

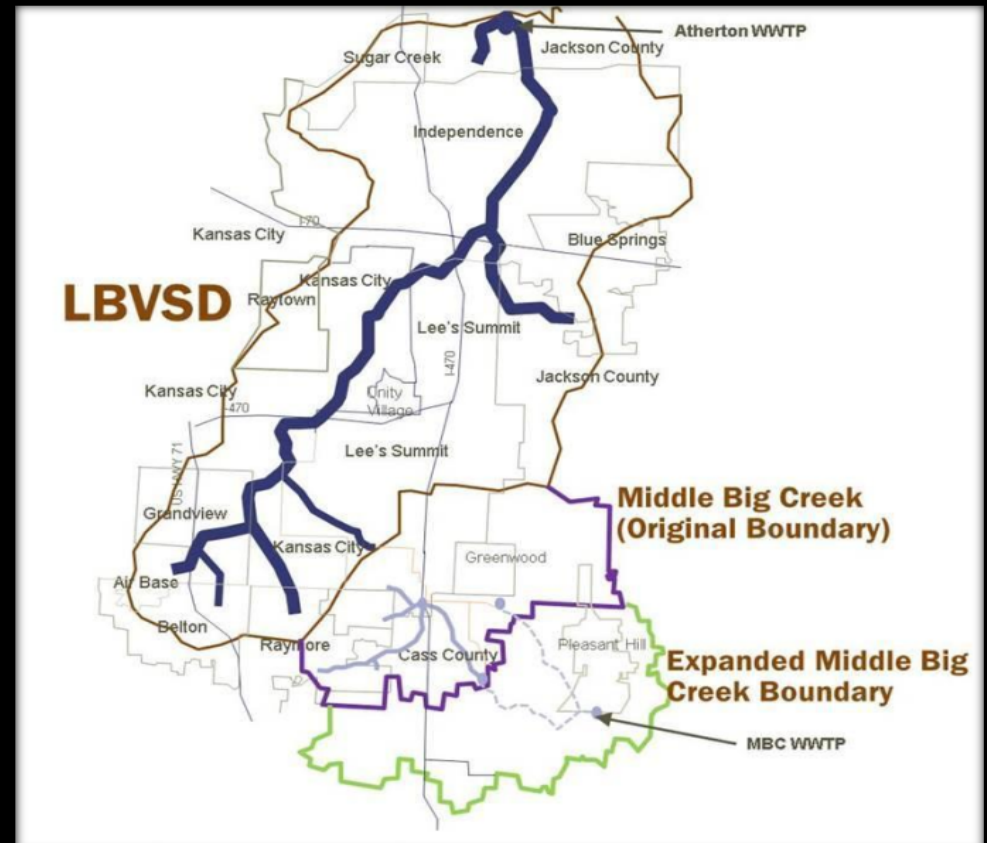


Little Blue Valley Sewer District



Formed in 1968 as
Regional
Wastewater
System
Self-Governed by
14 Customers

- City of Belton
- City of Blue Springs
- Fort Osage School District
- City of Grandview
- City of Independence
- County of Jackson
- City of Kansas City
- City of Lake Tapawingo
- City of Lee's Summit
- Middle Big Creek Sewer Subdistrict
- City of Raymore
- City of Raytown
- City of Sugar Creek
- Lake City Ammunitions Plant*

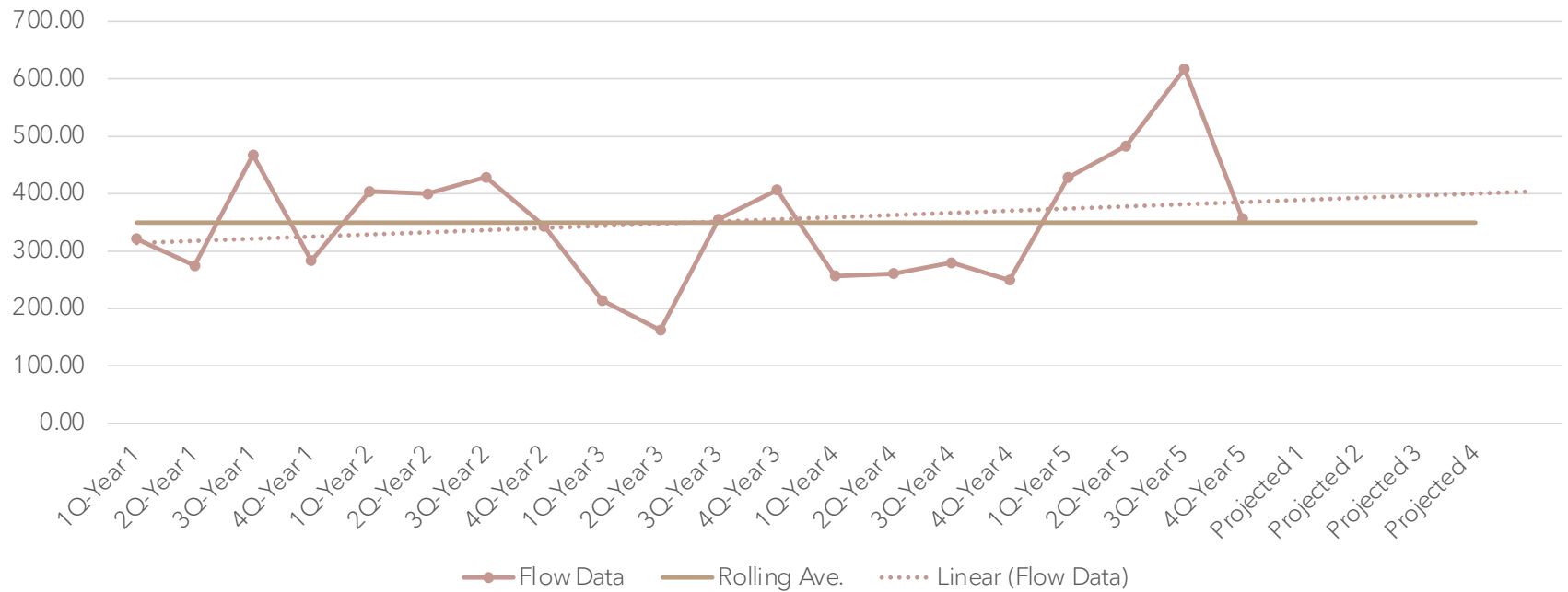


SERVICE AGREEMENT LANGUAGE

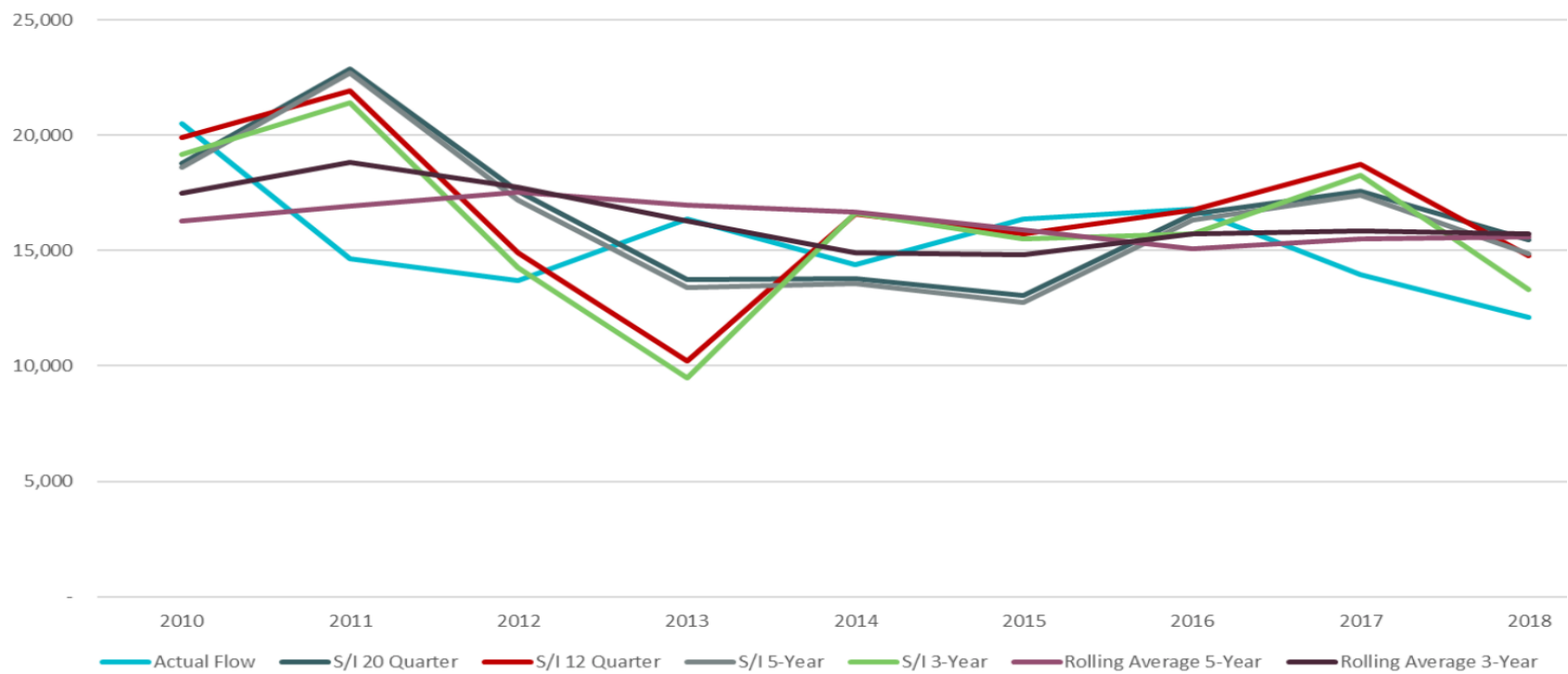
- 1. Volume Related Costs - Volume Related Costs are those costs directly attributable to the flow. These costs include Debt Service costs, certain Operation and Maintenance costs and other costs as may be approved by the Board of Trustees from time to time. Public Entity's portion of the Volume Related Costs will be allocated based on Public Entity's contributed percentage of the District's flow. For the purpose of budget development and billing, Public Entity's contributed annual flow will be projected based on the linear regression from the preceding 20 quarters of Public Entity's actual measured flow. If, for any reason, 20 quarters of flow information is not available from Public Entity, a linear regression, using available data, will be used to determine Public Entity's contributed flow. The Board of Trustees shall review such projected flow calculation for reasonableness and determine any readjustments. All Users' projected flow will be added together to determine the total projected flow of the District. This total projected flow for the District will then be divided into each User's projected flow to determine the percentage of Volume Related Costs to be billed to that User for the next fiscal year.

VOLUME CALCULATION

(LINEAR PROJECTION vs ROLLING AVG.)



METHODOLOGY COMPARISON



Conclusions

Based on the results of this analysis we believe there are two options that could be considered by the District's members at this point. The use of a five-year rolling average we believe would be more consistent with typical industry practices of billing based on some actual period of time (in this case billing based on the previous five years average flow). The analysis presented indicates this approach would have provided less variability from the actual results for all members over the ten years analyzed. However, implementing such a change would require the approval of the governing bodies of every member of The District, which would require a lot of effort for each member as well as District staff supporting the members.

The use of the existing slope-intercept methodology using 20 quarters of data is not inaccurate, it is just less accurate than the five-year rolling average over the ten-year period examined. There seemed to be a consensus that it may not be worth the effort and time to try and get every member to adopt the change to the contract necessary to make this change; it would not have any impact on the financial position of The District.

**RAFTELIS (RATE CONSULTANT)
RECOMMENDATION**

SERVICE AGREEMENT LANGUAGE

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