

DATE: October 4, 2022

TO: Ted Corrigan, CEO & General Manager

FROM: Amy Kahler, Chief Financial Officer
Michelle Holland, Controller

SUBJECT: Proposed 2023 Budget

The attached document contains the following:

- 2023 Budget Highlights
- 2023 Overview of Budget Process
- Proposed 2023 Budget Summary and Comparison to 2022 Budget
- Details of Proposed Revenue, Additional Funding, Operating Expenses, and Capital Expenses
- Summary of Expenditures from 2019-2023
- Future Capital Expenses
- 2023 Budget by Department
- 2023 Labor and Benefits Budget
- 2023 Operating Work Plans Recommended for Funding
- 2023 Capital Work Plans Recommended for Funding
- DMWW Budget Process & Timeline

2023 Budget Highlights

PUMPAGE

17.7 BILLION GALLONS

Based on 7-year average pumpage
17.2 billion gallons in 2022 budget

WATER REVENUE

\$79 MILLION

(\$5.9 million / 8.0% higher than 2022 budget)

HEADCOUNT

Increase in FTE from 2022 Budget

+1.0 Engineering

+1.0 HR/OCEO

+1.0 Water Distribution

+1.5 Water Production

OPERATING EXPENSES

\$58.1 MILLION

(\$5.1 million / 9.6% higher than 2022 budget)

CAPITAL EXPENSES

\$62.5 MILLION

(Capital budget in 2022 was \$45.9 million)

CAPITAL PROJECTS FUNDED BY DMWW DEBT (SRF)

\$6.3 million

INITIAL CAPITAL EXPENSES FOR:

- ASR Well \$2.8 million
- FDTP CO2 Feed \$1.6 million
- DM River Well Field \$1.9 million

CAPITAL PROJECTS FUNDED WITH REGIONAL PARTICIPATION

\$24.4 million

INITIAL CAPITAL EXPENSES FOR:

- SWTP Raw Water Expansion \$ 7.1 million
- SWTP Plant Expansion \$13.2 million
- SWTP W Feeder Main \$ 3.8 million
- Tenny-LP Moon Feeder Main \$ 0.4 million

CAPITAL PROJECTS FUNDED BY UTILITY REVENUES (\$28.4 million) & OTHER FUNDING SOURCES (\$2.1 million)

Water Main Replacement (Des Moines, Polk County, Pleasant Hill)

Rehabilitation of Lime Sludge Filter Presses

Modifications to Distribution Building

Rehabilitation of Collector Wells at McMullen

Financial Management Software (Year 2)

Hazen Tower Structural Concrete

Improvement of SCADA Network

Replace MWTP Truck Scale

Continuing Basin Rechainning

Ongoing Departmental Capital – Customer Service, I.T., Water Distribution, Water Production

Several other projects at Fleur Drive Treatment Plant, McMullen Treatment Plant and
Saylorville Treatment Plant (see details on page 35)

2023 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.

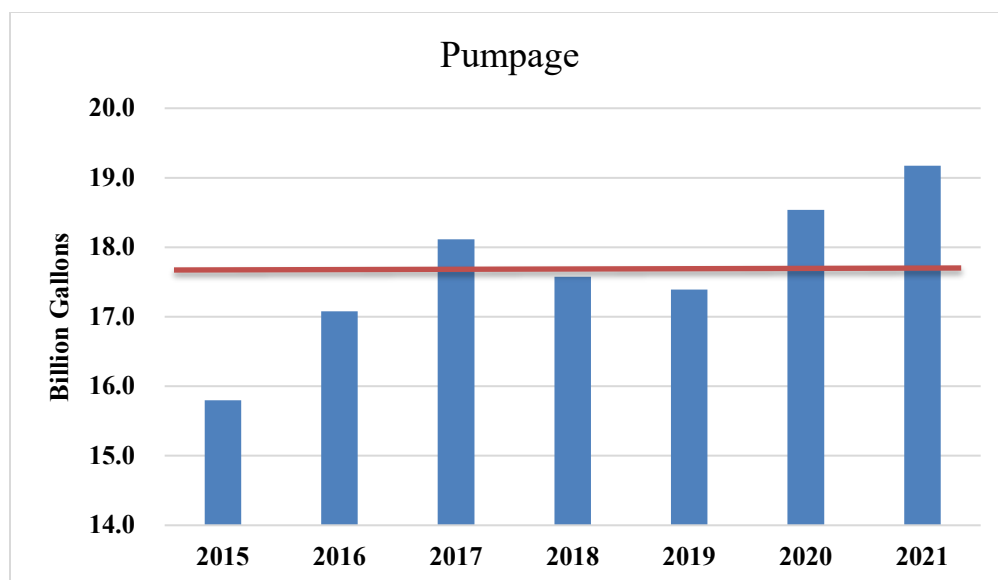
Budget files for operating and capital expenses are created by Finance. These files include prior year budget and actual information for comparative purposes and are created uniformly so that they total into a utility-wide budget. Additionally, there are several monthly financial reports to aid budgeters 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 2023 is 17.7 billion gallons. The annual pumpage budget was calculated based on the average pumpage for the last seven years. This is an increase of 500 million gallons from the 2022 budget. By budgeting an average pumpage level, rather than any extreme, there is less likelihood of being significantly different than budget.

The chart below shows the last seven years of pumpage.



The annual pumpage number drives several components of the budget:

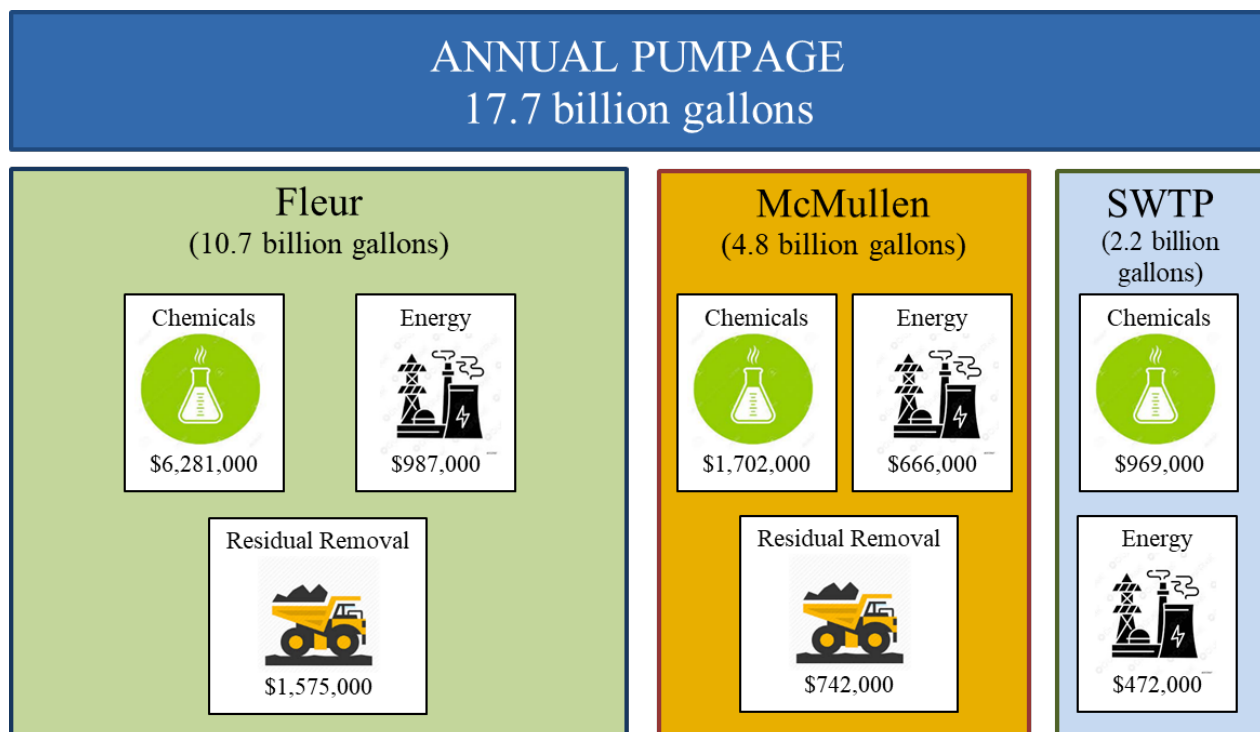
1. Water Revenue Budget

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 projected water rates are applied to those consumption numbers by service area to calculate budgeted revenues.

2. Production at Treatment Facilities

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. The ongoing mission of water treatment at DMWW is to maintain a consistent finished product despite dynamic changes in raw water quality and quantity. Therefore, day-to-day decisions are being made to provide an adequate supply of water from each treatment plant 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, the operating budget is built from the ground up. To derive a budget, a set of assumptions must be used to calculate expenses. Historical data and estimates of future per-unit costs are two factors used to estimate direct treatment costs.

For example, one project within the Distribution System Maintenance work plan is “Repairs – Broken Mains.” The number of main breaks is budgeted at an average of the last several years. Once the number of main breaks is determined, the future cost elements of fixing a main break are projected. 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.

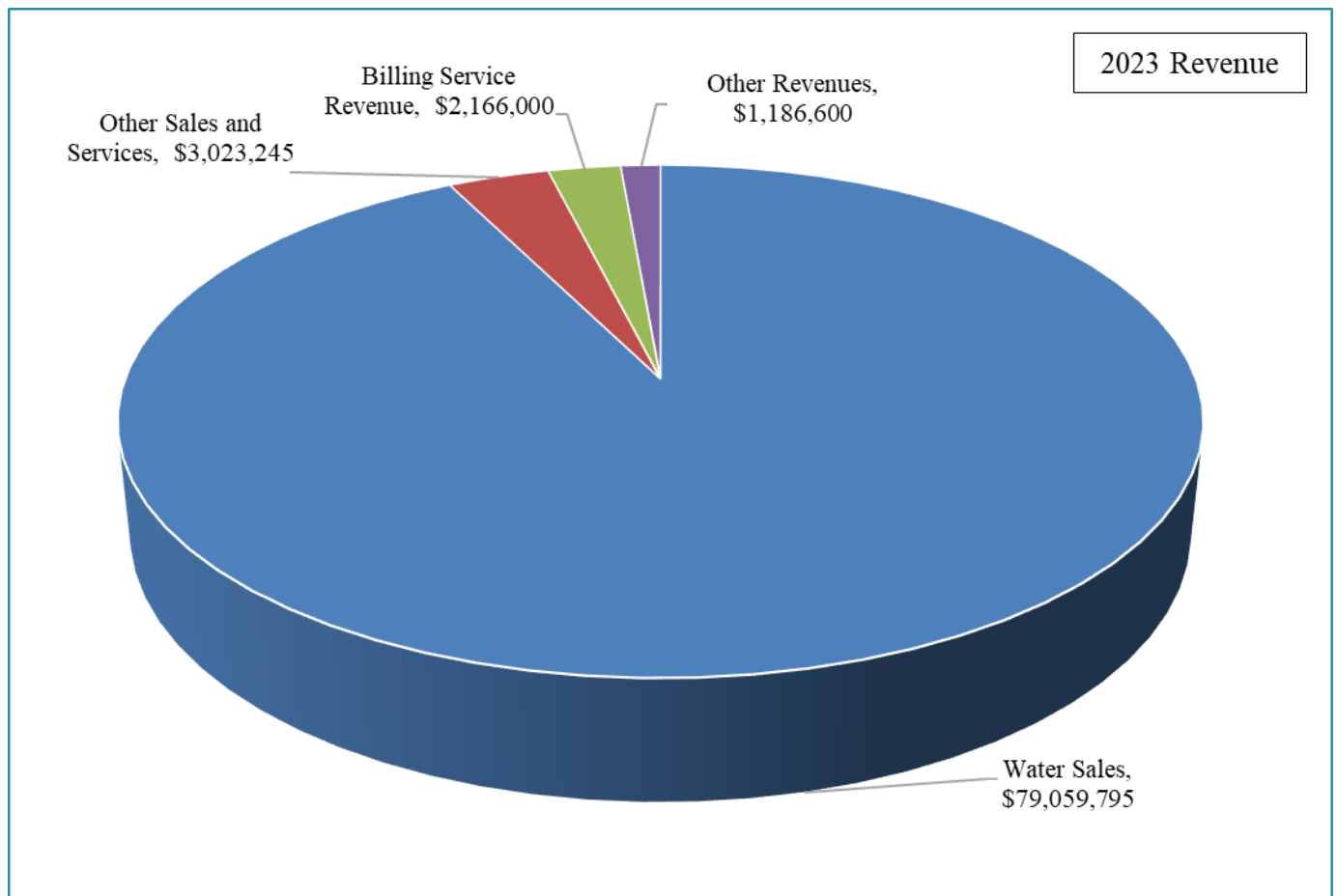
DES MOINES WATER WORKS
PROPOSED 2023 BUDGET SUMMARY AND COMPARISON TO 2022 BUDGET

	2023	2022	Percentage
	Proposed Budget	Approved Budget	Change
REVENUE:			
Water sales	\$ 79,059,795	\$ 73,176,757	8.0%
Penalties and fees	375,000	330,000	13.6%
Other sales and services	3,023,245	3,044,112	(0.7%)
Billing service revenue	2,166,000	1,954,280	10.8%
Land & building use revenue	216,000	172,800	25.0%
Connection Fees	400,000	750,000	(46.7%)
Interest income	195,600	177,000	10.5%
Total revenue available for expenses	\$ 85,435,640	\$ 79,604,949	7.3%
ADDITIONAL FUNDING:			
Unspent funds carried over from prior year's approved budget	\$ 1,269,980	\$ 3,092,000	(58.9%)
Development Plan Review	78,600	77,948	0.8%
Capital projects funded by outside entities	25,000	1,174,395	(97.9%)
Projects funded by SRF proceeds (DMWW Debt)	6,271,686	9,387,608	(33.2%)
Projects funded through regional participation	24,391,805	6,601,799	269.5%
American Rescue Plan Act (ARPA) funds through City of Des Moines	1,500,000	-	-
Funds received for capacity in feeder main (Ankeny)	500,000	-	-
PY Excess Revenues to offset regionalization expense	1,130,000	-	-
Total additional funding available for expenses	\$ 35,167,071	\$ 20,333,750	72.9%
Total revenue and additional funding	\$ 120,602,711	\$ 99,938,699	20.7%
EXPENSES:			
<i>Operating expenses:</i>			
Labor	\$ 17,310,594	\$ 16,661,114	3.9%
Benefits	10,103,000	9,662,600	4.6%
Chemicals	8,952,971	5,769,749	55.2%
Residual Removal	2,317,346	3,607,708	(35.8%)
Utilities	3,149,500	3,000,300	5.0%
Gasoline/Fuel	382,680	228,660	67.4%
Purchased Services	8,673,504	7,432,896	16.7%
Training	251,270	158,860	58.2%
Materials and Equipment	4,371,355	3,901,960	12.0%
Insurance	1,625,000	1,575,000	3.2%
Postage	450,000	490,000	(8.2%)
Telephone	288,735	307,500	(6.1%)
Casualty Loss	110,000	100,000	10.0%
Loss on Bad Accounts	155,000	150,000	3.3%
Subtotal - Operating expenses	\$ 58,140,955	\$ 53,046,346	9.6%
<i>Capital expenditures:</i>			
Requests for new capital projects	\$ 61,191,776	\$ 42,840,211	42.8%
Multiple-year capital projects began before 2021 (carryover)	1,269,980	3,092,000	(58.9%)
Subtotal - Capital expenditures	\$ 62,461,756	\$ 45,932,211	36.0%
<i>Debt service obligations:</i>			
Des Moines Water Works' direct obligation	\$ -	\$ 460,142	(100.0%)
<i>Operating reserves:</i>			
Addition to operating reserves	\$ -	\$ 500,000	(100.0%)
Total projected uses	\$ 120,602,710	\$ 99,938,699	20.7%
Net position of revenues to expenses	0	0	

REVENUE

Operating revenue for 2023 is budgeted at \$85.4 million. This is an increase of approximately \$5.8 million and results in a 7.3% increase over the approved 2022 budget.

This revenue budget includes 17.7 billion gallons of pumpage which is 500 million gallons higher than the 2022 budget of 17.2 billion gallons. The 2023 budget includes volume rate increases of 5.5% for most classes of retail customers, a 10% increase for the wholesale Purchased Capacity customer class, and 0% for the wholesale With Storage customer class. These rates will be effective on April 1, 2023. Capital improvement and water availability fees remain unchanged in the 2023 budget.



Water Sales are the most significant source of operating revenue, making up nearly 93% of total revenue. Water sales are budgeted to be \$79.1 million in 2023 which is \$5.9 million higher than the 2022 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 \$2.2 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 \$1.2 million and is made up of:

Penalties & Fees	\$375,000
Connection Fees	\$400,000
Land & Bldg Lease Revenue	\$216,000
Interest Income on Invested Reserves	\$195,600

ADDITIONAL FUNDING

Additional funding is made up of several components in the 2023 budget:

- Unspent funds that have been carried over from the prior year's budget
- Iowa State Revolving Fund (SRF) Loans
Capital projects that are budgeted to be funded with State Revolving Fund (SRF) loans (DMWW debt):
 - Design and initial construction of an ASR well at the Polk County Pump Station site.
 - Design and initial construction costs to increase storage of CO2 at Fleur Drive Treatment Plant. This project includes new storage tanks (providing more than two weeks of storage), feed modifications, and appropriate controls and instrumentation.
 - Partial 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.
- Regional Participation
Capital projects to be funded through regional participation:
 - Design and initial regulatory and permitting tasks related to adding horizontal collector wells along the Des Moines River to supply the Saylorville Water Treatment Plant expansion.
 - Design, pilot testing and other analyses, and initial regulatory and permitting tasks related to expanding the Saylorville Water Treatment Plant from 10 MGD to 20 MGD.

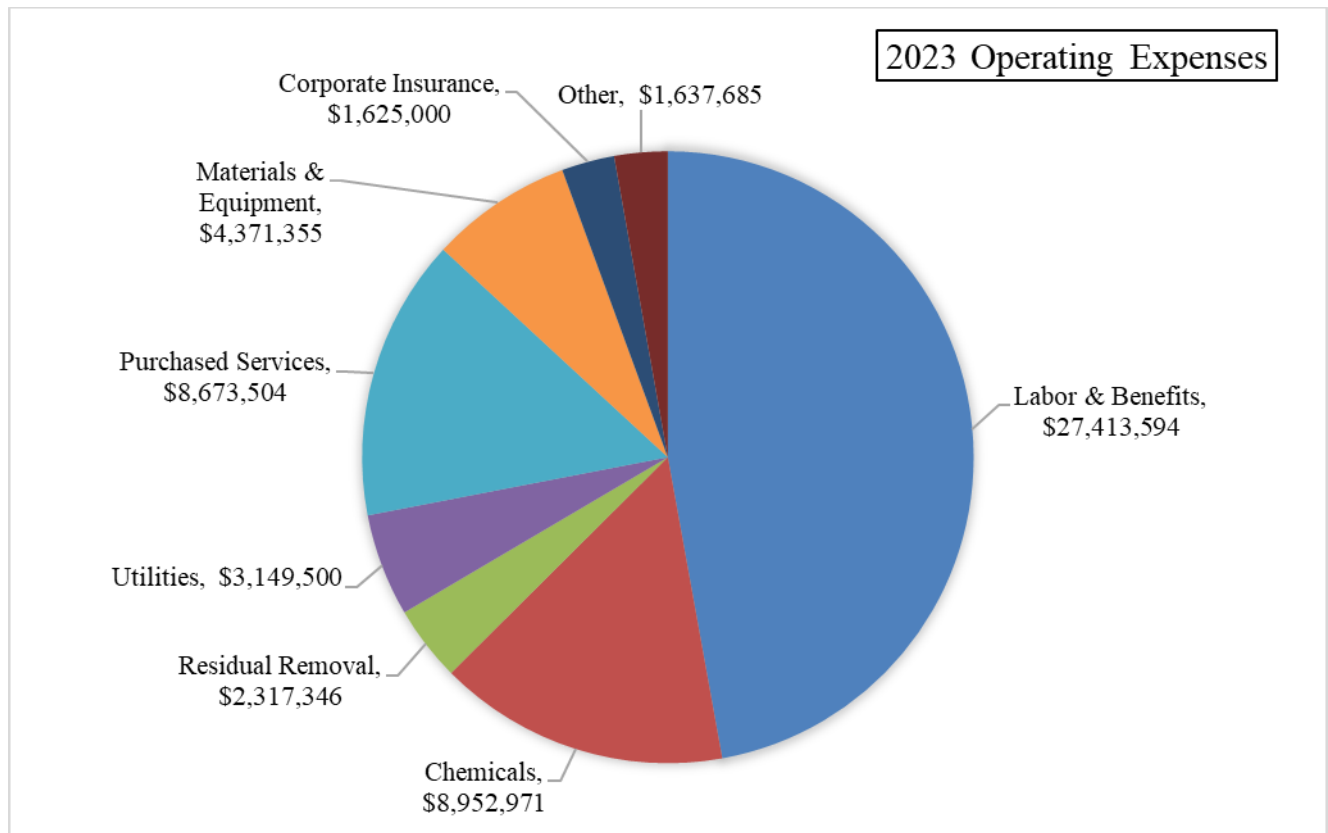
- Design and initial construction of the SWTP West Feeder Main Phase 3, a 30” feeder main from the Saylorville Water Treatment Plant to critical feeder mains located near Tenny Standpipe, which will provide immediate operational benefits and then become imperative on completion of plant expansion.
 - Design of the Tenny to LP Moon Feeder Connection project, a 24” feeder main on Hickman Road from Merle Hay Road to 70th Street, that will enhance future flows west toward LP Moon Pumping and Storage Facility.
- American Rescue Plan Act of 2021 (ARPA) Funds from City of Des Moines.
City of Des Moines indicated they would be willing to direct a total of \$2.0 million towards water main replacement and/or alterations for city projects. The 2023 budget includes \$1.5 million of ARPA funding.
- City of Ankeny
Anticipated funding from City of Ankeny to pay for capacity in a 24” feeder main between Ankeny and the Saylorville Water Treatment Plant.
- Prior Year Excess Revenues
Pumpage and water revenue have exceeded budget for the last several years and operating expenses have generally been favorable to budget as well. These factors have resulted in excess cash reserves. The 2023 budget includes infusing \$1.1 million of the excess cash to offset the one-time regionalization expenses that are included in the budget. Much of these regionalization expenses were budgeted in a prior year but have remained unspent; hence, use of prior year excess revenues is deemed appropriate.

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 \$58.1 million. This is an increase of 9.6% or approximately \$5.1 million from the approved 2022 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 2023 operating budget:

Year	Operating Budget	Increase
2019	\$ 46,060,938	6.2%
2020	\$ 48,545,551	5.4%
2021	\$ 50,738,899	4.5%
2022	\$ 53,046,346	4.5%
2023	\$ 58,140,955	9.6%



The components of the 2023 operating budget compared to the 2022 operating budget are shown in the table below with more detailed explanations on the following pages.

Operating Expenses	2023 Bgt	2022 Bgt	Change
Labor	\$ 17,310,594	\$ 16,661,114	\$ 649,480
Benefits	10,103,000	9,662,600	440,400
Chemicals	8,952,971	5,769,749	3,183,222
Residual Removal	2,317,346	3,607,708	(1,290,362)
Utilities	3,149,500	3,000,300	149,200
Gasoline/Fuel	382,680	228,660	154,020
Purchased Services	8,673,504	7,432,896	1,240,608
Training	251,270	158,860	92,410
Materials and Equipment	4,371,355	3,901,960	469,395
Insurance	1,625,000	1,575,000	50,000
Postage	450,000	490,000	(40,000)
Telephone	288,735	307,500	(18,765)
Casualty Loss	110,000	100,000	10,000
Loss on Bad Accounts	155,000	150,000	5,000
TOTAL OPERATING EXPENSES	\$ 58,140,955	\$ 53,046,346	\$ 5,094,608

Operating **Labor** is budgeted nearly \$650,000 higher than the 2022 budget. There are approximately 2,200 more hours being budgeted in operating projects in 2023. Some of the increase is a result of adding staff in the 2023 budget, which affects both operating and capital labor hours. There is an increase of 4.5 full-time-equivalents in the 2023 budget compared to the 2022 budget. Most of the increase is in the operations/engineering departments. Additionally, labor rate increases also contribute to the increase in labor dollars.

Benefit expenses are up 4.6%, or \$440,000, compared to the 2022 budget. Nearly half of the increase relates to the actuarial defined contribution to the DMWW pension plan. It is budgeted at \$1,700,000 in 2023, which is \$200,000 higher than the 2022 budget. Along with a labor rate increase comes increases to those benefits tied to wages, such as FICA taxes, DMWW contribution to IPERS, and the deferred compensation plan. This accounts for \$178,000 of the overall increase. Finally, the increase of the DMWW contribution to employees' medical premiums is budgeted \$63,000 higher than the 2022 budget.

Chemical expenses are budgeted to increase 55.2%, or nearly \$3.2 million in 2023. The increase in chemical expenses is the largest driver of the increase in the operating budget. Some of the increase is a result of increasing budgeted pumpage from 17.2 billion gallons in 2022 to 17.7 billion gallons in 2023. Chemical prices are expected to rise to record levels, causing most of the increase in chemical expenses. Diesel prices, driver shortages, and shortages of raw materials are all contributing to the increased costs. Based on initial indications from chemical vendors, many chemicals are budgeted to increase 15-20% with a few chemicals expected to increase 70-75%.

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 2023 budget. 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 down nearly \$1.3 million.

Each year, the Fleur and McMullen treatment plants produce lime residuals. The residuals at Fleur are removed as produced. The 2023 budget assumes removal expenses for 51,000 tons of Fleur residual material. The 2022 budget assumed nearly the same tonnage to be removed. The 2023 budget assumes an increase in removal price per ton equating to a \$300,000 increase.

Residual removal expenses at McMullen are minimal in 2023. This results in \$1.6 million of lower expenses compared to the 2022 budget. 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. In 2023, the west lagoon will be filled with residuals and the east lagoon will have residual material drying. The 2023 budget assumes the remaining 30,000 tons of material in the drying area will be hauled to the final disposal site. This is down from 121,000 tons of material budgeted in 2022 to be moved from the drying area to the final disposal site. There are no costs in the 2023 budget, nor were there any in the 2022 budget, for expenses related to hauling materials to off-site storage or from a lagoon to the drying area.

Utilities expense is up 5.0%, or \$149,000, in 2023. Most of the utility expense is electricity used in the treatment process. The increase in budgeted pumpage and modest electric rate increases account for much of the increase. There is also a \$34,000 increase in diesel fuel expenses at the three treatment plants.

Gasoline/Fuel expenses are up \$154,000 due to expected increases in fuel and diesel costs.

Purchased Services budgeted in 2023 include:

Purchased Services	2023 Proposed Budget
PILOT	\$ 1,310,000
Regionalization	1,130,000
I.T. Maintenance Contracts	1,019,000
Plant Maintenance	687,000
Remote Site Maintenance	235,000
Distribution Maintenance/Repair	215,000
Stop Box Repairs	280,000
Banking/Audit/Payroll Fees	177,000
Credit Card/E-check/Bill-pay Fees	195,000
Security	615,000
Facility Maintenance	214,000
Public Relations & Communications	130,000
GDMBG annual payment	100,000
Strategic Plan Initiatives	362,000
Public Policy/Watershed Initiatives	182,000
“Other” Services (numerous)	<u>1,822,504</u>
Total	\$ 8,673,504

These expenses are up 16.7% from the 2022 budget.

Many categories of purchased services have gone up a moderate amount including I.T. maintenance security services, stop box repairs, processing fees for electronic payments, and services relating to facility maintenance.

Regionalization expenses of \$1.1 million have been included in the 2023 budget. The 2022 budget included \$505,000 in regionalization expenses that have been largely unspent due to ongoing discussions. These costs include legal fees, consultation and facilitation services as well as DMWW’s share of start-up costs for the new entity. There is offsetting funding for this expense from prior year excess revenues.

There are \$362,000 of budgeted expenses related to the strategic plan initiatives. These initiatives include an organizational assessment in the Water Production department, consulting services for a water rate study focusing on affordability and DMWW’s retail rate structure, consulting services and other expenses relating to diversity, equality, and inclusion, as well as budgeted funds to improve employee culture.

Offsetting the increases are several categories of purchased services that have decreased for 2023. This includes plant maintenance, distribution maintenance & repairs, GDMBG in-kind services, and public policy/watershed initiatives.

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 12.0% higher in 2023, which equates to \$469,000. As with chemicals, other materials used throughout the utility have had significant price increases due to supply shortages and increased logistics costs.

Corporate Insurance expenses include the premium cost for the utility's insurance policies along with budgeted costs for workers' compensation claims. The 2023 budget has premium expenses increasing by \$100,000 and workers' compensation claims decreasing by \$50,000 based on historical trends in claims.

Other expenses include postage expenses, telephone, casualty losses, training, bad debt write-off, etc. The amount budgeted for 2023 is approximately \$40,000 lower than the 2022 budget.

Details of all the Operating Work Plans and the comparison between the 2023 Proposed Budget and the 2022 Approved Budget begin on page 23.

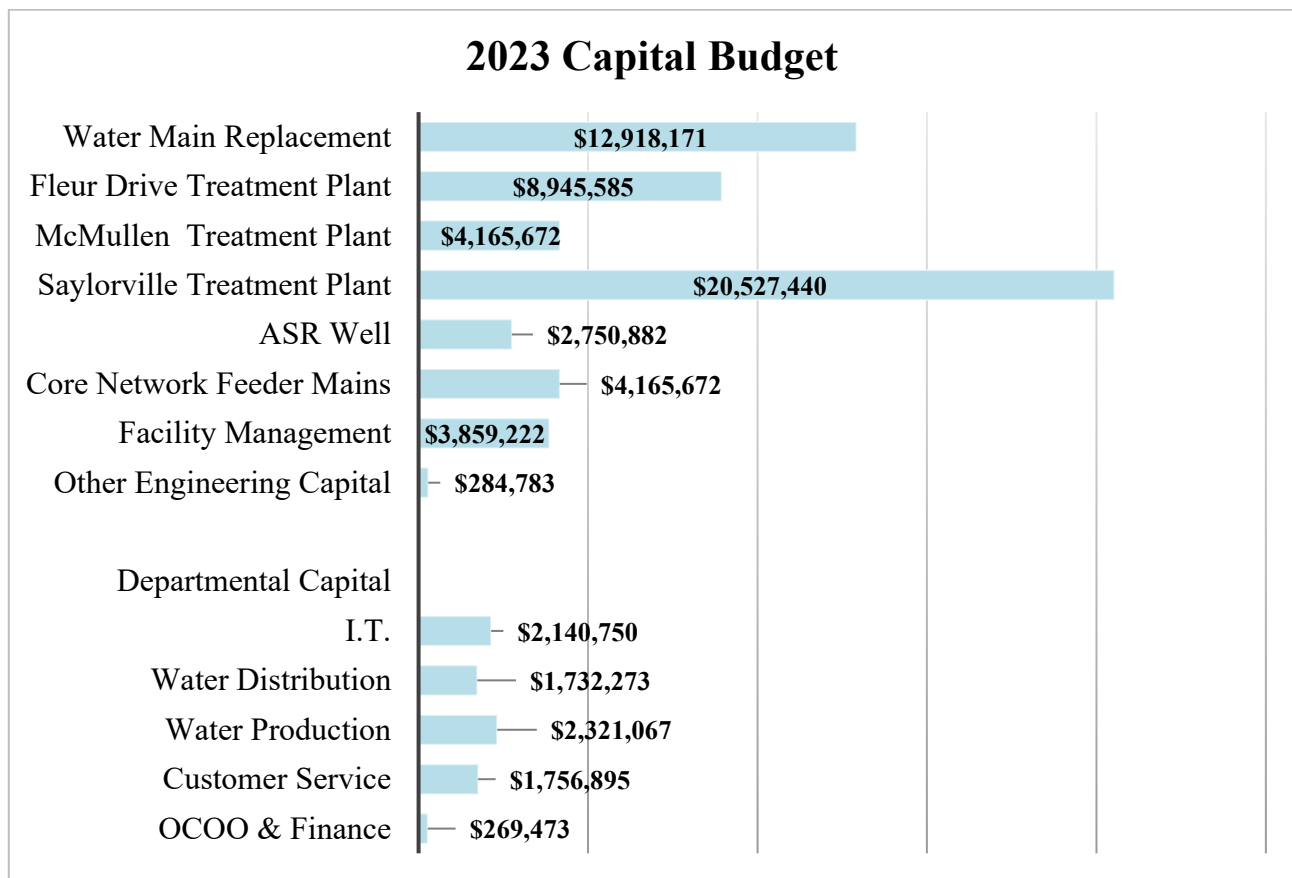
CAPITAL BUDGET

The 2023 capital budget includes \$62.5 million of capital requests.

Approximately \$1.3 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 some capital spending to carry forward into a new budget year.

Other funding sources for capital projects included in the 2023 budget include \$6.3 million of SRF loans, \$24.4 million through regional participation, \$1.5 million of ARPA funds from City of Des Moines, \$500,000 from City of Ankeny, and roughly \$100,000 from other sources.

That leaves approximately \$28.4 million of capital projects from the utility's revenue in 2023. This compares to \$25.6 million of capital projects budgeted from the utility's revenues in 2022.



Water main replacement is budgeted at \$12.9 million in 2023. This amount includes main replacement in Des Moines, Pleasant Hill, and the unincorporated Polk County service area. Included in the 2023 water main replacement budget in Des Moines is \$3.0 million for installation of new feeder main and other system enhancements at the former DICO site (superfund site immediately east of the Fleur Drive Water Treatment) to replace existing feeder main on the site. The enhancements here are being completed in advance of a new soccer stadium that will be

constructed on the site. Additionally, IDOT work results in an additional \$1.8 million being allocated for feeder main alterations needed at the intersection of I-35 and Hickman Road.

Projects budgeted at the Fleur Drive Treatment Plant include installation of permanent backwash return facilities, containment of diesel pump fuel at EHL #1, rebuilding of WHL pump, and continued efforts for basin rechaining. Several projects that are expected to be constructed over multiple years have been budgeted including construction of a new bulk powder activated carbon storage and feed system, initial costs for rehabilitating the filter plant, and additional funds to rehabilitate the lime sludge filter presses, and improvements to the SCADA network. Finally, the FFTP budget includes funds to begin construction on enhancements to the CO2 feed system and initial design costs for an alluvial well field along the Des Moines River. Both of these projects are expected to be financed with SRF loan proceeds.

The McMullen Treatment Plant budget includes projects for rehabilitating a collector well and installation of an isolation valve to isolate well #5 from the raw water system.

The Saylorville Water Treatment Plant budget contains initial design costs and targeted analysis 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 2023 is \$20.5 million and is expected to be funded through regional participation. There are also projects budgeted for improvements to the floor drain and ongoing replacement of the RO membranes.

Design and partial construction of a new ASR well at the Polk County Pump Station site is included in the 2022 budget at \$2.8 million. This project is expected to be financed with SRF loan proceeds.

The Core Network Feeder Main work plan contains two projects. One is to design and begin construction of 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 2nd project is to design the feeder main connection, on Hickman Road, that will enhance flows from Tenny Standpipe to LP Moon. The amount budgeted in 2023 for both projects is \$4.2 million and is expected to be funded through regional participation.

Facility Management projects include funds for restoration of concrete at Hazen Tower, modification to the distribution building due to corrosion issues on the ramp, replacing internal storm and sanitary sewer drain piping, replacement of the trucking scale at McMullen Treatment Plant, and enhancements to the Fleur Drive pump station HVAC. There are several projects budgeted to continue efforts to address safety concerns, replace or improve structural elements of facilities such as roofs, stairs, floors, and concrete.

The I.T. capital budget includes \$1.1 million of funding to replace the PeopleSoft financial system with a new financial management system. This is the 2nd year of budgeting \$1.1 million for a total project cost of approximately \$2.2 million. PeopleSoft Financials was implemented in 1999. While it is currently meeting our needs, the system is running on outdated technology and the volume of

activity it has accumulated over 23+ years has caused the system to slow and reach potential breaking points.

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 perform 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. There are two new capital projects budgeted in 2023 for replacing Cradlepoints and Sierra devices in company vehicles and to replace LabLite, the database for laboratory analysis.

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 35.

Operating Reserves – The 2023 budget does not include funds to increase operating reserves. Generally, the increase to operating reserves is budgeted at \$500,000. The increase needed for operating reserves to meet the Board policy of three months’ operating expenses in reserves will come from prior year excess revenues rather than 2023 rate revenue.

SUMMARY OF EXPENDITURES

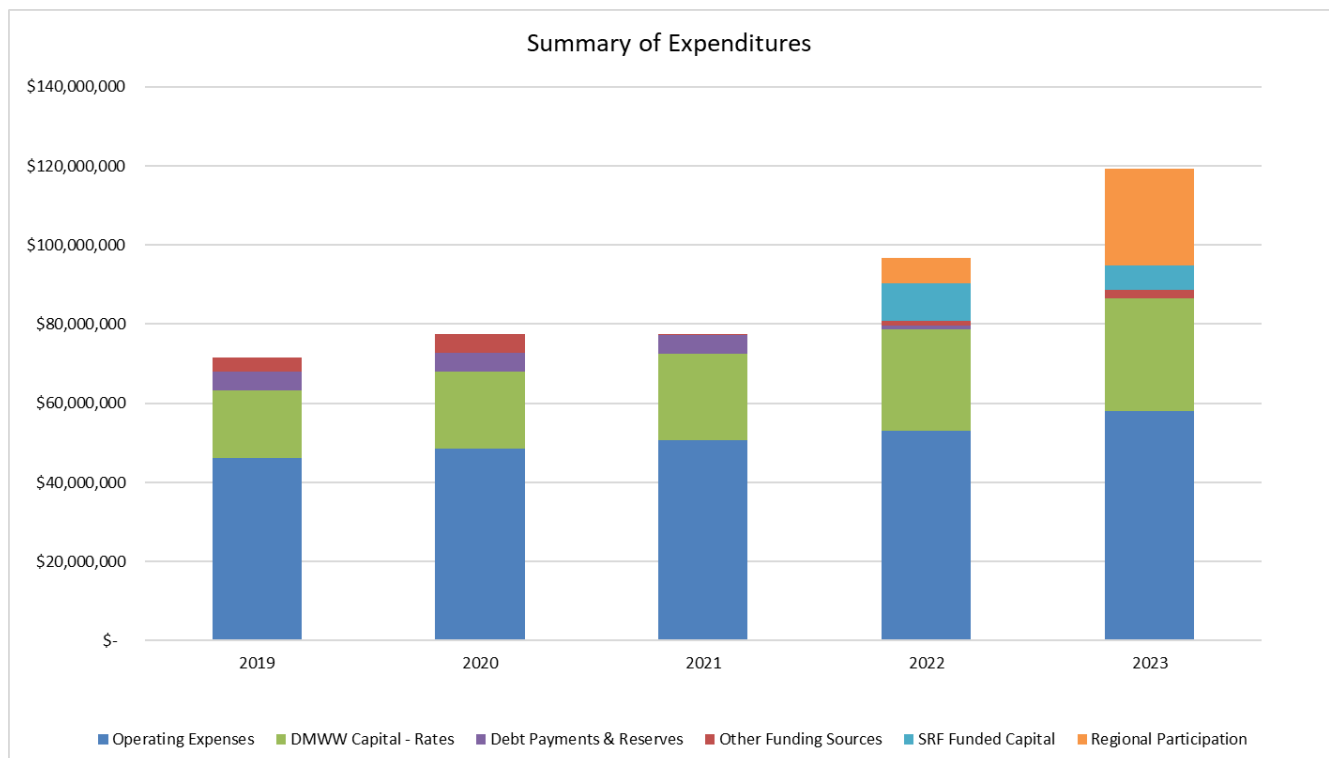
The following chart shows five years of budgeted cash expenditures. The categories of expenditures are: operating expenses, DMWW capital funded through rates, debt payments and increase in operating reserves, outside funded capital expenses, SRF funded capital expenses, capital expenses funded through regional participation, and other funding sources.

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 2012A and 2012B bonds were paid off in 2021. There were minimal debt service payments budgeted in 2022 and as SRF-funded projects will still be under early construction in 2023, no debt service payments are budgeted in 2023.

The budget to increase operating reserves has been budgeted at \$500,000 for 2019-2022 and removed from the 2023 budget as operating reserves will be increased from prior year excess cash. Capital projects with other funding sources 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. Additionally, the 2023 budget includes \$2.0 million for expected funds received from ARPA through the City of Des Moines (\$1.5 million) and Ankeny for capacity in a feeder main (\$500,000).

Finally, the 2022 and 2023 budgets include capital projects to be funded by SRF borrowings and regional participation.



FUTURE CAPITAL EXPENSES

There are significant dollars budgeted in 2023 for projects that will take more than a year to construct or implement. The chart below shows the expenses budgeted in 2023 along with an estimate of the dollars that will need to be budgeted in subsequent years to complete those projects. These 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.

Projects	2023 Budget	Future Years	Total Project Cost
Funded with DMWW Debt (SRF)			
	<i>in millions</i>		
Additional ASR	\$ 2.8	\$ 6.4	\$ 9.2
CO2 Feed at FDTP	1.6	1.1	2.7
DM River Well Field	1.9	35.8	37.7
Total	\$ 6.3	\$ 43.3	\$ 49.6
Funded with Regional Participation			
SWTP 10MGD Raw Water Expansion	\$ 7.1	\$ 47.2	\$ 54.3
SWTP 10MGD Plant Expansion	13.2	64.1	77.3
SWTP W Feeder Main Phase 3	3.8	7.1	10.9
Tenny-LP Moon Feeder Main	0.3	3.3	3.6
Total	\$ 24.4	\$ 121.7	\$ 146.1
Funded by Rates			
FDTP Distribution Bldg Modifications	\$ 0.7	\$ 0.7	\$ 1.4
FDTP Bulk PAC System	0.6	2.3	2.9
FDTP Filter Plant Rehabilitation	0.4	13.8	14.2
FDTP Lime Sludge Filter Press	1.1	1.1	2.2
FDTP Sanitary Sewer Lift Station	0.2	0.1	0.3
SCADA	1.6	10.5	12.1
WMR-DM	9.3	3.8	13.1
WMR-PC	3.1	2.9	6.0
Total	\$ 17.0	\$ 35.2	\$ 52.2

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.

2023 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	-	155,000	-	1,625,000	-	-	110,000	-	-	10,103,000	11,993,000
Inventory	1,500	101,000	8,000	82,870	1,500	400	18,550	539,290	10,278,201	-	11,031,311
Materials	121,570	120,200	25,730	481,250	90,820	79,100	171,425	915,800	1,119,800	-	3,125,695
Services	1,560,550	237,908	50,875	1,938,729	296,000	1,613,160	904,650	682,844	3,957,404	-	11,242,120
Utilities	-	-	-	-	-	288,735	10,400	-	3,139,100	-	3,438,235
Total Operating	\$ 1,683,620	\$ 614,108	\$ 84,605	\$ 4,127,849	\$ 388,320	\$ 1,981,395	\$ 1,215,025	\$ 2,137,934	\$ 18,494,505	\$ 10,103,000	\$ 40,830,361
CAPITAL											
CAPITAL	-	1,756,895	52,374,590	18,000	-	1,924,325	251,000	1,226,251	2,233,900	-	59,784,961
LABOR EXPENSES (by department)											
LABOR EXPENSES (by department)	420,722	2,723,981	2,421,501	1,072,389	383,843	1,135,920	1,009,336	4,923,641	5,896,056		19,987,389
TOTAL	\$ 2,104,342	\$ 5,094,984	\$ 54,880,696	\$ 5,218,238	\$ 772,163	\$ 5,041,640	\$ 2,475,361	\$ 8,287,826	\$ 26,624,461	\$ 10,103,000	\$ 120,602,711
Full-Time Equivalents											
Full-Time Equivalents	3.0	35.5	22.4	10.8	4.0	9.0	13.6	55.0	65.4		218.6

Reconciliation to 2023 Budget Summary	
Operating Expenses	58,140,955
Capital Expenses	62,461,756
Total Expenses	120,602,711

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 significantly consistent, 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, sick time, and on-call pay. The total amount budgeted for 2023 is \$3.0 million.

The non-labor piece of benefit expenses is budgeted at \$10.1 million and includes costs for insurance premiums, employer contributions to IPERS, deferred compensation, and social security taxes, contributions to the DMWW pension plan, and flex pay.

	2023 Proposed Budget	2022 Approved Budget	Percentage Change
Labor			
Operating	\$ 17,310,594	\$ 16,661,114	
Capital	2,676,795	2,190,016	
	\$ 19,987,389	\$ 18,851,130	6.0%
Benefits			
Insurance Premiums			
Employee Medical	\$ 3,914,000	\$ 3,851,100	
Retiree Medical	269,000	269,000	
Life/LTD/AD&D	61,600	59,800	
Retirement Expenses			
IPERS (9.44%)	1,865,900	1,777,600	
FICA taxes (7.65%)	1,512,100	1,440,500	
DMWW Pension	1,700,000	1,500,000	
Deferred Compensation	376,800	361,000	
Flex Dollars	378,100	378,100	
Car Allowance	25,500	25,500	
Total Benefits	\$ 10,103,000	\$ 9,662,600	4.6%
% of total labor	50.5%	51.3%	
Total Labor & Benefits	\$ 30,090,389	\$ 28,513,730	5.5%

2023 Operating Work Plans Recommended for Funding
Office of the CEO

Work Plan & Description	2023 Proposed Budget	2022 Approved Budget	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	149,226	144,865	
	Non Labor	1,177,800	562,050	
Provides for costs associated with regionalization efforts. Non-labor expense of \$1,130,000 was budgeted in 2023. The 2022 budget contained \$505,000 of non-labor expense for regionalization that will largely be unspent. Therefore, the money was budgeted again in 2023. This includes funds for consulting expenses, legal fees, and DMWW's share of the start-up costs for the new entity. Funding was added to the 2023 budget from prior year excess revenues to offset this non-recurring expense.	Total	1,327,026	706,915	620,111 87.7%
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 and other utilities.	Labor	125,934	111,451	
	Non Labor	108,320	72,300	
Training budget has been increased for leadership training. Includes new membership dues to US Water Alliance.	Total	234,254	183,751	50,502 27.5%
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.	Labor	122,176	103,159	
	Non Labor	66,800	74,770	
	Total	188,976	177,929	11,046 6.2%
Project Management				
Provides costs associated with managing the Energy Management System as well as operational projects as assigned by the CEO.	Labor	3,785	3,589	
	Non Labor	94,850	33,250	
Consulting expenses have been increased to accurately reflect hours spent on energy management efforts.	Total	98,635	36,839	61,796 167.7%
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.	Labor	69,998	72,614	
	Non Labor	235,850	227,100	
	Total	305,848	299,714	6,134 2.0%
Total Office of the CEO				
	Labor	471,118	435,678	
	Non Labor	1,683,620	969,470	
	Total	2,154,738	1,405,148	749,590 53.3%

2023 Operating Work Plans Recommended for Funding
Customer Service

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$ %	
Customer Service Administration					
Captures the general and administrative costs of customer service, including training. Non-labor is lower due to Voice of the Customer being done in 2022 and not budgeted in 2023. Training increased for leadership training.	Labor	61,217	55,351		
	Non Labor	30,500	56,600		
	Total	91,717	111,951	(20,234)	-18.1%
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	976,915	973,507		
	Non Labor	223,268	228,568		
	Total	1,200,183	1,202,075	(1,891)	-0.2%
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	1,228,434	1,195,075		
	Non Labor	139,500	189,900		
	Total	1,367,934	1,384,975	(17,041)	-1.2%
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	105,460	88,429		
	Non Labor	160,440	162,450		
	Total	265,900	250,879	15,021	6.0%
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	17,637	16,146		
	Non Labor	60,400	60,400		
	Total	78,037	76,546	1,491	1.9%
Total Customer Service					
	Labor	2,389,663	2,328,507		
	Non Labor	614,108	697,918		
	Total	3,003,771	3,026,425	(22,653)	-0.7%

2023 Operating Work Plans Recommended for Funding
Engineering

Work Plan & Description	2023 Proposed Budget	2022 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	303,448	318,495	
	Non Labor	44,605	37,310	
	Total	348,053	355,805	(7,753)
				-2.2%
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	30,416	58,220	
	Non Labor	40,000	25,000	
	Total	70,416	83,220	(12,804)
				-15.4%
Total Engineering	Labor	333,864	376,715	
	Non Labor	84,605	62,310	
	Total	418,469	439,025	(20,557)
				-4.7%

2023 Operating Work Plans Recommended for Funding

Finance

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
Finance Administration					
Summarizes the administrative costs for the Finance department including clerical support, performance management, and training.	Labor	51,672	48,076		
	Non Labor	47,250	31,290		
Training budget has increased for leadership training.	Total	98,922	79,366	19,556	24.6%
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 and the PILOT to City of Des Moines.	Labor	394,537	392,773		
	Non Labor	3,200,029	1,780,100		
The PILOT of \$1.3 million in 2023 has been moved from the OCOO department into this work plan in the Finance department. Premium expense for corporate insurance is budgeted to increase \$100,000 in 2023 based on initial discussions with our insurance broker. Workers' Compensation claims' expense has been reduced by \$50,000 based on trending in the last few years. Consulting expenses of \$70,000 are included in the 2023 budget for a rate study focusing on affordability and the retail rate structure.	Total	3,594,566	2,172,873	1,421,692	65.4%
Payment Processing					
Summarizes the costs to perform accounts receivable billing, collection, and balancing functions for the utility.	Labor	67,344	74,897		
	Non Labor	219,350	183,450		
Fees for processing electronic payments are budgeted to increase by \$35,000.	Total	286,694	258,347	28,347	11.0%
Mail Processing					
Summarizes the costs to prepare and mail customer bills.	Labor	49,646	46,901		
	Non Labor	556,470	608,150		
Postage expenses are declining by \$45,000 due to more customers switching to receiving e-statements.	Total	606,116	655,051	(48,935)	-7.5%
Purchasing & Central Stores					
Provides support to our internal customers for purchasing, warehousing and delivering of product in a cost effective and timely manner.	Labor	221,420	206,532		
	Non Labor	4,750	7,350		
	Total	226,170	213,882	12,288	5.7%
Greater Des Moines Botanical Gardens					
Summarizes the in-kind services provided to the GDMBG according to our agreement.	Labor	-	18,571		
	Non Labor	100,000	181,429		
The level of contribution for 2023 is \$100,000.	Total	100,000	200,000	(100,000)	-50.0%
Total Finance					
	Labor	784,619	787,751		
	Non Labor	4,127,849	2,791,769		
	Total	4,912,468	3,579,520	1,332,948	37.2%

2023 Operating Work Plans Recommended for Funding
Human Resources

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$ %	
HR Administration					
Captures the general clerical and administrative costs of the Human Resources department. Includes additional labor hours for full-time HR admin position. This has been converted from 1/2 time assistant (shared with CEO's Office) to full time. Training budget has been increased for leadership training.	Labor	84,666	60,991		
	Non Labor	31,720	18,500		
	Total	116,386	79,491	36,895	46.4%
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. Increased budget in 2023 for recognition and employee activities.	Labor	154,381	149,451		
	Non Labor	107,800	44,500		
	Total	262,181	193,951	68,230	35.2%
Employment					
Provides resources for recruiting and selecting quality new employees for vacant positions. Equal Employment Opportunity and affirmative action compliance is also assured. The 2023 budget includes increased costs for recruiting as it's becoming more difficult to find qualified candidates for specialty jobs. The budget pertaining to diversity initiatives has also been increased.	Labor	24,703	26,811		
	Non Labor	110,200	67,500		
	Total	134,903	94,311	40,592	43.0%
Compensation & Benefits					
Includes costs associated with maintaining and enhancing a competitive, cost-effective and compliant employee compensation and benefits program.	Labor	82,666	81,737		
	Non Labor	60,600	70,700		
	Total	143,266	152,437	(9,171)	-6.0%
Employee Learning & Growth					
Provides for the administration and coordination of utility-wide employee training, continual learning, career planning, and work-life balance initiatives. Increase relates to additional utility-wide training and for tuition reimbursement for employees pursuing additional job-related education.	Labor	3,723	3,544		
	Non Labor	78,000	49,850		
	Total	81,723	53,394	28,330	53.1%
Total Human Resources					
	Labor	350,138	322,532		
	Non Labor	388,320	251,050		
	Total	738,458	573,582	164,876	28.7%

2023 Operating Work Plans Recommended for Funding
Information Technology

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	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. Training budget has been increased for leadership training. Additional labor hours for technical training.	Labor	149,925	125,875		
	Non Labor	72,400	55,600		
	Total	222,325	181,475	40,850	22.5%
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 hours have decreased due to realignment of IT staff to focus on technical issues relating to cybersecurity. Non-labor is up due to budgeting for a consultant to assist with PC and laptop replacements.	Labor	55,653	123,145		
	Non Labor	215,300	167,300		
	Total	270,953	290,445	(19,492)	-6.7%
I.T. Development					
Provides technical support for all applications and software components used for corporate computing. This includes application support and application development. Increased consulting and internal labor costs for application development. This includes upgrades and enhancements to CIS, Clevest, and other essential systems used at the utility.	Labor	45,712	28,959		
	Non Labor	160,000	40,000		
	Total	205,712	68,959	136,753	198.3%
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 and the transition of physical security related to cameras and access card readers from the OCOO department to I.T.	Labor	189,169	167,665		
	Non Labor	717,745	672,605		
	Total	906,914	840,270	66,644	7.9%
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	376,563	403,744		
	Non Labor	815,950	827,096		
	Total	1,192,513	1,230,840	(38,327)	-3.1%
Total I.T.					
	Labor	817,021	849,387		
	Non Labor	1,981,395	1,762,601		
	Total	2,798,416	2,611,988	186,428	7.1%

2023 Operating Work Plans Recommended for Funding
Office of the Chief Operating Officer

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
OCOO Administration					
Administrative costs for the Office of the Chief Operating Officer including employee meetings, performance management, and training.	Labor	68,628	64,882		
	Non Labor	17,200	4,900		
Training budget has been increased for leadership training.	Total	85,828	69,782	16,046	23.0%
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	108,707	113,687		
	Non Labor	817,300	708,500		
Contracted security guard services budgeted to increase \$100,000. Consulting expenses of \$20,000 has been added for review of revised 100-year storm elevations compared to DMWW levees.	Total	926,007	822,187	103,820	12.6%
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	514,876	512,004		
	Non Labor	288,150	1,614,182		
PILOT of \$1.3 million has been moved to Finance department.	Total	803,026	2,126,186	(1,323,160)	-62.2%
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	139,253	122,835		
	Non Labor	92,375	108,250		
	Total	231,628	231,085	543	0.2%
Total Office of the COO					
	Labor	831,464	813,408		
	Non Labor	1,215,025	2,435,832		
	Total	2,046,489	3,249,240	(1,202,751)	-37.0%

2023 Operating Work Plans Recommended for Funding
Water Distribution

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
Distribution Administration (Distribution Support)					
Administrative costs for the Distribution department including clerical support, employee meetings, performance management, and training. Training budget has been increased for leadership training.	Labor	185,644	180,154		
	Non Labor	46,350	33,840		
	Total	231,994	213,994	17,999	8.4%
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	495,313	525,569		
	Non Labor	56,650	50,557		
	Total	551,963	576,126	(24,163)	-4.2%
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. Non-labor expenses up due to increased costs of materials, asphalt, and concrete for main breaks. Increased labor due to additional staff added to 2023 budget to deploy and maintain barricades. The cost of barricade rental has decreased by a similar amount.	Labor	1,794,495	1,628,291		
	Non Labor	1,301,884	1,244,448		
	Total	3,096,379	2,872,739	223,639	7.8%
Leak Detection and Locating					
Costs for leak detection, locating, customer distribution services (complaints/inquiries), and feeder signage maintenance. Average cost of stop box repairs, done by external contractor, has increased in the 2023 budget. Additionally, materials used for installation and removal of service connections (taps) has increased.	Labor	708,171	670,038		
	Non Labor	48,050	41,700		
	Total	756,221	711,738	44,484	6.2%
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	206,742	208,680		
	Non Labor	614,400	482,510		
	Total	821,142	691,190	129,952	18.8%
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. Additional labor hours added for backflow administrative support.	Labor	198,878	168,185		
	Non Labor	70,600	51,850		
	Total	269,478	220,035	49,442	22.5%
Total Water Distribution					
	Labor	3,589,243	3,380,918		
	Non Labor	2,137,934	1,904,905		
	Total	5,727,177	5,285,823	441,353	8.3%

2023 Operating Work Plans Recommended for Funding
Water Production (page 1 of 3)

Work Plan & Description		2023 Proposed Budget	2022 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	330,769	306,361		
	Non Labor	196,400	85,200		
Includes \$100,000 in consulting services for WP organization assessment. Training budget has been increased for leadership training.	Total	527,169	391,561	135,608	34.6%
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	1,037,299	966,855		
	Non Labor	152,300	117,600		
Increased costs for uniforms & clothing, much of which is personal protective equipment. Labor hours increased for monthly operator meetings.	Total	1,189,599	1,084,455	105,144	9.7%
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 lime softening residuals.	Labor	49,977	20,707		
	Non Labor	8,853,155	6,248,020		
2023 budget includes increase of \$2.3 million for chemicals. Most of this is due to price increases from chemical vendors. Higher pumpage at FDTP is causing increased chemical usage but to much less extent than increased chemical prices. Residual removal expenses are up \$275,000 over 2022 budget.	Total	8,903,132	6,268,728	2,634,405	42.0%
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 lime softening residuals.	Labor	113,206	90,970		
	Non Labor	3,118,045	4,263,829		
Residual removal expenses are down \$1.6 million due to minimal movement of residuals. One lagoon is being filled and the other is drying. There are only 31,000 tons of residual material budgeted to be removed from the drying area to the final disposal site. Chemical expenses are up \$413,000 due to increased prices.	Total	3,231,250	4,354,799	(1,123,549)	-25.8%
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	125,629	104,331		
	Non Labor	1,479,417	959,207		
Chemical expenses are up \$485,000 due to large increases in chemical costs.	Total	1,605,045	1,063,538	541,507	50.9%
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	859,586	918,377		
	Non Labor	1,034,047	1,018,830		
	Total	1,893,633	1,937,207	(43,574)	-2.2%
McMullen Maintenance Includes all maintenance and repair expenses of the McMullen Treatment Plant, radial collector wells, Crystal Lake, and ASR.	Labor	285,559	251,286		
	Non Labor	297,285	303,840		
	Total	582,844	555,126	27,719	5.0%
SWTP Maintenance Includes mechanical and electrical maintenance for the Saylorville Water Treatment Plant.	Labor	231,932	203,402		
	Non Labor	289,746	299,485		
	Total	521,678	502,887	18,791	3.7%

2023 Operating Work Plans Recommended for Funding
Water Production (page 2 of 3)

Work Plan & Description	2023 Proposed Budget	2022 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 220,992 Non Labor - Total 220,992	217,923 - 217,923	3,068	1.4%
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 92,236 Non Labor 489,100 Total 581,336	75,632 465,120 540,752	40,585	7.5%
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 33,485 Non Labor 127,500 Total 160,985	35,432 116,600 152,032	8,953	5.9%
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 Runnells for water and waste water operations, Army Post Road ASR facility, and the new Joint Maffitt Lake Booster Station.	Labor 234,302 Non Labor 571,300 Total 805,602	209,062 532,620 741,682	63,920	8.6%
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 390,140 Non Labor 267,000 Total 657,140	382,441 233,000 615,441	41,699	6.8%
Materials used for sample collection and routine analytical testing for assessing plant processes and the distribution system have increased. The 2023 budget includes costs for lab certification which is done every other year.				
Water Quality Research Investigative testing concerning water quality and plant process improvements.	Labor 64,178 Non Labor 106,500 Total 170,678	63,200 88,000 151,200	19,478	12.9%
Increase in non-labor expenses relates to services provided for PFAS analysis.				

2023 Operating Work Plans Recommended for Funding
Water Production (page 3 of 3)

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
Radio Communication Equipment					
Maintenance and supervision expenses of the trunked radio system and telemetry system.	Labor	17,464	14,778		
	Non Labor	35,600	34,500		
	Total	53,064	49,278	3,787	7.7%
HVAC Operations					
To operate, maintain, and repair all heating, air conditioning, and ventilation equipment for all DMWW facilities.	Labor	25,077	68,583		
	Non Labor	74,500	69,956		
	Total	99,577	138,539	(38,962)	-28.1%
Facility Maintenance					
Captures the general and administrative costs of building upkeep and general facility maintenance.	Labor	173,761	166,429		
	Non Labor	579,280	411,960		
Increases expenses have been budgeted for higher costs for contracted facility cleaning and additional expenses for building maintenance & repairs.	Total	753,041	578,389	174,652	30.2%
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	482,827	463,505		
	Non Labor	823,330	599,010		
Gasoline and diesel fuel costs have increased \$148,000 from the 2022 budget. Expenses for vehicle maintenance & repairs have increased by \$78,000. Labor hours have increased due to converting part-time service worker to full time lube technician.	Total	1,306,157	1,062,515	243,642	22.9%
Total Water Production					
	Labor	4,768,418	4,559,274		
	Non Labor	18,494,505	15,846,778		
	Total	23,262,923	20,406,051	2,856,871	14.0%

2023 Operating Work Plans Recommended for Funding

Summary Operating Expenses	2023 Proposed Budget	2022 Approved Budget	Inc / (Dec)
Total by Department			
CEO	2,154,738	1,405,148	749,590
Customer Service	3,003,771	3,026,425	(22,653)
Engineering	418,469	439,025	(20,557)
Finance	4,912,468	3,579,520	1,332,948
HR	738,458	573,582	164,876
IT	2,798,416	2,611,988	186,428
Office of the COO	2,046,489	3,249,240	(1,202,751)
Water Distribution	5,727,177	5,285,823	441,353
Water Production	23,262,923	20,406,051	2,856,871
Utility Benefits	13,078,046	12,469,544	608,502
Includes non-productive time (vacation, sick, holiday) and benefits (health insurance, deferred comp match, pension, IPERS, FICA, retiree payouts in 2022, etc.)			
Total Recommended Operating Budget	<u>58,140,955</u>	<u>53,046,346</u>	5,094,608 9.6%

2023 CAPITAL Work Plans Recommended for Funding

Work Plan & Description	2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
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	1,756,895	1,426,682		
Total	1,756,895	1,426,682	330,212	23.1%
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	159,072	129,185		
Non Labor	3,700,150	4,979,500		
Total	3,859,222	5,108,685	(1,249,463)	-24.5%
Projects budgeted include:				
Hazen structural improvements	875,821			
Replacement of truck scale at MWTP	725,840			
Modifications to Distribution Building/Ramp	683,759			
Ongoing projects for safety, building improvements, roof replacements	511,619			
Replacing storm/sanitary sewer drain piping at FDTP Pump Station	231,623			
HVAC enhancements at FDTP Pump Station	215,415			
Eyewash/showers/tempering	179,602			
Additional costs for grounds shop	131,491			
Parking lot paving at FDTP - near nitrate facility & pump station	127,585			
	3,682,755			
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	274,345	270,963		
Non Labor	8,671,240	7,199,680		
Total	8,945,585	7,470,643	1,474,942	19.7%
Projects budgeted include:				
DM River well field	1,889,500	Funded by DMWW debt (SRF)		
CO2 feed system	1,631,304	Funded by DMWW debt (SRF)		
SCADA network improvements	1,571,523	\$976k carried over from 2022 bgt		
Lime sludge filter presses	1,068,562			
Treatment basin rechaining (ongoing)	639,802			
PAC facility upgrade	594,467	\$293k carried over from 2022 bgt		
Filter plant rehabilitation	444,527			
Rebuild west high lift pumps	336,557			
	8,176,242			
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	24,043	102,866		
Non Labor	765,500	1,524,000		
Total	789,543	1,626,866	(837,323)	-51.5%
Projects budgeted include:				
Rehabilitation of collector wells	677,998			
Well isolation valves	111,545			
	789,543			

2023 CAPITAL Work Plans Recommended for Funding

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
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	141,290	104,029		
	Non Labor	20,386,150	6,309,500		
	Total	20,527,440	6,413,529	14,113,911	220.1%
Projects budgeted include:					
Expansion of raw water		7,066,425	Funded through regional participation		
10 MGD expansion of SWTP		13,159,708	Funded through regional participation		
RO membrane replacement		213,893			
		20,440,026			
New ASR Well					
Captures costs to construct a new ASR well at Polk County Pump Station.					
	Labor	40,682	114,076		
	Non Labor	2,710,200	5,791,100		
This project to be funded by DMWW debt (SRF)	Total	2,750,882	5,905,176	(3,154,294)	-
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	960,171	553,563		
	Non Labor	11,958,000	10,341,000		
	Total	12,918,171	10,894,563	2,023,608	18.6%
Water main replacement by service area:					
Des Moines		9,452,241			
Polk County		3,137,710			
Pleasant Hill		300,000			
Windsor Heights		28,221			
		12,918,172			
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	25,322	31,160		
	Non Labor	4,140,350	884,400		
	Total	4,165,672	915,560	3,250,112	-
Projects budgeted include:					
SWTP west feeder main phase 3		3,803,416	Funded through regional participation		
Army Post-Maffitt-FD remote valve		362,256	Funded through regional participation		
		4,165,672			
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	241,784	238,948		
	Non Labor	43,000	41,191		
	Total	284,784	280,139	4,645	1.7%
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)	-

2023 CAPITAL Work Plans Recommended for Funding

Work Plan & Description		2023 Proposed Budget	2022 Approved Budget	Inc / (Dec) \$	%
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 2023 budget includes continued funds for ongoing replacement of hardware and software, Microsoft licensing, and cyber-security. Additionally, there are three initiatives budgeted in 2023 for upgrades and software replacement.					
	Labor	216,425	92,262		
	Non Labor	1,924,325	1,293,500		
	Total	2,140,750	1,385,762	754,989	54.5%
Projects budgeted include:					
Financial system replacement (2nd year, total project cost of \$2.2 million)		1,142,023			
Replacement of Cradlepoints & Sierra devices in company vehicles		209,688			
Replacement of LabLite (database for laboratory results)		230,340			
		1,582,051			
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	506,022	462,008		
	Non Labor	1,226,251	925,492		
	Total	1,732,273	1,387,500	344,774	24.8%
Grounds Capital					
Provides for capital replacement for specific grounds and park maintenance capital. The 2023 budget includes costs for resurfacing roads at the arboretum and east of the main office as well as rekeying the treatment plants and remotes sites.					
	Labor	473	-		
	Non Labor	251,000	34,000		
	Total	251,473	34,000	217,473	
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	79,609	68,297		
	Non Labor	1,117,000	900,000		
	Total	1,196,609	968,297	228,311	23.6%
Vehicle Replacement					
Captures the cost of replacing vehicles and related equipment.					
	Labor	7,558	7,638		
	Non Labor	1,116,900	892,000		
	Total	1,124,458	899,638	224,820	25.0%
Finance Capital					
Provides for remodeling project in Central Stores.					
	Labor	-	-		
	Non Labor	18,000	-		
	Total	18,000	-	18,000	-
Total Recommended Capital Budget					
		62,461,756	45,932,211	16,529,545	36.0%
Summary by Expense Classification					
Total Labor		2,676,795	2,190,016	486,779	
Total Non Labor		59,784,961	43,742,195	16,042,766	
Summary by Funding Source					
Carryover		1,269,980	3,092,000		
Funded by Outside Entities		2,103,600	1,252,343		
Funded by DMWW Debt (SRF Loans)		6,271,686	9,387,608		
Funded through Regional Participation		24,391,805	6,601,799		
Funded by Utility Revenue		28,424,685	25,598,461		

DMWW Budget Process & Timeline

April – May

- Finance prepares budget templates for 2023 budget entry.
- Finance provides budget training/refreshers, 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.