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February 19, 2010

Tom Hinton
Butler RWD 3
Box 84
Rosalia, KS 67132

Dear Tom,

I appreciate the opportunity to assist the district with calculating the cost to deliver water to the City of Cassoday. Costs attributed to the calculation are below:

- Utilities = \$2351
- Insurance = \$1524
- Repairs = \$13815
- Salaries = \$9375, only 1/8 of the salary for Steve was used for the calculation
- Administration = \$2057, only 1/16th of the salary for Judy was used for the calculation
- Lab fees = \$160
- Total expenses attributed to the north pump station = \$29,282

We divided the expenses into the water delivered to determine the cost of water per thousand galls. $\$29282 / 12,135 = \2.41 per thousand gallons. In 2008 the cost was \$2.46 per thousand gallons. In addition the cost of water from Public Wholesale 8 would be added. $\$2.41 + \$3.36 = \$5.77$ per thousand gallons.

The City of Cassoday also pays for their portion of the debt service in monthly installments of \$448.61. The question was raised as to whether or not Cassoday is a benefit unit holder of Butler RWD 3? It is KRWA's opinion that if the city paid for a connection fee and is paying debt, then the city should be considered a benefit unit. In other RWDs that have a master meter and one connection from RWDs, those subsequent cities send one person to the annual meeting and they have one vote. An important point is to review the original paperwork and contract.

Also you and Judy mentioned Butler County may impose a county sales tax. You questioned whether the district would be exempt? Water systems are presently exempt from paying both state and county sales taxes. County sales taxes were ended January 1, 2006 as one aspect of the "streamlined sales tax" bill passed in the 2005 Kansas Legislature.

I appreciate the opportunity to meet with you, Judy and members of the board and representatives from the City of Cassoday. Please let us know if you have any questions or if KRWA can provide further assistance.

Sincerely,

Greg Duryea
Technical Assistant

c: Vernon Willhite, Jr., Chairman
Don Rommelfanger, City of Cassoday
Joy Nelson, City of Cassoday