



DES MOINES WATER WORKS
Board of Water Works Trustees

Agenda Item No. III-A
 Meeting Date: November 22, 2016
 Chairperson's Signature Yes No

AGENDA ITEM FORM

SUBJECT: Proposed 2017 Budget

SUMMARY:

- The budget for 2017 is based on total operating revenue of \$62.0 million.
- The proposed operating budget totals \$41.6 million which is an increase of 2.5% (or \$1.0 million) over the approved 2016 budget. Moderate increases in labor, benefit costs, plant maintenance expenses, and corporate insurance are part of the overall increase. Consulting expenses for a review of the Cost of Service Study have also been included.
- Capital expenditures budgeted for 2017 total \$29.6 million.
- The utility's debt service obligations for the year total \$5.3 million, \$3.4 million of which will be reimbursed by the political subdivisions who have participated in bond issues in past years.
- The proposed budget allows for \$1.5 million to be added to operating reserves. This includes \$1.0 million to replenish reserves due to the revenue shortfall in 2015.

See the attached memo for detailed information concerning the proposed 2017 budget.

These materials were discussed at the October Finance & Audit committee meeting, the October Board Meeting, and the November Finance & Audit committee meeting.

FISCAL IMPACT:

This budget establishes the guidelines for the 2017 operations and capital replacement program for the utility.

RECOMMENDED ACTION:

Approve the Des Moines Water Works 2017 budget.

BOARD REQUIRED ACTION:

Public Hearing – Opened by Chairperson for comments from the public regarding the budget for 2017.
 Chairperson closes the hearing.
 Motion for the approval of the 2017 Des Moines Water Works budget.

_____ / _____ Michelle Holland (date) Controller	_____ / _____ Peggy Freese (date) CFO	_____ / _____ William G. Stowe (date) CEO and General Manager
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Attachments: 2017 Budget Memo

DATE: November 1, 2016
TO: William Stowe, CEO & General Manager
FROM: Peggy Freese, CFO
Michelle Holland, Controller
SUBJECT: Proposed 2017 Budget

In early June, the Finance staff kicked off the budgeting process for 2017. The attached document contains the following:

2017 Budget Overview

Proposed 2017 Budget Summary and Comparison to 2016 Budget

Des Moines Water Works Budget Process

Details of Proposed Revenue, Operating Expenses, and Capital Expenses

2017 Budget by Department

2017 Benefits Budget

2017 Operating Work Plans Recommended for Funding

2017 Capital Work Plans Recommended for Funding

Overview

While Des Moines Water Works budgets with a high level of detail for revenues and expenses, all budgets rely on assumptions and those assumptions are normally based on some sort of averaging unless more accurate information is known.

Water pumpage changes from year to year and is rather unpredictable several months out. At the time of this writing, 2016 looks to be reasonably close to the budgeted 17.0 billion gallons. The years of 2014 and 2015 were relatively cool wet years and pumpage was lower than budgeted. However, 2012 and 2013 were high pumpage years. Budgeting at either of these extremes would challenge the utility as funds would have been dedicated for certain types of expenses. By budgeting an average pumpage level, the likelihood of being significantly different than budget is lower. Additionally, with the high pumpage season being in the latter part of the year, this gives much less time for the utility to react to diverting funds from projects that have been committed or spent.

A part of budgeting pumpage is also budgeting the production at each of the treatment facilities. The allocation among the facilities for 2017 has changed to budget more production at the Saylorville Water Treatment Plant. This is as a result of the new connection to Johnston and location of the plant in getting water to the northwest corners of our system. Offsetting this increase is the reduction of budgeted production at the McMullen Water Treatment Plant to coincide with actual production levels over the last several years. Overall production expenses are only up slightly compared to the 2016 budget. The changes in the 2017 budget include a 2.8% (~\$135,000) increase in chemical expense, a 4.5% (~\$85,000) increase in electrical expenses, and a 5.8% (~\$88,000) reduction in sludge removal expenses. The chemical expense increase is a function of both moderate price increases and the continued need to maximize the treatment benefit of numerous chemical feed processes. The increase in electrical expenses is based actual costs per thousand gallons of production at each of the treatment plants. Residual removal costs are budgeted at an amount that we believe the contractor will remove in 2017 resulting in a slight decrease of expense.

Another item that sees significant variances from year to year is the number of main breaks. The number of main breaks for 2016 appears to come in a bit lower than average. The prior two years showed how the number of breaks can vary from year to year. 2014 was a record year for main breaks, with 418 breaks. The very next year, 2015, had only 207 main breaks. Reacting and budgeting to the extremes would again add risk in over or under budgeting the related expenses. The 2017 budget includes an average number of main breaks.

The ongoing mission of water treatment at DMWW is to maintain a consistent finished product despite dynamic changes in raw water consumption. Our recent experiences are strong reminders that vigilance in both the operation and maintenance of the treatment facilities is a necessity.

Revenue – Total revenue for 2017 is budgeted at \$62.0 million. This is up \$2.6 million compared to the 2016 budget. Water pumpage is budgeted at 17.0 billion gallons which is the same as the 2016 budget. Included in the 2017 budget is a 10% rate increase for nearly all service areas.

Additional Funding – This includes unspent funds that have been carried over from the prior year’s budget and other funding from outside entities; including West Des Moines, Cumming, Norwalk, Polk County Rural Water District #1, and Pleasant Hill. There is also funding from the Water Works Park Foundation to equally offset the capital expenditures included in this budget. The amount of additional funding budgeted for 2017 is nearly \$16 million.

Operating Expenses – Total operating expenses are budgeted at \$41.6 million for 2017. This is an increase of \$1.0 million, or 2.5%, from the 2016 budget. The biggest drivers of this increase include: labor, benefit costs, plant maintenance expenses, and consultant expenses for a review of the Cost of Service Study. More information on these increases starts on page 8.

Capital Expenses – Total capital expenditures are budgeted at \$29.6 million. Funding sources (mentioned above in Additional Funding) of \$16.0 million leaves approximately \$13.6 million of capital projects to be funded from the utility’s revenues. This compares to approximately \$10.7 million of capital projects budgeted from the utility’s revenues in 2016.

**DES MOINES WATER WORKS
PROPOSED 2017 BUDGET SUMMARY AND COMPARISON TO 2016 BUDGET**

	2017 Proposed Budget	2016 Approved Budget	Percentage Change
REVENUE:			
Water sales	\$54,129,452	\$ 50,388,730	7.4%
Debt service payments reimbursements	3,280,384	4,319,582	(24.1%)
Penalties and fees	260,000	250,000	4.0%
Other sales and services	1,924,376	2,108,613	(8.7%)
Billing service revenue	1,503,585	1,506,900	(0.2%)
Land & building use revenue	194,000	180,000	7.8%
Connection Fees	450,000	325,000	38.5%
Interest income	248,979	277,154	(10.2%)
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Total revenue available for expenses	\$ 61,990,776	\$ 59,355,979	4.4%
ADDITIONAL FUNDING:			
Unspent funds carried over from prior year's approved budget	5,399,176	4,345,487	24.2%
Development Plan Review	66,154	9,800	575.0%
DMWW Park Foundation - funded by donations	1,955,401	3,949,532	(50.5%)
Other projects funded by outside entities (Johnston, West Des Moines, Pleasant Hill)	8,566,165	3,166,639	170.5%
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Total additional funding available for expenses	\$ 15,986,896	\$ 11,471,459	39.4%
Total revenue and additional funding	\$ 77,977,672	\$ 70,827,438	10.1%
EXPENSES:			
<i>Operating expenses:</i>			
Labor	13,675,501	13,436,617	1.8%
Benefits	7,681,102	7,441,249	3.2%
Chemicals	4,915,067	4,780,557	2.8%
Residual Removal	1,444,500	1,532,775	(5.8%)
Utilities	2,566,580	2,461,977	4.2%
Gasoline/Fuel	210,000	248,750	(15.6%)
Purchased Services	5,206,951	5,035,091	3.4%
Legal Fees	538,900	531,800	1.3%
Training	145,095	126,661	14.6%
Materials and Equipment	3,058,427	2,992,575	2.2%
Insurance	1,310,000	1,160,000	12.9%
Postage	511,772	502,938	1.8%
Telephone	219,580	201,600	8.9%
Casualty Loss	60,000	60,000	0.0%
Loss on Bad Accounts	90,000	90,000	0.0%
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Subtotal - Operating expenses	\$ 41,633,475	\$ 40,602,589	2.5%
<i>Capital expenditures:</i>			
Requests for new capital projects	22,220,314	13,943,005	59.4%
Multiple-year capital projects began before 2017 (carryover)	5,399,176	4,345,487	24.2%
Park Improvement Plan project (separated from above capital projects)	1,955,401	3,949,532	
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Subtotal - Capital expenditures	\$ 29,574,891	\$ 22,238,024	33.0%
<i>Debt service obligations:</i>			
Des Moines Water Works' direct obligation	1,876,922	2,047,244	(8.3%)
Political subdivisions' obligation	3,392,384	4,439,582	(23.6%)
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Subtotal - Debt service obligations	\$ 5,269,306	\$ 6,486,825	(18.8%)
<i>Operating reserves:</i>			
Addition to operating reserves	500,000	500,000	
Reimburse operating reserves due to 2015 revenue shortfall	1,000,000	1,000,000	
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Total projected uses	\$ 77,977,672	\$ 70,827,438	10.1%
Net position of revenues to expenses	0	(0)	

Des Moines Water Works Budget Process

DMWW budgeting is very detailed and requires a high level of participation across the utility. We use an activity-based methodology which correlates to our internal financial reporting. Activity-based costing provides the cost tracking and allocations required for our Cost of Service calculations. Budgets are prepared by “project” or activity. The process is lengthy, involved, and quite demanding at times. However, participants understand the benefits gained from the methodology, which include supporting our annual Cost of Service Study and fostering accountability for actual results.

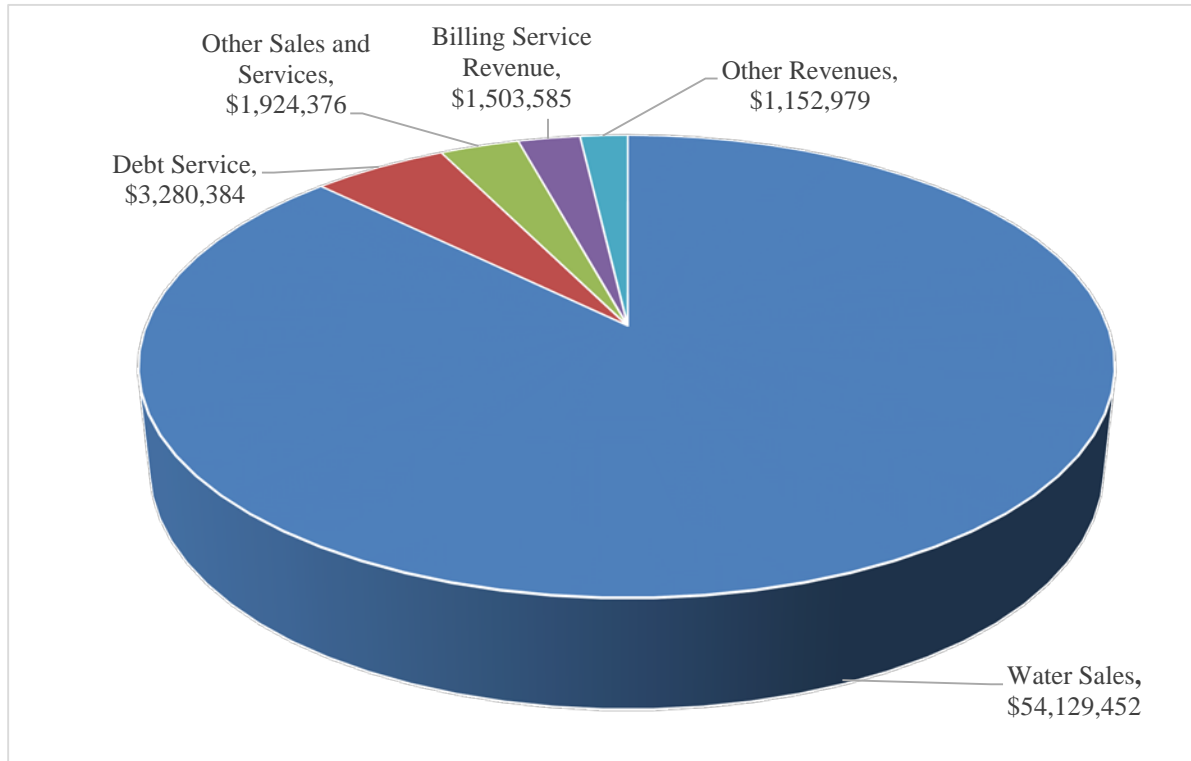
Steps:

- Finance prepares budget templates for 2017 budget entry.
- Finance provides budget training/refresher, as needed.
- Departmental teams prepare project/work plan budgets which include labor hours by position (which results in labor dollars) and non-labor resources requested. A work plan is a grouping of like projects. For example:
 - Department: Water Production
 - Work Plan: Fleur Maintenance
 - Projects: Raw Intake/Pumping, Basins, Chemical Systems, Filter Plant, etc.

- Senior managers review the work plans of their department.
- Review of all work plans by “review team” which consists of CEO/GM, Chief Operating Officer, Chief Financial Officer, and Controller.
- Initial review session with department senior manager and the review team
- Teams revise work plans based on feedback from their review session.
- Finance staff compiles work plans into utility budget.
- Senior management team meets to balance available resources with budget requests.
- Finance staff presents budget for discussion and review at Board Committee meetings.
- Board reviews and discusses budget at October meeting.
- Public hearing held and Board approves budget at November meeting.
- Budget documents are forwarded to Des Moines City Clerk for receipt and file by City Council.

REVENUE

Operating revenue for 2017 is projected at \$61.2 million which results in a 4.4% increase over the approved 2016 budget.



Water Sales are the most significant source of operating revenue making up over 87% of the total revenue. This is \$3.7 million higher than the 2016 water sales budget. The 2017 pumpage budget remains the same as the 2016 budget of 17.0 billion gallons. Included in the budget is a 10% rate increase for nearly all service areas.

Debt Service Reimbursements are payments DMWW receives from wholesale customers who participated in bond issues. This totals \$3.3 million.

Other Sales and Services are budgeted at \$1.9 million. These revenues represent amounts budgeted within the departmental work plans. This includes reconnect fees, stop box repairs, distribution system repairs, lab testing, credit card convenience fees, etc.

Billing Service Revenue is budgeted at \$1.5 million. This represents fees charged to various cities, including Des Moines, Pleasant Hill, Windsor Heights, and others, for billing and collection services. This also includes revenue from HomeServe USA for billing and collection of fees from the optional service line maintenance program for residential customers.

Other Revenues are budgeted at approximately \$1,150,000 and is made up of:

Penalties & Fees	\$260,000
Connection Fees	\$450,000
Land & Bldg Lease Revenue	\$194,000
Interest Income	\$249,000
(on invested reserves)	

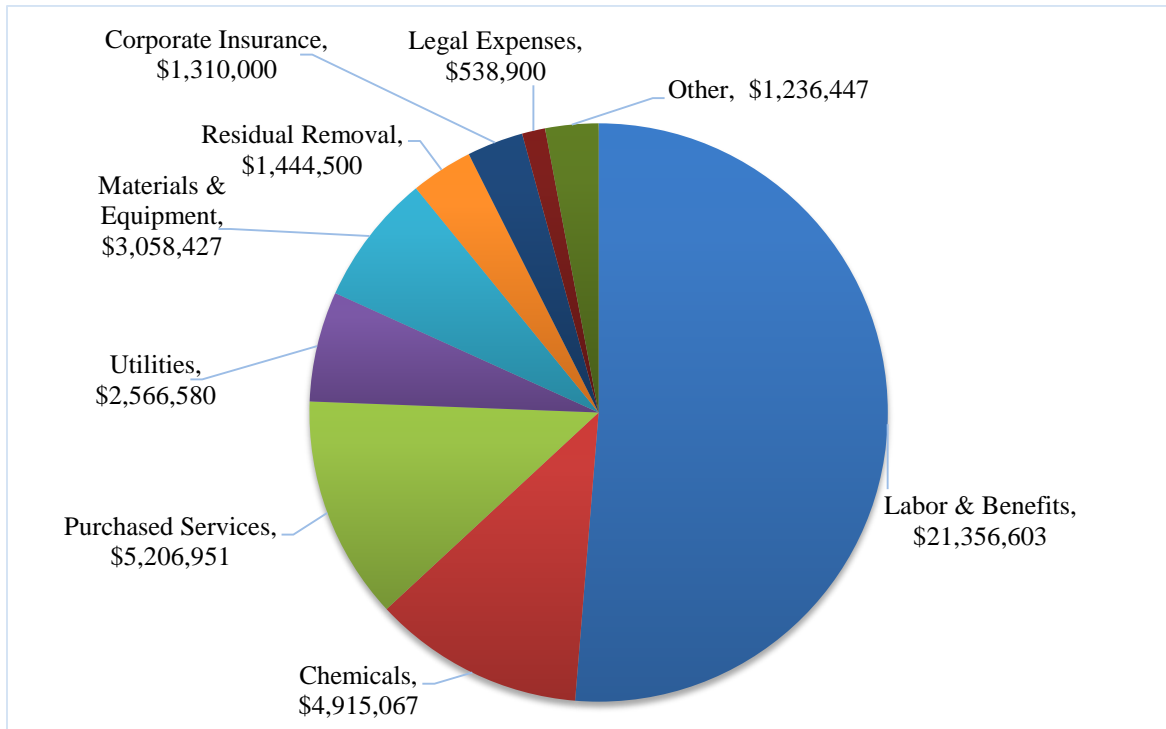
ADDITIONAL FUNDING

These are additional resources which include funding of projects by other outside entities and prior year capital carryover. The total of Additional Funding is nearly \$16 million for the 2017 budget.

OPERATING BUDGET

The operating budget reflects the budgeted costs of the day to day operations of the utility. As noted previously, operating expenses are budgeted (and reported) by project. There are 300 operating projects that have been budgeted for 2017.

The proposed operating budget totals \$41.6 million. This is an increase of 2.5% or approximately \$1.0 million from the approved 2016 budget.



Large variances in the 2017 budget compared to the 2016 budget are listed in the table below:

Expense	2017	2016	Increase/ (Decrease) \$	Increase/ (Decrease) %
Operating Labor	\$ 13,675,501	\$ 13,436,617	\$ 238,884	1.8%
Benefits	7,681,102	7,441,249	239,853	3.2%
Chemicals	4,915,067	4,780,557	134,510	2.8%
Energy (Water Treatment)	1,939,232	1,855,130	84,102	4.5%
Residual Removal	1,444,500	1,532,775	(88,275)	-5.8%
Treatment Plant Maintenance - non-labor	1,294,179	1,079,003	215,176	19.9%
Consultant for review of Cost of Service	200,000	-	200,000	
Corporate Insurance	1,311,500	1,160,000	151,500	13.1%
Increase in listed items:			\$ 1,175,750	

Expenses for labor and benefits represent 51% of the operating budget.

Budgeted expense for **labor** is 1.8% higher than the 2016 approved budget. This equates to approximately \$240,000. This increase is made up two things: a labor rate increase which is budgeted per the union contract along with a decrease in the number of labor hours budgeted in operating projects versus capital projects. Fluctuation between the two types of projects (operating versus capital) occurs every year to varying degrees.

Benefit expenses are up nearly \$240,000 compared to the 2016 budget. Along with a labor rate increase comes increases to those benefits tied to wages. Employer contributions for IPERS, deferred compensation, and Social Security taxes increased approximately \$100,000. The utility's contribution to employees' medical premiums is going up a moderate amount. And an accrual for the CEO's retention package has been budgeted at just over \$100,000. The actuarial defined contribution to the DMWW pension plan is budgeted to remain the same as the 2016 budget of \$950,000. More details about the benefits budget can be found on page 14.

Chemical expenses are budgeted to increase nearly 3% in 2017 which equates to approximately \$135,000. Budgeted chemical prices are seeing modest price increases – generally ~4% - for 2017 per initial indications from chemical vendors. An increase in lime dosage at the Fleur plant has been budgeted for 2017. This is as a result of recommendations from CH2M Hill and Engineering staff to focus on aggressive softening to enhance TOC removal to stay compliant with regulations relating to DBPs. Offsetting this increase is a sizeable decrease budgeted for the price of antiscalant at the Saylorville plant.

Purchased Services budgeted in 2017 include:

PILOT	\$ 925,000
I.T. Maintenance Contracts	\$ 515,000
Stop Box Repairs	\$ 187,000
Banking/Audit Fees	\$ 118,000
Credit Card/E-check/Bill-pay Fees	\$ 298,000
Security	\$ 258,000
Plant Maintenance	\$ 548,000
Distribution Maintenance/Repair	\$ 193,000
Engineering Studies	\$ 331,000
Facility Maintenance	\$ 132,000
Cost of Service review	\$ 200,000
GDMBG in-kind services	\$ 125,000
“Other” Services (numerous)	<u>\$1,377,000</u>
Total	\$5,207,000

These expenses are up 3.4% from the 2016 budget.

Utilities expense is up approximately \$105,000 over the 2016 budget. Energy used in the treatment process is the driver of this increase. The 2017 budget includes more water production at the Saylorville plant. This plant has higher electrical costs compared to the other two plants, but lower chemical and residual expenses.

Materials & Equipment expenses include the supplies and materials used primarily in distribution, plant and remote site maintenance, laboratory supplies, and facility and vehicle maintenance. Expenses are budgeted 2.2% higher in 2017, which equates to \$66,000.

Residual (lime) Removal expenses are down \$88,000 versus the 2016 budget. The budget for 2017 is based on what we believe the contractor will remove in 2017.

Other expenses include: corporate insurance, postage expenses, telephone, casualty losses, fuel for fleet vehicles, bad debt write-off, etc. The amount budgeted for 2017 is approximately \$150,000 higher than the 2016 budget. Corporate insurance is increasing by this amount due to increased property values.

Details of all the Operating Work Plans and the comparison between the 2017 Proposed Budget and the 2016 Approved Budget begin on page 15.

CAPITAL BUDGET

The 2017 capital budget includes \$29.6 million of capital requests.

Over \$5.0 million of the capital budget is for projects that are carried over from the prior year budget. Due to the efforts involved in planning, designing, bidding, and constructing large capital items, it is common for the spending to occur over multiple calendar years. Two large projects make up a majority of the carry over funds. The Crystal Lake pump station and nitrate regeneration waste disposal projects were budgeted in 2016 but will have expenses to be incurred in 2017.

Another set of projects that have been budgeted are those with outside funding. Included in those projects are:

- Construction of new feeder mains from the McMullen Treatment Plant to the NE corner of Maffitt Reservoir Park and from the park to Norwalk's water tower. Additionally, a 5.0 mgd pump station will be built. These projects will potentially serve Norwalk, West Des Moines, Cumming, and Warren Rural Water District.
- Phase one of the DMWW Park Foundation projects, including an amphitheater, lawns, restrooms, parking, natural play and markets, trails & roads, etc.
- There are a few smaller projects budgeted in Pleasant Hill and Polk County Rural Water District #1 which are expected to be funded by those entities.

That leaves approximately \$13.6 million of capital projects from the utility's revenue.

Included in the 2017 budget is a project to purchase and implement a new customer billing and collecting system. The current system (CRM) has been in existence since 2004 and is built on outdated technology. The new system will have many new beneficial features for customers and employees such as an enhanced customer self-service portal, large print billing statements, business analytics, and will achieve the elimination of around 40,000 paper service orders annually. The entire project will cost approximately \$4.0 million and will be budgeted over two years. The amount in the 2017 budget is \$1.9 million.

There are several capital items that are budgeted each year to maintain and upgrade assets. While the projects continue to be budgeted each year, the same review process and prioritization occurs as with the other capital requests to determine the overall capital budget.

- DMWW budgets for water system improvements (WSI) to maintain and upgrade the distribution system by replacing mains that have a history of breaks, to improve the fire flow, relocating to accommodate city, county, or state construction projects, and upgrading mains to meet the needs of customers.
- Within the Water Distribution capital budget, replacing hydrants and valves, expanding the cathodic protection program, and other upgrades are budgeted.
- Customer Service budgets for meter replacement and MTU change-outs.
- I.T. has a budget for new hardware and software to replace aging equipment.
- Vehicle and equipment replacement is included in the Water Production budget.

Details of the Capital Work Plans begin on page 26.

BUDGET BY DEPARTMENT

The next page shows expenses by department sliced a little differently than the project/work plan method that the utility uses for financial reporting, cost of service, etc.

The table shows the Non-Labor expenses by department. These expenses include Materials/Inventory, Services, Utilities and are shown in the department that budgets for those expenses.

The table shows the Labor expenses for each department. This is based on which department the employee works in and does not take into consideration where that employee charges his/her time.

2017 Budget by Department

This table shows non-labor expenses by department - that is, the department where the materials, services, etc. are budgeted. It shows the labor expenses for each department - that is, the employee's department and doesn't take into consideration where that employee charges his/her time.

NON LABOR EXPENSES	CEO	Customer Service	Engineering	Finance	Human Resources	Information Technology	Water Distribution	Water Production	Unallocated Benefits	Total
OPERATING										
Company-Wide	-	90,000	-	1,310,000	-	-	60,000	-	7,681,102	9,141,102
Inventory	700	123,767	19,000	77,050	2,000	2,150	234,548	5,468,641	-	5,927,856
Materials	56,024	76,331	13,850	554,510	38,292	52,750	1,014,506	961,147	-	2,767,410
Services	107,900	203,070	362,645	850,722	185,441	717,665	1,896,136	3,011,866	-	7,335,446
Utilities	-	-	-	-	-	219,580	12,200	2,554,380	-	2,786,160
Total Operating	164,624	493,168	395,495	\$ 2,792,282	\$ 225,733	\$ 992,145	3,217,390	11,996,034	7,681,102	27,957,974
CAPITAL	124,880	1,060,999	23,191,932	-	-	1,997,573	567,077	750,000	-	27,692,461
LABOR EXPENSES (by department)	486,286	2,291,526	1,761,602	857,851	261,322	815,679	4,619,904	4,463,761	-	15,557,931
TOTAL	775,790	3,845,693	25,349,029	\$ 3,650,133	\$ 487,055	\$ 3,805,397	8,404,372	17,209,795	7,681,102	71,208,366
Full-Time Equivalents	4.5	35.8	21.1	10.6	3.5	9.0	67.6	63.2		215.3

Reconciliation to 2017 Budget Summary	
Operating Expenses	41,633,475
Capital Expenses	29,574,891
Total Expenses	71,208,366

BENEFITS BUDGET

Benefit costs makes up a significant portion of the utility's budget.

Employees are budgeted with non-productive time – which is their time off through the year. This includes holidays, vacation, floating holidays, sick, and personal time. This time is reflected in labor expense. The amount budgeted for 2017 is \$2.1 million.

The non-labor piece of benefit expenses is budgeted at \$7.7 million and includes costs for insurance premiums, employer contributions to IPERS, deferred compensation, social security taxes, and the DMWW pension plan, and flex pay.

	2017 Proposed Budget	2016 Approved Budget
Insurance Premiums		
Employee Medical	\$ 2,960,280	\$ 2,932,520
Retiree Medical	208,212	195,239
Life/LTD/AD&D	49,506	52,951
Retirement Expenses		
IPERS (8.93%)	1,455,130	1,394,947
FICA taxes (7.65%)	1,245,920	1,220,120
DMWW Pension	950,000	950,000
Deferred Compensation	312,930	298,031
CEO Retention	103,500	-
Flex Dollars	374,492	376,309
Car Allowance	21,133	21,133
Total Benefits	\$ 7,681,102	\$ 7,441,249
<i>% of total labor</i>	<i>49.4%</i>	<i>49.8%</i>

2017 Operating Work Plans Recommended for Funding
Office of the CEO

Work Plan & Description	2017 Proposed		2016 Approved		Inc / (Dec)
		Budget	Budget		
Board Activities	Labor	85,837	66,245		
Facilitation of all Board-related activities to assure a well-informed Board of Trustees fully prepared to render policy decisions for the optimal benefit of the utility.	Non Labor	34,500	36,800		
	Total	120,337	103,045	17,292	A 16.8%
CEO Office Operations	Labor	130,287	109,269		
Provides for the efficient administrative and leadership support for the Office of the CEO including staff appraisals, professional support for Directors on miscellaneous non-project issues, and communication/support with outside organizations.	Non Labor	60,769	69,593		
	Total	191,056	178,862	12,194	A 6.8%
Business Strategy	Labor	101,918	100,058		
Provides for the costs associated with the visionary leadership of the utility and includes the development of the long range strategic plan along with the Balanced Business Approach (BBA) goals that support the strategic plan.	Non Labor	1,455	805		
	Total	103,373	100,863	2,510	2.5%
Project Management	Labor	31,712	105,667		
Provides costs associated with managing operational projects as assigned by the CEO.	Non Labor	23,350	23,050		
For 2017, the work plan includes costs to implement ISO 50001 which develops a policy to improve energy management. DMWW will also begin work for the Dept of Energy's Superior Energy Performance certification.	Total	55,062	128,717	(73,655)	B -57.2%
Public Policy - Watershed Advocate	Labor	48,082	60,828		
Includes activities to influence and monitor public policy and resource allocation decisions of state and federal legislative and regulatory initiatives which have a potential impact on the utility and/or the drinking water industry's ability to provide safe drinking water to consumers in a cost effective and sustainable manner.	Non Labor	44,550	44,425		
	Total	92,632	105,253	(12,621)	A -12.0%
Total Office of the CEO	Labor	397,836	442,067		
	Non Labor	164,624	174,673		
	Total	562,460	616,740	(54,280)	-8.8%

Explanation of Significant Variances

A - Board Activities, CEO Office Operations, Public Policy

Labor hours adjusted to better reflect where actual hours are being charged.

B - Project Management

Labor Hours are down due to retirement of OCEO Project Manager as well as existing staff to be utilized within other areas of the utility (Safety & WP Maintenance).

2017 Operating Work Plans Recommended for Funding
Customer Service

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Customer Service Administration Captures the general and administrative costs of customer service, including training.	Labor	59,816	71,256	
	Non Labor	22,540	21,640	
	Total	82,356	92,896	(10,540) -11.3%
Customer Service Contact Center & Data Quality Costs to provide quality customer service to both external and internal customers. This includes providing walk-in, written and telephone customer service to the customers of DMWW, as well as our billing and collecting customers. Also encompasses account maintenance and collection activities.	Labor	755,741	806,135	
	Non Labor	144,300	144,700	
	Total	900,041	950,835	(50,794) -5.3%
Field Customer Service Includes the costs of field service workers in completing work orders, repairing meters, administration of contracted plumbers, and repairing stop boxes.	Labor	1,001,646	966,401	
	Non Labor	158,778	182,903	
	Total	1,160,424	1,149,304	11,120 1.0%
Communications & Public Relations Provides for public relations efforts, communications materials, Web site support, graphics services, and revenue generating services for the Utility.	Labor	60,228	59,843	
	Non Labor	92,350	80,300	
	Total	152,578	140,143	12,434 8.9%
New Business, Community & Economic Development, Existing Relationships Includes client contact with key wholesale and commercial/industrial customers and the development and execution of action plans as a result of identified new business opportunities. Includes the contribution to the Greater Des Moines Partnership.	Labor	19,678	36,203	
	Non Labor	75,200	80,200	
	Total	94,878	116,403	(21,525) -18.5%
Total Customer Service	Labor	1,897,109	1,939,838	
	Non Labor	493,168	509,743	
	Total	2,390,277	2,449,581	(59,305) -2.4%

Explanation of Significant Variances

A - Customer Service Contact Center & Data Quality

Labor hours are down due to the new CRM system being budgeted in capital projects. Significant Customer Service staff time will be needed to implement the new system.

B - New Business, Community & Economic Development, Existing Relationships

Labor hours reduced to better reflect where actual time is being charged.

2017 Operating Work Plans Recommended for Funding
Engineering

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Engineering Management Tracks operating costs including: communication with staff, customer service, support for the department and utility, training, tracking Engineering costs, attendance at city pre-app meetings, etc.	Labor	262,057	219,449	
	Non Labor	63,415	54,136	
	Total	325,472	273,585	51,887 19.0%
Engineering Studies Covers the cost to conduct engineering studies to determine the feasibility of future capital projects. Studies include: long range planning, tank inspections, Raccoon River intake upgrades, distribution system modeling, cell tower administration, assessment of general office building, and nitrate reduction strategy.	Labor	159,068	190,806	
	Non Labor	332,080	595,739	
	Total	491,148	786,545	(295,397) -37.6%
Total Engineering	Labor	421,125	410,256	
	Non Labor	395,495	649,875	
	Total	816,620	1,060,131	(243,510) -23.0%

A

Explanation of Significant Variances

A - Engineering Studies

The 2017 budget includes studies for:

- Long Range Planning - finishing up the work that was started in 2016.
- Lime Residual Reuse - explore options for lime residuals.
- Feeder Main Rehab - survey and evaluate feeder mains for corrosion or leaks.

2017 Operating Work Plans Recommended for Funding
Finance

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Finance Administration Summarizes the administrative costs for the Finance department including clerical support, performance management, and training.	Labor	53,458	52,005	
	Non Labor	35,375	36,000	
	Total	88,833	88,005	829 0.9%
Financial Services Summarizes the costs related to the financial services performed throughout, and for the benefit of, the entire utility. Services include, but are not limited to: payroll, accounts payable, financial reporting, banking, annual audit, cost of service study, etc. This work plan also includes the corporate insurance premiums.	Labor	386,781	424,526	
	Non Labor	1,690,817	1,309,509	
	Total	2,077,599	1,734,035	343,564 19.8% A
Payment Processing Summarizes the costs to perform accounts receivable billing, collection, and balancing functions for the utility.	Labor	54,208	57,783	
	Non Labor	320,856	300,669	
	Total	375,064	358,453	16,612 4.6%
Mail Processing Summarizes the costs to prepare and mail customer bills.	Labor	37,823	37,365	
	Non Labor	574,050	568,200	
	Total	611,873	605,565	6,308 1.0%
Purchasing & Central Stores Provides support to our internal customers for purchasing, warehousing and delivering of product in a cost effective and timely manner.	Labor	180,671	175,121	
	Non Labor	5,638	4,700	
	Total	186,309	179,821	6,488 3.6%
Greater Des Moines Botanical Gardens Captures administrative operations, education services, horticulture services, facility maintenance, gift shop, catering and marketing public relations.	Labor	34,454	26,797	
	Non Labor	165,546	173,203	
	Total	200,000	200,000	(0) 0.0%
Total Finance	Labor	747,396	773,598	
	Non Labor	2,792,282	2,392,281	
	Total	3,539,678	3,165,879	373,800 11.8%

Explanation of Significant Variances

A - Financial Services

Increase in corporate insurance of \$150,000.

Includes consultant cost of \$200,000 to review the Cost of Service methodology.

2017 Operating Work Plans Recommended for Funding
Human Resources

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
HR Administration Captures the general clerical and administrative costs of the Human Resources department.	Labor	47,670	48,017	
	Non Labor	14,300	10,255	
	Total	61,970	58,272	3,698 6.3%
Employee Relations Includes costs for the use of focus groups, labor/management committees, recognition initiatives, the Spigot employee newsletter, employee meetings, one-on-one issue identification and resolution, formal grievance resolution, and administration of DMWW's drug-free workplace program.	Labor	146,626	141,323	
	Non Labor	38,100	30,645	
	Total	184,726	171,968	12,758 7.4%
Employment Provides resources for recruiting and selecting quality new employees for vacant positions. Equal Employment Opportunity and affirmative action compliance is also assured.	Labor	40,206	37,735	
	Non Labor	26,272	17,920	
	Total	66,478	55,655	10,823 19.4%
Compensation & Benefits Includes costs associated with maintaining and enhancing a competitive, cost-effective and compliant employee compensation and benefits program.	Labor	52,018	44,951	
	Non Labor	63,611	64,467	
	Total	115,629	109,418	6,212 5.7%
Employee Learning & Growth Provides for the administration and coordination of utility-wide employee training, continual learning, career planning, and work-life balance initiatives.	Labor	8,844	8,416	
	Non Labor	83,450	65,350	
	Total	92,294	73,766	18,528 25.1%
Total Human Resources	Labor	295,365	280,441	
	Non Labor	225,733	188,637	
	Total	521,098	469,078	52,019 11.1%

Explanation of Significant Variances

A - Employee Learning & Growth

Expenses for a facilitator have been budgeted to provide diversity training to all staff.

2017 Operating Work Plans Recommended for Funding
Information Technology

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
I.T. Administration	Labor	91,900	91,806	
Captures the general and administrative costs of the I.T. department including: invoice processing, budget tracking, performance management and training.	Non Labor	46,000	40,200	
	Total	137,900	132,006	5,894 4.5%
Technical Services	Labor	67,385	87,238	
Provides technical support for all hardware and software components used for client computing. This includes file serving, printing, PC software and hardware maintenance, computer operations, helpdesk support, PC upgrades and patches. Additionally, IP operations are supported around nightly processing.	Non Labor	110,600	109,200	
	Total	177,985	196,438	(18,453) -9.4%
I.T. Development	Labor	37,742	27,930	
Provides technical support for all applications and software components used for corporate computing. This includes application support, custom software development, and technical consulting for software packages such as CRM, PeopleSoft, CASSWORKS, Microstation, Lab Lite, etc.	Non Labor	40,000	60,000	
	Total	77,742	87,930	(10,188) -11.6%
System Services	Labor	111,382	87,592	
Provides technical support for all network hardware, software, and components used for utility computing. This includes all networking, file serving, printing, disaster recovery, security, backups, internet connectivity, upgrades, and patches.	Non Labor	341,515	347,520	
	Total	452,897	435,112	17,785 4.1%
I.T. Services	Labor	226,203	172,775	
Provides resources to support all facets of software and hardware as they relate to core I.T. services including in-house software applications, purchased applications, support, reporting, and technical consulting.	Non Labor	454,030	407,000	
	Total	680,233	579,775	100,458 17.3%
Total I.T.	Labor	534,611	467,341	
	Non Labor	992,145	963,920	
	Total	1,526,756	1,431,261	95,495 6.7%

Explanation of Significant Variances

An additional position is budgeted in the I.T. department. This position was taken out of the 2016 budget and substituted with consulting dollars.

A - I.T. Development

Non-labor decrease due to reduced consulting dollars

B - I.T. Services

Non-labor increase in maintenance contracts related to EAM and On-Tap.

2017 Operating Work Plans Recommended for Funding
Water Distribution

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)	
Distribution Administration (Distribution Support)	Labor	162,359	158,523		
Administrative costs for the Distribution department including clerical support, employee meetings, performance management, and training	Non Labor	39,900	37,350		
	Total	202,259	195,873	6,386	3.3%
Des Moines Field Support	Labor	321,096	337,531		
Tasks required to support distribution system maintenance and utility locates; including work order processing, twenty-four hour dispatch, record updates, database maintenance, and customer contact.	Non Labor	33,398	34,156		
	Total	354,495	371,687	(17,192)	-4.6%
Distribution System Maintenance & Repair	Labor	1,473,538	1,481,298		
Costs for distribution system maintenance and repair tasks which include repairing broken water mains, hydrant and valve maintenance and repair, flushing dead end water mains, adjusting valve boxes to grade for city paving projects, and maintaining cathodic protection systems.	Non Labor	1,051,475	1,063,043		
	Total	2,525,013	2,544,341	(19,328)	-0.8%
Leak Detection and Locating	Labor	560,264	553,262		
Costs for leak detection, locating, customer distribution services (complaints/inquiries), and feeder signage maintenance.	Non Labor	34,695	34,625		
	Total	594,959	587,887	7,071	1.2%
Distribution Billed Services	Labor	179,311	170,658		
Costs for billed services including making taps for new service lines, providing contracted leak location services, repairing damaged facilities, and repairing inoperable service valves.	Non Labor	408,172	396,395		
	Total	587,483	567,053	20,430	3.6%
Distribution Water Quality	Labor	145,859	131,849		
Maintain the quality of the water in the distribution system through administration of the cross-connection control program and the implementation of the initiatives that will maintain water quality and response to water quality complaints.	Non Labor	83,025	7,580		
	Total	228,884	139,429	89,455	A 64.2%
Risk & Incident Management	Labor	158,116	199,276		
Costs including park police, contract security, access control, surveillance, emergency operations, and flood protective measures. Also includes costs associated with liability claims.	Non Labor	431,800	394,900		
	Total	589,916	594,176	(4,260)	B -0.7%
Grounds Maintenance	Labor	435,024	437,962		
Management and maintenance of DMWW properties as well as properties maintained under 28E agreements with the City of Des Moines. Includes labor and materials to administer park events that are held in Water Works Park	Non Labor	1,050,945	1,160,823		
	Total	1,485,969	1,598,785	(112,816)	C -7.1%
Safety	Labor	140,579	152,804		
Captures the general and administrative costs of the safety program - which includes labor, outside consultants to provide training, and safety materials and supplies.	Non Labor	83,980	92,680		
	Total	224,559	245,484	(20,924)	-8.5%
Total Water Distribution	Labor	3,576,146	3,623,163		
	Non Labor	3,217,390	3,221,552		
	Total	6,793,537	6,844,715	(51,178)	-0.7%

Explanation of Significant Variances

A - Distribution Water Quality

Increase due to addition of the contract with ECN (Code Red) for mass notification services.

B - Risk & Incident Management

Moderate increase budgeted for contract guard services.

Includes cost of replacing five security cameras at treatment plants.

C - Grounds Maintenance

Contracted mowing services have been removed from the 2017 budget. This will be done with DMWW staff.

Lower budgeted material expenses for fertilizer, seed, chemicals, etc.

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)	
Water Production Administration Administrative and support costs for the Water Production department including clerical support, employee meetings, performance management, and training	Labor	250,090	222,969		
	Non Labor	80,330	70,670		
	Total	330,420	293,639	36,781	12.5%
Water Production Operations To provide a safe and reliable drinking water supply to the customers of Des Moines Water Works in sufficient quantities and at adequate pressures to meet their needs.	Labor	844,886	847,675		
	Non Labor	517,447	480,682		
	Total	1,362,333	1,328,357	33,976	2.6%
Fleur Plant Chemicals & Energy Provide the water treatment chemicals and energy necessary to insure the production of safe, high quality water in sufficient quantities to meet our customers' needs. Provides funding for the removal of softening residuals.	Labor	13,632	12,780		
	Non Labor	5,240,264	5,225,432		
	Total	5,253,896	5,238,212	15,685	0.3%
McMullen Plant Chemicals & Energy Provide the water treatment chemicals and energy necessary to insure the production of safe, high quality water in sufficient quantities to meet our customers' needs. Provides funding for the removal of softening residuals.	Labor	67,761	58,948		
	Non Labor	1,923,615	2,055,773		
	Total	1,991,376	2,114,722	(123,346)	-5.8%
SWTP Chemicals & Energy Provide the water treatment chemicals and energy necessary to insure the production of safe, high quality water in sufficient quantities to meet our customers' needs.	Labor	63,254	54,719		
	Non Labor	1,138,945	892,107		
	Total	1,202,199	946,826	255,373	27.0%
Fleur Maintenance Includes all maintenance and repair expenses of the Fleur Drive treatment plant, Des Moines River intake/pump station, Fleur electric substation, flooding station, and pressed sludge lagoons.	Labor	695,928	647,235		
	Non Labor	740,091	649,080		
	Total	1,436,019	1,296,315	139,704	10.8%
McMullen Maintenance Includes all maintenance and repair expenses of the McMullen Treatment Plant, radial collector wells, Crystal Lake, and ASR.	Labor	202,624	166,004		
	Non Labor	315,561	275,644		
	Total	518,185	441,648	76,536	17.3%
SWTP Maintenance Includes mechanical and electrical maintenance for the Saylorville Water Treatment Plant.	Labor	168,287	142,684		
	Non Labor	238,527	154,279		
	Total	406,814	296,963	109,851	37.0%

Explanation of Significant Variances

A - Treatment Chemicals & Energy

The 2017 budget includes slightly lower pumpage at Fleur with the offset increase in pumpage at SWTP. Chemical prices are seeing a modest increase - generally ~4% - resulting in increased costs of \$135,000. Electric expenses used in the treatment process have increased by ~\$85,000 due to increased allocation of production at SWTP. Expenses for residual removal decreasing ~\$88,000. Budget includes what DMWW thinks the contractor will remove in 2017.

B - Treatment Plant Maintenance

Plant maintenance costs at the three treatment plants have increased by \$215,000 in non-labor expenses. Cost of repair parts and services continue to increase to maintain the aging facilities.

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)	
Water Production Maintenance Oversight Provides oversight efforts for the daily planning of maintenance in Water Production. Also encompasses the efforts to maintain the CMMS system.	Labor	157,731	138,056		
	Non Labor	-	-		
	Total	157,731	138,056	19,675	A 14.3%
Louise P. Moon Pumping Maintenance Provides for maintenance of the Louise P. Moon Storage and Pumping Facility, the Waukee Booster Station, and the LPM ASR facility by performing vibration analysis, completing repairs as necessary, and maintaining the equipment and control systems.	Labor	46,208	43,007		
	Non Labor	272,090	253,843		
	Total	318,298	296,850	21,448	B 7.2%
Polk County Storage & Pumping Provides for maintenance of the Polk County Pumping Station which will ensure water is provided to our Ankeny and Polk County customers in acceptable quantities at desirable pressures.	Labor	23,291	16,829		
	Non Labor	92,796	97,986		
	Total	116,087	114,815	1,272	B 1.1%
Des Moines Remote Storage Provides for the maintenance of remote facilities within the cities of Des Moines and Pleasant Hill, the Norwalk booster station, Polk City booster station, Southeast Polk/Bondurant chloramination facility, and new sites in Runnells for water and waste water operations.	Labor	156,305	147,597		
	Non Labor	258,540	304,048		
	Total	414,845	451,646	(36,801)	C -8.1%
Lab Operations Routine, non-investigative testing in the chemistry laboratory related to regulatory compliance and assessment of treatment plant processes.	Labor	215,762	227,541		
	Non Labor	91,500	111,800		
	Total	307,262	339,341	(32,078)	D -9.5%
Microbiology Operations Routine, non-investigative testing in the microbiology laboratory related to regulatory compliance and assessment of treatment plant processes.	Labor	93,718	88,707		
	Non Labor	61,800	49,000		
	Total	155,518	137,707	17,811	E 12.9%
Water Quality Research Investigative testing concerning water quality and plant process improvements.	Labor	52,416	55,327		
	Non Labor	10,000	8,000		
	Total	62,416	63,327	(911)	E -1.4%
Source Water Quality Monitoring Investigation of source water quality related to CPS objectives, ACWA/ISA monitoring, Urban Snapshot monitoring, and the IDNR/DMWW cooperative monitoring project.	Labor	26,573	21,906		
	Non Labor	24,000	15,000		
	Total	50,573	36,906	13,667	F 37.0%

Explanation of Significant Variances

A - Water Production Maintenance Oversight

Increase in labor hours as some of the hours in CEO Project Management has been moved here.

B - Louise P. Moon Pumping Maintenance

Increased electrical expenses budgeted for 2017. Offset by revenue.

C - Des Moines Remote Storage

Reduction due to 2016 budget including large expenses for materials and parts at the Runnells Wastewater facility. This is not being budgeted in 2017.

D - Lab Operations

Slight decrease in non-labor expenses due to lab certification being done every two years (2017 is an off year) and a decrease in expenses for outside lab analysis.

E - Microbiology Operations

Increase in expenses for overlapping of new microbiologist with current staff who is planning to retire.

F - Source Water Quality Monitoring

Increase due to provide funding for in-house toxin analysis/investigation.

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Radio Communication Equipment Maintenance and supervision expenses of the trunked radio system and telemetry system.	Labor	15,108	8,120	
	Non Labor	35,900	35,900	
	Total	51,008	44,020	6,987 15.9%
HVAC Operations To operate, maintain, and repair all heating, air conditioning, and ventilation equipment for all DMWW facilities.	Labor	50,265	43,391	
	Non Labor	72,727	40,227	
	Total	122,992	83,618	39,375 47.1% A
Facility Maintenance Captures the general and administrative costs of building upkeep and general facility maintenance.	Labor	149,408	141,279	
	Non Labor	377,101	377,101	
	Total	526,509	518,380	8,129 1.6%
Vehicle Maintenance Costs for maintaining the vehicles and equipment for our internal users. It also provides support to fabricating and repairing tools and parts for our customers.	Labor	368,772	375,215	
	Non Labor	504,800	531,970	
	Total	873,572	907,185	(33,613) -3.7% B
Total Water Production	Labor	3,662,018	3,459,989	
	Non Labor	11,996,034	11,628,542	
	Total	15,658,052	15,088,531	569,521 3.8%

Explanation of Significant Variances

A - HVAC Operations

2017 budget includes expenses for boiler repairs and ductwork inspection.

A - Vehicle Maintenance

Fuel is budgeted to be \$38,000 lower than the 2016 budget.

2017 Operating Work Plans Recommended for Funding

Summary Operating Expenses	2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Total by Department			
CEO	562,460	616,740	(54,280)
Customer Service	2,390,277	2,449,581	(59,305)
Engineering	816,620	1,060,131	(243,510)
Finance	3,539,678	3,161,379	378,300
HR	521,098	469,078	52,019
IT	1,526,756	1,431,261	95,495
Water Distribution	6,793,537	6,844,715	(51,178)
Water Production	15,658,052	15,088,531	569,521
Utility Benefits	9,824,996	9,481,172	343,824
Includes non-productive time (vacation, sick, holiday) and benefits (health insurance, deferred comp match, pension, IPERS, FICA, etc.)			
Total Recommended Operating Budget	41,633,475	40,602,589	1,030,886 2.5%

2017 CAPITAL Work Plans Recommended for Funding

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Field Customer Service Capital				
Provides new water meters to be used in the meter reading system, for new accounts needing a meter, and for equipment that is worn out or deemed to be unsafe.	Labor	-	-	
	Non Labor	1,060,999	592,061	
	Total	1,060,999	592,061	468,938 79.2%
Radio Frequency				
This work plan provides for the cost of replacing failing meter reading units.	Labor	-	58,186	
	Non Labor	-	348,085	
	Total	-	406,271	(406,271) -100.0%
Facility Management				
Includes costs of providing rehabilitation and enhancements as needed to extend the service life and improve the function of buildings and structures owned by Des Moines Water Works.	Labor	38,875	29,172	
	Non Labor	605,100	149,732	
	Total	643,975	178,904	465,071 260.0%
Included in the 2017 budget are projects for access gates at Fleur plant and Crystal Lake, riverbank protection, replacement of the north stoop at the pump station at Fleur, fill valve and pipe replacement at LP Moon, roof replacement, and capital projects related to safety compliance.				
Fleur Drive Treatment Plant				
Includes costs of providing rehabilitation and enhancements as needed to extend the service life and improve the function of buildings and structures at the Fleur Drive Treatment Plant.	Labor	238,290	99,346	
	Non Labor	5,378,527	2,071,393	
	Total	5,616,817	2,170,739	3,446,079 158.8%
Projects budgeted include:				
Filter Media Replacement		568,942		
Gallery Improvements		329,126		
Nitrate Regeneration Waste Disposal		2,456,741		
Coagulant Improvements		565,878		
Expanding the Ion Exchange Facility - design work		1,424,602		
		<u>5,345,289</u>		
Saylorville Treatment Plant				
Includes costs of providing rehabilitation and enhancements as needed to extend the service life and improve the function of buildings and structures at the Saylorville Treatment Plant.	Labor	64,747	32,839	
	Non Labor	1,320,300	864,885	
	Total	1,385,047	897,724	487,323 54.3%
Projects budgeted include:				
Additional RO Skid		1,219,700		
Poly-Phosphate Feed System		165,347		
		<u>1,385,047</u>		
Water System Improvements				
Captures costs of maintaining and upgrading the water distribution system by replacing mains that have a history of breaks, will result in improved water flow, or that need to be relocated to accommodate city, county, or state construction projects.	Labor	316,005	250,553	
	Non Labor	4,450,955	3,193,084	
	Total	4,766,960	3,443,637	1,323,323 38.4%
Raw Water at Maffitt				
This work plan is to provide additional low nitrate raw water supply to the McMullen Water Treatment Plant. Included in the 2017 budget are construction of the Crystal Lake pump station, which has dollars carried over from the 2016 budget, and costs to rehabilitate existing radial collector wells.	Labor	37,519	133,971	
	Non Labor	1,705,700	2,457,200	
	Total	1,743,219	2,591,171	(847,952) -32.7%
Core Network Feeder Main				
This 2016 work plan was to construct a feeder main going from the Saylorville Water Treatment Plant to the City of Johnston and then to the 24" feeder main at Merle Hay Road and Beaver Creek.	Labor	-	122,284	
	Non Labor	-	3,797,338	
	Total	-	3,919,622	(3,919,622) -100.0%
Army Post ASR				
This 2016 work plan was to continue construction of a new ASR well, well pump, well house, and piping that will serve the City of West Des Moines.	Labor	-	85,985	
	Non Labor	-	1,900,903	
	Total	-	1,986,888	(1,986,888)

Work Plan & Description		2017 Proposed Budget	2016 Approved Budget	Inc / (Dec)
Development Plan Review Provides a mechanism to track the time spent by Engineering staff to review development of large tap plans, inspect construction, and update records for new mains and services.	Labor	213,048	173,604	
	Non Labor	5,100	4,900	
	Total	218,148	178,504	39,644 22.2%
Joint Southwest Storage, Pumping Station, & Feeder This work plan consists of a new feeder main from McMullen Plant to City of Norwalk and a 5 mgd pump station	Labor	183,035	-	
	Non Labor	7,811,250	-	
	Total	7,994,285	-	7,994,285
DMWW Park Foundation This work plan captures the costs for the first phase of construction, including an amphitheater, lawns, restrooms, parking, natural play & markets, trails & roads, etc.	Labor	40,401	68,132	
	Non Labor	1,915,000	3,881,400	
	Total	1,955,401	3,949,532	(1,994,131) -50.5%
Finance Capital 2016 costs to purchase a new payment scanner in the mailroom to process customer check payments.	Labor	-	-	
	Non Labor	-	4,500	
	Total	-	4,500	(4,500)
I.T. Capital Captures the costs of ensuring all hardware and software operates reliably and within performance standards. Also includes costs to begin implementing a new billing & collecting system. This will be a two-year project and will finish up in 2018.	Labor	392,811	134,124	
	Non Labor	2,023,073	302,500	
	Total	2,415,884	436,624	1,979,260 453.3%
Water Distribution System Improvements Summarized costs for distribution system upgrades such as tying in dead end mains, installation of new hydrants and valves, and pipe alterations required due to city, county, or state projects. Replacement tools and equipment are also included in this work plan.	Labor	301,667	234,637	
	Non Labor	567,077	343,099	
	Total	868,744	577,736	291,008 50.4%
Water Production Plant Reinvestment Provides necessary capital for replacement and/or improvements of existing equipment and the addition of new equipment to ensure the effective operation of the utility and its processes.	Labor	142,286	78,751	
	Non Labor	563,124	679,358	
	Total	705,410	758,109	(52,699) -7.0%
Vehicle Replacement Captures the cost of replacing vehicles and related equipment.	Labor	-	-	
	Non Labor	200,000	146,000	
	Total	200,000	146,000	54,000 37.0%
Total Recommended Capital Budget		29,574,890	22,238,023	7,336,867 33.0%
Summary by Expense Classification				
Total Labor		1,968,685	1,501,585	467,100
Total Non Labor		27,606,205	20,736,438	6,869,767