

DATE: October 5, 2021
TO: Ted Corrigan, CEO & General Manager
FROM: Amy Kahler, Chief Financial Officer
Michelle Holland, Controller
SUBJECT: Proposed 2022 Budget

*** Since components of the Cost of Service tie directly to proposed 2022 rates, the attached report should be considered a draft, and any changes to rate assumptions based on discussions at the Finance & Audit Committee Meeting may require revisions to the budget prior to final approval by the Board.

The attached document contains the following:

2022 Budget Highlights
2022 Overview of Budget Process
Proposed 2022 Budget Summary and Comparison to 2021 Budget
Details of Proposed Revenue, Additional Funding, Operating Expenses, and Capital Expenses
Summary of Expenditures from 2018-2022
Future Capital Expenses
2022 Budget by Department
2022 Labor and Benefits Budget
2022 Operating Work Plans Recommended for Funding
2022 Capital Work Plans Recommended for Funding
DMWW Budget Process & Timeline

2022 Budget Highlights

PUMPAGE

17.2 BILLION GALLONS
(17.1 billion gallons in 2021 budget)

WATER REVENUE

\$73 MILLION
(\$4.4 million / 6.4% higher than 2021 budget)

ASSUMES 2012 BONDS PAID OFF
IN 2021

FREES UP \$1.9 MILLION IN
DEBT SERVICE PAYMENTS

OPERATING EXPENSES

\$52.8 MILLION
(\$2.1 million / 4.2% higher than 2021 budget)

HEADCOUNT

NO OVERALL CHANGE IN
STAFFING LEVELS

CAPITAL EXPENSES

\$45.9 MILLION
(Capital budget in 2021 was \$24.5 million)

EXPANSION PROJECTS (\$\$\$)

INITIAL CAPITAL EXPENSES FOR:
ASR Well
DM River Well Field
Expansion of Saylorville Treatment Plant
(source and treatment)
30" Feeder Main

\$16.0
million

BORROWING FROM STATE REVOLVING FUND (SRF)

PROJECTS WILL BE FUNDED
THROUGH SRF BORROWING

PROJECTS FUNDED BY OTHER ENTITIES

Bondurant Feeder & Pump Station (Design)
Remotely Operated Control Valve

70% Funded by Bondurant
Fully Funded by WDMWW

PROJECTS FUNDED BY UTILITY REVENUES

Water Main Replacement (Des Moines, Polk County, Windsor Heights)

Tenny Standpipe Interior/Exterior Paint

Financial Management Software (Year 1)

Rehabilitation of Collector Wells at McMullen

Several projects at Fleur Drive Treatment Plant, McMullen Treatment Plant and
Saylorville Treatment Plant (see details on page 33)

2022 Overview of Budget Process

The Des Moines Water Works budget process is very detailed and requires a high level of participation from all departments. 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.

The utility prepares a zero-based budget by “project” or activity. Staff identifies strategic goals, identifies the tasks to achieve those goals, and requests the funding necessary to support the tasks and goals. While many companies use a traditional budgeting approach that simply increases the prior year’s budget by a set percentage, DMWW’s zero-based, activity-based budget process reconsiders and justifies all activities of the business every year. The process is detailed, time-consuming, and rigorous; however, the methodology is decision oriented, supports the utility’s Cost of Service study, and results in a budget that is more aligned with strategic goals.

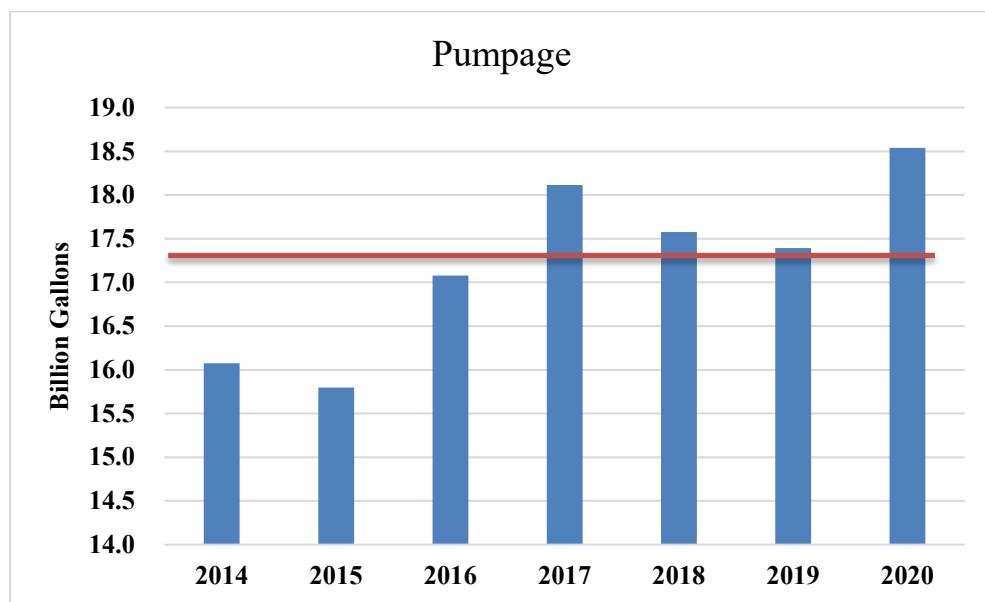
Budget files for operating and capital expenses are created by Finance. These files include prior year budget and actual information for comparative purposes and are created uniformly so that they total into a utility-wide budget. Additionally, there are several monthly financial reports to aid budgeters in reviewing and analyzing data to determine a proper level of expense for the upcoming budget year.

Budgeting is a compilation of assumptions, estimations, and a reliance on financial information and other relevant data.

One of the first assumptions made is the water pumpage budget. Actual pumpage varies from year to year and is rather unpredictable several months out. Weather plays a huge impact on pumpage.

The pumpage budget for 2022 is 17.2 billion gallons. While this is an increase of 100 million gallons from the 17.1 billion gallons that was budgeted in 2021, projected pumpage of 17.2 billion gallons remains a reasonably conservative estimate

The chart below shows the last seven complete years of pumpage. The average pumpage for the seven years is 17.2 billion gallons.



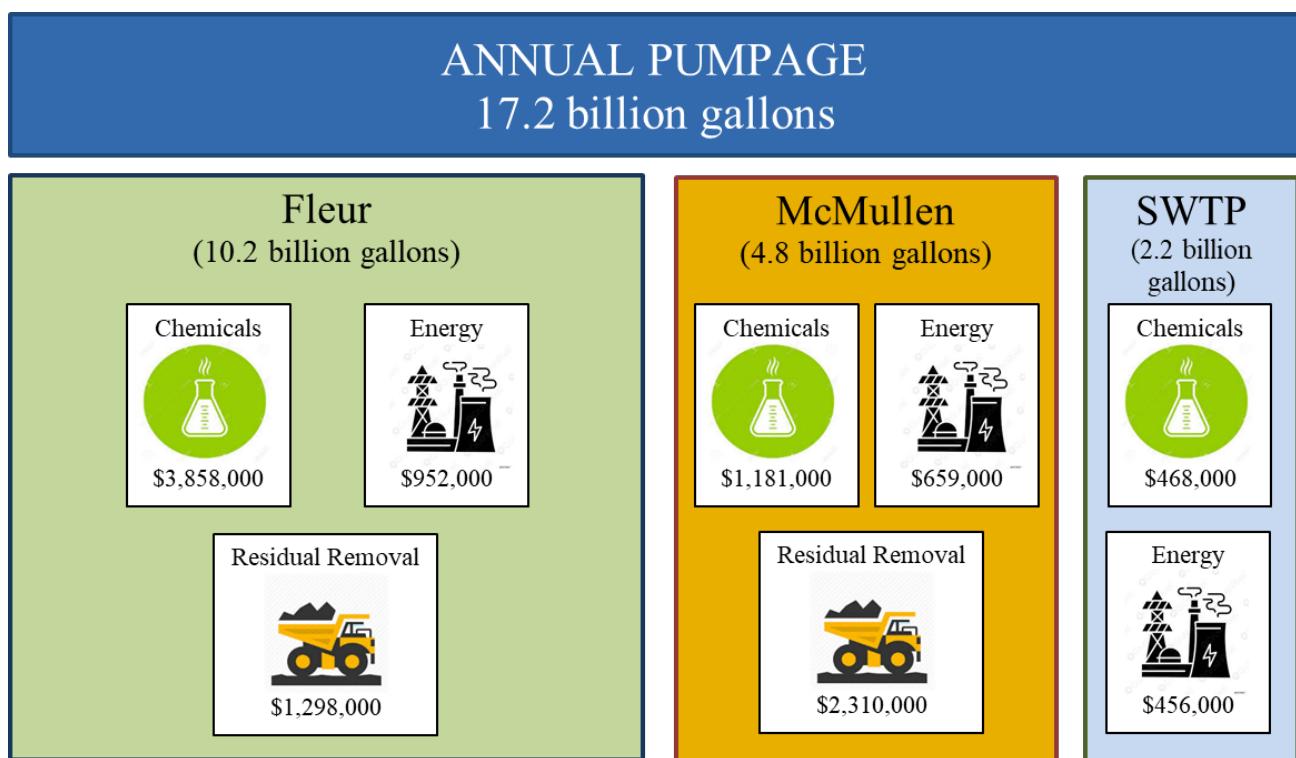
By budgeting an average pumpage level, rather than any extreme, there is less likelihood of being significantly different than budget. Additionally, with the high pumpage season being in the latter part of the year, this gives much less time for the utility to react to diverting funds from projects that have been committed or spent.

The annual pumpage number drives several components of the budget.

One is the water revenue budget. From the budgeted pumped gallons, a “billed consumption” number is calculated. On average, approximately 90% of water pumpage is billed. The approximately 10% of unbilled water is from main breaks, hydrant flushing, fire service, water used in production, and free water provided to the City of Des Moines.

The total billed consumption number of gallons is then allocated to the service areas based on historical usage. And finally, the water rates are applied to those consumption numbers by service area to calculate budgeted revenues.

The annual pumpage number is also used to determine the production at each of the three treatment facilities. Once the allocation of pumpage is determined, chemicals, energy, and residual removal expenses are budgeted based on the projected levels of production at each facility.



Historical data is one factor used to estimate direct treatment costs. To derive a budget, a set of assumptions must be used to calculate expenses. However, the ongoing mission of water treatment at DMWW is to maintain a consistent finished product despite dynamic changes in raw water quality. Therefore, day-to-day decisions are being made to provide an adequate supply of water to our customers in a manner that balances the factors of finished water quality, overall treatment expense, and regulatory compliance.

While pumpage is determined at the top level and pushed down, other elements of the budget are built from the ground up. For example, the operating budget is built one project at a time.

Example: One project, within the Distribution System Maintenance work plan, is “Repairs – Broken Mains.” The number of main breaks is reviewed for the past several years. Like pumpage, the number of main breaks can vary significantly from year to year. For example, in 2014, there were 418 breaks – a record setting year. The following year, there were 207 breaks – the lowest number for more than ten years. Again, we don’t want to budget at either extreme, so an average number of main breaks is budgeted for 2022.

Once the number of main breaks is determined, the cost elements of fixing a main break are included. These costs include pipe materials, concrete, aggregate materials, street permits, rental barricades, and of course, the labor of our distribution crews.

This type of detailed budgeting is done for the 300+ operating projects within the utility.

A similar process is done to build the capital budget. The 5-year capital improvement plan (CIP) is the starting point for the capital budget. The projects identified in the CIP are pulled into the budget templates and new projects are added for evolving capital needs. The proposed capital projects are reviewed, prioritized, and ultimately included or excluded from the budget depending on available financial resources.

DES MOINES WATER WORKS
PROPOSED 2022 BUDGET SUMMARY AND COMPARISON TO 2021 BUDGET

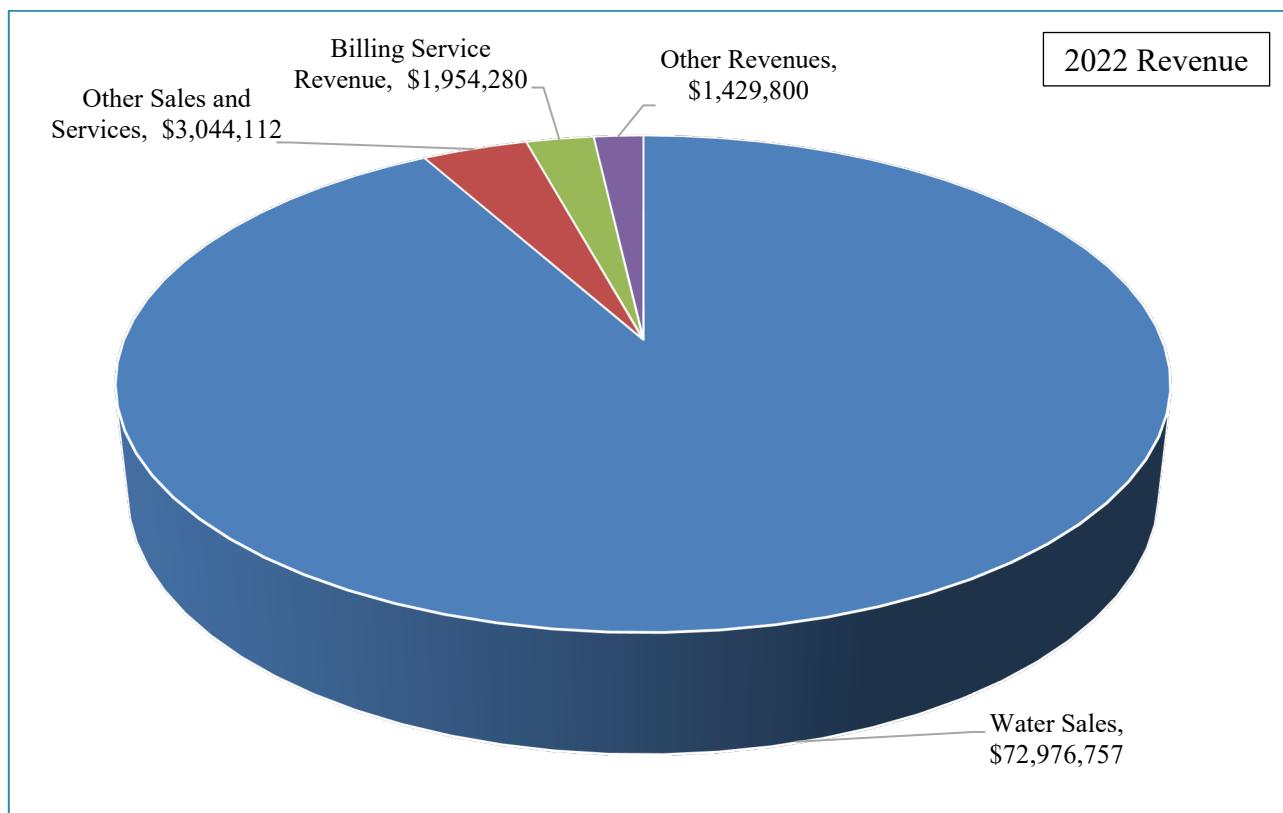
	2022 Proposed Budget	2021 Approved Budget	Percentage Change
REVENUE:			
Water sales	\$72,976,757	\$ 68,598,478	6.4%
Debt service payments reimbursements	-	2,414,693	(100.0%)
Penalties and fees	330,000	320,000	3.1%
Other sales and services	3,044,112	2,974,184	2.4%
Billing service revenue	1,954,280	1,887,383	3.5%
Land & building use revenue	172,800	245,000	(29.5%)
Connection Fees	750,000	600,000	25.0%
Interest income	177,000	174,290	1.6%
Total revenue available for expenses	<u>\$ 79,404,949</u>	<u>\$ 77,214,028</u>	2.8%
ADDITIONAL FUNDING:			
Unspent funds carried over from prior year's approved budget	3,092,000	2,735,500	13.0%
Development Plan Review	77,948	75,312	3.5%
Other projects funded by outside entities (Bondurant, WDMWW)	1,174,395	47,989	2347.2%
Projects funded by SRF proceeds	<u>15,989,407</u>	-	-
Total additional funding available for expenses	<u>\$ 20,333,750</u>	<u>\$ 2,858,801</u>	611.3%
Total revenue and additional funding	<u>\$ 99,738,699</u>	<u>\$ 80,072,829</u>	24.6%
EXPENSES:			
<i>Operating expenses:</i>			
Labor	16,661,114	16,742,791	(0.5%)
Benefits	9,662,600	9,344,328	3.4%
Chemicals	5,569,749	5,264,023	5.8%
Residual Removal	3,607,708	2,327,491	55.0%
Utilities	3,000,300	2,972,976	0.9%
Gasoline/Fuel	228,660	235,818	(3.0%)
Purchased Services	7,432,896	7,477,430	(0.6%)
Training	158,860	162,390	(2.2%)
Materials and Equipment	3,901,960	3,745,252	4.2%
Insurance	1,575,000	1,440,000	9.4%
Postage	490,000	490,900	(0.2%)
Telephone	307,500	285,500	7.7%
Casualty Loss	100,000	100,000	0.0%
Loss on Bad Accounts	<u>150,000</u>	<u>150,000</u>	0.0%
Subtotal - Operating expenses	<u>\$ 52,846,346</u>	<u>\$ 50,738,899</u>	4.2%
<i>Capital expenditures:</i>			
Requests for new capital projects	42,840,211	21,772,075	96.8%
Multiple-year capital projects began before 2021 (carryover)	<u>3,092,000</u>	<u>2,735,500</u>	13.0%
Subtotal - Capital expenditures	<u>\$ 45,932,211</u>	<u>\$ 24,507,575</u>	87.4%
<i>Debt service obligations:</i>			
Des Moines Water Works' direct obligation	460,142	1,886,662	(75.6%)
Political subdivisions' obligation	<u>-</u>	<u>2,439,693</u>	(100.0%)
Subtotal - Debt service obligations	<u>\$ 460,142</u>	<u>\$ 4,326,355</u>	(89.4%)
<i>Operating reserves:</i>			
Addition to operating reserves	500,000	500,000	
Total projected uses	<u>\$ 99,738,699</u>	<u>\$ 80,072,829</u>	24.6%
Net position of revenues to expenses	0	0	

REVENUE

Operating revenue for 2022 is budgeted at \$79.4 million. This is an increase of approximately \$2.2 million and results in a 2.8% increase over the approved 2021 budget.

This revenue budget includes 17.2 billion gallons of pumpage which is slightly higher than the 2021 budget of 17.1 billion gallons. The 2022 budget has water rates from the ‘recommended approach’ from the Proposed 2022 Water Sales memo on October’s Finance & Audit committee meeting agenda. This includes volume rate increases of 3% for most classes of retail customers, an effective 12% increase for the wholesale purchased capacity customer class overall, and 0% for the wholesale with storage customer class. Unlike in prior years when rate increases have taken effect on April 1, we are recommending we move to a July 1 implementation date. Moving to July 1 more closely aligns with the beginning of the fiscal year for most of our wholesale customers and provides more notice to wholesale customers of rate changes. The capital improvement fees and the water availability fees remain unchanged in the 2022 budget.

The ‘alternative rate’ (business as usual) option from the Proposed 2022 Water Sales memo on October’s Finance & Audit committee meeting agenda would result in a relatively minor change to the water revenue budget. If the alternative rate option is selected, the budget will be revised to reflect this change.



Water Sales are the most significant source of operating revenue, making up nearly 92% of total revenue. Water sales are budgeted to be \$73.0 million in 2022 which is \$4.4 million higher than the 2021 water sales budget.

Other Sales and Services are budgeted at approximately \$3.0 million. These revenues represent amounts budgeted within the departmental work plans. This includes reconnect fees, stop box repairs, distribution system repairs, lab testing, etc.

Billing Service Revenue is budgeted at nearly \$2.0 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, which are grouped together on the chart above, are budgeted at nearly \$1.5 million and is made up of:

Penalties & Fees	\$330,000
Connection Fees	\$750,000
Land & Bldg Lease Revenue	\$172,800
Interest Income on Invested Reserves	\$177,000

ADDITIONAL FUNDING

Additional funding is made up of three components in the 2022 budget:

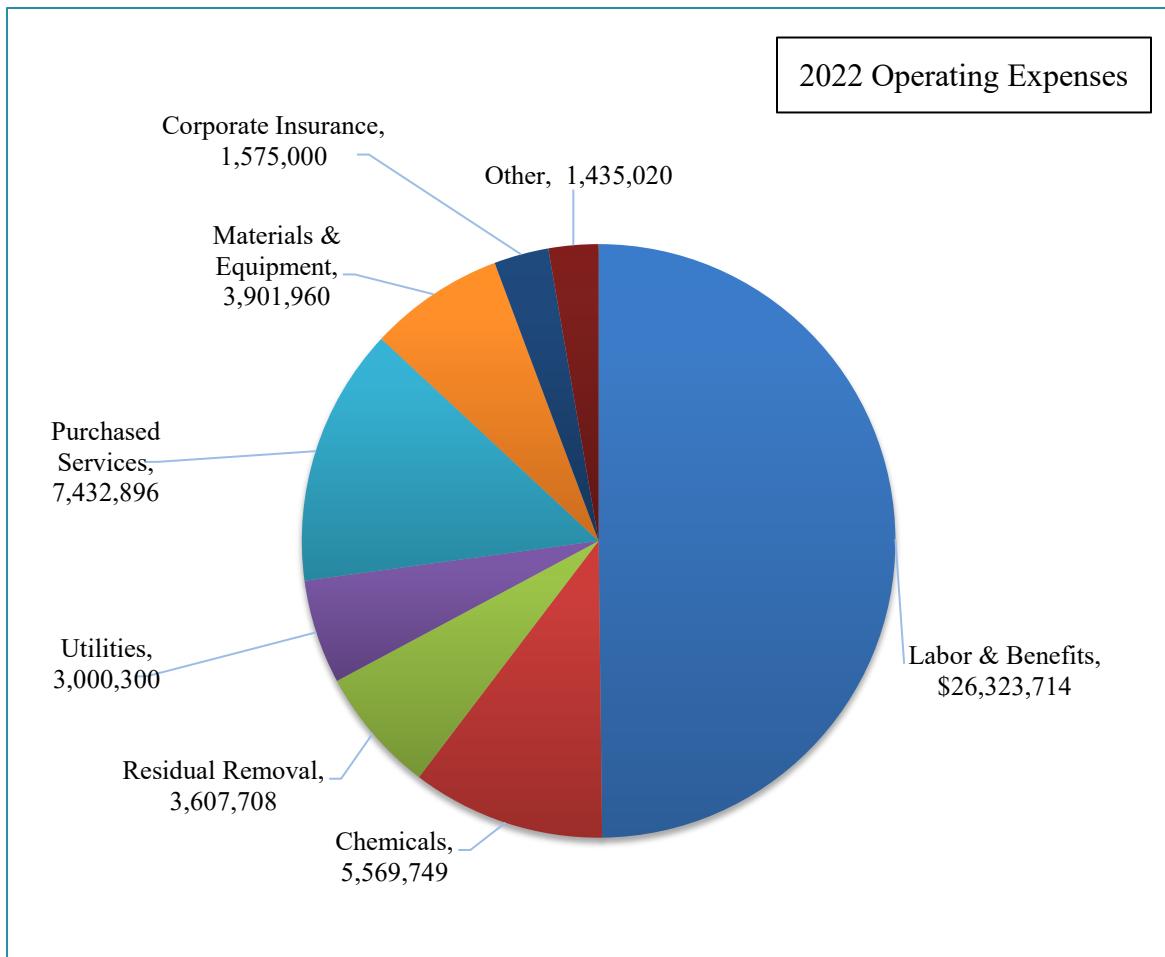
- Unspent funds that have been carried over from the prior year's budget.
- Capital projects that have funding from outside entities, including Bondurant and West Des Moines Water Works.
- Capital projects that are budgeted to be funded with State Revolving Fund (SRF) Planning & Design loans (at 0% interest for 3 years). These projects include:
 - Design and partial construction of an ASR well.
 - Design of a well field along the Des Moines River to increase the amount of alluvial ground water available for the Fleur Drive Water Treatment Plant.
 - Design of the adding horizontal collector wells along the Des Moines River to supply the Saylorville Water Treatment Plant expansion.
 - Design of expansion of the Saylorville Water Treatment Plant from 10 MGD to 20 MGD.
 - Design of the SWTP West Feeder Main Phase 3, a 30" feeder main from the Saylorville Water Treatment Plant to critical feeder mains located near Tenny Standpipe, which will provide immediate operational benefits and then become imperative on completion of plant expansion.

OPERATING EXPENSE BUDGET

The operating expense budget reflects the budgeted costs of the day-to-day operations of the utility. The proposed operating budget totals \$52.8 million. This is an increase of 4.2% or approximately \$2.1 million from the approved 2021 budget.

The table and chart below show the budgeted operating expenses, the increase over the prior years' budget for the last five years, and the components of the 2022 operating budget:

Year	Operating Budget	Increase
2017	41,633,475	
2018	43,380,343	4.2%
2019	46,060,938	6.2%
2020	48,545,551	5.4%
2021	50,738,899	4.5%
2022	52,846,346	4.2%



Details of the operating budget is shown in the table below. The largest drivers of the increase are in benefits, chemicals, and residual removal. These items are discussed in more details on the following pages.

Operating Expenses	2022 Bgt	2021 Bgt	Change
Labor	16,661,114	16,742,791	(81,677)
Benefits	9,662,600	9,344,328	318,272
Chemicals	5,569,749	5,264,023	305,726
Residual Removal	3,607,708	2,327,491	1,280,217
Utilities	3,000,300	2,972,976	27,324
Gasoline/Fuel	228,660	235,818	(7,158)
Purchased Services	7,432,896	7,477,430	(44,534)
Training	158,860	162,390	(3,530)
Materials and Equipment	3,901,960	3,745,252	156,708
Insurance	1,575,000	1,440,000	135,000
Postage	490,000	490,900	(900)
Telephone	307,500	285,500	22,000
Casualty Loss	100,000	100,000	-
Loss on Bad Accounts	150,000	150,000	-
TOTAL OPERATING EXPENSES	\$ 52,846,346	\$ 50,738,899	\$ 2,107,447

Operating **Labor** is budgeted nearly \$82,000 lower than the 2021 budget. There are offsetting factors contributing to the slightly lower operating labor expenses. The labor rate increase per the union contract is increasing operating labor by \$660,000. Offsetting this increase are approximately 4,800 fewer hours being budgeted in operating projects in 2022. These hours have shifted to capital projects. Additionally, there was \$200,000 budgeted in 2021 for retiree payouts that aren't being budgeted in 2022.

Benefit expenses are up 3.4%, or \$318,000, compared to the 2021 budget. The increase of the DMWW contribution to employees' medical premiums is the largest driver of the increase. Along with a labor rate increase comes increases to those benefits tied to wages such as FICA taxes and the DMWW contribution to IPERS and the deferred compensation plan. The actuarial defined contribution to the DMWW pension plan is budgeted at \$1,500,000 which is \$100,000 lower than the 2021 budget. More details about the benefits budget can be found on page 20.

Chemical expenses are budgeted to increase 5.8%, or \$306,000, in 2022. Two of our largest use chemicals – lime and carbon – are expected to increase 8% over last year's budget. The other chemicals are expected to increase in the range of 5-15% based on initial indications from chemical vendors. Driver shortages across the industry are likely contributing to the volatility in chemical prices.

During budgeting, the Water Production operations staff looks at historical usage trends for each chemical at each plant. That determines the projected amount of chemicals to be used for the 2022 budget. Several chemicals used at the Saylorville Treatment Plant are projected at decreased levels of usage due to historical trending. The actual usage of chemicals at the treatment plants will be made on a day-to-day basis throughout the year to provide safe, potable water.

Residual (lime) Removal expenses are up nearly \$1.3 million. This increase is due to the assumption that Synagro will remove 121,000 tons of material from the drying area to the final disposal site in 2022. The cost of this removal is budgeted at \$2.3 million.

Each year, the Fleur and McMullen treatment plants produce lime residuals. The residuals at Fleur are removed as produced. The 2022 budget assumes removal expenses for 52,000 tons of Fleur residual material. The 2021 budget assumed nearly the same tonnage to be removed.

The residuals at McMullen go through a multi-year cycle. The cycle is: fill lagoon with residuals, dry residuals, remove residuals from the lagoon to a drying area which is located near the lagoon on DMWW property, remove residuals from the drying area to off-site storage or to the final disposal site. There are two lagoons and two drying areas at the McMullen Treatment Plant. The removal cost for the McMullen residual material is multifaceted as well. There are costs incurred when the residual hauler moves material to off-site storage, when they move material from the lagoon to the drying area, and when they move material to the final disposal site. As mentioned, the 2022 budget includes costs to remove 121,000 tons of material from the drying area to final disposal. The 2021 budget included 15,000 tons of material to be moved to off-site storage and 15,000 tons of material to be moved to the final disposal site. There were also costs budgeted in 2021 to move 140,000+ cubic yards of material from the west lagoon to the north drying area. The cost of moving the material from the lagoon to the drying area is roughly one-third the cost of moving materials to the final disposal site.

Finally, it is expected that the residual hauler – Synagro – will increase their price per ton in mid-2022.

Utilities expense is up less than 1.0% in 2022. Most of the utility expense is electricity used in the treatment process.

Purchased Services budgeted in 2022 include:

Purchased Services	2022 Proposed Budget
PILOT	\$ 1,330,000
Regionalization	505,000
I.T. Maintenance Contracts	998,000
Plant Maintenance	739,000
Remote Site Maintenance	226,000
Distribution Maintenance/Repair	269,000
Stop Box Repairs	212,000
Banking/Audit/Payroll Fees	186,000
Credit Card/E-check/Bill-pay Fees	160,000
Security	536,000
Facility Maintenance	164,000
Public Relations & Communications	131,000
GDMBG in-kind services	178,000
Public Policy/Watershed Initiatives	227,000
“Other” Services (numerous)	<u>1,571,896</u>
Total	\$ 7,432,896

These expenses are down less than 1.0% from the 2021 budget.

Many categories of purchased services have gone up a moderate amount including plant maintenance, remote site maintenance, I.T. maintenance contracts, public relations, and security.

Regionalization expenses of \$515,000 have been included in the 2022 budget. The 2021 budget included \$415,000 in regionalization expenses that have been largely unspent due to ongoing discussions. Since the money won't be spent in 2021, it was budgeted again in 2022. These costs include consultation and facilitation services as well as DMWW's share of start-up costs for the new entity.

Public policy and watershed initiatives are budgeted at \$227,000, up from \$107,000 in the 2021 budget. This includes funds to influence and monitor public policy and resource allocation decisions of state and federal legislative and regulatory initiatives. It also supports various water quality initiatives that will improve and protect source waters, educate the public on watershed issues, and to build and participate in coalitions to ensure support for DMWW's ability to do business in a sustainable and cost-effective manner.

Offsetting these increases is the reduction of non-labor expenses for Engineering studies. The 2021 budget included \$505,000 in consulting expenses to evaluate plant expansion and to study the Des Moines River alluvial between Saylorville Reservoir and Prospect Park.

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 4.2% higher in 2022, which equates to \$157,000 on \$3.9 million of expenses.

Corporate Insurance expenses include the premium cost for the utility's insurance policies along with budgeted costs for workers' compensation claims. The 2022 budget has premium expenses increasing by \$135,000 to nearly \$1.6 million.

Other expenses include postage expenses, telephone, casualty losses, fuel for fleet vehicles, training, bad debt write-off, etc. The amount budgeted for 2022 is approximately \$10,000 higher than the 2021 budget.

Details of all the Operating Work Plans and the comparison between the 2022 Proposed Budget and the 2021 Approved Budget begin on page 21.

CAPITAL BUDGET

The 2022 capital budget includes \$45.9 million of capital requests.

Approximately \$3.1 million of the capital budget is for projects that are carried over from the prior year's 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.

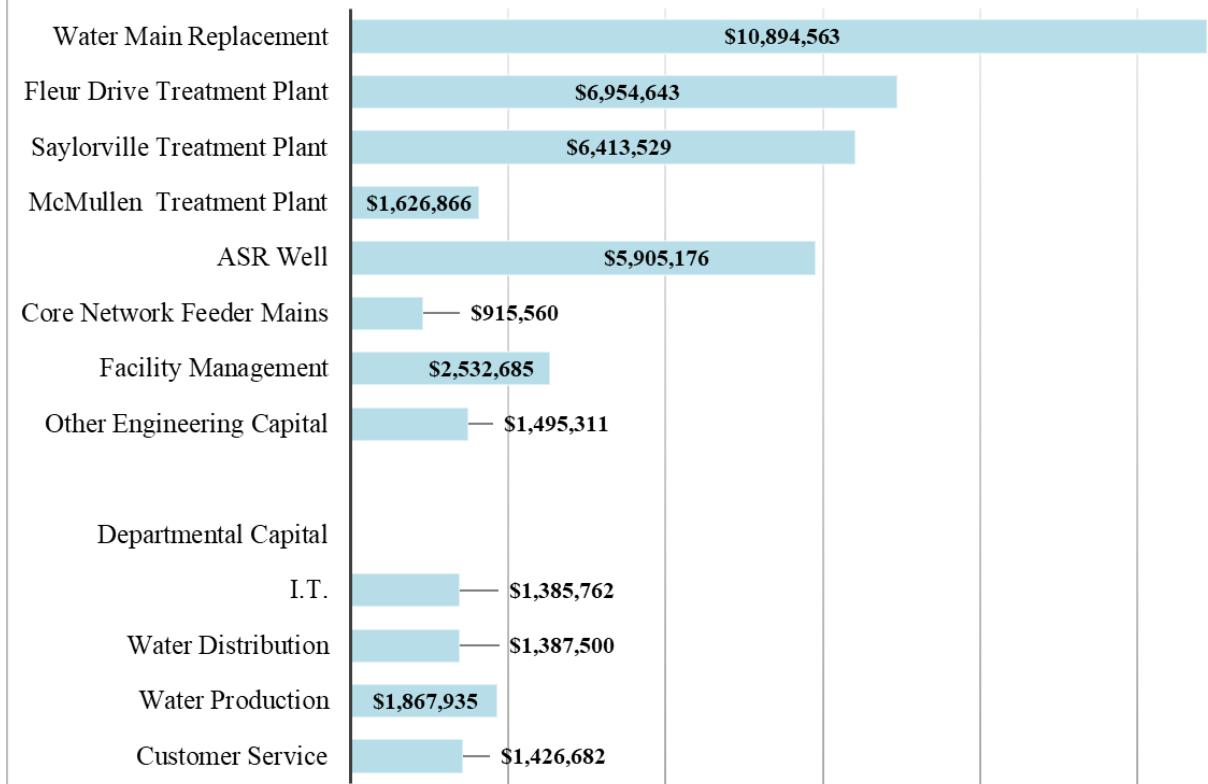
There are two projects in the budget with outside funding of \$1.2 million:

- Installation of a control valve and actuator which will be remotely operated to properly control flows in the feeder main east of the McMullen Water Treatment Plant. This level of control is needed to facilitate the data center developments planned for West Des Moines. This project is funded by West Des Moines Water Works.
- Design of a 4.5 MGD booster station and necessary supply and discharge feeder mains to serve Bondurant and rural Polk County customers is being budgeted with partial funding from Bondurant.

An additional funding source has been added to the 2022 budget. DMWW is budgeting to start several large projects in 2022 with funds being obtained through Planning & Design (P&D) loans from the Iowa State Revolving Fund (SRF). P&D loans carry 0% interest for three years. The amount of SRF funding is \$16.0 million.

That leaves approximately \$25.6 million of capital projects from the utility's revenue in 2022. This compares to \$21.7 million of capital projects budgeted from the utility's revenues in 2021.

2022 Capital Budget



Water main replacement is budgeted at \$10.9 million in 2022. This amount includes main replacement in Des Moines, Windsor Heights, and the unincorporated Polk County service area.

Projects budgeted at the Fleur Drive Treatment Plant include upgrading the 5kV switchgear controls, additional funds to continue upgrading the SCADA system, installing a variable frequency drive on one of the high lift pump motors, replacing media in four filters, and continuing efforts for gallery improvements and rechaining the basins. The budget also includes initial funds for a well field along the Des Moines River to provide another option to improve water quality for the Fleur Drive Treatment Plant. Efforts in 2022 will primarily be focused on evaluating the sites along the river and designing the well field. This first phase of the project is budgeted at \$3.5 million in 2022 and is expected to be financed with SRF funds.

The Saylorville Treatment Plant budget contains initial design costs to expand the plant from 10 MGD to 20 MGD as well as the addition of necessary horizontal collector wells along the Des Moines River to supply the plant expansion. The total of these two projects budgeted in 2022 is \$5.8 million and is expected to be financed with SRF funds. There are also funds budgeted for ongoing replacement of the RO membranes and for the installation of a vertical production well that is expected to enhance production capabilities in advance of the planned plant expansion.

The McMullen Treatment Plant budget includes projects for upgrading the HVAC in the high-service pump room, expanding the ferric chloride storage tanks, replacing the ferric feed lines from the chemical building to the splitter box, increasing storage and feed capacity for powdered activated carbon, and rehabilitation of two radial collector wells.

Design and partial construction of a new ASR well is included in the 2022 budget at \$5.9 million. This project is expected to be financed with SRF funds.

Within the Core Network Feeder Main group are two projects. One is to design a 30" feeder main from the Saylorville Water Treatment Plant to critical feeder mains located near Tenny Standpipe. This will provide immediate operational benefits and will be imperative when the plant is expanded. The amount budgeted in 2022 is \$700,000 and is expected to be financed with SRF funds. The second project is the addition of the remotely operated control valve to benefit the data center developments in West Des Moines. This project is fully funded.

Facility Management projects include funds for interior and exterior painting at the Tenny Standpipe, replacing the elevator in the chemical building at the Fleur Drive Treatment Plant, and continued funds for projects to eliminate safety hazards.

The I.T. capital budget includes initial funding of nearly \$1.1 million to replace the PeopleSoft financial system with a new financial management system. PeopleSoft Financials was implemented in 1999. While it's currently meeting our needs, it's running on outdated technology and the volume of activity it has accumulated over 22+ years has caused the system to slow and reach potential breaking points. This project is expected to take two years at a total cost of approximately \$2.2 million.

There are departmental 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.

- The Water Distribution capital budget includes funds for replacing hydrants and valves, replacing large tools to do the tasks, as well as other upgrades.
- Customer Service budgets for meter replacement and automated meter reading equipment (.e.g., MTU) change-outs.
- I.T. has a budget for new hardware and software to replace aging equipment.
- Water Production has a capital budget to replace motors, pumps, and other individual parts within the treatment and remote facilities.
- Vehicle and equipment replacement is included in the Water Production budget.

Details of the Capital Work Plans begin on page 33.

Debt Service Obligations – Total debt service is budgeted at \$460,000 in 2022. The budget assumes the 2012A and 2012B bonds will be paid off in 2021, which will eliminate the 1.9 million in debt service payments. The remaining debt service obligation is DMWW's obligation for payment on the SRF loans. One SRF loan was financed in 2003 and will be paid off in 2022. An additional amount representing a partial year of debt service payments is being budgeted for the SRF loans that are expected to be borrowed in 2022.

Operating Reserves – Operating reserves are budgeted at \$500,000 in 2022. This is the ongoing amount that is budgeted each year to increase reserves due to increases in operating expenses to meet the Board policy of three months' operating expenses in reserves.

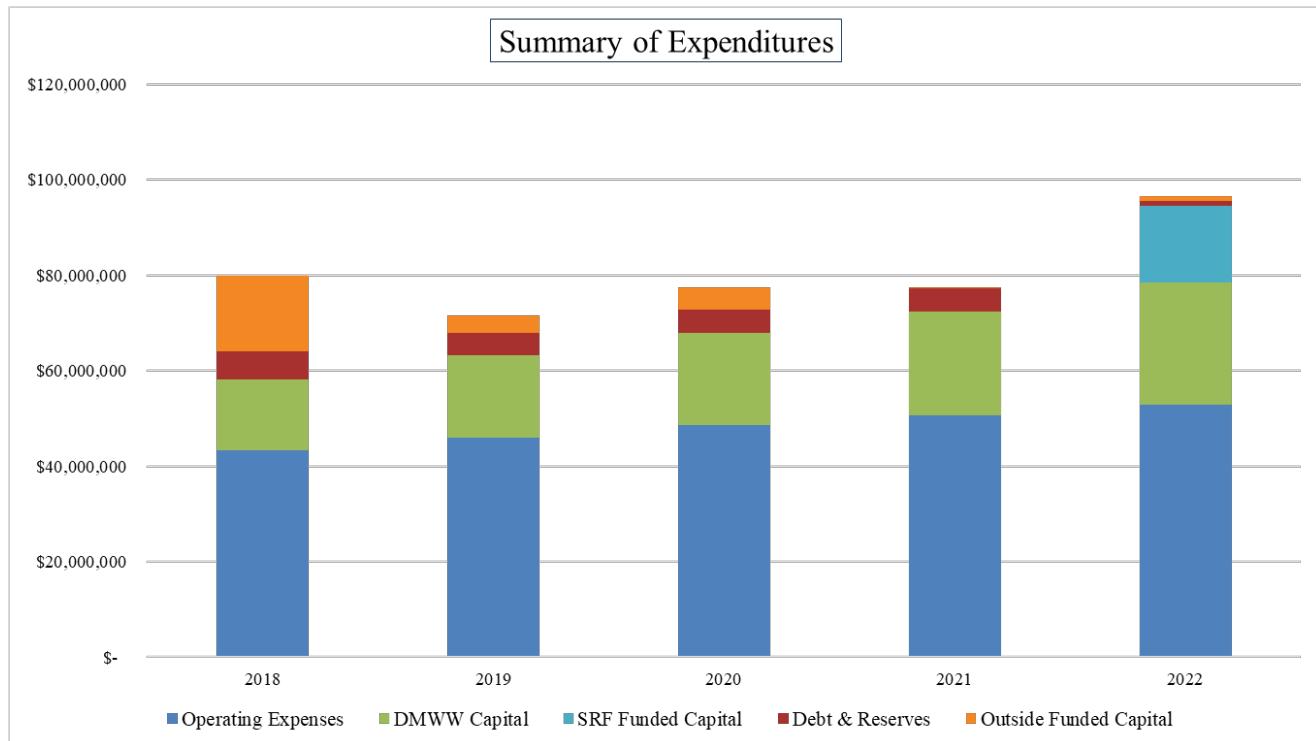
SUMMARY OF EXPENDITURES

The following chart shows five years of budgeted cash expenditures. The five main categories of expenditures are: operating expenses, DMWW funded capital expenses, SRF funded capital expenses, debt payments and increase in operating reserves, and outside funded capital expenses.

As expected, operating expenses and DMWW funded capital expenses have steadily increased through the five-year period.

Debt service payments were fairly constant from 2018-2021. The 2022 budget assumes that the 2012A and 2012B bonds will be paid off in 2021. Therefore, the only debt service payments included in the 2022 budget are the SRF loan financed in 2003 and the new SRF loans that are expected to be borrowed in 2022. The budget to increase operating reserves was \$1.5 million in 2018 due to the revenue shortfall in 2015 and then returned to \$500,000 for 2019-2022.

Finally, outside funded capital expenses vary from year to year. These are primarily joint projects such as feeder mains and pump stations which will benefit those entities contributing the funds.



FUTURE CAPITAL EXPENSES

There are significant dollars budgeted in 2022 for projects that will take more than a year to construct or implement. The chart below shows the expenses budgeted in 2022 along with an estimate of the dollars that will need to be budgeted in subsequent years to complete those projects. These large projects have been included in the 5-year Capital Improvement Plan and are estimated in today's dollars. Certainly, as the design work is completed, the scope of work is identified, and the projects go through the formal bidding process, the amounts will be updated in future budget years.

The top section is for projects that are identified to be funded with borrowing proceeds.

The second section is for projects that will be funded through water rates.

Projects	2022 Budget	Future Years	Total Project Cost
Funded with Borrowing			
Additional ASR	\$ 5.9	\$ 2.5	\$ 8.4
Des Moines River Well Field	3.5	31.6	35.1
10 MGD Raw Water Expansion	3.0	26.6	29.5
10 MGD Plant Expansion	3.0	26.4	29.3
SWTP West Feeder Main Phase 3	0.7	6.2	6.9
Total	\$ 16.0	\$ 93.2	\$ 109.2
Funded by Rates			
PAC Facility Upgrade	\$ 0.3	\$ 2.4	\$ 2.7
Water Main Replacement - Des Moines	7.5	2.0	9.5
Water Main Replacement - Polk County	2.8	3.0	5.8
Bondurant Pump Station & Feeder (DMWW share)	0.3	2.7	3.0
Financial Management System	1.1	1.1	2.2
Total	\$ 12.0	\$ 11.2	\$ 23.2

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.

In 2018, a new department was created called Office of the Chief Operating Officer. This includes the areas of Risk & Incident Management, Safety, and Grounds. These functions had been part of the Water Distribution department.

2022 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	OCOO	Water Distribution	Water Production	Unallocated Benefits	Total
OPERATING											
Company-Wide	-	150,000	-	1,575,000	-	-	100,000	-	-	9,662,600	11,487,600
Inventory	600	146,500	7,000	89,250	1,500	400	17,850	434,600	6,611,509	-	7,309,209
Materials	128,120	121,250	19,560	523,440	47,300	61,100	181,100	862,800	952,810	-	2,897,480
Services	840,750	280,168	35,750	604,079	202,250	1,393,601	2,127,882	607,505	5,091,159	-	11,183,144
Utilities	-	-	-	-	-	307,500	9,000	-	2,991,300	-	3,307,800
Total Operating	\$ 969,470	\$ 697,918	\$ 62,310	\$ 2,791,769	\$ 251,050	\$ 1,762,601	\$ 2,435,832	\$ 1,904,905	\$ 15,646,778	\$ 9,662,600	\$ 36,185,233
CAPITAL											
LABOR EXPENSES (by department)	346,513	2,653,595	2,070,734	1,008,145	375,621	1,069,699	977,886	4,579,695	5,633,497	-	18,715,383
TOTAL	\$ 1,315,983	\$ 4,778,195	\$ 39,203,564	\$ 3,799,914	\$ 626,671	\$ 4,125,800	\$ 3,447,718	\$ 7,410,092	\$ 23,072,275	\$ 9,662,600	\$ 97,442,811
Full-Time Equivalents	2.0	35.5	21.4	10.6	4.0	9.0	13.6	54.0	63.9	-	214.0

Reconciliation to 2022 Budget Summary	
Operating Expenses	52,846,346
Capital Expenses	44,596,464
Total Expenses	97,442,810

LABOR and BENEFITS BUDGET

Labor and benefit costs makes up a significant portion of the utility's budget.

Labor hours are budgeted in operating projects and capital projects. Many positions within the utility are primarily budgeted in operating projects as the work involved is in the general day-to-day operations of the utility. These positions include those in the administrative departments of Customer Service, Finance, Human Resources, Information Technology, OCOO, and OCEO. Within the operating departments of the utility, there are positions that support the operating activities – ongoing operations and maintenance of the utility. There are positions that generally support the capital efforts – design and construction of assets, replacement of assets, etc. And then there are positions that complete both types of functions. Therefore, while the overall headcount of the utility remains constant, the allocation between operating and capital hours varies from year to year.

Employees are budgeted with non-productive time – which is their time off through the year. This includes holidays, vacation, floating holidays, and sick time. It also includes On-Call pay and for 2021, it included funds for retiree payouts. The total amount budgeted for 2022 is \$2.8 million.

The non-labor piece of benefit expenses is budgeted at \$9.7 million and includes costs for insurance premiums, employer contributions to IPERS, deferred compensation, social security taxes, contributions to the DMWW pension plan, and flex pay.

	2022 Proposed Budget	2021 Approved Budget	Percentage Change
Labor			
Operating	\$ 16,661,114	\$ 16,742,792	
Capital	2,190,016	1,974,606	
	\$ 18,851,130	\$ 18,717,398	0.7%
Benefits			
Insurance Premiums			
Employee Medical	\$ 3,851,100	\$ 3,532,200	
Retiree Medical	269,000	246,720	
Life/LTD/AD&D	59,800	60,554	
Retirement Expenses			
IPERS (9.44%)	1,777,600	1,732,463	
FICA taxes (7.65%)	1,440,500	1,403,956	
DMWW Pension	1,500,000	1,600,000	
Deferred Compensation	361,000	367,744	
Flex Dollars	378,100	376,309	
Car Allowance	25,500	24,383	
Total Benefits	\$ 9,662,600	\$ 9,344,328	3.4%
% of total labor	51.3%	49.9%	
Total Labor & Benefits	\$ 28,513,730	\$ 28,061,727	1.6%

2022 Operating Work Plans Recommended for Funding
Office of the CEO

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec) \$	Inc / (Dec) %
Board Activities Facilitation of Board-related activities in accordance with Code of Iowa requirements and to assure a well-informed Board of Trustees fully prepared to render policy decisions for the optimal benefit of the utility.	Labor Non Labor Total	144,865 562,050 706,915	133,586 469,950 603,536	103,379 17.1%
Provides for costs associated with regionalization efforts. Non-labor expense of \$505,000 was budgeted in 2022. The 2021 budget contained \$415,000 of non-labor expense for regionalization that will largely be unspent. Therefore, the money was budgeted again in 2022. This includes funds for consulting expenses, legal fees, and DMWW's share of the start-up costs for the new entity.				
CEO Office Operations Provides for the efficient administrative and leadership support for the Office of the CEO including staff appraisals, professional support for senior management on miscellaneous non-project issues, and communication/support with outside organizations.	Labor Non Labor Total	111,451 72,300 183,751	116,714 62,650 179,364	4,387 2.4%
Business Strategy Provides for the costs associated with the visionary leadership of the utility which includes supervisor meetings, senior management team meetings, and CEO walk-arounds. The 2021 budget included \$100,000 for an outside consultant and \$32,000 of internal labor to facilitate a strategic plan for the utility. The 2022 budget contains \$74,000 of outside services for implementation of strategic planning tasks and organizational assessments.	Labor Non Labor Total	103,159 74,770 177,929	124,534 101,305 225,839	(47,909) -21.2%
Project Management Provides costs associated with managing the Energy Management System as well as operational projects as assigned by the CEO. Labor hours have been reduced in this work plan to more accurately reflect where actual hours have been charged.	Labor Non Labor Total	3,589 33,250 36,839	17,026 33,250 50,276	(13,437) -26.7%
Public Policy - Watershed Advocate 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. Increased expenses have been budgeted to educate and engage law- and policy-makers on issues that directly reflect DMWW. This includes discussions with watershed management authorities, Central Iowa water trails, and new/emerging regulatory issues. There is also funding included to support various water quality initiatives.	Labor Non Labor Total	72,614 227,100 299,714	48,257 107,075 155,332	144,382 93.0%
Total Office of the CEO	Labor Non Labor Total	435,678 969,470 1,405,148	440,117 774,230 1,214,347	190,802 15.7%

**2022 Operating Work Plans Recommended for Funding
Customer Service**

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
			\$ %
Customer Service Administration Captures the general and administrative costs of customer service, including training.	Labor Non Labor	55,351 56,600	56,082 15,450
The 2022 budget contains funds to prepare and execute the statistical customer service survey, Voice of the Customer.	Total	111,951	71,532 40,419 56.5%
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 Non Labor	973,507 228,568	969,607 206,970
2022 budget contains additional funds for the customer assistance programs offered by DMWW. This includes Project H2O and Polk County Emergency Repair.	Total	1,202,075	1,176,577 25,498 2.2%
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 Non Labor	1,195,075 189,900	1,185,715 185,983
	Total	1,384,975	1,371,698 13,276 1.0%
Communications & Public Relations Provides for activities related to public relations, utility communications, website and social media support, graphics services, marketing, speaking engagements and treatment plant tours.	Labor Non Labor	88,429 162,450	73,079 129,000
Additional funds have been budgeted to support DMWW's social media presence, outreach events, and water quality education.	Total	250,879	202,079 48,800 24.1%
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 Non Labor	16,146 60,400	17,889 60,400
	Total	76,546	78,289 (1,744) -2.2%
Total Customer Service	Labor Non Labor	2,328,507 697,918	2,302,372 597,803
	Total	3,026,425	2,900,175 126,249 4.4%

2022 Operating Work Plans Recommended for Funding
Engineering

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
		\$	%
Engineering Management			
Tracks operating costs including: communication with staff, training for Engineering staff, leadership and department meetings, safety chats, customer service, administrative support activities, attendance at city pre-app meetings, Engineering leadership support of the Water Works Park Foundation, and cell tower administration.			
Labor	318,495	324,405	
Non Labor	37,310	37,250	
Total	355,805	361,655	(5,850) -1.6%
Engineering Studies			
Covers the cost to conduct engineering studies to determine the feasibility of future capital projects as well as monitoring efforts around DMWW facilities.			
Labor	58,220	121,499	
Non Labor	25,000	580,400	
Total	83,220	701,899	(618,679) -88.1%
Two large Engineering studies relating to plant expansion and source water improvements were budgeted in 2021. The studies budgeted in 2022 are ongoing in nature as utility efforts are shifting to capital expenditures.			
Total Engineering	Labor	376,715	445,904
	Non Labor	62,310	617,650
	Total	439,025	1,063,554
			(624,529) -58.7%

2022 Operating Work Plans Recommended for Funding
Finance

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
		\$	%
Finance Administration			
Summarizes the administrative costs for the Finance department including clerical support, performance management, and training.	Labor Non Labor Total	48,076 31,290 79,366	52,501 29,510 82,011 (2,645) -3.2%
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 Non Labor Total	392,773 1,780,100 2,172,873	461,449 1,636,150 2,097,599 75,274 3.6%
Premium expense for corporate insurance is budgeted to increase \$137,000 in 2022 based on discussions with our insurance broker. Labor expenses are decreasing as Finance hours are being budgeted in I.T. capital to begin implementation of a new financial management software.			
Payment Processing			
Summarizes the costs to perform accounts receivable billing, collection, and balancing functions for the utility.	Labor Non Labor Total	74,897 183,450 258,347	69,018 169,350 238,368 19,979 8.4%
Fees for processing electronic payments are budgeted to increase by \$10,000.			
Mail Processing			
Summarizes the costs to prepare and mail customer bills.	Labor Non Labor Total	46,901 608,150 655,051	44,328 605,050 649,378 5,673 0.9%
Purchasing & Central Stores			
Provides support to our internal customers for purchasing, warehousing and delivering of product in a cost effective and timely manner.	Labor Non Labor Total	206,532 7,350 213,882	204,348 5,750 210,098 3,784 1.8%
Greater Des Moines Botanical Gardens			
Summarizes the in-kind services provided to the GDMBG according to our agreement.	Labor Non Labor Total	18,571 181,429 200,000	21,937 178,063 200,000 (1) 0.0%
Total Finance	Labor Non Labor Total	787,751 2,791,769 3,579,520	853,582 2,623,873 3,477,455 102,065 2.9%

**2022 Operating Work Plans Recommended for Funding
Human Resources**

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
			\$ %
HR Administration			
Captures the general clerical and administrative costs of the Human Resources department.	Labor <u>60,991</u> Non Labor <u>18,500</u> Total <u>79,491</u>	52,798 <u>21,000</u> 73,798	5,693 7.7%
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 <u>149,451</u> Non Labor <u>44,500</u> Total <u>193,951</u>	190,034 <u>47,700</u> 237,734	(43,783) -18.4%
The 2021 budget included labor costs for union contract negotiations with AFSCME.			
Employment			
Provides resources for recruiting and selecting quality new employees for vacant positions. Equal Employment Opportunity and affirmative action compliance is also assured.	Labor <u>26,811</u> Non Labor <u>67,500</u> Total <u>94,311</u>	24,968 <u>27,795</u> 52,763	41,547 78.7%
The 2022 budget includes consulting expenses to develop a diversity, equity, and inclusion plan for the utility.			
Compensation & Benefits			
Includes costs associated with maintaining and enhancing a competitive, cost-effective and compliant employee compensation and benefits program.	Labor <u>81,737</u> Non Labor <u>70,700</u> Total <u>152,437</u>	61,369 <u>64,800</u> 126,169	26,267 20.8%
Labor hours have increased in the 2022 budget to better align with where actual hours are being charged.			
Employee Learning & Growth			
Provides for the administration and coordination of utility-wide employee training, continual learning, career planning, and work-life balance initiatives.	Labor <u>3,544</u> Non Labor <u>49,850</u> Total <u>53,394</u>	3,340 <u>55,550</u> 58,890	(5,497) -9.3%
Total Human Resources	Labor Non Labor Total	322,532 251,050 573,582	332,509 216,845 549,354
			24,228 4.4%

**2022 Operating Work Plans Recommended for Funding
Information Technology**

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec) \$	Inc / (Dec) %
I.T. Administration Captures the general and administrative costs of the I.T. department including: invoice processing, budget tracking, performance management and training.	Labor 125,875 Non Labor 55,600 <hr/> Total 181,475	118,927 55,600 <hr/> 174,527	6,947	4.0%
Technical Services 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, IT computer operations are supported, including activities around nightly processing, reporting, and printing.	Labor 123,145 Non Labor 167,300 <hr/> Total 290,445	98,474 179,200 <hr/> 277,674	12,771	4.6%
I.T. Development Provides technical support for all applications and software components used for corporate computing. This includes application support and application development.	Labor 28,959 Non Labor 40,000 <hr/> Total 68,959	27,756 40,000 <hr/> 67,756	1,202	1.8%
System Services 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. Increases relate to cyber-security, server support and telecommunications. An initiative to add an active redundant internet connection (SD-WAN) is included in the 2022 budget.	Labor 167,665 Non Labor 672,605 <hr/> Total 840,270	160,149 611,505 <hr/> 771,654	68,616	8.9%
I.T. Services 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.	Labor 403,744 Non Labor 827,096 <hr/> Total 1,230,840	399,099 819,208 <hr/> 1,218,307	12,533	1.0%
Total I.T.	Labor 849,387 Non Labor 1,762,601 <hr/> Total 2,611,988	804,406 1,705,513 <hr/> 2,509,919	102,069	4.1%

2022 Operating Work Plans Recommended for Funding
Office of the Chief Operating Officer

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
		\$	%
OCOO Administration			
Administrative costs for the Office of the Chief Operating Officer including employee meetings, performance management, and training.	Labor Non Labor	64,882 4,900	47,539 4,320
Increased labor hours are as a result of aligning the budget to where actual hours are being charged.	Total	69,782	51,859 17,923 34.6%
Risk & Incident Management			
Costs including park police, contract security, access control, surveillance, emergency operations, and flood protective measures. Also includes costs associated with liability claims.	Labor Non Labor	113,687 708,500	140,451 705,700
Labor expenses have decreased as a result of not filling the Risk Manager position.	Total	822,187	846,151 (23,964) -2.8%
Grounds Maintenance			
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.	Labor Non Labor	512,004 1,614,182	494,628 1,616,466
	Total	2,126,186	2,111,094 15,093 0.7%
Safety			
Captures the general and administrative costs of the safety program - which includes labor, outside consultants to provide training, and safety materials and supplies.	Labor Non Labor	122,835 108,250	132,271 118,300
	Total	231,085	250,571 (19,486) -7.8%
Total Office of the COO			
	Labor Non Labor	813,408 2,435,832	814,889 2,444,786
	Total	3,249,240	3,259,675 (10,435) -0.3%

**2022 Operating Work Plans Recommended for Funding
Water Distribution**

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
		\$	%
Distribution Administration (Distribution Support)			
Administrative costs for the Distribution department including clerical support, employee meetings, performance management, and training.	Labor <u>180,154</u> Non Labor <u>33,840</u>	181,950 <u>49,940</u>	
Training expenses are down in the 2022 budget to better align with actual expenses.			
Total	213,994	231,890	(17,895) -7.7%
Des Moines Field Support			
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.	Labor <u>525,569</u> Non Labor <u>50,557</u> Total	492,996 <u>47,296</u> 576,126 540,292	35,834 6.6%
Labor hours have increased to better align with actual expenses. There continues to be labor budgeted for implementation of EPA's revised Lead and Copper Rule Revisions.			
Distribution System Maintenance & Repair			
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.	Labor <u>1,628,291</u> Non Labor <u>1,244,448</u> Total	1,652,991 <u>1,228,604</u> 2,872,739 2,881,595	(8,856) -0.3%
Leak Detection and Locating			
Costs for leak detection, locating, customer distribution services (complaints/inquiries), and feeder signage maintenance.	Labor <u>670,038</u> Non Labor <u>41,700</u> Total	640,012 <u>39,300</u> 711,738 679,312	32,425 4.8%
Increase in labor hours is due to an increase in the number locate tickets being done annually.			
Distribution Billed Services			
Costs for billed services including making taps for new service lines, providing contracted leak location services, repairing damaged facilities, and repairing inoperable service valves.	Labor <u>208,680</u> Non Labor <u>482,510</u> Total	206,523 <u>482,510</u> 691,190 689,033	2,157 0.3%
Distribution Water Quality			
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.	Labor <u>168,185</u> Non Labor <u>51,850</u> Total	162,028 <u>56,050</u> 220,035 218,078	1,958 0.9%
Total Water Distribution			
	Labor <u>3,380,918</u> Non Labor <u>1,904,905</u> Total	3,336,501 <u>1,903,700</u> 5,285,823 5,240,201	45,622 0.9%

2022 Operating Work Plans Recommended for Funding
Water Production (page 1 of 3)

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec) \$	Inc / (Dec) %
Water Production Administration				
Administrative and support costs for the Water Production department including clerical support, employee meetings, performance management, and training.	Labor Non Labor Total	306,361 85,200 391,561	301,853 83,200 385,053	6,508 1.7%
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 Non Labor Total	966,855 117,600 1,084,455	945,268 107,835 1,053,103	31,352 3.0%
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.	Labor Non Labor Total	20,707 6,109,494 6,130,202	11,359 5,759,997 5,771,356	358,845 6.2%
Increased costs are a result of higher production being budgeted at this plant along with moderate increases in chemical prices.				
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.	Labor Non Labor Total	90,970 4,219,150 4,310,120	88,325 2,971,294 3,059,619	1,250,501 40.9%
Increases in chemical prices accounts for \$63,000 of the increase. The remainder is attributable to 121,000 tons of residual material budgeted to be removed from the drying area to the final disposal site.				
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 Non Labor Total	104,331 942,412 1,046,743	102,453 922,678 1,025,131	21,612 2.1%
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 Non Labor Total	918,377 1,018,830 1,937,207	818,356 1,005,205 1,823,561	113,646 6.2%
Increased labor hours budgeted due to a new position has been added in Water Production maintenance.				
McMullen Maintenance				
Includes all maintenance and repair expenses of the McMullen Treatment Plant, radial collector wells, Crystal Lake, and ASR.	Labor Non Labor Total	251,286 303,840 555,126	237,573 281,667 519,240	35,886 6.9%
SWTP Maintenance				
Includes mechanical and electrical maintenance for the Saylorville Water Treatment Plant.	Labor Non Labor Total	203,402 299,485 502,887	245,478 273,586 519,064	(16,177) -3.1%

2022 Operating Work Plans Recommended for Funding
Water Production (page 2 of 3)

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec) \$	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 217,923 Non Labor - <hr/> Total 217,923	208,269 - <hr/> 208,269	9,654	4.6%
Louise P. Moon Pumping Maintenance				
Provides for maintenance of the Louise P. Moon Storage and Pumping Facility, the Waukee Booster Station, the LPM ASR facility, and Waukee/Xenia Booster station which will ensure water is provided in acceptable quantities at desirable pressures.	Labor 75,632 Non Labor 465,120 <hr/> Total 540,752	66,459 446,295 <hr/> 512,754	27,998	5.5%
Increased costs for operations and maintenance of LP Moon. This is offset by additional revenue.				
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 35,432 Non Labor 116,600 <hr/> Total 152,032	34,751 115,390 <hr/> 150,141	1,891	1.3%
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, sites in Runnels for water and waste water operations, Army Post Road ASR facility, and the new Joint Maffitt Lake Booster Station.	Labor 209,062 Non Labor 532,620 <hr/> Total 741,682	200,860 431,125 <hr/> 631,985	109,697	17.4%
Increased costs for operations and maintenance of several remote sites. This is partially offset by additional revenue.				
Lab Operations				
Routine, non-investigative testing in the chemistry laboratory related to regulatory compliance and assessment of treatment plant processes.	Labor 382,441 Non Labor 233,000 <hr/> Total 615,441	357,853 205,639 <hr/> 563,492	51,949	9.2%
Non-labor increasing due to bi-annual lab certification needing to be done in 2022 as well as utilizing new methodology to streamline distribution samples and reducing timing of results.				
Water Quality Research				
Investigative testing concerning water quality and plant process improvements.	Labor 63,200 Non Labor 88,000 <hr/> Total 151,200	62,444 73,000 <hr/> 135,444	15,756	11.6%

2022 Operating Work Plans Recommended for Funding
Water Production (page 3 of 3)

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec) \$	Inc / (Dec) %
Radio Communication Equipment				
Maintenance and supervision expenses of the trunked radio system and telemetry system.	Labor Non Labor Total	14,778 34,500 49,278	14,723 33,500 48,223	1,055 2.2%
HVAC Operations				
To operate, maintain, and repair all heating, air conditioning, and ventilation equipment for all DMWW facilities.	Labor Non Labor Total	68,583 69,956 138,539	82,847 53,500 136,347	2,192 1.6%
Facility Maintenance				
Captures the general and administrative costs of building upkeep and general facility maintenance.	Labor Non Labor Total	166,429 411,960 578,389	160,676 418,400 579,076	(687) -0.1%
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 Non Labor	463,505 599,010	446,088 585,068	
Minor increases budgeted for vehicle repair parts to maintain the aging fleet.				
	Total	1,062,515	1,031,156	31,359 3.0%
Total Water Production				
	Labor Non Labor Total	4,559,274 15,646,778 20,206,051	4,385,634 13,767,380 18,153,014	2,053,037 11.3%

2022 Operating Work Plans Recommended for Funding

Summary Operating Expenses	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)
Total by Department			
CEO	1,405,148	1,214,347	190,802
Customer Service	3,026,425	2,900,175	126,249
Engineering	439,025	1,063,554	(624,529)
Finance	3,579,520	3,477,455	102,065
HR	573,582	549,354	24,228
IT	2,611,988	2,509,919	102,069
Office of the COO	3,249,240	3,259,675	(10,435)
Water Distribution	5,285,823	5,240,201	45,622
Water Production	20,206,051	18,153,014	2,053,037
Utility Benefits Includes non-productive time (vacation, sick, holiday) and benefits (health insurance, deferred comp match, pension, IPERS, FICA, retiree payouts in 2022, etc.)	12,469,544	12,371,206	98,338
Total Recommended Operating Budget	<u>52,846,346</u>	<u>50,738,900</u>	2,107,446 4.2%

2022 CAPITAL Work Plans Recommended for Funding

Work Plan & Description	2022 Proposed	2021 Approved	Inc / (Dec)	
	Budget	Budget	\$	%
Field Customer Service Capital Provides capital materials (meters & MTUs) needed to update and keep our current meter reading system updated and provide accurate meter reads needed for billing. We will also continue to work towards completion of our meter change-out program of meters in service for over 17 years.	Labor Non Labor Total	- 1,426,682 1,426,682	1,361,003 1,361,003	65,679 4.8%
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 Non Labor Total	129,185 4,979,500 5,108,685	224,266 2,882,118 3,106,384	2,002,302 64.5%
Projects budgeted include: Safety compliance Interior and exterior painting of the Tenny Standpipe Two additional Trimble units Replacement of the elevator in the FDTP chemical building Construction of a new grounds shop Improvement to the stormwater system at the FDTP		105,594 1,049,787 74,275 263,917 1,326,000 1,838,381	\$1.0 million carried over from 2021 bgt. \$1.5 million carried over from 2021 bgt	4,657,954
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 Non Labor Total	270,963 7,199,680 7,470,643	256,703 4,085,500 4,342,203	3,128,440 72.0%
Projects budgeted include: DM River well field Filter media replacement WHL discharge header paint VFD high lift pumps SCADA network improvements East low/east high flood protection 5kV switch gear upgrade PAC facility upgrade Fluoride room improvements		3,482,432 750,241 169,159 468,894 929,706 309,559 617,687 301,686 245,394	Funded by SRF Borrowing \$500k carried over from 2021 bgt	7,274,758
McMullen 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 McMullen Treatment Plant.	Labor Non Labor Total	102,866 1,524,000 1,626,866	16,370 729,000 745,370	881,496 118.3%
Projects budgeted include: Rehabilitation of collector wells HVAC upgrades in high-service pump room Ferric chloride expansion Ferric feed line replacement PAC system redundant storage and feed		772,688 136,940 214,103 246,703 256,431		1,626,865

2022 CAPITAL Work Plans Recommended for Funding

Work Plan & Description	2022 Proposed	2021 Approved	Inc / (Dec)	
	Budget	Budget	\$	%
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 Non Labor Total	104,029 6,309,500 6,413,529	24,659 634,000 658,659	5,754,870 873.7%
Projects budgeted include:				
Expansion of raw water		2,954,389	Funded by SRF Borrowing	
10 MGD expansion of SWTP		2,952,611	Funded by SRF Borrowing	
RO membrane replacement		206,530		
Vertical production well		300,000		
SCADA network improvements		6,413,530		
New ASR Well				
Captures costs to construct a new ASR well. This project is budgeted to be completely funded by SRF.	Labor Non Labor Total	114,076 5,791,100 5,905,176	- - -	- - 5,905,176
Water Main Replacement				
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 Non Labor Total	553,563 10,341,000 10,894,563	648,112 9,997,410 10,645,522	249,042 2.3%
Water main replacement by service area:				
Des Moines		7,505,366		
Polk County		2,814,907		
Windsor Heights		574,290		
		10,894,563		
Core Network Feeder Mains				
Projects here typically include the transmission, storage, and pumping that serve as core network facilities. Typically these are significant enhancements/additions that serve, or effectively stand to serve, the broader regional water system needs.	Labor Non Labor Total	31,160 884,400 915,560	- - -	- - 915,560
Projects budgeted include:				
SWTP west feeder main phase 3		694,799	Funded by SRF Borrowing	
Army Post-Maffitt-FD remote valve		220,761	Funded by WDMWW	
		915,560		
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 Non Labor Total	238,948 41,191 280,139	260,101 103,908 364,009	(83,870) -23.0%

2022 CAPITAL Work Plans Recommended for Funding

Work Plan & Description	2022 Proposed Budget	2021 Approved Budget	Inc / (Dec)	
	\$	%		
Bondurant Feeder Main & Pump Station				
This work plan consists of installing a new feeder mains (suction & discharge) and a booster pumping station with 4.5 MGD capacity to serve Bondurant and Polk County rural area. This project is ~70% funded by Bondurant.	Labor 15,021 Non Labor 1,200,150 Total 1,215,171	- - -	- - 1,215,171	
Joint Northwest Storage, Pumping Station, & Feeder				
Joint Southwest Storage, Pumping Station & Feeder	Labor - Non Labor - Total -	62,580 - 62,580	(62,580)	
I.T. Capital				
Provides funding for investments into hardware and software infrastructures to ensure that a reliable, secure, capable, fully functional computing environment is available to our users and customers. The 2022 budget includes funds for ongoing replacement of hardware and software, Microsoft licensing, and cyber-security. Additionally, there is \$1.1 million budgeted begin the implementation of a new financial management system. This is expected to be a \$2.2 million project and will be budgeted over two years.	Labor 92,262 Non Labor 1,293,500 Total 1,385,762	26,465 254,000 280,465	1,105,297 394.1%	
Water Distribution System Improvements				
Summarized costs for distribution system upgrades such as tying in dead end mains and installation of new hydrants and valves. Replacement tools and equipment are also included in this work plan.	Labor 462,008 Non Labor 925,492 Total 1,387,500	373,011 789,029 1,162,039	225,460 19.4%	
Grounds Capital				
Provides for capital replacement for specific grounds and park maintenance capital. Included in the 2022 budget is a commercial spreader/sprayer for park maintenance. There is also a new dock and kayak access budgeted at Maffitt Park. This project is funded by Friends of Maffitt Lake.	Labor - Non Labor 34,000 Total 34,000	- - -	34,000	
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 68,297 Non Labor 900,000 Total 968,297	64,426 900,000 964,426	3,871 0.4%	
Vehicle Replacement				
Captures the cost of replacing vehicles and related equipment.	Labor 7,638 Non Labor 892,000 Total 899,638	17,915 797,000 814,915	84,723 10.4%	
Total Recommended Capital Budget	45,932,211	24,507,574	21,424,637	87.4%
Summary by Expense Classification				
Total Labor	2,190,016	1,974,606	215,410	
Total Non Labor	43,742,195	22,532,968	21,209,227	
Summary by Funding Source				
Carryover	3,092,000	2,735,500		
Funded by Outside Entities	1,174,395	47,989		
Funded by SRF Loans	15,989,407	-		
Funded by Utility Revenue	25,676,409	21,724,085		

DMWW Budget Process & Timeline

April – May

- Finance prepares budget templates for 2022 budget entry.
- Finance provides budget training/refresher, as needed.

June – July

- 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.

August-September

- 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.

September

- Senior management team meets to balance available resources with budget requests.

October

- Finance staff presents budget for discussion and review at Board Committee meetings.
- Board reviews and discusses budget at October meeting, sets public hearing for November board meeting.

November

- Public hearing is held, and Board approves budget at November meeting.

December

- Budget documents are forwarded to Des Moines City Clerk for receipt and file by City Council.