

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.

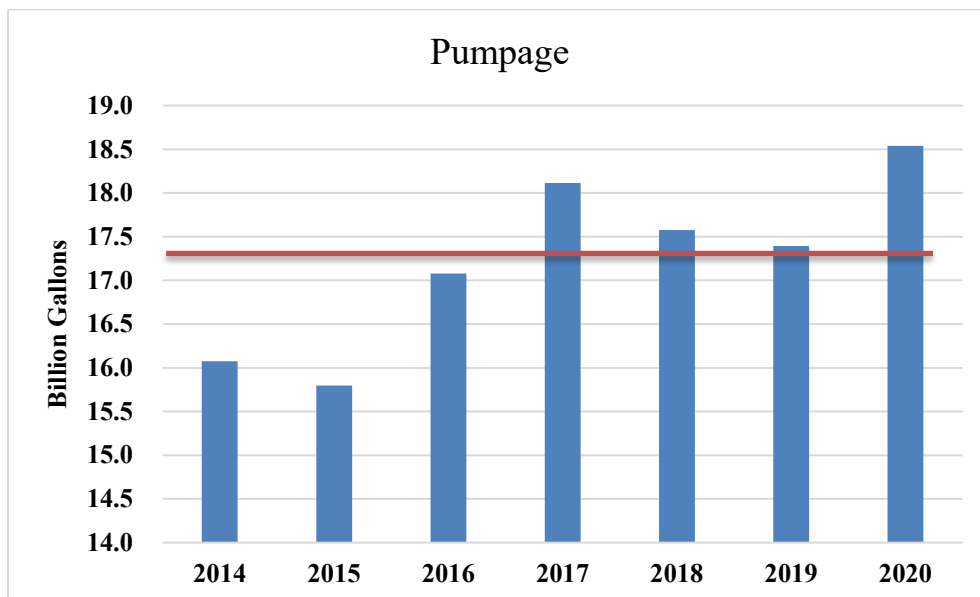
Budget files for operating and capital expenses are created by Finance. These files include prior year budget and actual information for comparative purposes and are created uniformly so that they total into a utility-wide budget. Additionally, there are several monthly financial reports to aid budgeters 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.



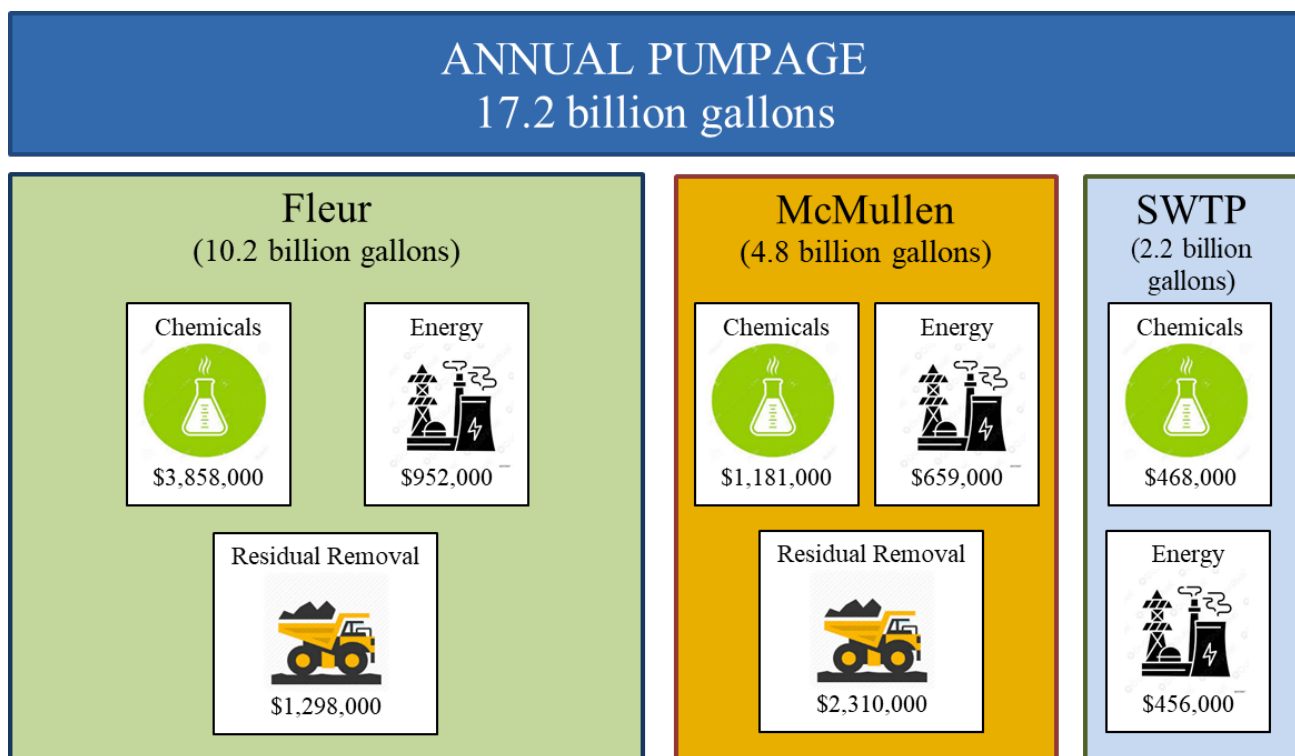
By budgeting an average pumpage level, rather than any extreme, there is less likelihood of being significantly different than budget. Additionally, with the high pumpage season being in the latter part of the year, this gives much less time for the utility to react to diverting funds from projects that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

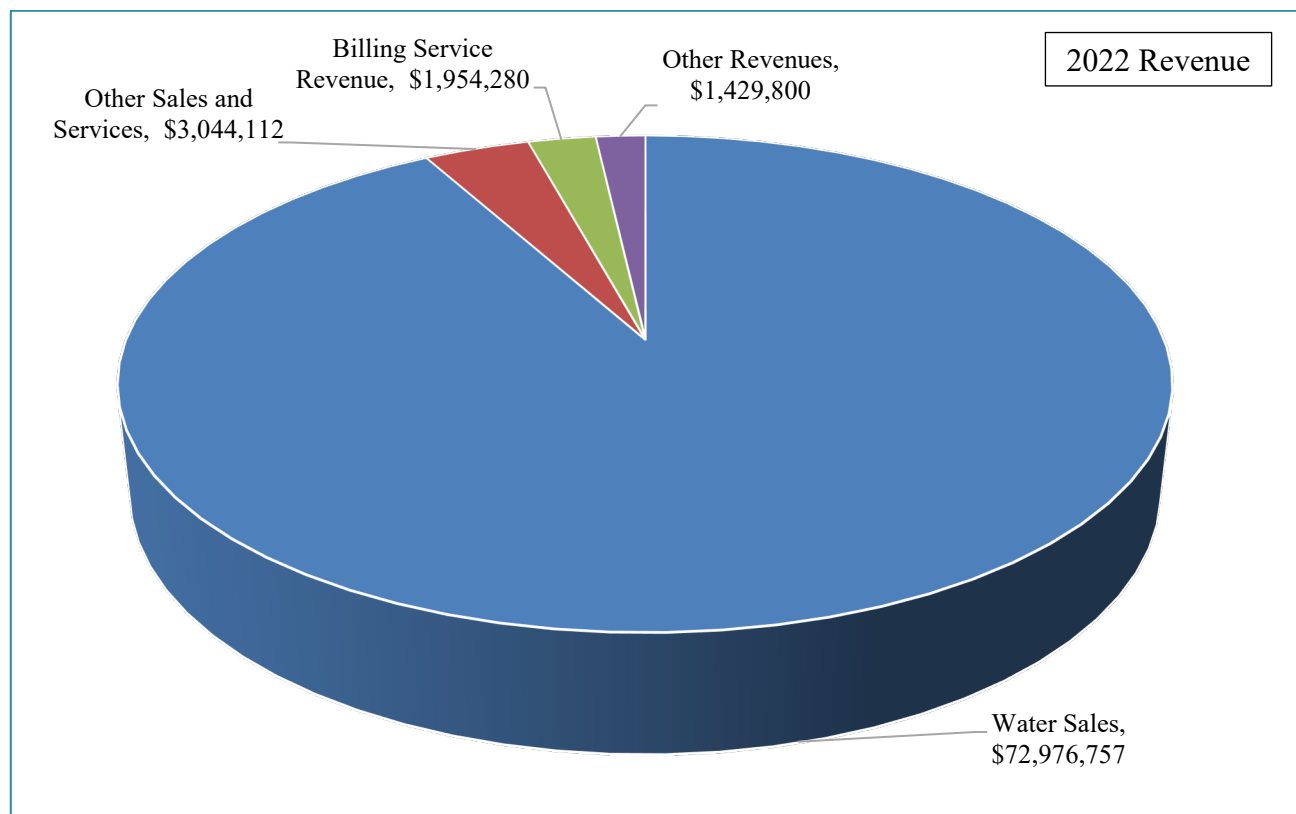
	2022 Proposed Budget	2021 Approved Budget	Percentage Change
REVENUE:			
Water sales	\$72,976,757	\$ 68,598,478	6.4%
Debt service payments reimbursements	-	2,414,693	(100.0%)
Penalties and fees	330,000	320,000	3.1%
Other sales and services	3,044,112	2,974,184	2.4%
Billing service revenue	1,954,280	1,887,383	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	\$ 79,404,949	\$ 77,214,028	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	15,989,407	-	-
Total additional funding available for expenses	\$ 20,333,750	\$ 2,858,801	611.3%
Total revenue and additional funding	\$ 99,738,699	\$ 80,072,829	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	150,000	150,000	0.0%
Subtotal - Operating expenses	\$ 52,846,346	\$ 50,738,899	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)	3,092,000	2,735,500	13.0%
Subtotal - Capital expenditures	\$ 45,932,211	\$ 24,507,575	87.4%
<i>Debt service obligations:</i>			
Des Moines Water Works' direct obligation	460,142	1,886,662	(75.6%)
Political subdivisions' obligation	-	2,439,693	(100.0%)
Subtotal - Debt service obligations	\$ 460,142	\$ 4,326,355	(89.4%)
<i>Operating reserves:</i>			
Addition to operating reserves	500,000	500,000	
Total projected uses	\$ 99,738,699	\$ 80,072,829	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:

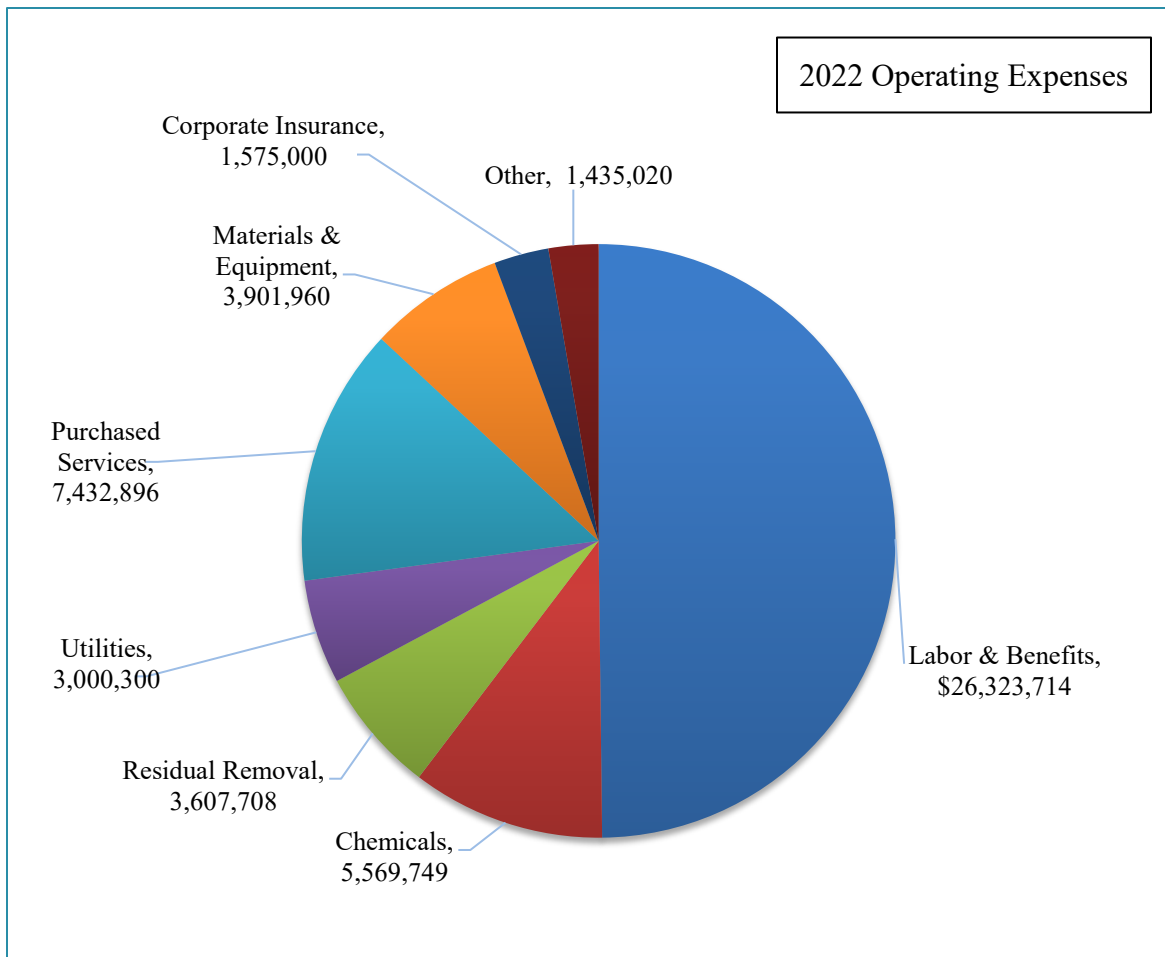
- Unspent funds that have been carried over from the prior year's budget.
- Capital projects that have funding from outside entities, including Bondurant and West Des Moines Water Works.
- Capital projects that are budgeted to be funded with State Revolving Fund (SRF) Planning & Design loans (at 0% interest 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)	1,571,896
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.

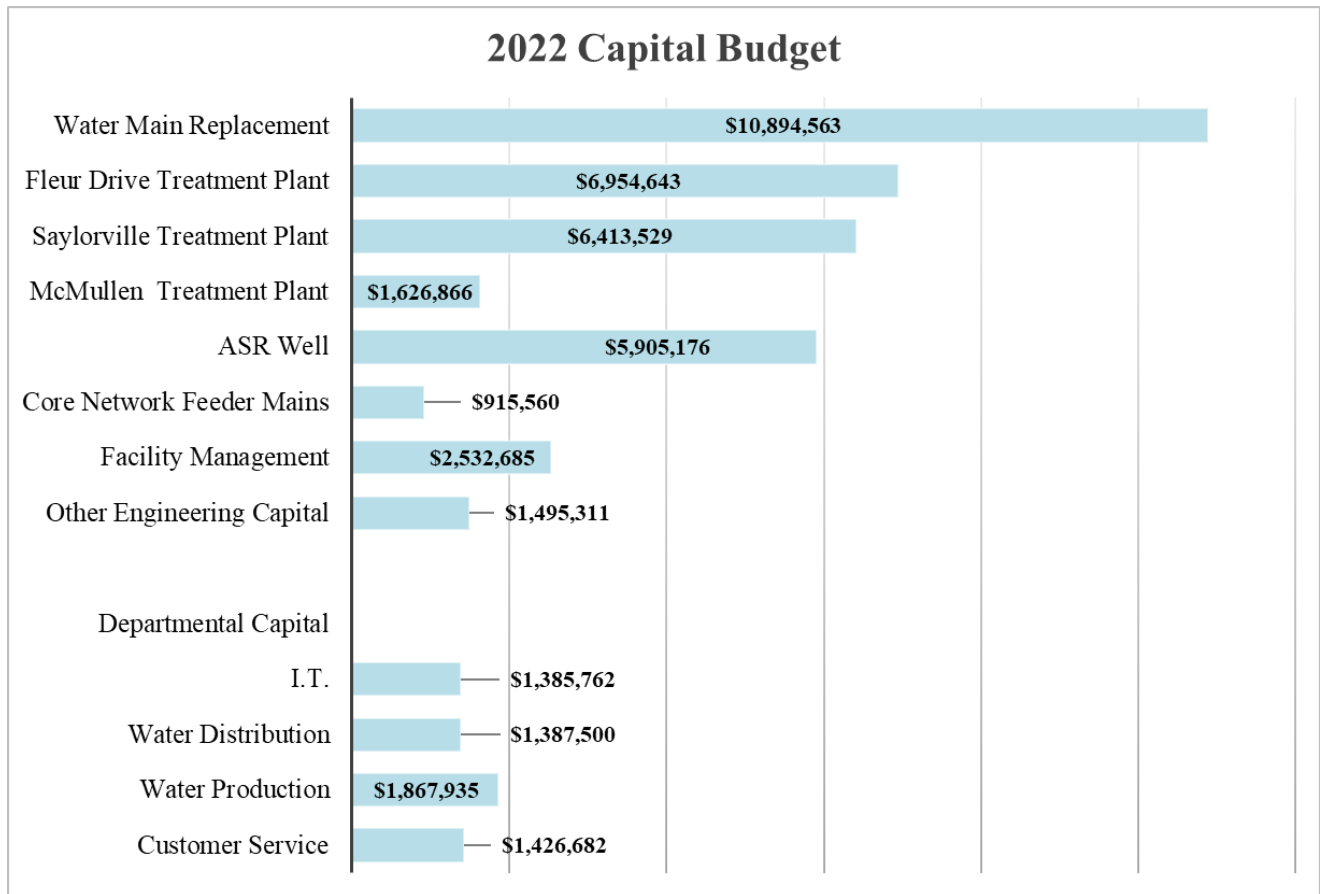
Approximately \$3.1 million of the capital budget is for projects that are carried over from the prior year's budget. Due to the efforts involved in planning, designing, bidding, and constructing large capital items, it is common for the spending to occur over multiple calendar years.

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.



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 recharging 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.

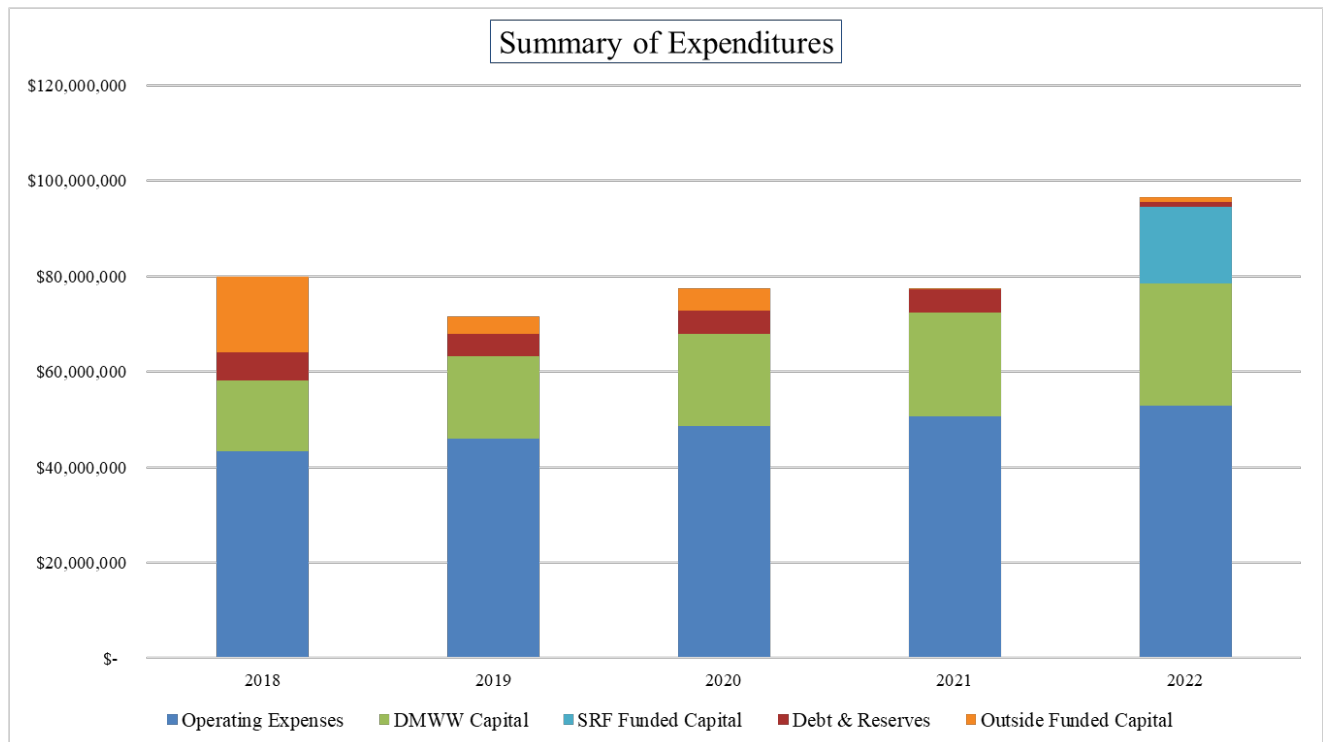
SUMMARY OF EXPENDITURES

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			
	<i>in millions</i>		
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											
CAPITAL	-	1,426,682	37,070,521	-	-	1,293,500	34,000	925,492	1,792,000	-	42,542,195
LABOR EXPENSES (by department)											
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											
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%
<i>% of total labor</i>	<i>51.3%</i>	<i>49.9%</i>	
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) \$ %	
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	144,865	133,586		
	Non Labor	562,050	469,950		
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.	Total	706,915	603,536	103,379	17.1%
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	111,451	116,714		
	Non Labor	72,300	62,650		
	Total	183,751	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.	Labor	103,159	124,534		
	Non Labor	74,770	101,305		
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.	Total	177,929	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	3,589	17,026		
	Non Labor	33,250	33,250		
Labor hours have been reduced in this work plan to more accurately reflect where actual hours have been charged.	Total	36,839	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.	Labor	72,614	48,257		
	Non Labor	227,100	107,075		
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.	Total	299,714	155,332	144,382	93.0%
Total Office of the CEO					
	Labor	435,678	440,117		
	Non Labor	969,470	774,230		
	Total	1,405,148	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. The 2022 budget contains funds to prepare and execute the statistical customer service survey, Voice of the Customer.	Labor	55,351	56,082		
	Non Labor	56,600	15,450		
	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. 2022 budget contains additional funds for the customer assistance programs offered by DMWW. This includes Project H2O and Polk County Emergency Repair.	Labor	973,507	969,607		
	Non Labor	228,568	206,970		
	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	1,195,075	1,185,715		
	Non Labor	189,900	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. Additional funds have been budgeted to support DMWW's social media presence, outreach events, and water quality education.	Labor	88,429	73,079		
	Non Labor	162,450	129,000		
	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	16,146	17,889		
	Non Labor	60,400	60,400		
	Total	76,546	78,289	(1,744)	-2.2%
Total Customer Service					
	Labor	2,328,507	2,302,372		
	Non Labor	697,918	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	48,076	52,501		
	Non Labor	31,290	29,510		
	Total	79,366	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	392,773	461,449		
	Non Labor	1,780,100	1,636,150		
	Total	2,172,873	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	74,897	69,018		
	Non Labor	183,450	169,350		
	Total	258,347	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	46,901	44,328		
	Non Labor	608,150	605,050		
	Total	655,051	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	206,532	204,348		
	Non Labor	7,350	5,750		
	Total	213,882	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	18,571	21,937		
	Non Labor	181,429	178,063		
	Total	200,000	200,000	(1)	0.0%
Total Finance					
	Labor	787,751	853,582		
	Non Labor	2,791,769	2,623,873		
	Total	3,579,520	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	60,991	52,798		
	Non Labor	18,500	21,000		
	Total	79,491	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	149,451	190,034		
	Non Labor	44,500	47,700		
The 2021 budget included labor costs for union contract negotiations with AFSCME.	Total	193,951	237,734	(43,783)	-18.4%
Employment					
Provides resources for recruiting and selecting quality new employees for vacant positions. Equal Employment Opportunity and affirmative action compliance is also assured.					
	Labor	26,811	24,968		
	Non Labor	67,500	27,795		
The 2022 budget includes consulting expenses to develop a diversity, equity, and inclusion plan for the utility.	Total	94,311	52,763	41,547	78.7%
Compensation & Benefits					
Includes costs associated with maintaining and enhancing a competitive, cost-effective and compliant employee compensation and benefits program.					
	Labor	81,737	61,369		
	Non Labor	70,700	64,800		
Labor hours have increased in the 2022 budget to better align with where actual hours are being charged.	Total	152,437	126,169	26,267	20.8%
Employee Learning & Growth					
Provides for the administration and coordination of utility-wide employee training, continual learning, career planning, and work-life balance initiatives.					
	Labor	3,544	3,340		
	Non Labor	49,850	55,550		
	Total	53,394	58,890	(5,497)	-9.3%
Total Human Resources					
	Labor	322,532	332,509		
	Non Labor	251,050	216,845		
	Total	573,582	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) \$ %	
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	118,927	
		Non Labor	55,600	55,600	
		Total	181,475	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	98,474	
		Non Labor	167,300	179,200	
		Total	290,445	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	27,756	
		Non Labor	40,000	40,000	
		Total	68,959	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.		Labor	167,665	160,149	
		Non Labor	672,605	611,505	
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.		Total	840,270	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	399,099	
		Non Labor	827,096	819,208	
		Total	1,230,840	1,218,307	12,533 1.0%
Total I.T.		Labor	849,387	804,406	
		Non Labor	1,762,601	1,705,513	
		Total	2,611,988	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	64,882	47,539	
		Non Labor	4,900	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	113,687	140,451	
		Non Labor	708,500	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	512,004	494,628	
		Non Labor	1,614,182	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	122,835	132,271	
		Non Labor	108,250	118,300	
		Total	231,085	250,571	(19,486) -7.8%
Total Office of the COO					
		Labor	813,408	814,889	
		Non Labor	2,435,832	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	180,154	181,950		
	Non Labor	33,840	49,940		
	Total	213,994	231,890	(17,895)	-7.7%
Training expenses are down in the 2022 budget to better align with actual expenses.					
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	525,569	492,996		
	Non Labor	50,557	47,296		
	Total	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	1,628,291	1,652,991		
	Non Labor	1,244,448	1,228,604		
	Total	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	670,038	640,012		
	Non Labor	41,700	39,300		
	Total	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	208,680	206,523		
	Non Labor	482,510	482,510		
	Total	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	168,185	162,028		
	Non Labor	51,850	56,050		
	Total	220,035	218,078	1,958	0.9%
Total Water Distribution					
	Labor	3,380,918	3,336,501		
	Non Labor	1,904,905	1,903,700		
	Total	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) \$	%
Water Production Administration Administrative and support costs for the Water Production department including clerical support, employee meetings, performance management, and training.	Labor	306,361	301,853		
	Non Labor	85,200	83,200		
	Total	391,561	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	966,855	945,268		
	Non Labor	117,600	107,835		
	Total	1,084,455	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. Provides funding for the removal of lime softening residuals.	Labor	20,707	11,359		
	Non Labor	6,109,494	5,759,997		
Increased costs are a result of higher production being budgeted at this plant along with moderate increases in chemical prices.	Total	6,130,202	5,771,356	358,845	6.2%
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	90,970	88,325		
	Non Labor	4,219,150	2,971,294		
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.	Total	4,310,120	3,059,619	1,250,501	40.9%
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	104,331	102,453		
	Non Labor	942,412	922,678		
	Total	1,046,743	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	918,377	818,356		
	Non Labor	1,018,830	1,005,205		
Increased labor hours budgeted due to a new position has been added in Water Production maintenance.	Total	1,937,207	1,823,561	113,646	6.2%
McMullen Maintenance Includes all maintenance and repair expenses of the McMullen Treatment Plant, radial collector wells, Crystal Lake, and ASR.	Labor	251,286	237,573		
	Non Labor	303,840	281,667		
	Total	555,126	519,240	35,886	6.9%
SWTP Maintenance Includes mechanical and electrical maintenance for the Saylorville Water Treatment Plant.	Labor	203,402	245,478		
	Non Labor	299,485	273,586		
	Total	502,887	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) \$	%
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 - Total 217,923	208,269 - 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 Total 540,752	66,459 446,295 512,754	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 Total 152,032	34,751 115,390 150,141	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 Runnells 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 Total 741,682	200,860 431,125 631,985	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 Total 615,441	357,853 205,639 563,492	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 Total 151,200	62,444 73,000 135,444	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) \$	%
Radio Communication Equipment					
Maintenance and supervision expenses of the trunked radio system and telemetry system.	Labor	14,778	14,723		
	Non Labor	34,500	33,500		
	Total	49,278	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	68,583	82,847		
	Non Labor	69,956	53,500		
	Total	138,539	136,347	2,192	1.6%
Facility Maintenance					
Captures the general and administrative costs of building upkeep and general facility maintenance.	Labor	166,429	160,676		
	Non Labor	411,960	418,400		
	Total	578,389	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	463,505	446,088		
	Non Labor	599,010	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	4,559,274	4,385,634		
	Non Labor	15,646,778	13,767,380		
	Total	20,206,051	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	12,469,544	12,371,206	98,338
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>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 Budget	2021 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	1,426,682	1,361,003		
	Total	1,426,682	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	129,185	224,266		
	Non Labor	4,979,500	2,882,118		
	Total	5,108,685	3,106,384	2,002,302	64.5%
Projects budgeted include:					
Safety compliance		105,594			
Interior and exterior painting of the Tenny Standpipe		1,049,787			
Two additional Trimble units		74,275			
Replacement of the elevator in the FDTP chemical building		263,917			
Construction of a new grounds shop		1,326,000	\$1.0 million carried over from 2021 bgt.		
Improvement to the stormwater system at the FDTP		1,838,381	\$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	270,963	256,703		
	Non Labor	7,199,680	4,085,500		
	Total	7,470,643	4,342,203	3,128,440	72.0%
Projects budgeted include:					
DM River well field		3,482,432	Funded by SRF Borrowing		
Filter media replacement		750,241			
WHL discharge header paint		169,159			
VFD high lift pumps		468,894			
SCADA network improvements		929,706	\$500k carried over from 2021 bgt		
East low/east high flood protection		309,559			
5kV switch gear upgrade		617,687			
PAC facility upgrade		301,686			
Fluoride room improvements		245,394			
		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	102,866	16,370		
	Non Labor	1,524,000	729,000		
	Total	1,626,866	745,370	881,496	118.3%
Projects budgeted include:					
Rehabilitation of collector wells		772,688			
HVAC upgrades in high-service pump room		136,940			
Ferric chloride expansion		214,103			
Ferric feed line replacement		246,703			
PAC system redundant storage and feed		256,431			
		1,626,865			

2022 CAPITAL Work Plans Recommended for Funding

Work Plan & Description		2022 Proposed Budget	2021 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	104,029	24,659		
	Non Labor	6,309,500	634,000		
	Total	6,413,529	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	114,076	-		
	Non Labor	5,791,100	-		
	Total	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	553,563	648,112		
	Non Labor	10,341,000	9,997,410		
	Total	10,894,563	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	31,160	-		
	Non Labor	884,400	-		
	Total	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	238,948	260,101		
	Non Labor	41,191	103,908		
	Total	280,139	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 These two joint projects were finished in 2021. No budget in 2022.				
Labor	-	62,580		
Non Labor	-	-		
Total	-	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	26,465		
Non Labor	1,293,500	254,000		
Total	1,385,762	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	373,011		
Non Labor	925,492	789,029		
Total	1,387,500	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	64,426		
Non Labor	900,000	900,000		
Total	968,297	964,426	3,871	0.4%
Vehicle Replacement Captures the cost of replacing vehicles and related equipment.				
Labor	7,638	17,915		
Non Labor	892,000	797,000		
Total	899,638	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/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.