating expenses include power and pumping, general and electrical maintenance, purification, laboratory services, transmission and distribution, customer service, mechanical maintenance, customer accounting and collection, and administrative and general expenditures. Excluded from operating expenses are depreciation and amortization expenditures.
- (3) The numbers reflect the total annual fiscal year's debt service requirements on all the outstanding water revenue parity bonds and lease purchases

B.

In March 2009, the City created a new master bond ordinance that updated key definitions, descriptions, covenants and provisions, including the calculation of new annual debt coverage ratios. The new ordinance requires a calculation based on (i) debt service on all senior bonds; (ii) debt service requirements on all water bonds and (iii) debt services requirements on all water bond issues and other system obligations.

B1.

Fiscal Year	Water Fund Senior Bonds Only				Debt Service Requirements (4)			
	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)					
				Principal	Interest	Total	Coverage	
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 9,405	\$ 6,190	\$ 15,595	2.24	
2011	117,399	59,398	58,001	12,045	8,415	20,460	2.83	
2012	127,216	68,588	58,628	12,740	7,933	20,673	2.84	
2013	151,305	74,979	76,326	13,265	8,828	22,093	3.45	
2014 ⁽⁷⁾	145,478	80,718	64,760	13,200	10,306	23,506	2.76	
2015	152,727	75,953	76,774	13,810	11,347	25,157	3.05	
2016	157,183	72,187	84,996	13,380	13,238	26,618	3.19	
2017 ⁽⁷⁾	167,093	83,353	83,740	14,850	13,688	28,538	2.93	
2018	169,077	84,923	84,154	17,900	15,610	33,510	2.51	

B2.

Fiscal Year	Water Fund All Water Revenue Bonds				Debt Service Requirements (5)			
	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)					
				Principal	Interest	Total	Coverage	
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 10,505	\$ 7,821	\$ 18,326	1.91	
2011	117,399	59,398	58,001	13,290	9,995	23,285	2.49	
2012	127,216	68,588	58,628	14,040	9,455	23,495	2.50	
2013	151,305	74,979	76,326	14,625	10,289	24,914	3.06	
2014 ⁽⁷⁾	145,478	80,718	64,760	14,625	11,704	26,329	2.46	
2015	152,727	75,953	76,774	15,300	12,678	27,978	2.74	
2016	157,183	72,187	84,996	14,940	14,500	29,440	2.89	
2017 ⁽⁷⁾	167,093	83,353	83,740	16,485	14,877	31,362	2.67	
2018	169,077	84,923	84,154	19,610	16,723	36,333	2.32	

B3.

Fiscal Year	Water Fund All Water Revenue Bonds and Other Water System Obligations				Debt Service Requirements (6)			
	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service (3)					
				Principal	Interest	Total	Coverage	
2010	\$ 91,794	\$ 56,790	\$ 35,004	\$ 12,059	\$ 8,532	\$ 20,591	1.70	
2011	117,399	59,398	58,001	16,539	11,257	27,796	2.09	
2012	127,216	68,588	58,628	17,385	10,590	27,975	2.10	
2013	151,305	74,979	76,326	18,100	11,294	29,394	2.60	
2014 ⁽⁷⁾	145,478	80,718	64,760	18,236	12,573	30,809	2.10	
2015	152,727	75,953	76,774	19,053	13,406	32,459	2.37	
2016 ⁽⁸⁾	157,183	72,187	84,996	16,872	14,808	31,680	2.68	
2017 ⁽⁷⁾	167,093	83,353	83,740	16,485	14,877	31,362	2.67	
2018	169,077	84,923	84,154	19,610	16,723	36,333	2.32	

- (1) Operating revenues includes all income and revenues derived and accrued by the City from the operation of the water system, including capital repayments and interest on investments.
- (2) Operating expenses means all reasonable and necessary expenses of operating and maintaining the water system but, excluding administrative services fees, capital lease payments, depreciation and amortization charges, interest paid on water revenue bonds, any non-cash OPEB obligations and any other items listed in Section 4.3 (a)(2)-(11) of the master bond ordinance.
- (3) Net operating revenues are adjusted to exclude revenues or expenses resulting from gain or loss, or mark-to-market change to any hedge agreements.
- (4) Debt service includes senior bonds only.
- (5) Debt service includes all water revenue bonds.
- (6) Debt service includes all water revenue bonds and other water system obligations.
- (7) Restated.
- (8) Debt Service on all Water Obligations includes AMR obligations. On October 25, 2015, \$14,612,688 in remaining principal on AMR obligations were paid off. Debt Service-All Water Obligations does not reflect this final un-scheduled payment. This year has been restated to reflect only the scheduled AMR obligation payments for 2016.

C.

Fiscal Year	Sewer Fund (1)								Gross Coverage	Net Coverage (5)
	Gross Revenues (2)	Direct Operating Expenses (3)	Available for Debt Service	Debt Service requirements (4)						
				Principal	Interest	Total	SRF subsidy			
2008	\$ 71,241	\$ 46,565	\$ 24,676	\$ 9,480	\$ 8,412	\$ 17,892	\$ 3,381	1.38	1.70	
2009	76,022	52,232	23,790	10,805	8,471	19,276	3,242	1.23	1.48	
2010	82,492	54,221	28,271	11,155	10,257	21,412	2,612	1.32	1.50	
2011	100,486	50,803	49,683	13,679	10,609	24,288	2,612	2.05	2.29	
2012	107,541	54,253	53,288	14,635	10,413	25,048	2,352	2.13	2.35	
2013	123,522	60,414	63,108	16,045	13,166	29,211	2,245	2.16	2.34	
2014 ⁽⁶⁾	139,231	62,525	76,706	18,425	14,954	33,379	1,947	2.30	2.44	
2015	158,252	71,588	86,664	18,726	14,194	32,920	1,585	2.63	2.77	
2016	181,742	82,623	99,119	17,886	13,351	31,237	1,240	3.17	3.30	
2017 ⁽⁶⁾	198,493	88,017	110,476	21,090	17,040	38,130	963	2.90	2.97	
2018	212,613	110,507	102,106	19,550	17,035	36,585	746	2.79	2.85	

- (1) The gross revenues and direct operating expenses only reflect that of the sewer fund and do not include the stormwater fund.
- (2) Generally, the gross revenues include retail sewer charges, intermunicipal sewer charges, other operating revenues and interest income on investments derived from the sewer system.
- (3) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance, administrative and general, and industrial waste control. Excluded from direct operating expenses are depreciation and amortization.
- (4) The numbers reflect the total annual fiscal year's debt service requirements on all the outstanding senior and junior sewer revenue bonds.
- (5) The Sewer Parity Bond ordinance allows the interest earnings subsidy received under the Revolving Fund Agreement to reduce debt service requirements for the purpose of calculating annual debt service coverage.
- (6) Restated.

D.

Fiscal Year	Storm Water Fund						
	Gross Revenues (1)	Direct Operating Expenses (2)	Available for Debt Service	Debt Service Requirements (3)			
				Principal	Interest	Total	Coverage
2010	\$ 12,548	\$ 9,097	\$ 3,451	\$ 366	\$ 85	\$ 451	7.65
2011	11,288	8,524	2,764	371	79	450	6.13
2012	11,707	9,581	2,126	378	73	451	4.70
2013	13,263	9,955	3,308	463	66	529	6.25
2014	13,093	10,750	2,343	383	60	443	5.29
2015	13,854	11,703	2,151	390	53	443	4.86
2016	13,918	11,812	2,106	397	47	444	4.74
2017 ⁽⁴⁾	13,571	13,391	180	403	41	444	0.41
2018	14,302	14,381	(79)	410	34	444	(0.18)

- (1) Generally, the gross revenues include storm water fees and other operating revenues.
- (2) Generally, direct operating expenses include sewage treatment and pumping, sewer maintenance and administrative and general expenses.
- (3) Excluded from direct expenses are depreciation and amortization.
- (4) Restated.

KC Water
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Water Fund
Last Ten Fiscal Years

Issue	Maturity Through	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
2008 Series A	December 2027	35,000,000	33,900,000	32,655,000	31,355,000	29,995,000	28,570,000	27,080,000	25,520,000	23,885,000	22,175,000
2009 Series A	December 2032	198,915,000	189,510,000	177,465,000	164,725,000	153,125,000	141,205,000	128,715,000	118,525,000	107,905,000	97,625,000
2012 Series A	December 2036	-	-	-	47,725,000	46,060,000	44,780,000	43,460,000	42,100,000	40,700,000	39,255,000
2013 Series A	December 2037	-	-	-	-	54,000,000	54,000,000	54,000,000	53,350,000	52,655,000	51,090,000
2014 Series A	December 2038	-	-	-	-	-	-	54,365,000	53,185,000	51,975,000	50,280,000
2015 Series A	December 2039	-	-	-	-	-	-	59,790,000	59,790,000	58,865,000	58,380,000
2017 Series A	December 2041	-	-	-	-	-	-	-	-	78,130,000	75,700,000
AMR Capital Lease - 2008	December 2017	10,684,261	9,817,761	8,652,080	7,477,139	6,261,137	5,002,639	3,700,159	-	-	-
AMR Capital Lease - 2009	December 2019	-	24,158,808	22,075,391	19,905,795	17,646,456	15,293,661	12,843,545	-	-	-
		<u>244,599,261</u>	<u>257,386,569</u>	<u>240,847,471</u>	<u>271,187,934</u>	<u>307,087,593</u>	<u>288,851,300</u>	<u>383,953,704</u>	<u>352,470,000</u>	<u>414,115,000</u>	<u>394,505,000</u>
Add premium:		9,321,756	8,926,486	8,531,217	12,841,428	17,013,854	16,232,815	23,716,521	22,596,586	28,765,488	27,349,058
Less:											
Current portion		(11,290,104)	(16,539,098)	(17,384,537)	(18,100,341)	(18,236,293)	(19,052,596)	(18,839,461)	(16,485,000)	(19,610,000)	(19,625,000)
Discount		-	-	-	-	(143,702)	(137,725)	(380,431)	(364,233)	(508,869)	(486,129)
		<u>242,630,913</u>	<u>249,773,957</u>	<u>231,994,151</u>	<u>265,929,021</u>	<u>305,721,452</u>	<u>285,893,794</u>	<u>388,450,333</u>	<u>358,217,353</u>	<u>422,761,619</u>	<u>401,742,929</u>
Noncurrent revenue bonds and capital leases payable		<u>242,630,913</u>	<u>249,773,957</u>	<u>231,994,151</u>	<u>265,929,021</u>	<u>305,721,452</u>	<u>285,893,794</u>	<u>388,450,333</u>	<u>358,217,353</u>	<u>422,761,619</u>	<u>401,742,929</u>

Source: Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years.

KC Water
A Department of the City of Kansas City, Missouri
Schedule of Historical Revenue Bonds and Capital Leases - Sewer Fund
Last Ten Fiscal Years

Issue	Maturity Through	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
State Series 1992B	July 2013	475,000	390,000	300,000	205,000	105,000	-	-	-	-	-
State Series 1995B	January 2015	8,290,000	6,985,000	5,650,000	4,285,000	2,890,000	1,460,000	-	-	-	-
State Series 1996A	January 2016	11,550,000	10,165,000	8,700,000	7,150,000	5,510,000	3,775,000	1,940,000	-	-	-
State Series 1997A	January 2017	10,070,000	8,905,000	7,720,000	6,505,000	5,265,000	3,995,000	2,695,000	1,365,000	-	-
State Series 1998A	January 2019	5,640,000	5,190,000	4,720,000	4,230,000	3,710,000	3,165,000	2,590,000	1,990,000	1,360,000	695,000
State Series 1999A	January 2020	3,880,000	3,605,000	3,320,000	3,020,000	2,705,000	2,375,000	2,025,000	1,660,000	1,275,000	870,000
State Series 2000A	July 2020	8,390,000	7,770,000	7,140,000	6,495,000	5,835,000	5,165,000	4,480,000	3,775,000	3,055,000	2,320,000
State Series 2000B	July 2020	7,560,000	7,000,000	6,435,000	5,855,000	5,265,000	4,660,000	4,040,000	3,405,000	2,755,000	2,090,000
Stormwater 2000	December 2020	815,100	753,200	690,300	626,300	561,200	495,000	427,700	359,200	289,600	218,800
Series 2001A	March 2012	2,030,000	1,380,000	705,000	-	-	-	-	-	-	-
Stormwater 2001 & 2002	December 2021	4,008,000	3,727,000	3,442,000	3,152,000	2,858,000	2,559,000	2,255,000	1,946,000	1,632,000	1,313,000
State Series 2001B	July 2022	12,655,000	11,890,000	11,105,000	10,305,000	9,485,000	8,645,000	7,780,000	6,895,000	5,985,000	5,050,000
Series 2002D-1	January 2022	8,325,000	8,075,000	7,825,000	-	-	-	-	-	-	-
Series 2002D-2	January 2012	830,000	565,000	275,000	-	-	-	-	-	-	-
State Series 2002J	July 2022	7,520,000	7,065,000	6,600,000	6,125,000	5,640,000	5,145,000	4,635,000	4,110,000	3,570,000	3,015,000
Series 2004A	January 2024	16,005,000	15,180,000	14,330,000	13,450,000	940,000	-	-	-	-	-
Series 2004H	January 2025	8,685,000	8,225,000	7,760,000	7,280,000	6,795,000	6,305,000	5,810,000	5,300,000	4,775,000	4,235,000
Series 2005B	January 2025	13,320,000	12,715,000	12,085,000	11,430,000	10,750,000	10,040,000	9,300,000	-	-	-
Stormwater 2007	June 2027	492,400	469,400	446,400	422,400	319,000	301,000	282,000	263,000	243,000	223,000
Series 2007A	January 2032	39,000,000	37,965,000	36,880,000	35,750,000	34,575,000	33,355,000	32,085,000	-	-	-
Series 2009A	January 2034	69,480,000	69,480,000	67,250,000	65,765,000	63,820,000	61,820,000	59,755,000	57,615,000	55,400,000	53,105,000
Series 2009B	July 2030	-	1,191,875	5,912,256	9,576,202	9,036,996	12,002,958	11,371,600	10,726,000	10,065,900	9,390,900
Series 2011A	January 2037	-	-	-	89,030,000	86,625,000	84,140,000	81,555,000	78,865,000	76,060,000	73,135,000
Series 2012A	January 2037	-	-	-	-	78,650,000	76,795,000	74,055,000	71,230,000	68,295,000	65,245,000
Series 2016A	January 2040	-	-	-	-	-	-	-	183,740,000	176,990,000	170,885,000
Series 2018A	January 2042	-	-	-	-	-	-	-	-	-	165,000,000
		<u>239,020,500</u>	<u>228,691,475</u>	<u>219,290,956</u>	<u>290,656,902</u>	<u>341,340,196</u>	<u>326,197,958</u>	<u>307,081,300</u>	<u>433,244,200</u>	<u>411,750,500</u>	<u>556,790,700</u>
Add premium:		3,320,637	3,115,315	2,909,994	11,567,068	19,342,019	18,690,589	17,567,955	34,437,602	32,819,893	47,663,807
Less:											
Current portion		(11,520,900)	(13,745,331)	(14,489,290)	(16,255,673)	(18,621,354)	(19,116,658)	(18,282,100)	(21,493,700)	(19,961,818)	(25,236,300)
Discount		(407,156)	(385,318)	(363,478)	(412,475)	(634,829)	(607,837)	(566,990)	(804,562)	(764,785)	(989,296)
		<u>230,413,081</u>	<u>217,676,141</u>	<u>207,348,182</u>	<u>285,555,822</u>	<u>341,426,032</u>	<u>325,164,052</u>	<u>305,800,165</u>	<u>445,383,540</u>	<u>423,843,790</u>	<u>578,228,911</u>

Source: Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years.

KC Water
A Department of the City of Kansas City, Missouri
Ratios of Outstanding Debt
Last Ten Calendar Years
(In thousands)

Year	Water Fund Debt¹	Sewer Fund Debt¹	Total Debt	Percentage of Personal Income	Per Capita
2009	244,599	239,021	483,620	4.19%	1,056
2010	257,387	228,692	486,079	4.27%	1,057
2011	240,847	219,691	460,538	3.82%	997
2012	278,657	301,603	580,260	4.79%	1,249
2013	323,957	360,047	684,004	5.59%	1,464
2014	304,946	344,281	649,227	5.11%	1,379
2015	407,290	324,083	731,373	5.26%	1,539
2016	374,702	466,877	841,579	6.12%	1,746
2017	442,371	443,806	886,177	6.06%	1,812
2018	421,368	603,465	1,024,833	6.88%	2,094

Sources: ¹ Information comes from Comprehensive Annual Financial Report for 2018 and historical audited financials for remaining years



STATISTICAL SECTION

Demographic and Economic Information

KC Water
A Department of the City of Kansas City, Missouri
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income⁽⁶⁾ (in Thousands)	Per Capita Personal Income⁽⁷⁾	School Enrollment	Unemployment Rate⁽⁹⁾
2009	457,963 ⁽¹⁾	11,535,630	25,189	55,927	9.8
2010	459,787 ⁽²⁾	11,382,487	24,756	56,391	10.0
2011	462,091 ⁽³⁾	12,056,416	26,091	56,764	8.9
2012	464,511 ⁽³⁾	12,107,944	26,066	57,549	7.3
2013	467,251 ⁽³⁾	12,242,911	26,202	57,042	7.3
2014	470,882 ⁽³⁾	12,712,872	26,998	55,360	6.9 ⁽¹²⁾
2015	475,310 ⁽³⁾	13,908,046	29,261 ⁽¹¹⁾	55,077	5.7
2016	482,118 ⁽³⁾	13,751,934	28,524 ⁽¹¹⁾	55,039	4.9
2017	488,943 ⁽³⁾	14,633,575	29,929 ⁽¹¹⁾	56,711	4.6
2018	489,527 ⁽⁴⁾	14,886,027	30,409	61,855 ⁽⁸⁾	3.6 ^{(10) (13)}

Sources:

- ¹ The Calendar Year 2009 population estimate was provided by the City Planning and Development Department using interpolation between censuses.
- ² The 2010 Calendar Year population numbers are from the 2010 Census.
- ³ Census Bureau's 2011 to 2017 Population Estimates Program. The 2015, 2016, and 2017 numbers have been restated.
- ⁴ The Calendar Year 2018 estimates were provided by the City Planning and Development Department using extrapolation of the change from 2010 to 2017.
- ⁵ Derived from population and per capita income, provided by City Planning and Development Department
- ⁶ Fiscal Year 2009-2017 American Community Survey.
- ⁷ For 2016 and 2017 the estimates are based upon averaging two figures: (1) the 2015 American Community Survey adjusted for CPI change from 2015 to 2016 and (2) City Planning and Development Department using extrapolation of the change from 2014 to 2015.
- ⁸ Survey of school districts within Kansas City, MO as of April 30, 2018. niche.com was used for schools with no response.
- ⁹ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted.
- ¹⁰ Kansas City, MO (city not MSA) Bureau of Labor Statistics Rpt: LAUCT293800000000003, not seasonally adjusted monthly rate as of April 30, 2018.
- ¹¹ The 2015, 2016, and 2017 numbers have been restated due to a restatement of the population estimates.
- ¹² Restated from prior years
- ¹³ Preliminary numbers

KC Water
A Department of the City of Kansas City, Missouri
Top 10 Principal Employers
Current Year and Ten Years Ago

Employer¹	2018		Employer	2010	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
Public School System ³	32,477	2.95%	Federal Government	37,070	3.82%
State/County/City Government ²	21,080	1.92%	Public School System (1)	29,566	3.05%
Federal Government	18,774	1.71%	State/County/City Government (2)	27,371	2.82%
Cerner Corp.	14,000	1.27%	HCA Midwest Health Systems	8,127	0.84%
HCA Midwest Health System	9,934	0.90%	Sprint Nextel Corp.	7,300	0.75%
The University of Kansas Hospital	9,810	0.89%	Saint Luke's Health System	6,622	0.68%
Saint Luke's Health System	8,020	0.73%	McDonald's USA LLC	5,700	0.59%
Ford Motor Co. Kansas City Assembly Plant	7,030	0.64%	Cerner Corp	4,980	0.51%
Children's Mercy	7,096	0.65%	Children's Mercy	4,812	0.50%
Sprint Corp.	6,000	0.55%	Truman Medical Center	4,081	0.42%
Total employment Kansas City MSA⁴	1,099,100	12.21%	Total employment Kansas City MSA⁴	969,900	13.98%

Sources: ¹ Top Public-Sector Employers, Kansas City Business Journal, July 28, 2017 and Top 100 Area Private Sector Employers, Kansas City Business Journal, July 25, 2017.

² The number of local employees for the State/County/City Government is made up of seven (6) employers for 2017.

³ The number of local employees for the public school systems is made up of twelve (12) public school systems and school districts for 2017 and **sixteen (16)** for 2008.

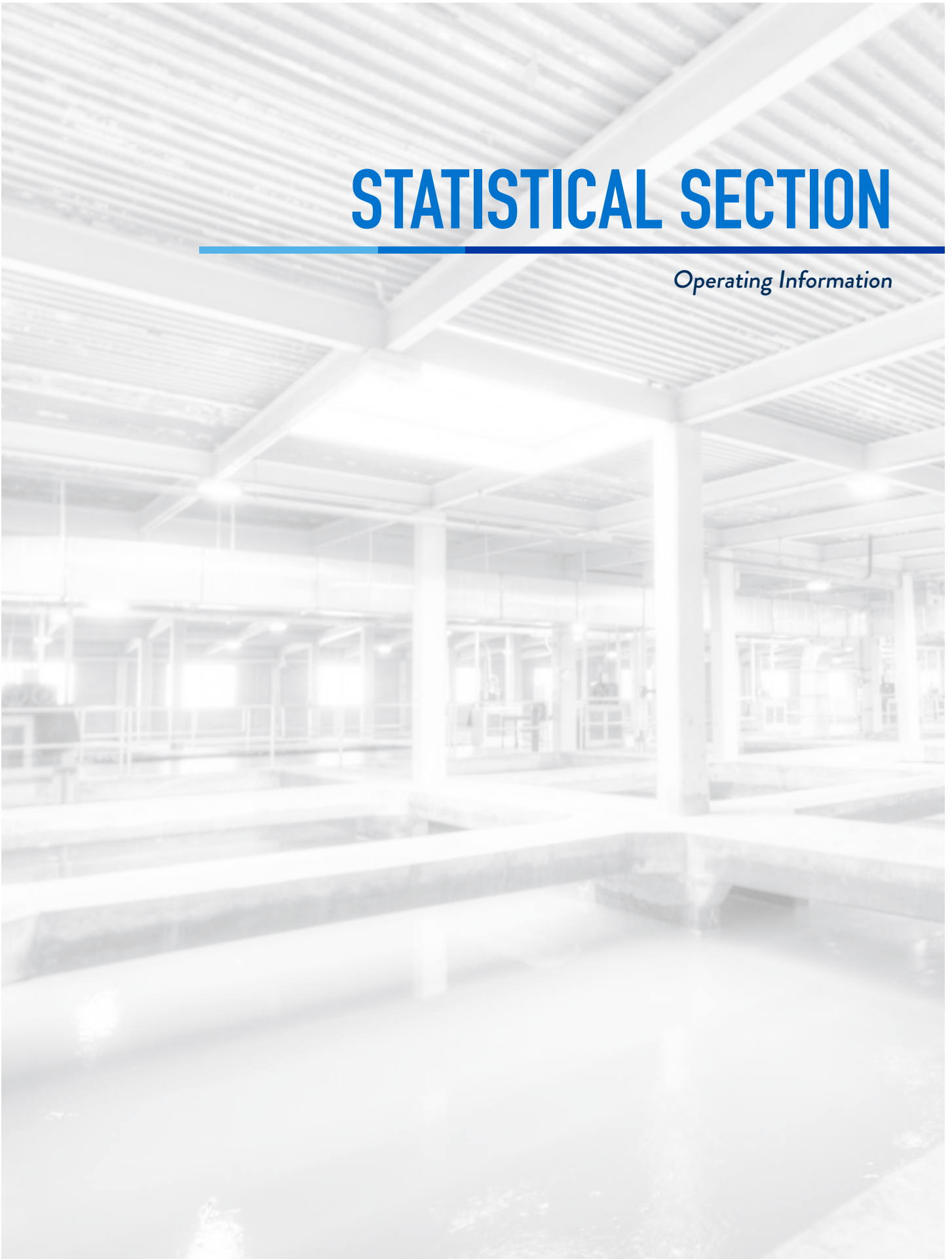
⁴ Bureau of Labor Statistics, <https://www.bls.gov/sae/#tables> as of April 2018

**The information presented in this table speaks only as of the date indicated in the source.

Layoffs or developments after this date are not presented, and they can render some information in the table to be inaccurate.
 In general, job losses have occurred across most major industry sectors.

STATISTICAL SECTION

Operating Information



KC Water
A Department of the City of Kansas City, Missouri
Operating Indicators
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water										
Water main breaks	821	911	1,214	1,700	1,846	1,375	852	815	686	723
Water Customers Served	156,881	159,000	160,000	167,051	168,603	168,000	168,000	171,500	172,000	172,280
Water Consumption (millions of gallons)	36,400	31,359	34,367	38,780	40,945	38,920	31,616	31,336	31,792	31,011
Average daily production (thousands of gallons)	99,630	95,420	103	102,180	112,000	113,000	96,270	95,200	113,000	94,417
Peak daily production (thousands of gallons)	149,140	143,000	176	176,890	197,000	240,000	146,600	141,000	159,000	147,630
Water mains (miles)	2,772	2,772	2,780	2,781	2,797	2,800	2,800	2,806	2,824	2,833
Fire Hydrants	22,732	22,732	23,103	23,181	23,662	23,000	23,801	24,252	24,348	24,750
Storage capacity (thousands of gallons)	128,230	128,230	133,400	141,000 #	120,000	141,000	141,000	155,000	155,000	155,000
Sewer										
Sanitary sewer (miles)	2,515	2,258	2,826	2,535	2,543	2,800	2,800	2,800	2,974	2,709
Sewer customers served	151,670	152,721	153,478	158,210	162,513	163,492	164,088	164,637	165,191	166,295
Average daily sewage treatment (millions of gallons)	115	117	117	103	91	72	93	111	96	72
Treatment capacity (millions of gallons)	154	153	154	155	155	155	155	155	150	155

Source: Performance Management division records within KC Water.

Water main breaks calculation change due to systems updates 2014-2017

KC Water
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Water
Last Ten Fiscal Years

Division	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Directors Office	10	10	9	7	11	9	7	7	9	9
Finance & Administration	17	16	18	21	21	29	29	29	30	30
Revenue Protection	-	4	5	6	6	6	7	7	7	7
Budget and Finance	-	1	1	1	1	-	-	-	-	-
Human Resources	6	5	5	5	7	7	10	11	12	12
Communications	3	3	3	6	4	4	5	5	6	6
Consumer Services	55	57	60	71	76	69	72	72	75	75
Information Technology	-	-	-	-	12	12	13	13	13	13
Laboratory Services	27	28	28	28	28	28	28	29	30	30
Engineering - Facilities	6	6	7	7	7	7	8	8	9	9
Engineering - General Services	4	2	-	-	-	-	1	1	1	1
Safety Management	3	3	3	3	3	3	3	3	4	4
Engineering - Distribution System	26	26	31	32	33	33	32	32	34	34
Engineering - Planning	10	11	12	10	10	10	10	10	10	10
Building Operations	-	4	5	5	5	5	5	5	5	5
Line Maintenance - General Services	5	5	5	7	7	7	7	7	7	7
Line Maintenance - Pipeline	97	93	93	96	108	107	109	122	131	131
Line Maintenance - Inspections	-	-	1	-	-	-	-	-	-	-
Water Supply - General Services	5	5	9	8	12	12	12	12	13	13
Water Supply - Operations	39	39	39	39	39	39	39	39	39	39
Water Supply - Maintenance	54	54	55	55	55	55	55	56	56	56
Industrial Waste Control	1	-	-	-	-	-	-	-	1	1
Reading & Services - Water Services	76	78	74	74	84	85	87	75	72	72
Reading & Services - Meter Reading	23	22	12	9	9	9	9	7	7	7
Stormwater Services	1	1	-	-	-	-	-	-	-	-
Waterways	-	-	-	-	-	-	-	-	1	1
Training & Development	1	-	-	-	-	-	-	-	-	-
Storeroom	10	11	6	6	6	6	6	6	6	6
Security Operations	4	7	11	5	5	5	4	4	3	3
Brush Creek Improvements	9	8	8	8	8	8	1	1	-	-
	492	499	500	509	557	555	559	561	581	581

Source: Performance Management division records within KC Water.

KC Water
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Sewer Fund
Last Ten Fiscal Years

Division	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Directors Office	7	6	6	6	6	7	6	6	6	6
Contract Administration	4	4	5	5	5	5	5	5	7	7
Laboratory Services	-	7	7	7	6	6	6	5	5	5
Engineering - Facilities	1	1	3	3	3	3	3	3	5	5
Sanitary Sewer Spcl Assmt	6	6	5	-	-	-	-	-	-	-
Engineering - General Services	-	-	2	2	2	1	1	1	1	1
Overflow Control Program	3	3	6	6	6	6	7	7	9	9
Safety Management	2	2	2	2	2	2	2	2	2	2
Engineering - Distribution System	12	12	15	18	19	19	19	19	25	25
Engineering - Planning	6	6	7	9	9	9	10	10	10	10
Building Operations	-	5	5	4	4	5	5	5	6	6
Line Maintenance - Sewer Repair	110	109	110	120	123	125	126	127	124	124
Line Maintenance - General Services	11	9	8	7	11	11	10	10	10	10
Line Maintenance - Inspections	20	21	27	29	29	29	29	29	29	29
Wastewater Treatment-Maintenance	67	65	65	69	69	70	69	70	72	72
Wastewater Treatment-Operations	42	43	48	49	52	52	52	52	54	54
Industrial Waste Control	12	6	8	8	8	8	13	12	14	14
Training & Development	1	-	-	-	-	-	-	-	-	-
Storeroom	6	5	4	4	4	4	4	3	3	3
Security Operations	-	14	7	-	-	-	-	-	-	-
Household Hazardous Waste	7	7	8	1	2	2	1	1	-	-
	<u>317</u>	<u>331</u>	<u>348</u>	<u>349</u>	<u>360</u>	<u>364</u>	<u>368</u>	<u>367</u>	<u>382</u>	<u>382</u>

Source: Performance Management Division records within KC Water

KC Water
A Department of the City of Kansas City, Missouri
Schedule of Full-Time Equivalent Employees by Division - Stormwater Fund
Last Ten Fiscal Years

Division	FYE 2009	FYE 2010	FYE 2011	FYE 2012	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	FYE 2018
Directors Office	1	1	1	1	1	1	-	-	-	-
Engineering - Planning	2	1	1	5	5	5	5	5	5	5
Catch Basin Cleaning & Repair	66	66	68	76	80	82	85	85	85	85
Stormwater Services	15	12	13	15	18	14	14	14	15	15
Stormwater Flood Monitoring	-	-	-	-	-	1	2	2	2	2
Engineering Stormwater Design	4	4	4	2	-	-	-	-	-	-
Waterways	-	-	-	-	-	-	5	5	5	5
Discharge Permit Programs	-	-	-	-	-	3	3	3	3	3
Household Hazardous Waste	-	-	-	-	-	-	1	1	1	1
	<u>88</u>	<u>84</u>	<u>87</u>	<u>99</u>	<u>104</u>	<u>106</u>	<u>115</u>	<u>115</u>	<u>116</u>	<u>116</u>

Source: Performance Management Division records within KC Water



4800 E. 63rd Street
Kansas City, MO 64130
816-513-1313 • www.kcwaterservices.org

(This Page Intentionally Left Blank)

APPENDIX C

INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

(This Page Intentionally Left Blank)

INFORMATION CONCERNING THE CITY OF KANSAS CITY, MISSOURI

GENERAL INFORMATION

Location, Size and Demographics

Kansas City, Missouri (the "City") is the largest City in Missouri and is the central city of a fourteen county Metropolitan Statistical Area (MSA) which includes Bates, Caldwell, Cass, Clay, Clinton, Lafayette, Ray, Jackson and Platte counties in the State of Missouri and Johnson, Linn, Wyandotte, Miami and Leavenworth counties in the State of Kansas. The City is located in parts of Jackson, Clay, Platte and Cass counties on the western border of the State of Missouri, and is situated at the confluence of the Kansas and Missouri rivers on Interstate Highways I-29, I-49, I-35 and I-70.

Historically, the City has pursued a policy of annexation, and is today the 11th largest city (excluding cities consolidated with counties) in land area in the United States with a total area of approximately 319 square miles. The City's Department of City Planning and Development estimates that the City's 2018 population is 489,527 and that the population of the Kansas City MSA is 2,139,811. There is excellent quality and reasonably priced housing available in the City. The cost of an existing home in the Kansas City MSA is approximately twenty-one percent below the average for comparable homes in the United States as of first quarter 2018.

Municipal Government and Services

The City was incorporated on June 3, 1850. The City is a constitutional home rule city and adopted its present Charter by popular vote on August 8, 2006, (as further amended) pursuant to Article VI, Section 19 of the Missouri Constitution.

The City has a Council-Manager form of government. There are 13 members of the Council, including the Mayor. All are elected for four-year terms, with the Mayor and six Council members elected at large and the other six Council members elected by the residents of their districts. The City Manager is appointed by the Council. The Council determines City policy and oversees City affairs. All resolutions and most ordinances can be passed by the affirmative vote of seven Council members. However, emergency measures for the immediate preservation of the public peace, property, health, safety or morals, resolutions and ordinances introduced for immediate adoption or dispensing with the requirement for readings on three separate days, and ordinances to expel a council member, to amend the zoning law when under protest, to vacate a public right of way, or to engage in temporary loans require nine affirmative votes.

As of July 1, 2018, the City has approximately 6,310 employees including the Police Department. The police are not unionized. Certain Fire personnel are union-eligible; however, not all Fire Department employees are represented by a bargaining unit. Along with the Fire Chief and his Principal Assistant, the Fire Department has administrative and clerical staff, and Deputy Chiefs that are not represented by any bargaining unit. The Fire personnel are represented by the Local 42 IAFF (approximately 1,153 members) and the 3808 IAFF Union (approximately 63 members). Approximately 1,504 City employees in labor classifications are represented by the AFSCME Local 500. The AFSCME Local Union No. 500 is the City's largest union. The Local 42 and 3808 IAFF Union and the City had previously reached an agreement on a new Collective Bargaining Agreement ("CBA") that is in effect until 2020. With regards to the Local 42 IAFF CBA, the ordinance adopting the CBA for the period beginning May 1, 2015 through April 30, 2020 has been approved by the City Council, conditioned upon a change to the proposed CBA that wages are frozen in year 5 unless a new revenue stream providing new emergency medical services revenue has been implemented by the end of year 4. The AFSCME Local Union No. 500 and the City reached an agreement on a new Collective Bargaining Agreement ("CBA") that is effective from September 18, 2016 through April 30, 2020.

The City's tax structure is diverse and includes the Earnings and Profits Tax, Sales and Use Tax, Convention and Tourism Tax, General Property Tax, Gaming Tax, Motor Fuel Tax, Cigarette Tax, Occupational License Tax and Utility Taxes which includes Land-line and Wireless Telephone, Natural Gas, Steam, Cable Television and Electric Taxes.

For the purpose of providing funds for the acquisition, development, construction, operation, and maintenance of a Downtown Arena and appurtenant facilities including costs of land, infrastructure, design, engineering, finance and furnishing and equipping said facilities, qualified voters of the City approved at a general election on August 3, 2004, the modification of the license fees on rental car agencies and on hotels, motels and tourist courts referred to as the Arena Fee.

The City provides all basic municipal services, including police and fire protection, emergency medical treatment, water and sewage treatment, street construction and maintenance, traffic regulation and control, refuse collection, street lighting, public health protection, animal health and safety, property maintenance and public nuisance code enforcement, planning and maintenance of City parks and boulevards, street tree maintenance, municipal golf courses, public swimming pools and tennis courts, community center operations, management of two municipal airports, administration of zoning and building code regulations, parking garage operations, and operation of the City's convention facilities. The Police Department, although funded primarily by General Funds of the City, is a separate governmental entity governed by a Board of Police Commissioners appointed by the Governor of the State of Missouri. School districts, which serve the City, are also separate governmental entities. Truman Medical Center receives funding from a dedicated ad valorem property tax but is governed by a separate board.

[Remainder of this page intentionally left blank.]

SELECTED DEMOGRAPHIC STATISTICS

Kansas City, Missouri			Metropolitan Statistical Area ⁽⁷⁾		
Year	Population	Per Capita Personal Income	Year	Population	Per Capita ⁽⁸⁾ Personal Income
2009	457,963 ⁽¹⁾	25,189 ⁽³⁾	2009	1,989,572 ⁽¹⁾	27,922 ⁽³⁾
2010	459,787 ⁽²⁾	24,756 ⁽³⁾	2010	2,009,342 ⁽²⁾	27,377 ⁽³⁾
2011	462,091 ⁽⁴⁾	26,091 ⁽³⁾	2011	2,024,880 ⁽⁴⁾⁽⁹⁾	28,262 ⁽³⁾
2012	464,511 ⁽⁴⁾	26,066 ⁽³⁾	2012	2,038,501 ⁽⁴⁾⁽⁹⁾	28,882 ⁽³⁾
2013	467,251 ⁽⁴⁾	26,202 ⁽³⁾	2013	2,054,039 ⁽⁴⁾⁽⁹⁾	29,688 ⁽³⁾
2014	470,882 ⁽⁴⁾	26,998 ⁽³⁾	2014	2,069,602 ⁽⁴⁾⁽⁹⁾	30,369 ⁽³⁾
2015	475,310 ⁽⁴⁾⁽⁹⁾	29,261 ⁽³⁾⁽⁹⁾	2015	2,087,471 ⁽⁴⁾	32,147 ⁽³⁾⁽⁹⁾
2016	482,118 ⁽⁴⁾⁽⁹⁾	28,524 ⁽³⁾⁽⁹⁾	2016	2,106,382 ⁽⁴⁾⁽⁹⁾	32,849 ⁽³⁾⁽⁹⁾
2017	488,943 ⁽⁴⁾⁽⁹⁾	29,929 ⁽⁵⁾⁽⁹⁾	2017	2,128,912 ⁽⁶⁾⁽⁹⁾	33,504 ⁽⁵⁾⁽⁹⁾
2018	489,527 ⁽⁶⁾	30,409 ⁽⁵⁾	2018	2,139,811 ⁽⁶⁾	34,142 ⁽⁵⁾

- (1) The Calendar Year 2009 population estimates were provided by the City Planning and Development Department using interpolation between the censuses.
- (2) The 2010 Calendar Year population numbers are from the 2010 Census.
- (3) Fiscal Year 2009-2016 American Community Survey.
- (4) Census Bureau's 2011 to 2017 Population Estimates Program.
- (5) For 2017 and 2018 the estimates are based upon averaging two figures: (1) the 2016 American Community Survey adjusted for CPI change from 2016 to 2017 and (2) City Planning and Development Department extrapolation of the change from 2015 to 2016.
- (6) The Calendar Year 2018 estimates were provided by the City Planning and Development Department using extrapolation of the change from 2010 to 2017.
- (7) Franklin County is now included in the Lawrence, KS Metro area and is no longer considered part of the KC Metro area. The loss of the county is reflected in the population data.
- (8) The 2013-2018 MSA per capita numbers provided were based upon the 14 county MSA and the 2009-2012 MSA per capita numbers provided were based upon the 15 county MSA.
- (9) Restated figure versus previous version.

Sources: U.S Census Bureau; City Planning and Development Department; Consumer Price Index and Census Bureau's annual American Community Survey and their Population Estimates Program.

COMPARISON OF METROPOLITAN AREAS

	<u>ACCRA Cost of Living Index 2018 1st Quarter ⁽¹⁾</u>	<u>Median Price, Existing Homes 2018 1st Quarter ⁽²⁾</u>	<u>Retail Sales (2018)⁽³⁾</u>
New York	245.4	\$387,700	\$42,437
San Francisco	195.7	\$917,000	\$49,342
Los Angeles	147.1	\$545,500	\$44,191
Chicago	124.0	\$242,100	\$40,064
Denver	111.5	\$441,500	\$39,473
Dallas	106.3	\$250,700	\$45,733
Minneapolis	105.0	\$260,400	\$42,522
Salt Lake City	100.6	\$322,000	\$47,464
U.S.	100.0	\$245,500	\$39,484
Atlanta	99.0	\$204,500	\$39,040
Charlotte	97.3	\$226,400	\$38,713
Phoenix	96.0	\$261,100	\$41,695
Kansas City	95.3	\$197,700	\$41,065
Columbus	90.1	\$185,100	\$47,615
Saint Louis	87.7	\$162,400	\$31,935
Memphis	80.6	\$164,300	\$54,281

Sources:

All information in the above table was obtained from the Kansas City Area Development Council (KCADC). For comparability to other City MSA's, Kansas City information is based on fourteen (14) county areas. Reference is further made by KCADC to the following sources:

- (1) The Council for Community and Economic Research, ACCRA.
- (2) National Association of Realtors.
- (3) Woods & Poole Economics.

THE KANSAS CITY ECONOMY

The City is a regional center for transportation, telecommunications, manufacturing, health care, trade, financial services, and government. Major companies headquartered in metropolitan Kansas City, Missouri include Cerner Corp, HCA Midwest Health Systems, St. Luke's Health System, Sprint Corporation, DST Systems, Garmin International, Inc., and Hallmark Cards, Inc. Other major employers include the Public School Systems, State/County/City Government, Federal Government, Ford Motor Company, The University of Kansas Hospital, and Children's Mercy Hospitals.

The City's economy provides for a consistent and well distributed earnings and employment environment for its business sectors.

The City's proximity and ready access to geographical and population centers throughout the nation make the area an attractive location for industrial product distribution and trade. The City's central location is advantageous for commuting to all parts of the United States and has enhanced its development and posture as a major transportation center with a complete range of transportation facilities, including a major highway network, railroad trunk lines, and the Kansas City International Airport (KCI). KCI handled 11.6 million passengers in fiscal year 2018. As of April 30, 2018, there were 11 passenger marketing airlines and 22 passenger operating carriers serving 51 cities with nonstop service. From May 2018 through June 2018, KCI handled 2.2 million passengers and added nonstop service to Myrtle Beach, SC. Flight times from KCI are about three hours to either coastline.

MAJOR KANSAS CITY METROPOLITAN STATISTICAL AREA EMPLOYERS ⁽¹⁾
Kansas City Metropolitan Area
Principal Employers⁽²⁾

Employer	Type of Business	Number of Employees
Public School System ⁽³⁾	Education	32,477
State/County/City Government ⁽⁴⁾	Government	21,080
Federal Government	Government	18,774
Cerner Corp	Health Care Information Technology	14,000
HCA Midwest Health Systems	Health Care Provider	9,934
The University of Kansas Health System	Acute-Care Hospital	9,810
Saint Luke's Health System	Health Care Provider	8,020
Children's Mercy Hospitals & Clinic	Health Care Provider	7,096
Ford Motor Company Assembly Plant	Automotive Assembly	7,030
Sprint Corp.	Wireless Telecommunication	6,000
Hallmark Cards, Inc.	Greeting Cards, Gifts, and Media Networks	5,000
University of Missouri – Kansas City	Four-year Public University	3,850
Garmin International, Inc.	Communication and Navigation Products	3,651
Honeywell Federal Manufacturing & Technologies	Engineering and Manufacturing for US Dept. of Energy	3,637
Truman Medical Centers	Health Care Provider	3,488
The University of Kansas Medical Center	Medical, Nursing, and Health Professional Education; Biomedical Research	3,421
Black & Veatch	Global Engineering Consulting and Construction Company	2,926
NPC International Inc.	Pizza Hut and Wendy's franchisee	2,889
North Kansas City Hospital	Acute-Care Hospital	2,880
Burns & McDonnell	Engineering, Architecture, Construction, Environmental & Consulting Firm	2,792

(1) Size as determined by full-time equivalents (FTE), not number of employees.

(2) The information presented in this table speaks only as of the date indicated in the source.

(3) The number of local employees for the public school systems is made up of twelve (12) public school systems and school districts.

(4) The number of local employees for the State/County/City Government is made up of seven (7) employers.

Source: KC's Biggest Public-Sector Employers, Kansas City Business Journal, July 27, 2018 and KC's Biggest Private Sector Employers, Kansas City Business Journal, July 20, 2018. The data compiled is self-reported.

EMPLOYMENT INFORMATION

The following table shows the annual average non-farm employment for the metropolitan area for 2013 to 2017.

ANNUAL AVERAGE NON-FARM EMPLOYMENT METROPOLITAN AREA

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Manufacturing ⁽¹⁾	68,900	71,700	74,500	77,100	76,500
Trade, Transport & Utilities ⁽¹⁾	196,900	201,900	206,200	210,200	214,400
Information ⁽¹⁾	24,400	22,700	20,600	19,000	17,800
Finance ⁽¹⁾	74,800	74,300	76,300	79,000	79,600
Professional & Business Services ⁽¹⁾	170,200	176,300	182,800	186,800	191,500
Educational & Health Services ⁽¹⁾	137,500	142,100	146,700	148,400	151,300
Leisure & Hospitality ⁽¹⁾	98,800	101,500	103,900	106,900	108,600
Government	145,600	144,900	146,200	147,600	149,800
Mining, Logging & Construction ⁽¹⁾	41,100	43,200	45,400	48,100	49,700
Other Services ⁽¹⁾	42,000	41,200	41,500	43,100	43,400
Total Non-farm	1,000,200	1,019,800	1,044,100	1,066,200	1,082,600

Sources: U.S. Department of Labor, Bureau of Labor Statistics.

(1) Year 2016 Restated

The following table depicts average annual unemployment rates for the last ten calendar years.

AVERAGE ANNUAL UNEMPLOYMENT RATES

<u>Year</u>	<u>Kansas City</u>	<u>MSA</u>	<u>United States</u>
2009	9.8	8.7	9.3
2010	10.0	8.7	9.6
2011	8.9	7.8	9.0
2012	7.3	6.5	8.1
2013	7.3	6.2 ⁽¹⁾	7.4
2014	6.9 ⁽¹⁾	5.6	6.2
2015	5.7	4.8	5.3
2016	4.9	4.3	4.9
2017	4.3	3.8	4.4
2018	4.0 ⁽²⁾	3.7 ⁽²⁾	4.1 ⁽²⁾

⁽¹⁾ Restated

⁽²⁾ Average of January thru July 2018

Source: U.S. Department of Labor, Bureau of Labor Statistics.

The following table shows the valuation of building construction for the last ten fiscal years:

Property Valuation
BUILDING CONSTRUCTION VALUATION
(Amounts Expressed in Thousands)

Fiscal Year	Commercial Valuation	Residential Valuation	Total
2009	346,321 ⁽¹⁾	188,902 ⁽¹⁾	535,223 ⁽¹⁾
2010	419,843	190,640	610,483
2011	475,174	136,770	611,945
2012	528,028	157,532	685,561
2013	535,395	207,059	742,453
2014	392,019	289,306	681,325
2015	728,658	469,345	1,198,002
2016	896,485	641,036	1,537,521
2017	622,135	551,713	1,173,847
2018	881,019	521,207	1,402,227

⁽¹⁾Restated from previous years

Sources: Development Services Division, City Planning and Development Department, City of Kansas City, Missouri.

The following table shows the locally assessed value of both real and personal taxable property for the last ten fiscal years:

ASSESSED VALUE OF TAXABLE PROPERTY
(Amounts Expressed in Thousands)

Fiscal Year	Real Property	Personal Property	Total Taxable Assessed Value
2009	5,600,250	1,578,677	7,178,927
2010	5,372,466	1,507,749	6,880,215
2011	5,412,663	1,464,297	6,876,960
2012	5,352,712	1,488,480	6,841,192
2013	5,341,906	1,465,705	6,807,611
2014	5,320,033	1,486,460	6,806,493
2015	5,355,304	1,527,037	6,882,341
2016	5,577,639	1,621,792	7,199,431
2017	5,673,941	1,686,285	7,360,226
2018	6,258,953	1,734,404	7,993,357

Sources: Original data obtained from aggregate assessed valuation reports provided by each county clerk and on file with the State of Missouri and the Statistical Data Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report (CAFR) for Fiscal Year 2018.

BUDGETING, ACCOUNTING AND AUDITING PROCEDURES

Budget Process

The City Charter requires that the City Council adopt an annual budget for the City's May 1 through April 30 fiscal year. In fulfilling this requirement, the City's year-round budget and planning process consists of five phases:

Five Year financial plan. The City Charter requires that the Mayor and Council adopt a five-year financial plan by November 1 of each year. Adoption of the annual budget will include consideration of the five-year financial plan and priorities established by the Council by ordinance.

Budget Development. The five year financial plan now drives the budget process, ensuring that the priorities established by the Council receive the attention, funding, and systems that make their achievement possible. The Finance Department issues budget instructions to city departments, boards, and commissions to be used in estimating revenues and requesting the appropriations necessary to fulfill their needs in the next fiscal year. Departments prepare their budget requests based on estimates of work to be performed and associated cost. The amounts requested must be justified in terms of the results to be achieved.

Budget Review. The Finance Department performs technical and policy reviews of departmental budget requests and forwards recommendations to the City Manager. The Director of Finance and the City Manager confer with departmental staff to formulate a balanced budget.

Budget Consideration and Adoption. The City Manager transmits the budget request to the Mayor and the City Council not later than the second regular meeting in February. The City Council conducts a review of the budget, including hearings with the City Manager and department officers. Upon completion of its review of the budget the City Council holds at least one public hearing and, in any case not later than the first regular meeting in March, places on file in the office of the City Clerk the annual budget ordinance and holds hearings with the public. At the fourth regular meeting in March, the City Council adopts the annual budget ordinance with or without alteration or amendment.

Administration of the Budget. After the budget has been adopted by the City Council, the approved appropriations and revenues are entered into the City's financial accounting system. The Finance Department reports to the City Council not later than twenty days after the close of each month, a financial report on the financial condition of the City as of the last day of each month. The Finance Department performs a quarterly budget analysis of revenues and appropriations, makes new estimates, and recommends necessary budget adjustments to ensure the City's budget remains in balance. Strict budgetary compliance is maintained through the checks and balances of administrative regulations, Finance Department Manuals of Instruction, and an automated accounting system.

Accounting Procedures and Annual Audit

Under the requirements of Governmental Accounting Standards Board Statement No. 34 (GASB 34) – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, a dual reporting perspective is required for financial statement presentation. This dual perspective includes both a fund basis perspective and an entity wide perspective.

Under the fund basis perspective, the City reports on a modified accrual basis of accounting for the various Governmental fund types and the accrual basis of accounting is utilized by the Proprietary and Fiduciary fund types. Under the entity wide perspective, the accrual basis of accounting is utilized.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that financial statements present fairly the results of operations of the various funds of the City. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met.

The Charter requires an annual audit of the City's financial statements by an independent certified public accountant. In addition to meeting the requirements set forth in the Charter, the City has obtained an audit in accordance with the provisions of the Office of Management and Budget Uniform Guidance.

EMPLOYEE RETIREMENT AND PENSION PLANS

Employee Retirement and Firefighters' Pension Plans and the Police & Civilian Employees' Retirement System

The City has two contributory defined benefit pension plans, the Employees' Retirement System and the Firefighters' Pension System (the "City Pension Plans"), covering substantially all employees. Contributions to the City Pension Plans are made by the City and covered employees. The contributions are calculated to fund normal cost and amortization of unfunded prior service costs. The City receives annual actuarial reports on the present value of accumulated plan benefits and net assets available for benefits.

Two contributory defined benefit pension plans have been established by the Missouri General Assembly for the employees of the Kansas City, Missouri Police Department: the Police Retirement System of Kansas City, Missouri and the Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri ("Police Pension Plans"). The participating employees and the City of Kansas City, Missouri make contributions to the Police Pension Plans. The Board of Trustees contracts for annual actuarial valuations to determine the present value of accumulated plan benefits and net assets available for benefits. The contribution rates are calculated to fund normal costs and to amortize the unfunded actuarial accrued liability.

The four retirement plans adopted the provisions of Governmental Accounting Standards Board Statement No. 67 - *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB Statement No. 67) for their stand-alone financial reports beginning with the fiscal year ended April 30, 2015. The City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68) for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended April 30, 2016. Extensive financial information about and detailed descriptions of the City Pension Plans and Police Pension Plans, references to financial reports relating to the plans, and information regarding the adoption of GASB Statement No. 68 by the City may be found in footnote 11, footnote 13 and the required supplementary information section (RSI) of the CAFR for the fiscal year ended April 30, 2018.

The City implemented plan design changes to the City Pension Plans and the Police Pension Plans during Fiscal Year 2014. Prior to Fiscal Year 2014, the City's pension funding policy was to contribute based on a level percentage of payroll. As a result, in some years, the Pension Plans received more than the Annual Required Contribution (ARC) and in other years, the Pension Plans received less than the full amount of the ARC. Plan design changes for the Police Pension Plans were approved by the Missouri General Assembly and the Governor in August 2013 and were implemented on September 1, 2013. Plan design changes for the City Pension Plans were approved by affected labor unions and were approved by the City Council on February 20, 2014. The plan design changes for all four pension plans include a requirement that the City fully fund the ARC (changed in Fiscal Year 2015 to Actuarially Determined Contribution ("ADC")). Other changes include a Tier 2 benefit plan for new employees and increased contributions from all employees. Since the City's pension reform measures were implemented late in Fiscal Year 2014, the full amount of the ARC was contributed to the Police Pension Plans beginning September 1, 2013, and to the City Pension Plans beginning with Fiscal Year 2015. State statutes and City ordinances now require the full funding of the ADC on all four plans. For Fiscal Years 2015, 2016, 2017, 2018 and 2019 the full amount of ADC was contributed to all four plans. For Fiscal Year 2020, it is expected that the full amount of the ADC will be contributed to all four plans.

On February 24, 2017 the Board of the Firefighters' Pension System adopted a policy to change the long-term expected rate of return on plan investments ("L-T Return Rate") from 7.50% to 7.25% effective for the actuarial valuation dated May 1, 2017. This reduction in the L-T Return Rate was used in determining the City's ADC for the year beginning on May 1, 2018. The overall effect of the change in the Firefighters' Pension System L-T Return Rate on the City's ADC will be phased-in over a 5-year period. No changes have been made to the L-T Return Rate of the Employees' Retirement System, the Police Retirement System or Civilian Employees' Retirement System.

The following historical tables provide information regarding the above-referenced pension plans. The last table presented, the Historical Funding Progress-Actuarial Value table, is provided to reflect the basis for the ADC of each of the four retirement plans.

**Historical Valuation Calculation Based on GASB 67
Pension Systems
(in thousands)**

(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]	
Valuation Date	Plan Fiduciary Net Position	Total Pension Liability	Net Pension Liability	Ratio of Plan Fiduciary Net Position to Total Pension Liability	Covered Payroll ⁽³⁾	Employers' Net Pension Liability as a Percentage of Covered Payroll
Employees' Retirement System						
4/30/2015	1,085,133	1,191,821	106,688	91 %	167,629	64 %
4/30/2016	1,023,610	1,268,591	244,981	81 %	166,853	147 %
4/30/2017	1,092,299	1,314,447	222,148	83 %	164,248	135 %
4/30/2018	1,151,661	1,357,513	205,852	85 %	167,811	123 %
Firefighters' Pension System						
4/30/2015	483,018	604,987	121,970	80 %	59,410	205 %
4/30/2016	462,024	625,656	163,632	74 %	59,294	276 %
4/30/2017	506,698	719,981	213,283	70 %	57,626	370 %
4/30/2018	540,393	756,872	216,479	71 %	64,492	336 %
Police Retirement System						
4/30/2015	793,880	1,125,374	331,494	71 %	91,750	361 %
4/30/2016	772,791	1,202,620	429,829	64 %	91,952	467 %
4/30/2017	827,347	1,163,351	336,004	71 %	90,571	371 %
4/30/2018	879,497	1,204,039	324,542	73 %	91,598	354 %
Civilian Employees' Retirement System						
4/30/2015	123,941	169,733	45,792	73 %	26,461	173 %
4/30/2016	122,135	180,214	58,079	68 %	25,748	226 %
4/30/2017	132,566	173,716	41,150	76 %	25,061	164 %
4/30/2018	142,605	179,393	36,788	79 %	25,434	145 %

Sources:

- 1) City of Kansas City, Missouri Employees' Retirement System GASB 67 and 68 Report as of April 30, 2018 prepared by Cheiron
- 2) City of Kansas City, Missouri Firefighters' Pension System GASB 67 and 68 Report as of April 30, 2018 prepared by Cheiron
- 3) The Police Retirement System of Kansas City, Missouri GASB No. 67 Report as of April 30, 2018 prepared by Cavanaugh Macdonald Consulting, LLC
- 4) The Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri GASB No. 67 Report as of April 30, 2018 prepared by Cavanaugh Macdonald Consulting, LLC

Note:

- 1) GASB 67 historical valuation started in Fiscal Year 2015.
- 2) The City's net pension liability as of April 30, 2018, for financial reporting purposes, was measured as of April 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of April 30, 2016, rolled forward one year using standard actuarial techniques for the Civilian Employees Retirement System, rolled forward one year for the Police Retirement System and updated to April 30, 2017 for the Employees Retirement and Firefighters' Pension Systems. Values attributed to April 30, 2018 in this table are stated for informational purposes only.
- 3) Amounts reported as Covered Payroll are based upon pensionable payroll.

**Annual Employer Contribution Status
Pension Systems
(in thousands)**

Fiscal Year Ended	(a) Actuarially Determined Contributions ⁽¹⁾	(b) Actual Employer Contribution ⁽²⁾⁽³⁾	(a-b) Amount Unfunded / (Overfunded)	Amount Unfunded as a % of Total Primary Govt. Expenses ⁽⁴⁾	Amount of Actual Employer Contribution as % of Total Primary Govt. Expenses ⁽⁴⁾
Employees' Retirement System					
4/30/2009	19,365	20,330	(965)	-0.07%	1.57%
4/30/2010	29,589	19,186	10,403	0.82%	1.52%
4/30/2011	27,772	18,823	8,949	0.71%	1.49%
4/30/2012	26,327	20,543	5,784	0.45%	1.58%
4/30/2013	27,683	23,744	3,939	0.28%	1.72%
4/30/2014	27,568	25,988	1,580	0.11%	1.88%
4/30/2015	27,568	27,569	(1)	0.00%	1.98%
4/30/2016	24,541	24,578	(37)	0.00%	1.66%
4/30/2017	23,042	23,701	(659)	-0.04%	1.56%
4/30/2018	24,391	24,530	(139)	-0.01%	1.49%
Firefighters' Pension System					
4/30/2009	9,476	10,320	(844)	-0.07%	0.80%
4/30/2010	17,124	10,465	6,659	0.53%	0.83%
4/30/2011	12,828	10,298	2,530	0.20%	0.82%
4/30/2012	14,046	11,604	2,442	0.19%	0.89%
4/30/2013	15,400	13,120	2,280	0.16%	0.95%
4/30/2014	16,182	11,796	4,386	0.32%	0.85%
4/30/2015	16,162	16,259	(97)	-0.01%	1.17%
4/30/2016	16,581	16,632	(51)	0.00%	1.12%
4/30/2017	16,727	16,754 ⁽⁵⁾	(27)	0.00%	1.11%
4/30/2018	17,316	17,436	(120)	-0.01%	1.06%
Police Retirement System					
4/30/2009	24,619	16,701	7,918	0.61%	1.29%
4/30/2010	22,154	16,645	5,509	0.44%	1.31%
4/30/2011	32,020	16,532	15,488	1.23%	1.31%
4/30/2012	28,277	16,477	11,800	0.91%	1.27%
4/30/2013	31,653	16,934	14,719	1.06%	1.22%
4/30/2014	35,062	22,242	12,820	0.93%	1.61%
4/30/2015	28,933	28,933	-	0.00%	2.08%
4/30/2016	30,272	30,272	-	0.00%	2.04%
4/30/2017	30,980	30,980	-	0.00%	2.05%
4/30/2018	32,103	32,103	-	0.00%	1.96%
Civilian Employees' Retirement System					
4/30/2009	4,289	3,471	818	0.06%	0.27%
4/30/2010	3,616	3,330	286	0.02%	0.26%
4/30/2011	4,748	3,185	1,563	0.12%	0.25%
4/30/2012	4,361	3,146	1,215	0.09%	0.24%
4/30/2013	4,956	3,283	1,673	0.12%	0.24%
4/30/2014	5,658	4,122	1,536	0.11%	0.30%
4/30/2015	4,931	4,931	-	0.00%	0.35%
4/30/2016	5,048	5,048	-	0.00%	0.34%
4/30/2017	5,063	5,063	-	0.00%	0.33%
4/30/2018	4,994	4,994	-	0.00%	0.30%

Notes:

- 1) In Fiscal year 2015, GASB 67/68 changed the term Annual Required Contribution (ARC) to Actuarially Determined Contribution (ADC).
- 2) The City does not have any deferred or contingent contributions.
- 3) The amounts for actuarially determined calculations and actual employer contributions were restated to reflect the data in the required supplementary information in the ten year look back table, as part of the adoption of GASB 68, in the required supplementary information in the City of Kansas City, Missouri Comprehensive Annual Financial Report for FYE 2016.
- 4) The last two columns have been revised to provide historical comparisons of actual employer contributions of each plan to primary government expenditures. Historical data of General Fund expenses can found in the Financial Statements in the City of Kansas City, Missouri Comprehensive Annual Financial Reports.
- 5) Restated

Sources:

- 1) Required Supplementary Information in the City of Kansas City, Missouri Comprehensive Annual Financial Report for FYE 2016, 2017 and 2018.
- 2) Fiscal Years 2009-2018 Financial Statements in the City of Kansas City, Missouri Comprehensive Annual Financial Reports.

**Historical Funding Progress - Actuarial Value
Pension Systems
(in thousands)**

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees' Retirement System						
5/1/2009	704,069	966,779	262,710	73 %	160,201	164 %
5/1/2010	749,552	994,768	245,216	75 %	153,948	159 %
5/1/2011	806,792	1,010,996	204,204	80 %	163,114	125 %
5/1/2012	847,090	1,070,752	223,663	79 %	161,134	139 %
5/1/2013	900,061	1,115,165	215,104	81 %	166,878	129 %
5/1/2014	962,152	1,149,884	187,732	84 %	167,629	112 %
5/1/2015	1,026,046	1,185,744	159,698	87 %	166,853	96 %
5/1/2016	1,055,814	1,268,159	212,345	83 %	164,248	129 %
5/1/2017	1,095,866	1,312,155	216,289	84 %	167,811	129 %
5/1/2018	1,140,816	1,351,563	210,747	84 %	171,688	123 %
Firefighters' Pension System						
5/1/2009	348,489	500,194	151,704	70 %	53,613	283 %
5/1/2010	435,428	516,600	81,172	84 %	51,934	156 %
5/1/2011	432,541	528,481	95,940	82 %	51,983	185 %
5/1/2012	420,337	535,215	114,878	79 %	60,063	191 %
5/1/2013	418,712	547,788	129,076	76 %	58,356	221 %
5/1/2014	452,378	583,168	130,790	78 %	59,410	220 %
5/1/2015	476,356	603,418	127,061	79 %	59,295	214 %
5/1/2016	488,879	624,244	135,366	78 %	57,625	235 %
5/1/2017	512,041	726,538	214,498	70 %	64,492	333 %
5/1/2018	535,935	756,951	221,016	71 %	66,265	334 %
Police Retirement System						
4/30/2009	641,177	893,559	252,382	72 %	89,884	281 %
4/30/2010	722,464	915,463	192,999	79 %	90,475	213 %
4/30/2011	715,764	940,609	224,845	76 %	88,445	254 %
4/30/2012	734,376	972,128	237,752	76 %	87,881	271 %
4/30/2013	749,617	964,302	214,685	78 %	90,708	237 %
4/30/2014	773,338	1,006,243	232,905	77 %	96,150	242 %
4/30/2015	803,673	1,037,257	233,584	77 %	97,103	241 %
4/30/2016	821,895	1,076,824	254,929	76 %	96,005	266 %
4/30/2017	853,286	1,118,948	265,662	76 %	93,411	284 %
4/30/2018	886,676	1,161,789	275,112	76 %	95,742	287 %
Civilian Employees' Retirement System						
4/30/2009	86,333	124,990	38,658	69 %	27,581	140 %
4/30/2010	100,516	131,223	30,707	77 %	26,136	117 %
4/30/2011	102,523	137,040	34,518	75 %	25,239	137 %
4/30/2012	108,018	142,908	34,889	76 %	25,255	138 %
4/30/2013	113,171	148,663	35,492	76 %	26,461	134 %
4/30/2014	119,076	155,264	36,188	77 %	27,077	134 %
4/30/2015	126,030	160,471	34,441	79 %	27,887	124 %
4/30/2016	130,605	165,082	34,477	79 %	27,165	127 %
4/30/2017	137,234	171,188	33,954	80 %	25,618	133 %
4/30/2018	144,207	177,117	32,910	81 %	27,256	121 %

Sources:

- 1) City of Kansas City, Missouri Employees' Retirement System Actuarial Valuation Report as of May 1, 2018 prepared by Cheiron
- 2) City of Kansas City, Missouri Firefighters' Pension System Actuarial Valuation Report as of May 1, 2018 prepared by Cheiron
- 3) Police Retirement System of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2018 prepared by Cavanaugh Macdonald Consulting, LLC
- 4) Civilian Employees' Retirement System of the Police Department of Kansas City, Missouri Actuarial Valuation Report as of April 30, 2018 prepared by Cavanaugh Macdonald Consulting, LLC
- 5) Fiscal Year 2009-2015 Comprehensive Annual Financial Report

Note:

- 1) The City's net pension liability as of April 30, 2018, for financial reporting purposes, was measured as of April 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation prepared as of April 30, 2016, rolled forward one year using standard actuarial techniques for the Civilian Employees Retirement System, rolled forward one year for the Police Retirement System and updated to April 30, 2017 for the Employees Retirement and Firefighters' Pension Systems. Values attributed to April 30, 2018 in this table are stated for informational purposes only.

In June 2004, the Governmental Accounting Standards Board (“GASB”) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (“OPEB”). This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. Specifically, the City is required to measure and disclose an amount for annual OPEB cost on the accrual basis for health benefits that will be provided to retired employees in future years. The disclosure requirement for the City began with the fiscal year ending April 30, 2008.

The following table displays specific information from the City's three most recent OPEB actuarial reports:

OTHER POST EMPLOYMENT BENEFITS (OPEB)
(Amount Expressed in Thousands)

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) entry age</u>	<u>(b)-(a) Unfunded AAL (UAAL)</u>	<u>(a)/(b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b)-(a)]/(c) UAAL as a Percentage of Covered Payroll</u>
<i>City of Kansas City - Employee/Firefighter Other Post-Employment Benefits</i>						
4/30/2010 ⁽¹⁾	-	76,574	76,574	-	205,882	37.19 %
4/30/2012	-	105,013	105,013	-	221,197	47.47 %
4/30/2014	-	97,828	97,828	-	227,039	43.09%
4/30/2016	-	89,146	89,146	-	226,100	39.40%
<i>City of Kansas City – Police/Civilian Other Post-Employment Benefits</i>						
4/30/2010	-	54,184	54,184	-	116,611	46.47 %
4/30/2012	-	55,129	55,129	-	113,136	48.73%
4/30/2014	-	46,301	46,301	-	114,100	40.58%
4/30/2016	-	41,222	41,222	-	118,768	34.71%

(1) The April 30, 2010 actuarial valuation included the following changes in assumptions:

1. Medicare eligibility: In the prior valuations, it was assumed that 25% of firefighter retirees hired before 1987 would not be eligible for Medicare. It was determined that this assumption was not holding true for the current retirees (all were Medicare eligible). For the 2010 valuation, all retirees are assumed to be eligible for Medicare at attainment of age 65.
2. Participation and election assumptions: In the prior valuations, it was assumed that 90% of eligible retirees would elect coverage at retirement and that 100% of those electing would elect 2-person coverage. This was determined to be overly conservative for an access only plan (a plan where the retiree pays the full blended premium), and was not being observed in the actual retiree elections. For the 2010 valuation, 50% participation was assumed with 85% of males participating electing 2-person coverage and 55% of females participating electing 2-person coverage.

The Employee/Firefighter annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for the fiscal years indicated were as follows:

Schedule of Employer Contributions			
(In thousands)			
Fiscal year ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (obligation)
4/30/2009	21,988	15%	(32,504)
4/30/2010	21,336	16%	(50,440)
4/30/2011	7,381	29%	(55,669)
4/30/2012	7,544	32%	(60,820)
4/30/2013	9,579	69%	(63,761)
4/30/2014	9,955	68%	(66,928)
4/30/2015	8,730	78%	(68,809)
4/30/2016	8,855	68%	(71,667)
4/30/2017	7,706	93%	(72,189)
4/30/2018	7,826	95%	(72,552)

The Police/Civilian annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligations for the fiscal years indicated were as follows:

Schedule of Employer Contributions			
(In thousands)			
Fiscal year ending	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB (obligation)
4/30/2011	6,422	8%	(5,901)
4/30/2012	6,590	24%	(10,926)
4/30/2013	6,343	18%	(16,099)
4/30/2014	6,525	19%	(21,387)
4/30/2015	5,185	22%	(25,455)
4/30/2016	5,232	23%	(29,493)
4/30/2017	4,278	20%	(32,902)
4/30/2018	4,310	22%	(36,275)

Note: Under Governmental Accounting Standards Board Statement (GASB) No. 45, the difference between the premium rates charged to retirees and the estimated rate that would be applicable to those retirees if acquired of them as a separate group is an implicit rate subsidy, which is considered an other postemployment benefit (OPEB) under the standard. Prior to May 1, 2011, the Kansas City Board of Police Commissioners required the retirees to pay 30% more than premiums charged for active employees. The Board eliminated the 30% surcharge effective May 1, 2011.

For additional information regarding the Kansas City, Missouri OPEB, please refer to the City's 2018 Comprehensive Annual Financial Report.

Source: Note Disclosures and Required Supplementary Information Section of the City of Kansas City, Missouri Comprehensive Annual Financial Report for Fiscal Year ended April 30, 2018.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

(This Page Intentionally Left Blank)

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This **CONTINUING DISCLOSURE UNDERTAKING** dated as of July __, 2019 (this “**Continuing Disclosure Undertaking**”), is executed and delivered by the **CITY OF KANSAS CITY, MISSOURI** (the “**City**”).

RECITALS

1. This Continuing Disclosure Undertaking is executed and delivered by the City in connection with the issuance by the City of **\$59,735,000*** **Sanitary Sewer System Improvement Revenue Bonds, Series 2019A** (the “**Bonds**”), pursuant to Committee Substitute for Ordinance No. 190401 passed by the governing body of the City on May 23, 2019 (the “**Ordinance**”).

2. The City is entering into this Continuing Disclosure Undertaking for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the “**Rule**”). The City is the only “**obligated person**” with responsibility for continuing disclosure hereunder.

The City covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Ordinance, which apply to any capitalized term used in this Continuing Disclosure Undertaking unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report provided by the City pursuant to, and as described in, **Section 2** of this Continuing Disclosure Undertaking.

“**Beneficial Owner**” means any registered owner of any Bonds and any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Business Day**” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal office or designated payment office of the paying agent or the Dissemination Agent, as applicable, is located are required or authorized by law to remain closed, or (c) a day on which the Securities Depository or the New York Stock Exchange is closed.

“**Dissemination Agent**” means any entity designated in writing by the City to serve as dissemination agent pursuant to this Continuing Disclosure Undertaking and which has filed with the City a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

* Preliminary, subject to change.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b) in this definition; *provided however*, the term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Fiscal Year” means the 12-month period beginning on **May 1** and ending on **April 30** or any other 12-month period selected by the City as the Fiscal Year of the City for financial reporting purposes.

“Material Events” means any of the events listed in **Section 3** of this Continuing Disclosure Undertaking.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor repository designated as such by the Securities and Exchange Commission in accordance with the Rule.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“System” means the City’s revenue-producing sanitary sewer system.

Section 2. Provision of Annual Reports.

- (a) The City shall, not later than **270 days** after the end of the City’s Fiscal Year, commencing with the year ending April 30, 2019, file with the MSRB, through EMMA, the following financial information and operating data (the **“Annual Report”**):
 - (1) The audited financial statements of the Sewer Fund for the prior Fiscal Year, prepared in accordance with accounting principles generally accepted in the United States. If audited financial statements are not available by the time the Annual Report is required to be provided pursuant to this Section, the Annual Report shall contain unaudited financial statements of the Sewer Fund, and the audited financial statements of the Sewer Fund shall be provided in the same manner as the Annual Report promptly after they become available.
 - (2) Updates as of the end of the Fiscal Year of certain financial information and operating data contained in the final Official Statement related to the Bonds, as described in **Exhibit A**, in substantially the same format contained in the final Official Statement with such adjustments to formatting or presentation determined to be reasonable by the City.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an **“obligated person”** (as defined by the Rule), which have been provided to the MSRB and are available through EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB on EMMA. The City shall clearly identify each such other document so included by reference.

In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event under **Section 3**.

- (b) The Annual Report shall be filed with the MSRB in such manner and format as is prescribed by the MSRB.

Section 3. Reporting of Material Events. Not later than **10** Business Days after the occurrence of any of the following events, the City shall give, or cause to be given to the MSRB, through EMMA, notice of the occurrence of any of the following events with respect to the Bonds ("**Material Events**"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional paying agent or the change of name of the paying agent, if material;
- (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect bondholders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

If the City has not submitted the Annual Report to the MSRB by the date required in **Section 2(a)**, the City shall send a notice to the MSRB of the failure of the City to file on a timely basis the Annual Report, which notice shall be given by the City in accordance with this **Section 3**.

Section 4. Termination of Reporting Obligation. The City's obligations under this Continuing Disclosure Undertaking shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the City's obligations under this Continuing Disclosure Undertaking are assumed in full by some other entity, such entity shall be responsible for compliance with this Continuing Disclosure Undertaking in the same manner as if it were the City, and the City shall have no further responsibility hereunder. If such termination or substitution occurs prior to the final maturity of the Bonds, the City shall give notice of such termination or substitution in the same manner as for a Material Event under **Section 3**.

Section 5. Dissemination Agents. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Continuing Disclosure Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign as dissemination agent hereunder at any time upon **30** days prior written notice to the City. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report (including without limitation the Annual Report) prepared by the City pursuant to this Continuing Disclosure Undertaking.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Continuing Disclosure Undertaking, the City may amend this Continuing Disclosure Undertaking and any provision of this Continuing Disclosure Undertaking may be waived, provided that Bond Counsel or other counsel experienced in federal securities law matters provides the City with its written opinion that the undertaking of the City contained herein, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to this Continuing Disclosure Undertaking.

In the event of any amendment or waiver of a provision of this Continuing Disclosure Undertaking, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (1) notice of such change shall be given in the same manner as for a Material Event under **Section 3**, and (2) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Additional Information. Nothing in this Continuing Disclosure Undertaking shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Continuing Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that required by this Continuing Disclosure Undertaking. If the City chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that specifically required by this Continuing Disclosure Undertaking, the City shall have no obligation under this Continuing Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 8. Default. If the City fails to comply with any provision of this Continuing Disclosure Undertaking, any Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Continuing Disclosure Undertaking. A default under this Continuing Disclosure Undertaking shall not be deemed an event of default under the Ordinance or the Bonds, and the sole remedy under this Continuing Disclosure Undertaking in the event of any failure of the City to comply with this Continuing Disclosure Undertaking shall be an action to compel performance and no person or entity shall be entitled to recover monetary damages.

Section 9. Beneficiaries. This Continuing Disclosure Undertaking shall inure solely to the benefit of the City, the Participating Underwriter, and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 10. Severability. If any provision in this Continuing Disclosure Undertaking, the Ordinance or the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions of this Continuing Disclosure Undertaking shall not in any way be affected or impaired thereby.

Section 11. Electronic Transactions. The arrangement described herein may be conducted and related documents may be sent, received, or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 12. Governing Law. This Continuing Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of Missouri.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the City has caused this Continuing Disclosure Undertaking to be executed as of the day and year first above written.

CITY OF KANSAS CITY, MISSOURI

By: _____

Name: Randall J. Landes

Title: Director of Finance

**EXHIBIT A
TO CONTINUING DISCLOSURE UNDERTAKING**

**FINANCIAL INFORMATION AND OPERATING DATA TO BE
INCLUDED IN ANNUAL REPORT**

The financial information and operating data of the type included under the section **“THE SANITARY SEWER SYSTEM”** of the final Official Statement dated June ____, 2019, relating to the Bonds.

(This Page Intentionally Left Blank)

APPENDIX E

DEFINITIONS AND SUMMARY OF ORDINANCE

(This Page Intentionally Left Blank)

DEFINITIONS AND SUMMARY OF ORDINANCE

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in the Ordinance and this Official Statement. Reference is hereby made to the Ordinance for complete definitions of all terms.

“Administrative Service Fees” means that portion of the Current Sanitary Sewer Expenses paid to the general fund of the City for office space and certain administrative, data processing, accounting and other support services provided to the Sanitary Sewer System of the City.

“Bond Counsel” means Gilmore & Bell, P.C. and Clayborn & Associates, LLC, or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing.

“Bond Reserve Requirement Funding Commencement Date” means the first day of the month after a Valuation Date in which the Net Sanitary Sewer Revenues Available for Debt Service are less than the Bond Reserve Debt Service Coverage Requirement for the preceding Fiscal Year.

“Bond Reserve Debt Service Coverage Requirement” means with respect to the Series 2019A Bonds, the amount set forth in the Certificate of Final Terms.

“Bond Reserve Requirement” means with respect to the Series 2019A Bonds, an amount equal to the average annual debt service with respect to the Outstanding Series 2019A Bonds as calculated after any principal payment on the Series 2019A Bonds (whether at maturity or by redemption).

“Bondowner” or **“Registered Owner”** means the individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof in whose name a bond is registered in the Bond Register.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

“Business Day” means a day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Paying Agent is located are required or authorized by law to remain closed, or (c) a day on which the New York Stock Exchange is closed.

“Cede & Co.” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“Certificate of Final Terms” means Exhibit B of the Ordinance, executed and delivered by the Mayor.

“City” means the City of Kansas City, Missouri.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

“Consultant” means the Consulting Engineer, an independent certified public accountant or a firm of independent certified public accountants.

“Consulting Engineer” means each independent engineer or engineering firm with experience in designing and constructing wastewater treatment, sanitary sewerage or water pollution control facilities and retained by the City.

“Current Sanitary Sewer Expenses” means all reasonable and necessary expenses of ownership, operation, maintenance and repair of the Sanitary Sewer System and keeping the Sanitary Sewer System in good repair and working order, determined in accordance with generally accepted accounting principles, including current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant’s reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular Fiscal Year, obligations incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the ownership and operation of the Sanitary Sewer System, but excluding capital lease payments, if any, and interest paid on Sanitary Sewer System Revenue Bonds and depreciation and amortization charges.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest-like payments on the Bonds and all Parity Bonds that are outstanding at the time of such calculation through their respective maturity; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company qualified to do business in the State of Missouri and having full trust powers and interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any.

“Defeasance Securities” means:

- (a) Federal Securities;
- (b) obligations of the Resolution Funding Corporation or any successor, but only if the use of the obligations to pay and discharge Bonds pursuant to the Ordinance will cause the discharged Bonds to be rated in the highest long-term rating category by the Rating Agency; or
- (c) obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any state that:
 - (i) are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to call on the date specified in the instructions, and
 - (ii) are fully secured as to principal, redemption premium and interest by a fund, consisting of cash or Federal Securities, that:
 - (A) may be applied only to the payment of principal, redemption premium and interest on the obligations, and
 - (B) is sufficient, as verified by a nationally recognized independent certified public accountant, to pay the principal, redemption premium and interest on the obligations.

“Director” means, in reference to the Department of Water Services of the City, the Director or any Deputy Director of the Department of Water Services of the City, and in reference to the Department of Finance of the City, the Director or any Acting Director of the Department of Finance of the City.

“Federal Securities” means any direct obligation of, or obligation the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America and backed by its full faith and credit.

“Federal Tax Certificate” means the City’s Federal Tax Certificate relating to the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

“Fiscal Year” means the City’s fiscal year then in effect.

“Fitch” means Fitch, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“Interest Payment Date” means the semi-annual dates set forth in the Certificate of Final Terms.

“Moody’s” means Moody’s Investors Service or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“Net Sanitary Sewer Revenues” means Sanitary Sewer Revenues less Current Sanitary Sewer Expenses.

“Net Sanitary Sewer Revenues Available for Debt Service” means, for the period of determination, Sanitary Sewer Revenues less Current Sanitary Sewer Expenses.

“Ordinance” means Committee Substitute for Ordinance No. 190401 authorizing the issuance of the Series 2019A Bonds as from time to time amended in accordance with its terms.

“Outstanding” means, as of the date of determination, all Bonds issued and delivered under the Ordinance, except:

- (1) Bonds cancelled by the Paying Agent or properly delivered to the Paying Agent for cancellation;
- (2) Bonds for the payment of the principal or redemption price of and interest on which money or Defeasance Securities are held under the Ordinance;
- (3) Bonds in exchange for which, or in lieu of which, other Bonds have been registered and delivered pursuant to the Ordinance; and
- (4) Bonds allegedly mutilated, destroyed, lost, or stolen and paid under the Ordinance.

“Outstanding Parity Bonds” means collectively, the Series 1999A Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2001B Bonds, the Series 2002J Bonds, the Series 2004H Bonds, the Series 2009B Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2016A Bonds, the Series 2018A Bonds and the Series 2018B Bonds.

“Outstanding Parity Bond Ordinance” means collectively, the Series 1999A Ordinance, the Series 2000A Ordinance, the Series 2000B Ordinance, the Series 2001B Ordinance, the Series 2002J Ordinance, the Series 2004H Ordinance, the Series 2009B Ordinance, the Series 2011A Ordinance, the Series 2012A Ordinance, the Series 2016A Ordinance, the Series 2018A Ordinance and the Series 2018B Ordinance.

“Parity Bonds” means the Outstanding Parity Bonds and any parity bonds issued under the Ordinance payable from the Net Sanitary Sewer Revenues on a parity basis with the Series 2019A Bonds.

“Parity Ordinance” means the Outstanding Parity Bond Ordinance, the Series 2018B Bond Ordinance and the ordinance under which any other Parity Bonds are issued.

“Participants” means those financial institutions for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

“Paying Agent” means the paying agent for the Series 2019A Bonds appointed by the Director of Finance.

“Permitted Investments” means any of the following securities, if and to the extent the same are at the time legal for investment of the moneys held in the funds and accounts listed in the Ordinance:

- (a) United States Treasury Securities (Bills, Notes, Bonds and Strips).
- (b) United States Agency/GSE Securities. The City may invest in obligations issued or guaranteed by any agency of the United States Government and in obligations issued by any government sponsored enterprise (GSE) which have a liquid market and a readily determinable market value that are described as follows:
 - (i) U.S. Govt. Agency Coupon and Zero Coupon Securities.
 - (ii) U.S. Govt. Agency Discount Notes.
 - (iii) U.S. Govt. Agency Callable Securities. Restricted to securities callable at par only.
 - (iv) U.S. Govt. Agency Step-Up Securities. The coupon rate is fixed for an initial term. At the step-up date, the coupon rate rises to a new, higher fixed interest rate.
 - (v) U.S. Govt. Agency Floating Rate Securities. Restricted to coupons with no interim caps that reset at least quarterly and that float off of only one index.
 - (vi) U.S. Govt. Agency/GSE Mortgage Backed Securities (MBS, CMO, Pass-Thru Securities). Restricted to securities with final maturities of five (5) years or less or have the final projected payment no greater than five (5) years when analyzed in a +300 basis point interest rate environment.
- (c) Repurchase Agreements. The City may invest in contractual agreements between the City and commercial banks or primary government securities dealers. The Securities Industry & Financial Markets Association’s (or any successor’s) guidelines for the Master Repurchase Agreement will be used and will govern all repurchase agreement transactions. All repurchase agreement transactions will be either physical delivery or tri-party.
- (d) Bankers’ Acceptances. The City may invest in bankers’ acceptances issued by domestic commercial banks possessing the highest credit rating issued by Moody’s Investors Services, Inc. (“Moody’s”) or Standard and Poor’s Corporation (“Standard & Poor’s”).
- (e) Commercial Paper. The City may invest in commercial paper issued by domestic corporations, which has received the highest short-term credit rating issued by Moody’s or Standard & Poor’s. Eligible paper is further limited to issuing corporations that have total assets in excess of five hundred million dollars (\$500,000,000) and are not listed on Credit Watch with negative implications by any nationally recognized credit rating agency at the time of purchase.
- (f) Municipal Securities (State and Local Government Obligations). The City may invest in municipal obligations that are issued in either tax-exempt or taxable form.
 - (i) Any full faith and credit obligations of the State of Missouri rated at least A or A2 by Standard & Poor’s or Moody’s.
 - (ii) Any full faith and credit obligations of any city, county or school district in the State of Missouri rated at least AA or Aa2 by Standard & Poor’s or Moody’s.
 - (iii) Any full faith and credit obligations, revenue, or special obligation bonds of the City of Kansas City, Missouri rated at least A or A2 by Standard & Poor’s or Moody’s.
 - (iv) Any full faith and credit obligation of any state or territory of the United States of America rated at least AA or Aa2 by Standard & Poor’s or Moody’s.

(v) Any full faith and credit obligations of any city, county or school district in any state or territory of the United States of America rated AAA or Aaa by Standard & Poor's or Moody's.

(vi) Any revenue bonds issued by the Missouri Department of Transportation rated at least AA or Aa2 by Standard & Poor's or Moody's.

(vii) Any municipal obligation that is pre-refunded or escrowed to maturity as to both principal and interest with escrow securities that are fully guaranteed by the United States Government, without regard to rating by Standard & Poor's or Moody's.

(g) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated in either of the two highest categories by Moody's and Standard & Poor's (in either case without regard to any modifier).

(h) Such other investments not described above that are allowed pursuant to Missouri law and approved in the City's charter.

References to particular ratings and rating categories in this definition are applicable only at the time of purchase of the Permitted Investment.

"Purchaser" means the manager of the underwriting group that originally purchases the Bonds as designated in the Certificate of Final Terms.

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations.

"Rating Agencies" or **"Rating Agency"** means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the City. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies shall not include such Rating Agency.

"Record Date" means the 15th day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Ordinance.

"Redemption Price" when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Ordinance, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"Sewer Fund" means the account ratified by the Ordinance.

"Sanitary Sewer Revenues" means all income and revenues derived by the City from the Sanitary Sewer System, including any amounts deposited in the Sewer Fund, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business.

"Sanitary Sewer System" or **"System"** means the City's sanitary sewerage system, including sanitary sewers, combined sewers, lift and pumping stations, treatment plants, with the appurtenances necessary, useful and convenient for the collection, treatment, purification and disposal of the sewage and shall include any part of the system located outside of the corporate limits of the City, and shall also include all extensions and improvements in and to the system hereafter made or acquired by the City, wherever located.

“Sanitary Sewer System Revenue Bonds” means collectively the Bonds, the Parity Bonds and all other revenue bonds which are payable from the Net Sanitary Sewer Revenues.

“Securities Depository” means initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Series 2019A Bonds” or **“Bonds”** means the City of Kansas City, Missouri, Sanitary Sewer System Improvement Revenue Bonds, Series 2019A.

“SRF Program Bonds” means the Series 1999A Bonds, the Series 2000A Bonds, the Series 2000B Bonds, the Series 2001B Bonds, the Series 2002J Bonds, the Series 2004H Bonds, the Series 2009B Bonds and any additional bonds issued under the State Revolving Fund Program administered jointly by the Missouri Department of Natural Resources and the State Environmental Improvement and Energy Resources Authority of the State.

“SRF Subsidy” means the amount of investment earnings which will accrue on the reserve account for any SRF Program Bonds during each Fiscal Year.

“Standard & Poor’s” or **“S&P”** means Standard & Poor’s Rating Services or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the City.

“State” means the State of Missouri.

“State Revolving Fund Program” means the Missouri Leveraged State Water Pollution Control Revolving Fund Program of the Missouri Department of Natural Resources.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in the Ordinance as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Surplus Account” means the fund or account created or ratified and confirmed by the Ordinance.

“Valuation Date” means the first Business Day of the month following the presentation of the annual financial statement of the System to the City Council, but in no event later than November 30th of any year.

* * *

The following is a summary of certain preamble clauses contained in the Ordinance describing the redesignation of funds and accounts created or ratified by the Outstanding Parity Bond Ordinance established within the Combined System Revenue Fund (defined below) as independent and separate funds relating solely to the operation of the Sanitary Sewer System to clarify that the Series 2019A Bonds and all Outstanding Parity Bonds are payable solely from Net Sanitary Sewer Revenues derived from the operation of the Sanitary Sewer System. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Ordinance for a complete recital of the terms thereof.

Prior to the November 1998 Election (defined below), the City had traditionally combined all revenues (historically referred to as the **“Combined System Revenues”**) derived from the operation of its Sanitary Sewer System and its stormwater system (historically referred to as the **“Combined System”**) into a single combined system revenue fund (historically referred to as the **“Combined System Revenue Fund”**) and any sanitary sewer system revenue bonds issued prior to the November 1998 Election were secured by a pledge of the Combined System Revenues.

At the general election held on November 3, 1998 (the “**November 1998 Election**”), voters in the City approved a ballot question relating to the establishment of a new stormwater fee structure which provided that the stormwater fee would be used for the sole purpose of stormwater management. As a result of the ballot question approved at the November 1998 Election, the City segregated revenues generated from the stormwater system portion of the Combined System into a separate stormwater fund within the Combined System Revenue Fund to be used exclusively for stormwater system related improvements and segregated Sanitary Sewer Revenues generated from the Sanitary Sewer System portion of the Combined System into a separate Sewer Fund within the Combined System Revenue Fund to be used exclusively for Sanitary Sewer System related improvements.

Pursuant to the ordinances authorizing the City’s issuance of sanitary sewer system revenue bonds after the November 1998 Election, such sanitary sewer revenue bonds were secured by a pledge of the Sanitary Sewer Revenues of the Sewer Fund within the Combined System Revenue Fund, as opposed to sanitary sewer system revenue bonds issued by the City prior to the November 1998 Election, which were secured by a pledge of both the stormwater system revenues in the stormwater fund and the Sanitary Sewer Revenues in the Sewer Fund within the Combined System Revenue Fund. The City no longer has outstanding any sanitary sewer system revenue bonds that were issued prior to the November 1998 Election, and the Series 2019 Bonds and all Outstanding Parity Bonds are payable solely from a pledge of the Net Sanitary Sewer System Revenues.

As a result, the City determined that the concept of the Combined System and the designation of segregated stormwater system funds and Sanitary Sewer System funds within a Combined System Revenue Fund referenced in the Outstanding Parity Bond Ordinance is no longer necessary, and pursuant to the Ordinance, the City redesignated any funds or accounts created or ratified by the Outstanding Parity Bond Ordinance established within the Combined System Revenue Fund as wholly independent and separate funds and accounts relating solely to the operation of the Sanitary Sewer System to clarify that the Bonds and all Outstanding Parity Bonds are payable solely from Net Sanitary Sewer Revenues derived from the operation of the Sanitary Sewer System as further provided in the Ordinance.

* * *

The following is a summary of certain provisions contained in the Ordinance. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Ordinance for a complete recital of the terms thereof.

Disposition of Bond Proceeds

The net proceeds received from the sale of the Series 2019A Bonds, including any premium and accrued interest, will be deposited simultaneously with the delivery of the Series 2019A Bonds in accordance with the Certificate of Final Terms.

Amounts remaining in the Series 2019A Costs of Issuance Account on November 1, 2019, shall be transferred to the Series 2019A Construction Account. Upon the completion of the extensions and improvements to the Sanitary Sewer System, the plans and specifications for which have been approved by the Governing Body, any surplus remaining in the Series 2019A Construction Account shall be deposited in and credited to the Series 2019A Debt Service Account created by the Ordinance. Any Bond proceeds or investment earnings thereon remaining in the Series 2019A Compliance Account five (5) years and 180 days after the date of issuance of the Series 2019A Bonds shall be disbursed as set forth in the Ordinance.

Any surplus credited to the Series 2019A Debt Service Account shall be applied by the Paying Agent as directed by the City solely to the payment of principal of, redemption premium, if any, and interest on the Bonds through the payment or redemption thereof at the earliest date permissible under the terms of the Ordinance. The balance transferred to the Series 2019A Debt Service Account may first be used to pay any principal payment on the Bonds coming due in that current bond year. If the balance transferred is greater than the current bond year principal payment, the excess shall be used to call Bonds for redemption in accordance with the Ordinance. Any Bonds purchased by the Paying Agent pursuant to the Ordinance with moneys from the Series 2019A Debt Service Account will be deemed cancelled.

Ratification, Renaming and Creating of Funds and Accounts

(a) The Combined System Revenue Fund, the Combined System Surplus Account and the Depreciation and Replacement Account are hereby cancelled and retired and shall no longer be used.

(b) The Sewer Fund previously established within the Combined System Revenue Fund is hereby redesignated as a wholly separate and independent fund and all revenues derived from the operation of the Sanitary Sewer System will be deposited into said Sewer Fund as further described in the Ordinance.

(c) The following separate accounts and funds created or acknowledged by the Outstanding Parity Bond Ordinance and previously established within the Combined System Revenue Fund are hereby redesignated as wholly separate and independent funds relating solely to the Sanitary Sewer System:

(1) Sanitary Sewer Renewal and Replacement Account (the **“Renewal and Replacement Account”**); and

(2) Sanitary Sewer Surplus Account (the **“Surplus Account”**)

(d) The following separate accounts and funds created or acknowledged by the Outstanding Parity Bond Ordinance are hereby acknowledged and ratified:

(1) The Series 1999A Reserve Account, the Series 2000A Reserve Account, the Series 2000B Reserve Account, the Series 2001B Reserve Account, the Series 2002J Reserve Account, the Series 2004H Reserve Account, the Series 2009B Reserve Account, the Series 2011A Reserve Account, the Series 2012A Reserve Account, the Series 2016A Reserve Account, the Series 2018A Reserve Account and the Series 2018B Reserve Account (collectively the **“Outstanding Parity Bond Debt Service Reserve Account”**);

(2) The Series 1999A Interest Account, the Series 1999A Principal Account, the Series 1999A Debt Service Account, the Series 2000A Interest Account, the Series 2000A Principal Account, the Series 2000A Debt Service Account, the Series 2000B Interest Account, the Series 2000B Principal Account, the Series 2000B Debt Service Account, the Series 2001B Interest Account, the Series 2001B Principal Account, the Series 2001B Debt Service Account, the Series 2002J Interest Account, the Series 2002J Principal Account, the Series 2002J Debt Service Account, the Series 2004H Interest Account, the Series 2004H Principal Account, the Series 2004H Debt Service Account, the Series 2009B Debt Service Fund, the Series 2011A Debt Service Account, the Series 2012A Debt Service Account, the Series 2016A Debt Service Account, the Series 2018A Debt Service Account and the Series 2018B Debt Service Account (collectively the **“Outstanding Parity Bond Debt Service Account”**);

(e) There are hereby created the following accounts to be administered and maintained pursuant to the Ordinance:

(1) Series 2019A Construction Account;

(2) Series 2019A Costs of Issuance Account;

(3) Series 2019A Reserve Account;

(4) Series 2019A Debt Service Account; and

(5) Series 2019A Compliance Account.

Administration of Funds and Accounts

(a) The Sewer Fund, the Renewal and Replacement Account and the Surplus Account will be maintained and administered by the City while any of the Bonds and the Outstanding Parity Bonds are outstanding.

(b) The other separate funds and accounts created or acknowledged under the Outstanding Parity Bond Ordinance will be maintained and administered by the City while the applicable series of bonds, for which such funds and accounts were created, are outstanding, all in accordance with the terms of the Outstanding Parity Bond Ordinance.

Series 2019A Reserve Account

(a) The Series 2019A Reserve Account shall not be funded at the time of issuance of the Series 2019A Bonds. Upon the occurrence of a Bond Reserve Requirement Funding Commencement Date, the City shall, pursuant to the provisions of the Ordinance, make equal monthly deposits as provided in the Certificate of Final Terms until the Bond Reserve Requirement is satisfied.

(b) In lieu of making cash deposits to the Series 2019A Reserve Account, the Bond Reserve Requirement may be satisfied by a surety bond, subject to the following requirements: (A) the provider of the surety bond must, at the time of issuance, have a Rating of one of the two highest rating categories by a Rating Agency; (B) the City shall not secure any obligation to the provider of a surety bond by a lien equal to or superior to the lien granted to the Bonds; (C) the surety bond shall have a term of at least one (1) year (or, if less, the remaining term of the Bonds) and shall entitle the City to draw upon or demand payment and receive the amount so requested in immediately available funds on the date of such draw or demand; (D) the surety bond shall permit a drawing by the City for the full stated amount in the event (i) the surety bond expires or terminates for any reason prior to the final maturity of the Bonds, and (ii) the City fails to satisfy the Bond Reserve Requirement by the deposit to the Series 2019A Reserve Account of either (a) cash or Permitted Investments or (b) a letter of credit or a substitute surety bond ("Substitute Surety Bond"), or (c) any combination thereof, on or before the date of such expiration or termination; and (E) if the provider of the surety bond commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the City shall provide a Substitute Surety Bond within sixty (60) days thereafter, and, if no Substitute Surety Bond is obtained by such date, shall fund the Bond Reserve Requirement in equal monthly deposits as described in the Certificate of Final Terms commencing not later than the first day of the month immediately succeeding the date representing the end of such sixty (60) day period. If the event described in clause (E) above occurs, the City shall not relinquish the surety bond at issue until after the Bond Reserve Requirement is fully satisfied by the provision of cash, obligations, or a Substitute Surety Bond or any combination thereof. Any amount received from a draw on the surety bond shall be deposited directly into the Series 2019A Debt Service Account, and such deposit shall constitute the application of amounts in the Series 2019A Reserve Account. Repayment of any draw-down on the surety bond (other than repayments which reinstate the surety bond) and any interest or fees due the provider of the surety bond under such surety bond shall be secured by a lien on the Net Sanitary Sewer Revenues subordinate to payments into the Series 2019A Debt Service Account securing the Bonds.

(c) If the City elects to deposit a Substitute Surety Bond in the Series 2019A Reserve Account in lieu of moneys on deposit therein, then, upon any such deposit, the cash in an amount equal to, or Permitted Investments held therein having a market value equal to, the face amount of the Substitute Surety Bond then being deposited, shall be returned to the City, except that moneys on deposit in such fund which were originally proceeds of any Bonds shall be either transferred to the Series 2019A Debt Service Account or applied for any other use specified by the City if there shall be delivered to the Paying Agent an Opinion of Bond Counsel to the effect that such other use will not adversely affect the excludability of the interest on the Bonds from the gross income of the Owners thereof for purposes of Federal income taxation and is permitted by the Outstanding Parity Bond Ordinance and the 2012 Election.

(d) The Director of Finance is hereby authorized to execute any and all agreements with a bond surety company (the "Indemnitor") in order to effectuate the issuance of the surety bond, specifically including, but not limited to, any agreement necessary in order to reimburse the Indemnitor for moneys advanced under the surety

bond. In the event moneys are advanced by the Indemnitor, the City shall reimburse the Indemnitor from all funds legally available in the Sewer Fund, subject only to the payments required by the Ordinance.

(e) All moneys in any Outstanding Parity Bond Reserve Account shall be used for the payment of principal of and interest on the related series of bonds for which funds might not otherwise be available, or to pay a like amount of the last maturing bonds of such series.

(f) Should the City expend any portion of the Series 2019A Reserve Account and thereby reduce the amount therein below the Bond Reserve Requirement, except for the purpose for retiring all Outstanding Bonds, or should a valuation of the 2019A Reserve Account indicate that it is below the Bond Reserve Requirement, the City shall, subject to the provisions of subsection (g) below, transfer monthly to such Series 2019A Reserve Account, all available funds after providing for the payments and transfers set forth in the Ordinance, until such Series 2019A Reserve Account shall have again satisfied the Bond Reserve Requirement. Any amounts in the Series 2019A Reserve Account in excess of the Bond Reserve Requirement on any Valuation Date shall be transferred by the City to the Sewer Fund or to such other fund or account described in the Ordinance.

(g) If at any time the moneys in the Sewer Fund shall be insufficient to make in full any payments and credits at the time required to be made by the City to the bond reserve accounts established by the City to protect the payment of the outstanding Sanitary Sewer System Revenue Bonds of the City including only the Bonds, the Outstanding Parity Bonds and other sanitary system revenue bonds of the City hereafter issued and standing on a parity with the Bonds and the Outstanding Parity Bonds, the available moneys in the Sewer Fund shall be divided among such bond reserve accounts in proportion to the respective principal amounts of said series of Sanitary Sewer System Revenue Bonds of the City at the time outstanding which are payable from the moneys in such bond reserve accounts.

Sewer Fund

(a) The City covenants and agrees that all Sanitary Sewer Revenues will be deposited into the Sewer Fund when received. The Sanitary System Revenues will be segregated from all other moneys, revenues, funds and accounts of the City.

(b) All moneys deposited in the Sewer Fund will be designated as having been derived from the ownership and operation of the Sanitary Sewer System. All Sanitary Sewer Revenues will be deposited in the Sewer Fund.

(c) The Sewer Fund will be administered and applied solely for the purposes and in the manner provided in the Ordinance and any Parity Ordinance.

Application of Moneys in Sanitary Sewer System Funds and Accounts

(a) The City will apply moneys in the Sewer Fund on the dates, in the amounts and in the order as follows:

(1) on the first day of each month, the estimated cost of operating and maintaining the Sanitary Sewer System during the ensuing 30-day period, excluding Administrative Service Fees; and

(2) to the Series 2019A Debt Service Account and the Outstanding Parity Bond Debt Service Account, on a parity basis, the amount required under the Outstanding Parity Bond Ordinance at the time specified therein. In the case of the Series 2019A Bonds, the City shall transfer to the Paying Agent for the Series 2019A Bonds on the Business Day prior to any Interest Payment Date the amounts of principal and interest due on the Series 2019A Bonds on the next Interest Payment Date; and

(3) on the first day of each month after the Bond Reserve Requirement Funding Commencement Date and as otherwise required by the Ordinance, to the Series 2019A Reserve Account, and as required by the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service

Reserve Account, and in the event the trustee or the Paying Agent has withdrawn moneys from the Series 2019A Reserve Account (other than investment earnings or the amount transferred from the Series 2019A Reserve Account upon the payment of principal on the Bonds), to the Series 2019A Reserve Account all available moneys until the Series 2019A Reserve Account has been replenished; and

(4) on the first day of each month the Administrative Service Fees for the ensuing 30-day period; and

(5) to deposit to the Renewal and Replacement Account an amount determined by the Operating and Capital Reserves Policy established and approved by the Water Services Department and the Governing Body, as may be amended from time to time, to be applied in accordance with subsection (c) (below); and

(6) on the first day of each month the remaining balance to the Surplus Account.

(b) If the amount in the Sewer Fund is not sufficient to make the payments at the time required to be made by the City to the Series 2019A Reserve Account (if required pursuant to the Ordinance) and to the Outstanding Parity Bond Debt Service Reserve Account, the City will divide the balance in the Sewer Fund between the Series 2019A Reserve Account and the Outstanding Parity Bond Debt Service Reserve Account on a proportionate basis (based upon the outstanding principal amounts of the Series 2019A Bonds and the Outstanding Parity Bonds).

(c) Except as otherwise provided in the Ordinance, all sums accumulated and retained in the Renewal and Replacement Account shall be used to meet the costs of capital improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System, and such sums may be encumbered by an estimation and appropriation ordinance of the Governing Body to accomplish the same. All unencumbered sums accumulated and retained in the Renewal and Replacement Account, if any, shall be applied by the City from time to time, as and when the City shall determine, to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the City in its sole discretion: (a) to maintain and improve the System as described above and (b) to pay the principal of and interest on any Sanitary Sewer System Revenue Bonds and any other obligations payable from Net Sanitary Sewer Revenues. No moneys credited to the Renewal and Replacement Account shall ever be directed or applied to the general governmental or municipal functions of the City so long as any of the Series 2019A Bonds remain Outstanding. The total amount of money credited to the Renewal and Replacement Account shall not exceed the maximum amount established by the Operating and Capital Reserves Policy approved by the Water Services Department and the Governing Body, as may be amended from time to time.

(d) Moneys in the Surplus Account are to be expended for the following purposes as determined by the Governing Body:

(1) paying the cost of the operation, maintenance and repair of the Sanitary Sewer System to the extent necessary;

(2) paying the cost of extending, enlarging or improving the Sanitary Sewer System;

(3) preventing default in, anticipating payments into or increasing the amounts in the accounts confirmed or established in the Ordinance, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any Sanitary Sewer System Revenue Bonds subsequently issued; or

(4) redeeming and paying prior to maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any bonds are callable), the Bonds, the Outstanding Parity Bonds or any other Sanitary Sewer System Revenue Bonds of the City hereafter issued under the conditions specified in the Ordinance and standing on a parity with the Bonds, including principal, redemption premium, if any, and interest; or

(5) making payments on capital lease obligations; or

(6) any other lawful purpose in connection with the operation of the System and beneficial to the System.

(d) No moneys derived by the City from the Sanitary Sewer System will be diverted to the general governmental or municipal functions of the City.

Deficiency of Payments into Funds and Accounts

(a) If the Sanitary Sewer Revenues are insufficient to make any payment on any date specified in the Ordinance, the City will make good the amount of the deficiency by making additional payments out of the first available Sanitary Sewer Revenues for application in the order specified in the Ordinance.

(b) If the moneys in the Outstanding Parity Bond Debt Service Account, the Outstanding Parity Bond Debt Service Reserve Account, the Series 2019A Debt Service Account or the Series 2019A Reserve Account (if required under the Ordinance) are not sufficient to pay the principal of and interest on the Outstanding Parity Bonds and the Bonds as and when the same become due, the City will apply moneys in the Surplus Account on a proportionate basis (based upon the outstanding principal amounts of the Bonds and the Outstanding Parity Bonds) to the Series 2019A Debt Service Account and the Outstanding Parity Bond Debt Service Account to prevent any default in the payment of the principal of and interest on the Bonds and the Outstanding Parity Bonds.

Investment of Moneys

(a) Moneys in each of the funds and accounts created or ratified and confirmed by the Ordinance may be invested by the City in Permitted Investments, but no investment will be made for a period extending longer than the date when the moneys invested may be needed. Unless stated otherwise, all earnings on any investments held in any fund or account will accrue to the Sewer Fund. Notwithstanding the preceding sentence, all earnings on amounts in the Series 2019A Construction Account will accrue to the Series 2019A Debt Service Account. In determining the amount held in any fund or account under the Ordinance, obligations will be valued at the lower of cost or market value. If the amount in any fund or account held within the Treasury of the City is greater than the required amount, the City may transfer the excess to the Sewer Fund.

(b) So long as the Outstanding Parity Bonds are outstanding, any investments made pursuant to the Ordinance are subject to the applicable restrictions in the Outstanding Parity Bond Ordinance.

Efficient and Economical Operation

The City will continuously own and will operate the Sanitary Sewer System in an efficient and economical manner and will keep and maintain the Sanitary Sewer System in good repair and working order.

Rate Covenant

(a) The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the Sanitary Sewer System to produce income and revenues sufficient to (1) pay the costs of the operation and maintenance of the Sanitary Sewer System; (2) pay the principal of and interest on the Bonds as and when due; (3) enable the City to have in each Fiscal Year Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Service Fees of not less than 110% of the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all Sanitary Sewer System Revenue Bonds at the time outstanding, plus capital lease payments, if any, provided that interest on any SRF Program Bonds will be reduced by the SRF Subsidy, if any; and (4) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the Sanitary Sewer System as provided in the Ordinance. The City will require the prompt payment of accounts for service rendered by or through the Sanitary Sewer System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges.

(b) The City has covenanted in the ordinances applicable to the Outstanding Parity Bonds to comply with the rate covenant set forth in the applicable ordinance so long as such bonds are outstanding.

Prior Lien Bonds

Except as provided in the Ordinance, the City will not issue any debt obligations payable out of the Net Sanitary Sewer Revenues which are superior in lien, security or otherwise to the Bonds.

Parity Lien Bonds or Obligations

(a) Except as provided in the Ordinance, the City will not issue any additional bonds or other long-term obligations payable out of the Net Sanitary Sewer Revenues which stand on a parity or equality with the Bonds unless the following conditions are met:

(1) The City is not in default in the payment of principal or interest on the Bonds or the Parity Bonds or in making any deposit into the funds and accounts under the Ordinance or any Parity Ordinance; and

(2) For so long as any of the Series 2019A Bonds remain Outstanding, the City provides to the Bondowner and the Paying Agent a certificate showing either of the following:

(i) The average annual Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Service Fees as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued, to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in all succeeding Fiscal Years. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining Net Sanitary Sewer Revenues Available for Debt Service, the City may rely on a certificate of the Consultant to add the additional Net Sanitary Sewer Revenues Available for Debt Service which would have resulted if the rate increase had been in effect for the entire period to the audited Net Sanitary Sewer Revenues if the City has made any increase in rates for the use and services of the Sanitary Sewer System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available; or

(ii) The estimated average annual Net Sanitary Sewer Revenues Available for Debt Service plus Administrative Service Fees for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the Sanitary Sewer System being financed by the additional bonds are to be in commercial operation, as certified by the Consultant, is at least 110% of the average annual debt service on the Sanitary Sewer System Revenue Bonds (excluding subordinate revenue bonds or obligations), including the additional bonds proposed to be issued,

to be paid out of the Net Sanitary Sewer Revenues Available for Debt Service in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any SRF Program Bonds may be reduced by the SRF Subsidy, if any. In determining the amount of estimated Net Sanitary Sewer Revenues Available for Debt Service for the purpose of this subsection in the Ordinance, the Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Sanitary Sewer Revenues Available for Debt Service resulting from any increase in rates for the use and services of the Sanitary Sewer System approved by the City.

(b) If the conditions set forth in the Ordinance are satisfied, the City (i) may issue additional revenue bonds or other obligations of the City on a parity with the Bonds and that enjoy complete equality of the lien on the Net Sanitary Sewer Revenues with the Bonds, (ii) may make equal provision for paying the additional revenue bonds or other obligations from the Sewer Fund, and (iii) may secure the additional revenue bonds or other obligations by funding reasonable debt service accounts and debt service reserve accounts from the Net Sanitary Sewer Revenues.

(c) The City has covenanted in the ordinances applicable to the Outstanding Parity Bonds to comply with the additional bonds test set forth in the applicable ordinance so long as such bonds are outstanding.

Junior Lien Bonds

Nothing in the Ordinance prohibits or restricts the right of the City to issue additional revenue obligations, including revenue bonds, for the purpose of extending, improving, enlarging, repairing or altering the Sanitary Sewer System, that are subordinate to the Bonds if at the time of the issuance of the additional revenue obligations the City is not in default in the performance of any covenant or agreement in the Ordinance. If the City is in default in paying either interest on or principal of the Bonds, or if the Series 2019A Reserve Account is not fully funded to the extent required by the Ordinance, the City shall not make any payments on the subordinate revenue obligations until the default is cured. Subject to the limitations in the Ordinance, the City may make provision for paying the principal of and interest on the subordinate revenue bonds or obligations from moneys in the Sewer Fund.

Refunding Bonds

The City may, without complying with the provisions of the Ordinance, refund any of the Bonds in a manner which provides debt service savings to the City, and the refunding bonds so issued will be on a parity with any of the Bonds that are not refunded and any Outstanding Parity Bonds.

Acceleration of Maturity in Event of Default

The City covenants and agrees that if it shall default in the payment of the principal of or interest on any of the Bonds as the same shall become due on any bond payment date, or if the City or the Council of the City or any of the officers, agents, or employees thereof shall fail or refuse to comply with any of the provisions of the Ordinance or of the constitution or statutes of the State, and such default continues for a period of sixty (60) days after written notice specifying such default has been given to the City by the Registered Owner of any Bond then Outstanding, then, at any time thereafter and while such default continues, the Registered Owners of twenty-five percent (25%) in principal amount of the Bonds then Outstanding may, by written notice to the City filed in the office of the City Clerk or delivered in person to the City Clerk, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of the Bonds shall become and be immediately due and payable, anything in the Ordinance or in the Bonds contained to the contrary notwithstanding. However, the Ordinance states that this is subject to the condition that if at any time after the principal of the Outstanding Bonds has been so declared to be due and payable, all arrears of interest upon all Outstanding Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds shall have been paid in full, and all other defaults, if any, by the City under the provisions of the Ordinance and under the provisions of the constitution or statutes of the State shall have been cured, then and in every such case, the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the City given as specified in the Ordinance, may rescind and annul such declaration and its consequences,

but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Remedies

(a) The provisions of the Ordinance constitute a contract between the City and the Owners of the Bonds. The Owner or Owners of not less than 25% in principal amount of the Bonds at the time Outstanding have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(1) by any proceeding at law or in equity to enforce the rights of the Owner or Owners against the City and its officers, agents and employees, and to compel the performance by the City of its duties and obligations under the Ordinance, the Constitution and the laws of the State;

(2) by any proceeding at law or in equity to require the City, its officers, agents and employees to account as if they were the Paying Agents of an express trust; and

(3) by any proceeding at law or in equity to enjoin any act or thing which is unlawful or in violation of the rights of the Owners of the Bonds.

(b) Any amounts paid on the Bonds to the Owners will be applied first to interest and second to principal, to the extent due and payable.

Defeasance

When all of the Bonds have been paid and discharged, the provisions of the Ordinance will terminate. Bonds will be treated as paid and discharged within the meaning of the Ordinance if the City has deposited with the Paying Agent, or other bank or trust company located in the State, having full trust powers and meeting the requirements of a successor paying agent, (i) moneys and non-callable Defeasance Securities which, together with interest to be earned, as evidenced by the written report of an independent certified public accountant, will be sufficient for the payment of the principal and redemption premium, if any, of and interest to accrue on the Bonds to the date of maturity or redemption, and (ii) an opinion of Bond Counsel, addressed to the Paying Agent, that providing for the payment of the Bonds by depositing moneys or Defeasance Securities with the Paying Agent in accordance with the Ordinance will not cause the interest on the Bonds to be included in gross income for federal income tax purposes. If any Bonds will be redeemed prior to maturity, the City must have given irrevocable instructions to the Paying Agent to redeem the Bonds. Any moneys and obligations which at any time are deposited with the Paying Agent or other bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds, are assigned, transferred and set over in trust for the applicable Owners, and the moneys and obligations are irrevocably appropriated to the payment and discharge of the applicable Bonds.

Amendments

(a) The provisions of the Ordinance are not applicable to (1) the Certificate of Final Terms or (2) the Continuing Disclosure Undertaking, which is subject to amendment and modification only as provided therein.

(b) Any provision of the Bonds or of the Ordinance may be amended by an ordinance, provided however, that the prior written consent of the Bondowners is required for any amendment which would:

(1) extend the maturity of any payment of principal or interest on any Bond;

(2) reduce the amount of principal or interest payable on any Bond; or

(3) permit the priority of any Bond over any other Bond.

(c) No amendment will be effective until (i) the City has received an opinion of Bond Counsel stating that the amendment is permitted by the Ordinance and the Act, complies with their respective terms, is valid and binding upon the City in accordance with its terms and does not adversely affect the exclusion of interest on the

Bonds from gross income for federal income tax purposes, and (ii) the City Clerk has on file a copy of the amendment and all required consents.

Governing Law

The Ordinance is governed by and will be construed in accordance with the laws of the State of Missouri.

* * *

APPENDIX F

FORM OF CO-BOND COUNSEL OPINION

(This Page Intentionally Left Blank)

FORM OF CO-BOND COUNSEL OPINION

[Closing Date]

City of Kansas City, Missouri
Kansas City, Missouri

[Underwriter]

Re: City of Kansas City, Missouri, \$59,735,000* Sanitary Sewer System Improvement Revenue Bonds, Series 2019A

Ladies and Gentlemen:

We have acted as co-bond counsel in connection with the issuance by the City of Kansas City, Missouri (the “**City**”), of the above-captioned bonds (the “**Bonds**”), pursuant to Committee Substitute for Ordinance No. 190401 (the “**Bond Ordinance**”), passed by the governing body of the City. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Bond Ordinance.

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the City and are valid and legally binding special obligations of the City, payable solely from the Net Sanitary Sewer Revenues (as defined in the Bond Ordinance). The Bonds do not constitute general obligations of the City nor do they constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds.

2. The Bond Ordinance has been duly passed by the City and constitutes the valid and legally binding obligation of the City enforceable against the City in accordance with its terms.

3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal and Missouri income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal and Missouri income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

* Preliminary, subject to change.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent applicable and their enforcement may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,