

Cedar Falls Utilities 2023 Annual Budget

Operating Budget

and

Capital Improvement Plan



Electric, Gas, Water and Communications Utilities

**CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan**



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CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan

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CEDAR FALLS UTILITIES
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Vision, Mission, and Core Value Statements

CFU MISSION STATEMENT

To provide our customers with innovative, high-quality utility services that bring the best value to the community.

CFU VISION STATEMENT

Cedar Falls Utilities strives to achieve a standard of excellence as an industry leader and a trusted provider of utility services to its customers and community.



CFU CORE VALUES

Customer Focus

CFU employees value knowing and serving the expectations of their community. Decisions are based on exceeding the customer's expectations with a continuous focus on maintaining our infrastructure and positioning ourselves to quickly respond to all customer needs.

Ethical and Responsible Behavior

CFU employees will act at all times with professionalism, integrity, trust, honesty and respect for our customers and co-workers. CFU's employees and Trustees have been entrusted with the responsibility of providing for our community's electric, natural gas, water and communications needs. We will be good stewards of the financial resources entrusted to us by our community, CFU's physical assets and the environment.

Innovation

Anticipation of new ideas and technology allow us to be innovative and timely in adapting to a rapidly evolving industry.

Employee Teamwork and Personal Growth

CFU values the cooperative sharing of resources in a supportive environment in order to utilize each individual's unique talents to create a unified approach to carry out our mission. CFU values employee diversity, employee experience and employee safety; provides opportunities to develop and grow; and cultivates a sense of individual and organizational pride.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Overview of the Budget Process

Budget Document

This document is the Cedar Falls Utilities (CFU) 2023 Annual Operating Budget and Capital Improvement Plan for the Municipal Electric, Gas, Water, and Communications Utilities, of the City of Cedar Falls, Iowa. The Operating Budget and Capital Improvement Plan are considered one Annual Budget. CFU management believes these budgets reflect the most accurate data available at this time, and the documents have been prepared in a manner consistent with generally accepted accounting principles and methods. This budget will serve as a financial tool to maintain efficient management of CFU’s resources, while continuing to provide the level of service customers have come to expect.

Development of the Annual Budget

CFU is a combination municipal utility comprised of separate Electric, Gas, Water, and Communications Utilities dedicated to meeting the needs of the citizens of Cedar Falls, Iowa. Each utility is a separate legal entity, and budgets are developed for each utility on an individual basis. This includes projected operating revenue and expenses plus capital expenditures.

The Strategic Plan, approved by the Board of Trustees June 8, 2022, was incorporated in the budget decisions of the Business Unit Directors and Department Managers while preparing the 2023 budget. With the community’s continued growth, environmental goals and legislation, and competition in the communications field, long-range planning is imperative for CFU.

In July 2022, Business Unit Directors, Department Managers, and Supervisors received instructions for preparation of the 2023 budget documents and a schedule for completion of various steps in the process. Each business unit and their respective departments involved in the preparation of these budgets were as follows:

<i>Business Unit</i>	<i>Departments</i>
<i>Administration</i>	Administration
<i>Communication Services</i>	Communication Operations, Meter Reading, Information Systems, Information Technology & Security
<i>Customer Service and Business Development</i>	Customer Service, Energy Service, Sales & Business Development, Marketing
<i>Electric, Gas and Water Operations</i>	Electric Production, Electric Distribution, Electric Operations, Gas & Water Operations, Gas & Water Construction
<i>Employee and Legal Services</i>	Employee & Legal Services
<i>Finance and Organizational Services</i>	Finance, Purchasing & Warehousing, Maintenance Support Services - Facilities; Transportation

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Overview of the Budget Process

It was each department managers' responsibility to complete operating budget workbooks and return it to Finance before mid-August 2022. These workbooks include the re-forecasting of 2022 and the completion of the 2023 budget.

To streamline the process, expenses were not estimated by account but rather on a function-level basis. Joint costs of the business units are allocated to the four utilities via overhead allocation percentages, which are calculated based on revenues, payroll, total plant, and number of meters. These allocations are prepared and updated on an annual basis. All operating expenses are either budgeted directly to a utility category or allocated to the major account categories based on historical actual expenses.

Part of the Operating Budget preparation includes a personnel request process and estimation of 2023 wages. Wage increases and step adjustments, based on performance, average approximately 5% and union contract wages have been set at 5% in 2023. The non-union wage increase budget reflects the current tight labor market, particularly for technology-related positions on which CFU depends. The actual wage increase will be recommended to and approved by the Board of Trustees separate from the budget approval process.

Finance works with the department managers and revenue teams, to calculate the projected revenues and compile the information into one document for each utility, called the cash flow. Finance also reviews the budgets for compliance with budget directives and revenue requirements for each utility. System requirements were based on normalized weather conditions, and revenue forecasts are based on rates anticipated to be in effect during year 2023.

The Capital Improvement Plan was compiled on a parallel timetable with the Operating Budget and prepared by department managers, planners, and engineers into divisional categories of expenditure, such as transmission, distribution, or general plant. Finance compiles the separate categories into one CIP budget summary.

Budget Review

Prior to being presented to the Board of Trustees, the General Manager and the Director of Finance and Organizational Services review the proposed budget documents with the budget preparers and other Directors. Department managers complete requested revisions based on these reviews.

The four utilities are enterprise funds and rates in each utility are set at levels that allow for future capital expansion. If revenues exceed expenses, there is an increase in the fund balances that will be used for future capital expenditures. If revenues are less than expenses, enterprise fund balances are used to balance the budget. It is the Board of Trustee's responsibility to set rates that will produce adequate revenues for capital additions, expected operating expenses, including debt service requirements and other designated reserves.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Overview of the Budget Process

Budget Adoption

State code gives the Board of Trustees the authority to adopt the Annual Budget and amendments. The Board of Trustees sets the date for the public hearing on the Annual Budget during an October board meeting. After the Board of Trustees sets the date for the public hearing, copies of the detailed budget are made available to city offices, and the budget certification form is published in the local newspaper 10 to 20 days prior to the public hearing. This allows the public time to ask questions about the budget, and to attend the public hearing held in November. Final approval of the Budget rests with the Board of Trustees in November.

Once approved, the Annual Budget becomes the basis for operating and capital expenditures during the ensuing year. Total expenditures may not exceed the adopted budget as presented to the Board of Trustees. Budgetary control is provided by monthly revenue and expense reports and budget vs. actual variance reports completed by the managers, compiled by the Finance department and provided to the General Manager and Directors. The General Manager provides quarterly financial reports to the Board of Trustees.

Budget Amendments

Sec. 384.18 of Iowa Code provides that a municipal budget may be amended for any of the following purposes:

1. To permit the appropriation and expenditure of unexpended unencumbered cash balances on hand at the end of the preceding year, which had not been anticipated in the budget.
2. To permit the appropriation and expenditure of amounts anticipated being available from sources other than property taxation and which had not been anticipated in the budget.
3. To permit transfers from the debt service fund, the capital improvements reserve fund, the emergency fund, or other funds established by state law, to any other city fund unless specifically prohibited by state law.
4. To permit transfers between programs within the general fund.

A municipal utility's budget becomes effective January 1 of each year unless amended under the conditions listed above. A budget amendment must be prepared and adopted in the same manner as the original budget described above. A municipal utility's budget must be amended by November 30 of the current year to allow for a protest hearing to be held and a decision rendered before December 31.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Strategic Plan Summary

The Strategic Plan serves as a platform for CFU’s Board of Trustees, management and employees from which to make the many business decisions that must be made in the course of day-to-day operations of the Municipal Electric, Gas, Water and Communications Utilities and for the planning of future growth and development. The identified goals and objectives guide the Trustees and employees in achieving the vision and mission of CFU and provide the basis for the budgeting process.

The Strategic Plan is made up of nine sections: Customer Satisfaction, Fiscal Responsibility, Employee Enthusiasm, Environmental Responsibility, Electric Utility, Gas Utility, Water Utility, Communications Utility and Corporate Support Services.

Summarized below are the goals and objectives outlined in the 2022-2031 Strategic Plan adopted by the board on June 8, 2022:

Key Result Area: Customer Satisfaction

Goal #1: Pursue load and revenue growth that benefits CFU, our customers and the community.

- Objective #1: Support economic development and the expansion of existing and new businesses in Cedar Falls.
- Objective #2: Continue to dominate the market share for Internet, pay TV, and phone customers, maintain above 90% of the market for residential customers.
- Objective #3: Seek expansion opportunities to maximize the value and service offerings of our Communications Utility, to the benefit of Cedar Falls residents and CFU customers.

Goal #2: Provide exceptional customer service, receiving overall quality of service ratings above 9 in the voice of the customer survey.

- Objective #1: Improve service provided to prospective customers and to customers after they are connected.
- Objective #2: Enhance services to Key Accounts, commercial and industrial customers.

Goal #3: Effectively communicate Cedar Falls Utilities’ value to the community and initiate proper messaging and promotional activities in support of CFU’s products, services and community safety

- Objective #1: Reinforce community perception of CFU as a valued, reliable and trustworthy provider of services and initiate promotional activities to encourage customer acceptance and safe use of our products and services.
- Objective #2: Communicate safety messages to the community so that utility-related hazards are known, and accidents prevented.

Key Result Area: Fiscal Responsibility

Goal #1: Be fiscally responsible and plan for future fiscal strength

- Objective #1: Annually establish 5 and 10 year plans to control costs and be fiscally responsible.
- Objective #2: Maintain strong credit ratings to enhance ability to obtain additional capital.
- Objective #3: Annually, review capacity and large capital replacement needs due to retiring key units of property to recommend savings necessary to minimize the impact of future borrowings.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Strategic Plan Summary

- Objective #4: In the annual budgeting process, review and propose transfer payments to the City of Cedar Falls (PILOT), which are fiscally responsible and maintain our role within the community as a good corporate citizen.

Goal #2: Maintain competitive rates

- Objective #1: Annually, strive to achieve and maintain rates in the lowest 10% of peer communities in Iowa for both residential and commercial rate report cards.

Key Result Area: Employee Enthusiasm

Goal #1: Develop and maintain a positive, dynamic, efficient, skilled and progressive workforce

- Objective #1: Use best practices to recruit and retain a diverse workforce to meet the existing and future challenges of delivering essential utility services to Cedar Falls.
- Objective #2: Provide a positive working environment that fuels job productivity, communication and personal satisfaction for all employees and that fosters positive, collaborative relations between labor and management and between departments.
- Objective #3: Provide opportunity and support for employees' personal growth and development by implementing a formalized training program and developing a workforce plan to prepare for the next 3-5 years.
- Objective #4: Maintain a fair and competitive compensation and benefits program for all employee groups to support the company's mission, vision and core values.

Goal #2: Promote a culture of Healthy, Ethical and Safe employees dedicated to living the CFU vision and mission in service to our customers

- Objective #1: Maintain a safe working environment for all employees.
- Objective #2: Maintain, support and enhance the wellness culture for all employees in order to facilitate a healthy and productive workforce.

Goal #3: Provide a workforce strategy to be able to effectively respond to and address personnel and staffing needs of the departments in the next five years

- Objective #1: Focus on raising career awareness in the utility industry for our future workforce.
- Objective #2: Develop a comprehensive database of critical positions in order to assess succession needs and business continuity readiness.
- Objective #3: Develop a Workforce Continuity Program.

Key Result Area: Environmental Responsibility

Goal #1: Practice effective energy and environmental stewardship, and encourage and assist our customers in doing the same

- Objective #1: Lead our community energy efficiency efforts with the purpose of conserving resources, reducing long-term energy costs, and minimizing the environmental impact of energy consumption and production with Energy Service programs that balance environmental and rate responsibilities.

Goal #2: Reduce the environmental impact associated with the production and consumption of CFU-provided energy sources

- Objective #1: Reduce pollutant emissions attributed to CFU-supplied energy.

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Strategic Plan Summary

Key Result Area: Electric Utility

Goal #1: Improve internal system reliability

- Objective #1: Assess and publish customer reliability statistics.
- Objective #2: Improve the reliability of the internal transmission and distribution system.
- Objective #3: Analyze the Red Team report to address attacks of terrorism or vandalism. Identify economically feasible mitigation improvements.

Goal #2: Identify and review cost-competitive energy supply options

- Objective #1: Identify and evaluate energy supply options.
- Objective #2: Evaluate opportunities to cooperate with regional utilities toward expansion or creation of joint action ventures with respect to generation, dispatch and power supply opportunities.

Goal #3: Develop and implement generation, transmission and distribution capacity improvements to meet future load demand

- Objective #1: Maintain a long-range generation capacity plan. Strive to increase diversity, address environmental concerns and maximize value to CFU ratepayers. Annually review and update our generation capacity projections and 20-year load forecast.
- Objective #2: Maintain a long-range electric infrastructure improvement plan.
- Objective #3: Evaluate projects for application submission for funding from the Infrastructure Investment and Jobs Act or other similar grant sources.

Key Result Area: Gas Utility

Goal #1: Provide safe, reliable supply and delivery of natural gas to our customers

- Objective #1: Provide timely planning, design, construction, operation and maintenance for reliable gas system delivery, expansion, and improvement. Annually review and update 10-year Capital Improvement Plan (CIP).
- Objective #2: Provide a well-qualified workforce and succession planning to achieve the Gas Utility's Strategic Plan, provide high quality customer service.
- Objective #3: Evaluate projects for application submission for funding from the Infrastructure Investment and Jobs Act or other similar grant sources.

Goal #2: Provide high-quality field and informational services that promote the safe use of natural gas by our customers

- Objective #1: Increase public awareness and education regarding natural gas including its safety, characteristics, and uses and system reliability.
- Objective #2: Utilize new technologies where it may benefit CFU customers.

Goal #3: Maintain financial health of the gas utility

- Objective #1: Manage gas commodity purchasing to minimize cost and risk.
- Objective #2: Minimize gas transportation and distribution costs, while retaining operational benefits of our pipeline contract.

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Strategic Plan Summary

Key Result Area: Water Utility

Goal #1: Provide high-quality drinking water that meets or exceeds industry standards and regulatory requirements

- Objective #1: Provide high-quality drinking water with safe and reliable delivery.
- Objective #2: Provide a well-qualified workforce and succession planning to achieve the Water Utility's Strategic Plan and provide high-quality customer service.

Goal #2: Develop and implement infrastructure improvements and O&M plans to meet current and future demand

- Objective #1: Provide timely planning, design, construction, operation and maintenance for water system operation, expansion, and improvement. Annually review and update 10-year Capital Improvement Plan (CIP).
- Objective #2: Monitor and evaluate new technologies, materials and construction methods. Implement where beneficial to CFU.
- Objective #3: Evaluate projects for application submission for funding from the Infrastructure Investment and Jobs Act or other similar grant sources.

Key Result Area: Communications Utility

Goal #1: Evaluate and implement innovative, high-quality telecommunications technology to remain competitive and efficient

- Objective #1: Evaluate the technology roadmap for video services.
- Objective #2: Evaluate the technology roadmap for data services.
- Objective #3: Evaluate the technology roadmap for phone services.

Goal #2: Provide reliable delivery of services to our internal and external customers

- Objective #1: Ensure the redundancy and resiliency within our systems are adequate.
- Objective #2: Establish metrics for communications network service quality.
- Objective #3: Expand our fiber footprint to rural areas surrounding Cedar Falls

CEDAR FALLS UTILITIES
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Strategic Plan Summary

Key Result Area: Corporate Support Services

Goal #1: Monitor and address cyber and physical security risks

- Objective #1: Assure adequate insurance in the risk management plan to protect for various eventualities.
- Objective #2: Using a committee approach, identify improvements that will allow CFU culture to embrace security awareness.
- Objective #3: Review and complete changes to key systems and physical security that are needed to continue to maintain operations and data in a secure and responsible manner.

Goal #2: Construct and maintain high quality facilities and grounds to provide a productive, safe and secure environment and positive image for our employees, customers and community

- Objective #1: Plan, construct, and update facilities in a fiscally responsible manner to provide adequate space and environmental controls for employees to perform job duties safely, efficiently and productively.
- Objective #2: Provide physical security controls to protect customers, employees and company assets.

Goal #3: Evaluate opportunities for business process improvements

- Objective #1: Identify improvements in business processes to obtain efficiencies and promote customer service.
- Objective #2: Continue to test and verify our disaster recovery and business continuity plan.

Goal #4: Provide excellent legal services to the Board of Trustees and General Manager in order to support the Mission, Vision and Core Values

- Objective #1: Provide timely and thorough review of all contract documents.
- Objective #2: Provide information to the Board and Executive Management regarding state and federal legislative matters and relationships in order to advance issues of importance to the Utilities.
- Objective #3: Review Board's Bylaws and governance policies to ensure legal compliance and consistency.
- Objective #4: Consider and evaluate level of transparency to the public with respect to Board meetings and actions.

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Financial Summary

Rates

In the 2023 budget, management remained mindful of the goal of having CFU’s rates in the lowest 10% when compared to other utility service providers. Given CFU’s need for substantial long-term investments, along with the directive to keep rates very competitive while experiencing a growing local economy, management has a formidable task in balancing these goals. According to the residential rate report card completed in May 2022, for the period June 2020 to May 2022 the average Cedar Falls Utilities residential customer spent:

Basic Plus Cable & Internet	\$ 1,782
Electric Service	\$ 1,160
Gas Service	\$ 761
Water Service	\$ 287
Annual Total	\$ 3,990

During the same period the average annual bill for the twenty peer communities was \$5,038.

A 3.0% increase to base electric rates is recommended to allow continued funding for a Board Designated Generation and Transmission Acquisition fund and fund large capital expenditures anticipated for the next few years. More detail can be found in the Capital Improvement Plan (CIP) sections of this book.

An 8.0% increase to base gas rates is recommended. The Gas Utility has seen a significant increase in Purchased Gas Supply expenses, the largest cost to the Utility, starting in 2021. Purchased Gas Supply expenses include natural gas and related pipeline fees. These expenses are passed on to customers through the Purchased Gas Adjustment (PGA) without markup. In the 2022 reforecast and 2023 budget these costs represents approximately 74.4% and 80.1% respectively of the total cost of operations. In 2021 there was a significant increase in the average price the utility paid for natural gas and the price is projected to be even higher in 2023. Related pipeline fees will also see a significant increase in 2023. See the Gas Utility section for more information. As these costs are passed on the customer without markup a base rate increase is needed to ensure the Utility meets its minimum recommended cash reserve level.

Staff continues to explore ways to control natural gas costs. CFU’s rates also include some services, such as furnace checks, that are either not offered or are charged separately by our peers. Conservatively, the value of these additional services is estimated to be \$259,000 per year.

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A 9.5% increase to base water rates is recommended. The Water Utility has large capital expenditures anticipated for the next ten years and future rate increases are anticipated for each of the projected years of this book. More detail can be found in the Capital Improvement Plan (CIP) sections of this book. These expenditures will allow CFU to replace water mains at the same time the City of Cedar Falls is doing street repairs or reconstruction. This provides a substantially less expensive alternative to the Water Utility to replace water mains. While we do receive reimbursement for these new water mains in the tax increment financing (TIF) districts, this accounts for only 5% of the anticipated water main replacement, relocation, and extension projects in our ten-year plan. The rate increases will help achieve more desirable cash reserves levels for this utility and address concerns with net operating income and projected capital demands.

Staff performs an annual analysis of the Communications Utility’s cost of service and evaluates current offerings to strategize improvements to the services, generate new revenues and/or reduce expenses. This is done with the customer in mind and the impact on the Utility overall.

Programming costs are approximately 76% of cable television’s retail revenues. Since 2012, CFU has experienced programming cost increases that average around 10% annually, and this is the main driver for the rate changes proposed for TV rates.

To keep pace with programming cost increases, we are recommending an \$6 per month increase in Basic and Basic Plus services. See tables below. We continue to see gradual declines in TV subscribers, but our pricing strategies greatly minimize the impact of TV subscriber losses. When renewing contracts with TV programmers we continue to seek to control programming costs, minimize bulk floor costs and secure advanced video rights that enable our PowerDVR and App based delivery.

Increase in Basic and Basic Plus Costs & Rates

	2012	2022	Change
Cost	\$ 33.31	\$ 87.40	\$ 54.09
Rate	\$ 51.00	\$ 108.00	\$ 57.00

The 2023 budget includes rate increases to FiberNet TV services as follows:

Service Description	Current Rates Per Month	New Rates Per Month	Change
Basic (Last increase January 2022)	\$46.00	\$48.00	\$2.00
Basic Plus (Last increase January 2022)	\$62.00	\$66.00	\$4.00

No rate increases are being recommended for FiberNet Data, WaveNet Wireless or Phone services in 2023.

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Ratios

CFU monitors several key standard financial indicators used by rating agencies as measures of its financial health. Except for the debt service coverage ratios, which reflect bond covenant requirements of 1.25 plus a 50-basis point safety margin, the goals are financial targets for each utility to maintain a strong financial position. These measures relate to debt service coverage, cash as a percent of operating expenses, and net operating income/net income as a percent of revenue and Board designated cash reserves. Details are shown in the cash flow statement for each utility in its individual section of the budget document and a summary of the goals and ratios are shown in the following table.

2023 Key Financial Ratios

Measure	Goal	Electric	Gas	Water	Communications
Debt Service Coverage-Revenue Debt	1.75+	4.20	N/A	N/A	N/A
Debt Service Coverage-All Debt	1.75+	4.20	N/A	N/A	N/A
Cash as a % of Operating Expenses (without Depreciation, PILOT & IPERS/OPEB liability expenses)	50%+	37.65%	19.49%	99.92%	106.18%
Net Operating Income as a % of Revenue (NOI)	6%+	4.02%	1.20%	11.70%	12.54%
Net Income as a % of Revenue	6%+	5.16%	1.56%	16.73%	12.96%
Cash Surplus (Deficit) after Legal & Board Recommended Reserves	Zero	\$2,423,308	\$89,483	\$957,657	\$9,180,637

These indicators are used to understand the view of the financial health of each utility, which is particularly important if future borrowing is anticipated and are used to prompt discussion with potential lenders and rating agencies. Some of these standard indicators must be evaluated with care as variation from the standard may be acceptable. For example, in the Electric and Gas Utilities should the cash as a percent of operating expenses fall below the desired goal, due to high fuel or natural gas costs, it can be explained to the lenders and rating agencies that the Electric and Gas Utilities' operating expense is made up of energy, fuel and purchase power costs and there is an energy cost/purchased gas adjustment mechanism to deal with the recovery of these costs without raising rates.

CEDAR FALLS UTILITIES
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The Electric Utility's net operating income as a percent of revenue of 4.02% and net income as percent of revenue of 5.16% are lower than the stated goal of 6%. Since 2021 there has been a significant increase in purchased power and fuel expenses that are passed on to customers through the Energy Cost Adjustment (ECA) without markup. IE: Increased purchased power and fuel expenses result in increased operating revenue but do not add to net income. Assuming the same 2023 operating expenses the Utility would need an additional \$1,874,877 of operating revenue, or a base rate increase of approximately 10% in 2023 to meet the 6% goal.

Electric Operating Revenue

	Amount	6% Margin	Margin Change
2020	\$ 45,130,656	\$ 2,870,309	-
2021	\$ 58,873,314	\$ 3,744,343	\$ 874,034
2022 Reforecast	\$ 70,380,581	\$ 4,476,205	\$ 731,862
2023 Budget	\$ 80,026,119	\$ 5,089,661	\$ 613,456
2020 to 2023 Budget			\$ 2,219,352

2023 Budget NOI		\$ 3,214,784
2023 Additional NOI Needed		\$ 1,874,877
Total		\$ 5,089,661

See the Electric Utility section more detail in the increase in purchased power and fuel expenses.

CEDAR FALLS UTILITIES
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The Gas Utility’s net operating income as a percent of revenue of 1.20% and net income as percent of revenue of 1.56% are lower than the stated goal of 6%. As mentioned in the rates section and discussed in more detail in the Gas Utility section there has been a significant increase in Purchased Gas Supply expenses starting in 2021. These expenses are passed on to customers through the Purchased Gas Adjustment (PGA) without markup. IE: Increased Purchased Gas Supply expenses result in increased operating revenue but do not add to net income. Assuming the same 2023 operating expenses the Utility would need an additional \$1,594,895 of operating revenue, or a base rate increase of approximately 36% in 2023 to meet the 6% goal.

Gas Operating Revenue

	Amount	6% Margin	Margin Change
2020	\$ 11,957,714	\$ 760,511	-
2021	\$ 34,119,569	\$ 2,170,004	\$ 1,409,493
2022 Reforecast	\$ 24,228,501	\$ 1,540,933	\$ (629,071)
2023 Budget	\$ 30,915,513	\$ 1,966,227	\$ 425,294
2020 to 2023 Budget			\$ 1,205,716

2023 Budget NOI		\$ 371,332
2023 Additional NOI Needed		\$ 1,594,895
Total		\$ 1,966,227

The Water Utility’s key financial ratios all meet or exceed recommended goals. Net operating income as a percent of revenue of 11.70% and net income as percent of revenue of 16.73% are higher than the stated goal of 6% but the Utility is projected to have an annual cash deficit 2022 through 2025 mainly due to capital expenditures. Therefore a 9.5% increase to base water rates is recommended.

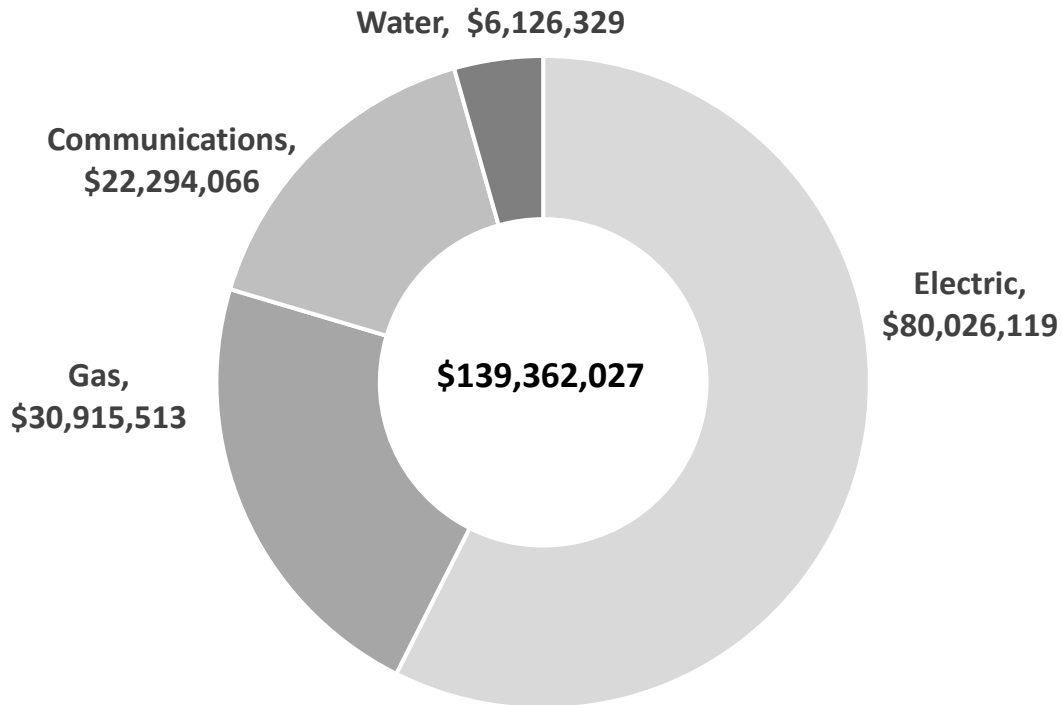
More detail on Water capital expenditures can be found in the Capital Improvement Plan (CIP) sections of this book.

The Communications Utility’s key financial ratios all meet or exceed recommended goals. Net operating income as a percent of revenue of 12.54% and net income as percent of revenue of 12.96% are higher than the stated goal of 6%.

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Financial Summary

Operating Revenues

Revenues for the Electric, Gas, and Water Utilities were budgeted based on normalized weather conditions.



Electric Revenue

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 51,110,294	-	-
2022 Reforecast	\$ 70,380,581	\$ 19,270,287	37.7%
2023 Budget	\$ 80,026,119	\$ 9,645,538	13.7%
'22 Budget vs. '23 Budget		\$ 28,915,825	56.6%

The changes above are primarily due to changes in purchased power and fuel expenses that are passed on via the Energy Cost Adjustment (ECA) and expected Western Unit MISO sales.

The budgeted amounts reflect a 3.0% increase to base rates, expected normalized weather and other anticipated changes in CFU’s customer base.

See the Electric Utility section for more information.

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Gas Revenue

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 20,957,770	-	-
2022 Reforecast	\$ 24,228,501	\$ 3,270,731	15.6%
2023 Budget	\$ 30,915,513	\$ 6,687,012	27.6%
'22 Budget vs. '23 Budget		\$ 9,957,743	47.5%

The changes above are primarily due to changes in natural gas and related pipeline fees that are passed on to customers through the Purchased Gas Adjustment (PGA) without markup.

The budgeted amounts reflect an 8.0% increase to base rates, expected normalized weather and other anticipated changes in CFU's customer base.

See the Gas Utility section for more information.

Water Revenue

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 5,569,365	-	-
2022 Reforecast	\$ 5,579,440	\$ 10,075	0.2%
2023 Budget	\$ 6,126,329	\$ 546,889	9.8%
'22 Budget vs. '23 Budget		\$ 556,964	10.0%

The budgeted amounts reflect a 9.5% increase to base rates, expected normalized weather and other anticipated changes in CFU's customer base.

Communications Revenue

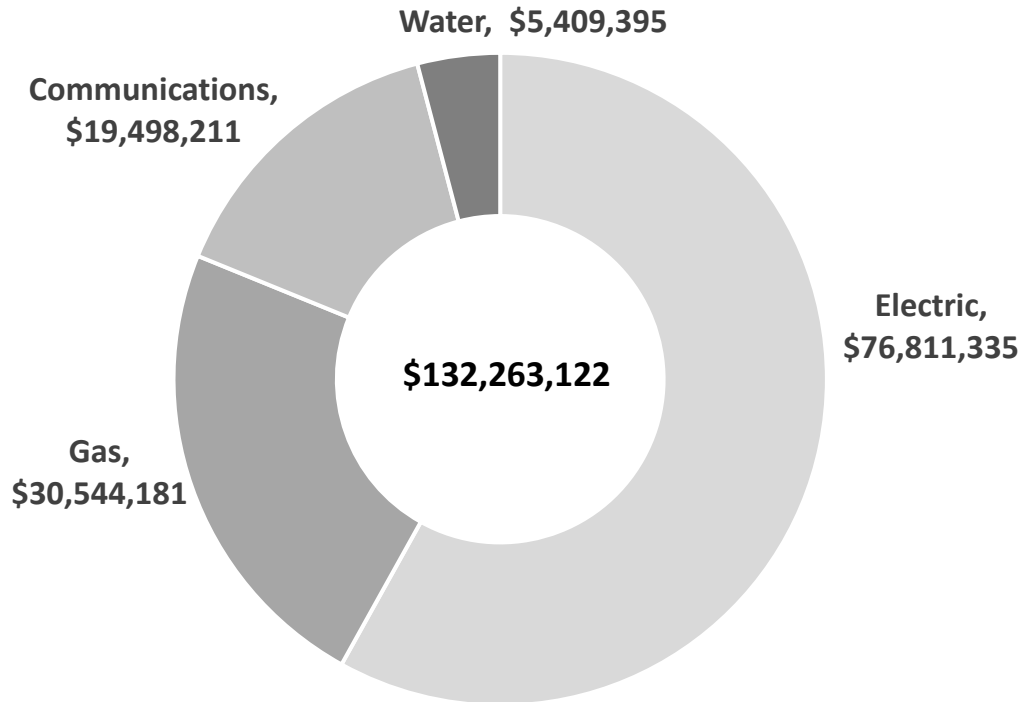
	Amount	Increase (Decrease)	
2022 Original Budget	\$ 22,807,963	-	-
2022 Reforecast	\$ 22,244,613	\$ (563,350)	-2.5%
2023 Budget	\$ 22,294,066	\$ 49,453	0.2%
'22 Budget vs. '23 Budget		\$ (513,897)	-2.3%

The budgeted amounts reflect a \$6 per month increase in Basic and Basic-Plus rates, no changes in data rates and anticipated changes in CFU's customer base.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Financial Summary

Operating Expenses

Expenses for the Electric, Gas, and Water Utilities are budgeted based on normalized weather conditions for anticipated temperatures and rainfall.



Electric Expenses

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 50,809,125	-	-
2022 Reforecast	\$ 65,936,506	\$ 15,127,381	29.8%
2023 Budget	\$ 76,811,335	\$ 10,874,829	16.5%
'22 Budget vs. '23 Budget		\$ 26,002,210	51.2%

The changes are primarily due to changes in purchased power and fuel expenses that are passed on via the ECA. See the Electric Utility section for more information.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Financial Summary

Gas Expenses

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 20,698,692	-	-
2022 Reforecast	\$ 24,817,834	\$ 4,119,142	19.9%
2023 Budget	\$ 30,544,181	\$ 5,726,347	23.1%
'22 Budget vs. '23 Budget		\$ 9,845,489	47.6%

The changes are primarily due to changes in natural gas costs which are the largest cost to the Gas Utility. See the Gas Utility section for more information.

Water Expenses

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 5,019,216	-	-
2022 Reforecast	\$ 4,921,739	\$ (97,477)	-1.9%
2023 Budget	\$ 5,409,395	\$ 487,656	9.9%
'22 Budget vs. '23 Budget		\$ 390,179	7.8%

The changes are primarily due to changes in labor & benefits and general increase in material, supplies and services purchased by the Utility. See the Water Utility section for more information.

Communications Expenses

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 19,552,143	-	-
2022 Reforecast	\$ 18,305,795	\$ (1,246,348)	-6.4%
2023 Budget	\$ 19,498,211	\$ 1,192,416	6.5%
'22 Budget vs. '23 Budget		\$ (53,932)	-0.3%

2022 Original Budget vs. 2022 Reforecast: Most of the decrease is from lower than anticipated programming expenses and changes in labor & benefits.

2022 Reforecast vs. 2023 Budget: The change is primarily due to changes in general increases in material, supplies and services purchased by the Utility.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Financial Summary

Personnel

Excluding commodity costs, which require 59.5% of the operating budget, CFU’s second largest expense is labor and benefit costs, which require 17.5% of the operating expense budget. Staffing levels are managed in a way to control costs, improve our competitive position, and provide for succession planning.

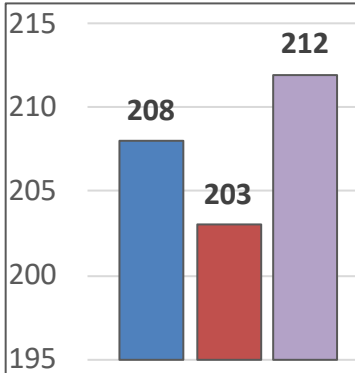
Supplementing our regular workforce with outside contractors, consultants, students, and part-time help during the busy construction season and for large projects will continue. This has been an economical way to help manage labor costs and attract some high-quality candidates for job-training opportunities.

Compensation Expenditures

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 22,735,471	-	-
2022 Reforecast	\$ 21,698,246	\$ (1,037,225)	-4.56%
2023 Budget	\$ 24,125,157	\$ 2,426,911	11.18%
'22 Budget vs. '23 Budget		\$ 1,389,686	6.11%

As seen in many companies this last year, the employee shifts to retirement and seeking new opportunities has created an increase in hiring and onboarding efforts at CFU. Retirements have led to new opportunities for employees in other departments and new regulatory requirements as well as succession planning are creating a shift in workloads and needs of the company. As these shifts occur, management reviews the best course of action to meet today’s needs in each area impacted. Staffing counts reflective of the costs above are detailed in the Personnel Summary section of this document and are as follows:

Employees	2022 Original Budget	2022 Current*	2023 Budget
Temporary PT	1	2	0
Temporary FT	1	1	1
Seasonal	8	10	9
Part Time	13	12	13
Full Time	185	178	189
Total	208	203	212



* As of September 16, 2022

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Financial Summary

Debt Service

Currently the Electric Utility has one outstanding Revenue Bond, Series 2015, the debt is callable December 1, 2023. There are no plans to issue additional debt for the Electric Utility in the near future.

The Gas, Water & the Communications Utilities have no debt outstanding and there are no plans to issue debt in the near future.

Expected Outstanding Debt

	Outstanding Debt as of Dec. 31, 2022	2023 Payments (Principal Only)	Outstanding Debt as of Dec. 31, 2023
Electric	\$8,865,000	\$3,045,000	\$5,820,000
Gas	\$0	\$0	\$0
Water	\$0	\$0	\$0
Communications	\$0	\$0	\$0
Total	\$8,865,000	\$3,045,000	\$5,820,000

Transfers to City – Payments in Lieu of Taxes (PILOT)

CFU budgets for an annual transfer to the City of Cedar Falls as a payment in lieu of taxes (PILOT). In the 2023 Electric budget, CFU will accrue \$2,643,876 in a transfer to the City and budgeted \$357,204 in property tax for a total of \$3,001,080 which is 5.2% of the 2023 budgeted Electric retail revenues of \$58,030,908. In the 2023 Gas budget CFU will accrue \$0 for this annual transfer.

Energy Efficiency

The 2023 budget includes \$800,000 in the electric and gas energy efficiency incentives budget, a 5.9% decrease from the 2022 budget of \$850,000. CFU employs significant expertise in commercial and industrial energy efficiency and the budget funds significant CFU incentives associated with expected energy reduction projects of our customers. If cost-effective projects are identified which would exceed the budget, CFU staff will request authorization from the CFU Board for additional funding.

Cash Balances and Reserves

All four utilities combined cash balances as of December 31 are detailed in the table below:

Year-End Cash & Investment Balances					
	Electric	Gas	Water	Comm.	Total
2020 Actuals	\$ 43,822,048	\$ 13,083,156	\$ 5,383,196	\$ 15,434,725	\$ 77,723,125
2021 Actuals	\$ 48,044,571	\$ 8,533,998	\$ 6,380,270	\$ 19,278,972	\$ 82,237,811
2022 Reforecast	\$ 51,455,731	\$ 12,760,888	\$ 6,377,675	\$ 18,723,505	\$ 89,317,799
2023 Budget	\$ 45,472,687	\$ 12,136,508	\$ 4,758,273	\$ 16,611,677	\$ 78,979,145

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Financial Summary

Cash & investment balances are projected to be down in 2023 for all utilities due in large part to planned capital improvements. For more information see the Capital Improvement Plan.

The breakdown of the 2023 cash balances is detailed here:

2023 Year-End Budgeted Cash & Investment Balances					
	Electric	Gas	Water	Comm.	Total
Unrestricted	\$ 24,134,624	\$ 5,731,956	\$ 4,377,463	\$ 15,908,677	\$ 50,152,720
Board Designated	\$ 15,925,200	\$ 5,867,852	\$ -	\$ -	\$ 21,793,052
Legally Restricted	\$ 5,412,863	\$ 536,700	\$ 380,810	\$ 703,000	\$ 7,033,373
Total Cash & Investments	\$ 45,472,687	\$ 12,136,508	\$ 4,758,273	\$ 16,611,677	\$ 78,979,145

The legally restricted reserves are the cash amounts required to be restricted per debt covenants or legal designations. The Board has also made specific designations for special funds and these are labeled as Board Designated reserves. These include an Electric Generation & Transmission Acquisition Fund and a Gas Utility Capital Replacement Fund into which staff is directed to transfer cash to assist in funding very large capital expenditures and the amount is determined in the budget process and subject to change annually. More information about these funds can be found in the Electric and Gas sections of the book.

The Board of Trustees has determined the minimum desired level of reserves for each utility via a cash reserve policy last updated July 14, 2021. The Board has also determined, by formula, recommended targets for each utility that consist of liability insurance, operating expenses, and CIP reserves. The table below shows the budgeted Board recommended cash reserve balances by each utility for 2023. Details are shown in the cash flow statement for each utility in its specific section of the budget. All Utilities meet the minimum recommended board reserve levels.

2023 Year-End Budgeted Reserves					
	Electric	Gas	Water	Comm.	Total
Unrestricted	\$ 24,134,624	\$ 5,731,956	\$ 4,377,463	\$ 15,908,677	\$ 50,152,720
Board Recommended	\$ 21,711,316	\$ 5,642,473	\$ 3,419,806	\$ 6,728,040	\$ 37,501,635
Surplus (Deficit)	\$ 2,423,308	\$ 89,483	\$ 957,657	\$ 9,180,637	\$ 12,651,085

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Budget Summary by Utility

	ELECTRIC	GAS	WATER	COMM.	TOTAL
Operating Revenue					
Retail Sales	\$ 58,030,908	\$ 30,861,513	\$ 5,720,729	\$ 21,736,614	\$ 116,349,764
Sales for Resale - FTR	4,209,457				4,209,457
Sales for Resale - MISO	870,901				870,901
Sales for Resale - Western Units	11,586,853				11,586,853
Transmission Revenue	3,978,000				3,978,000
Other Operating Revenue	1,350,000	54,000	405,600	557,452	2,367,052
Misc. Adjustment to Convert to Cash	0	0	0	0	-
Total Operating Revenue Cash	\$ 80,026,119	\$ 30,915,513	\$ 6,126,329	\$ 22,294,066	\$ 139,362,027
Operating Expense*	\$ 66,752,179	\$ 29,417,129	\$ 4,380,771	\$ 14,982,083	\$ 115,532,162
Misc. Adjustment to Convert to Cash	0	666,119	0	0	666,119
Total Operating Expense Cash	\$ 66,752,179	\$ 30,083,248	\$ 4,380,771	\$ 14,982,083	\$ 116,198,281
Operating Cash Flow	\$ 13,273,940	\$ 832,265	\$ 1,745,558	\$ 7,311,983	\$ 23,163,746
Other Sources (Uses)					
Capital Expenditures	\$ (16,707,420)	\$ (1,562,860)	\$ (3,638,920)	\$ (9,472,800)	\$ (31,382,000)
Debt					
Bond Issues for Capital	0	0	0	0	0
Bond Principal Payment	(3,045,000)	0	0	0	(3,045,000)
Bond Interest Payment	(310,875)	0	0	0	(310,875)
Intercompany Note	0	0	0	0	0
Note Principal Payment	0	0	0	0	0
Debt	(3,355,875)	0	0	0	(3,355,875)
Other Non-Operating Sources (Uses)					
Interest Income	229,200	103,200	66,360	45,516	444,276
TIF Reimbursements	497,111	1,815	0	1,073	499,999
Interest Charges - Customer Deposits	(45,000)				(45,000)
Other Income (Expense)*	125,000	1,200	207,600	2,400	336,200
Other Non-Operating Sources (Uses)	806,311	106,215	273,960	48,989	1,235,475
Annual Cashflow Surplus / (Deficit)	\$ (5,983,044)	\$ (624,380)	\$ (1,619,402)	\$ (2,111,828)	\$ (10,338,654)

Accrual Net Income					
Operating Revenues	\$ 80,026,119	\$ 30,915,513	\$ 6,126,329	\$ 22,294,066	\$ 139,362,027
Misc. Adjustment to Convert to Cash	-	-	-	-	0
Total Operating Revenue	80,026,119	30,915,513	6,126,329	22,294,066	139,362,027
Operating Expense*	66,752,179	29,417,129	4,380,771	14,982,083	115,532,162
Non-Cash Adjustments					0
OPEB & IPERS	389,700	192,600	64,700	33,468	680,468
Depreciation & Amortization	9,581,452	934,452	963,924	4,482,660	15,962,488
Other Operating Expenses	88,004	0	0	0	88,004
Total Operating Expense	76,811,335	30,544,181	5,409,395	19,498,211	132,263,122
Other Non-Operating Sources (Uses)	806,311	106,215	273,960	48,989	1,235,475
Bond Interest Expense	(298,188)	0	0	0	(298,188)
Non-Cash Adjustments					
Allowance for AFUDC (Equity)	95,099	4,651	34,048	44,687	178,485
Contribution In Aid of Construction	0	0	0	0	0
Allowance for AFUDC (Debt)	6,655	0	0	0	6,655
Debt Issue Costs/Discounts/Premium (Net)	307,044	0	0	0	307,044
Total Non-Operating Revenues (Expenses)	916,921	110,866	308,008	93,676	1,429,471
Net Income (Loss)	\$ 4,131,705	\$ 482,198	\$ 1,024,942	\$ 2,889,531	\$ 8,528,376
Net Income as a % of Revenue	5.16%	1.56%	16.73%	12.96%	6.12%

Net Operating Income (NOI)	\$ 3,214,784	\$ 371,332	\$ 716,934	\$ 2,795,855	\$ 7,098,905
NOI as a % of Revenue	4.02%	1.20%	11.70%	12.54%	5.09%

*Does not include Depreciation, GASB Related IPERS & OPEB Expenses, AFUDC or Noncash Contributions in Aid of Construction

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Operating Budget Breakdown of Expenses

	Reforecast 2022	% of Total	Budget 2023	% of Total	Net Change	
Commodities						
Natural Gas	\$ 18,452,983		\$ 24,459,409		\$ 6,006,426	32.5%
Fuel	4,880,674		6,163,929		\$ 1,283,255	26.3%
Purchases For Resale	27,761,071		33,977,175		\$ 6,216,104	22.4%
Joint Ownership	2,325,000		2,850,000		\$ 525,000	22.6%
Transmission Network Svc.	3,827,000		3,896,400		\$ 69,400	1.8%
Cable Programming	6,317,990		6,028,155		\$ (289,835)	-4.6%
Bandwidth & Telephone Cost	783,133		838,001		\$ 54,868	7.0%
Other Inventory	1,174,140		854,260		\$ (319,880)	-27.2%
Total Commodities	\$ 65,521,991	57.1%	\$ 79,067,329	59.7%	\$ 13,545,338	20.7%
Wages and Benefits						
O&M Salaries & Labor	\$ 14,113,530		\$ 15,857,022		\$ 1,743,492	12.4%
Benefits						
Medical & Dental	3,067,384		3,334,847		267,463	8.7%
FICA/IPERS/457	2,774,246		3,015,033		240,787	8.7%
Severance & Retirement Pension	572,190		767,412		195,222	34.1%
Other Benefits	305,037		323,065		18,028	5.9%
Total Wages and Benefits	\$ 20,832,387	18.2%	\$ 23,297,379	17.6%	\$ 2,464,992	11.8%
Depreciation & Amortization	\$ 15,319,257	13.4%	\$ 16,050,492	12.1%	\$ 731,235	4.8%
Materials, Supplies, Services, Other	8,279,556	7.2%	10,055,267	7.6%	1,775,711	21.4%
PILOT/Transfer to the City	3,120,082	2.7%	2,643,876	2.0%	(476,206)	-15.3%
Property & Liability Insurances	1,208,051	1.1%	1,393,816	1.1%	185,765	15.4%
Interest on Debt Outstanding	156,099	0.1%	36,144	0.0%	(119,955)	-76.8%
Property Taxes	370,759	0.3%	357,204	0.3%	(13,555)	-3.7%
Regulatory & Compliance	273,280	0.2%	219,600	0.2%	(53,680)	-19.6%
Other Expenses & Net Accruals	(347,179)	-0.3%	(678,496)	-0.5%	(331,317)	95.4%
Total Operating Budget Expenses	\$ 114,734,283	100.0%	\$ 132,442,611	100.0%	\$ 17,708,328	15.4%

Cedar Falls Municipal Utilities
NAME OF ENTERPRISE

REVENUES DETAIL

		Calendar		
		<i>(specify budget years)</i>	Budget 2023	Re-Estimated 2022
Beginning Fund Balance	390	89,317,799	82,237,811	77,723,125
Use of Money & Property	398	444,276	483,231	88,207
Charges for Services:				
Hospital	411			
Water	404	6,126,329	5,579,440	5,553,225
Sewer	405			
Electric	406	80,026,119	70,380,581	58,873,314
Gas	407	30,915,513	28,256,583	30,091,487
Telecommunications	408	22,294,066	22,244,613	22,015,649
Total Charges for Services	414	139,362,027	126,461,217	116,533,675
Miscellaneous	416	986,199	1,465,550	1,891,721
Other Financing Sources:				
Operating Transfers In	417			
Proceeds of Long Term Debt	418			
Proceeds of Fixed Asset Sales	419			
Total Revenues - All Sources	421	230,110,301	210,647,809	196,236,728

EXPENDITURES DETAIL

		Calendar		
		<i>(specify budget years)</i>	Budget 2023	Re-Estimated 2022
Expenditures:				
Hospital	338			
Water	360	8,019,691	5,834,202	4,786,823
Sewer	357			
Electric	361	87,010,474	68,548,834	56,205,666
Gas	362	31,646,108	24,097,491	34,655,709
Telecommunications	363	24,454,883	22,849,483	18,350,719
Total Expenditures:	386	151,131,156	121,330,010	113,998,917
Transfers Out	387			
Ending Fund Balance	388	78,979,145	89,317,799	82,237,811
Total Expenditures & Transfers Out	389	230,110,301	210,647,809	196,236,728

ADOPTED BUDGET SUMMARY

			Calendar <small>(specify fiscal or calendar year budget)</small>		YEAR		
Cedar Falls Municipal Utilities NAME OF ENTERPRISE					2023		
	<small>(specify budget years)</small>	Budget 2023		Re-Estimated 2022		Actual 2021	
REVENUES & OTHER FINANCING SOURCES							
Use of Money and Property	(line 398)	241	444,276	271	483,231	301	88,207
Charges for Services	(line 414)	243	139,362,027	273	126,461,217	303	116,533,675
Miscellaneous	(line 416)	245	986,199	275	1,465,550	305	1,891,721
Operating Transfers In	(line 417)	247	0	277	0	307	0
Proceeds of Long Term Debt	(line 418)	248	0	278	0	308	0
Proceeds of Fixed Asset Sales	(line 419)	249	0	279	0	309	0
Total Revenues & Other Financing Sources		250	140,792,502	280	128,409,998	310	118,513,603
EXPENDITURES & TRANSFERS OUT							
Expenditures	(line 386)	255	151,131,156	285	121,330,010	315	113,998,917
Transfers Out	(line 387)	259	0	289	0	319	0
Total Expenditures & Transfers Out		260	151,131,156	290	121,330,010	320	113,998,917
Excess of Revenues & Other Sources Over (Under) Expenditures & Transfers Out							
		261	-10,338,654	291	7,079,988	321	4,514,686
BEGINNING Fund Balance	(line 390)	262	89,317,799	292	82,237,811	322	77,723,125
ENDING Fund Balance	(line 388)	263	78,979,145	293	89,317,799	323	82,237,811

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Electric Generation

On March 13, 1913, Cedar Falls voters passed a \$50,000 revenue bond issue by more than a 2-to-1 margin, to fund the building of the city's own power plant. By March 1914, two engines (Unit 1) and three fire-tube boilers were installed, and a business office for the new utility was leased on Third Street. By the following month, the power plant was producing electricity and the first customers were served. The City Council then formally established an Electric Light & Power Department and named Clark Streeter as superintendent of the Municipal Light Plant.

Cedar Falls Municipal Light Company built one of the first rural electric lines in Iowa, to serve a group of farmers living along South Main Street, at a cost of \$700 per mile. Demand for electrical service kept increasing at a rapid rate, with service being extended to the North Cedar area in 1922. Growth continued into the 1930's, with the addition of a 1,500 kW steam turbine (Unit 2) installed in a brick addition to the power plant, which doubled the generating capacity of the plant. The municipal utilities purchased the First Street Electric Company in 1936, and added a new 2,500 kW steam turbine (Unit 3) in 1937 to handle the increased load.

In 1941, a hydroelectric plant was built and was able to provide about 60 percent of the city's electrical needs during its first year of service. While useful as a reliable source of emergency alternative power, the hydro-plant never materialized as a viable and economical generating source. The hydroelectric plant was retired in 1968. In 1948 and 1954, 5,000 kW steam turbines (Units #4 and #5) and dedicated boilers were added.

In the 1950's the voters created a separate governance structure for the Electric, Gas, and Water Utilities that were formerly departments of the City of Cedar Falls. There was additional work done to the power plant, to bring the total capacity to 15,500 kW. In 1956 an agreement was reached with the Iowa Public Service Company (IPS), now MidAmerican Energy (MEC), for the establishment of a 69 kV electric tie line. This agreement made it possible to tie in with IPS and eventually the Iowa Power Pool and the national grid.

A 16,500 kW turbine-generator (Unit 6) was commissioned in 1963 at Streeter Station. Following this in 1968 a combustion turbine was commissioned to burn fuel oil or gas (GT1). After these additions and retirements of older units, a large expansion was started in 1971 to add a 306' high stack, pollution control equipment, cooling towers, coal unloading facilities, and rail line for the commissioning of a new steam turbine generating unit (Unit 7) in 1973 with a capacity of 35,000 kW. In 1975, the Electric Utility invested in a share (3.1%) of the Walter J. Scott Jr Energy Center Unit 3 (WS3). The Electric Utility invested in additional capacity by purchasing a share (2.5%) of the George A. Neal Generating Station Unit 4 (Neal 4) in 1985. Streeter Units 4 and 5 were then retired in 1985. A combustion turbine was acquired in 2000 to increase capacity.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

In June of 2007, Walter J Scott Jr. Energy Center Unit 4 (WS4) began commercial operations. CFU invested in a 2.02% ownership of this coal-fired generation plant constructed by MEC, who is also the operator for WS3 and Neal 4. All of these units are located along the Missouri River. In addition, a new substation and 161 kV line was built to provide for capacity and reliability needs and was placed in service in August 2006. In 2011, CFU invested in additional capacity of WS4 by purchasing 0.96 MW, which became available to owners when Pella Municipal Electric Utility decided to sell their ownership share. This increased CFU's initial share of ownership in WS4 from 2.02% to the current 2.14%), WS3, Neal 4, and WS4 are collectively referred to as the Western Units. MidAmerican Energy (MEC) operates the Western Units and bids the energy into the MISO market and dispatches the units at the direction of Midwest Independent Transmission System Operator (MISO). CFU then purchases energy from MISO as needed to serve the native load retail customers.

CFU is committed to cost-effective renewable energy as part of the Strategic Plan. In 1997, CFU became a joint owner in the Iowa Distributed Wind Generation Project (IDWGP) located near Algona, Iowa. The project consisted of three 750 kW wind turbines, for a site capacity of 2,250 kW. CFU's share of the project was 1,482 kW or about 66%. In 2016, the joint owners elected to dispose of the assets and the sale of these wind towers was completed in 2017. In 2003, CFU entered into a 20-year purchase power agreement with NextEra Energy for 6 MW of wind from the Hancock Wind Farm which is sold into the MISO markets.

In 2016, CFU completed the construction of a photovoltaic solar farm and interested customers invested in this community solar project managed by CFU. A Federal tax credit equaling 30% of the project's cost and a State of Iowa tax credit of up to 60% of the Federal credit were available. These incentives, coupled with a recent, rapid decline in the cost of solar panels has brought the overall cost of installing solar systems down dramatically. This solar array is owned by a private, taxable entity (to take advantage of tax credits and accelerated depreciation), with CFU purchasing the electrical output from the solar array. Interested customers have invested in the solar array through an upfront contribution in return for monthly credits on their electric bill. These credits are in proportion to the output of the solar array and the customer's level of contribution. Customers were able to invest at levels much lower than it would cost to install a solar system on their own home, and enough customers subscribed so that nearly all the solar energy produced is paid for by these customer investments.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

MISO operates a capacity market in addition to an energy market through its Module E tariff. This is done through a Planning Reserve Auction (PRA) held annually to allow for the trading of Zonal Resource Credits (ZRCs). Each load serving entity in MISO must acquire enough ZRCs to supply their forecasted load plus losses and the reserve margin. ZRCs are produced by generating resources. Currently, CFU has an excess of ZRCs and has historically sold its excess in the PRA or in bi-lateral agreements. For the 2016/2017 planning year, the excess was worth \$756,864 and in 2017/2018 dropped back below \$10,000. In 2018, CFU entered into a 5-year bi-lateral agreement to sell a portion of the excess ZRCs for \$2.67 million over the 5-year period from 2019 to 2024. In 2022, there were insufficient ZRCs to meet the demand, so the price cleared the PRA at the maximum allowed by MISO. CFU netted \$997,041 from capacity sales in 2022.

Total Projected Electric Utility Nameplate Generating capacity as of December 31, 2023 is:

SOURCE	YEAR INSTALLED	NAMEPLATE MW	FUEL SOURCE
STREETER UNIT 6	1963	16.5	NATURAL GAS-COAL
STREETER UNIT 7	1973	35.0	NATURAL GAS-COAL
WS3 (3.1% share of 690 MW)	1978	21.0	COAL
WS4 (2.14% share of 790 MW)	2007	16.9	COAL
NEAL 4 (2.5% share of 630 MW) ⁽¹⁾	1985	15.0	COAL
COMBUSTION TURBINE 1	1968	19.6	NATURAL GAS-OIL
COMBUSTION TURBINE 2 ⁽²⁾	2000	23.8	NATURAL GAS-OIL
NAMEPLATE CAPACITY OWNED GENERATION		147.8	
UNI COGENERATION (ASSIGNED BY CONTRACT)	1984	7.5	NATURAL GAS-COAL
CEDAR FALLS SOLAR FARM, LLC	2016	1.5	SOLAR
TOTAL ELECTRIC NAMEPLATE GENERATION		156.8	

(1) Vintage 1979

(2) Vintage 1970

Based solely on existing resources and currently projected load growth, CFU would not need to add capacity for over 30 years. However, changing accreditation requirements and market dynamics along with the age of its existing resources is going to require CFU to consider adding new resources in much sooner than 30 years or risk significant cost increases to its customers.

Capital improvements plans at Streeter Station include motor control centers, valve controllers and positioners, 4kV relay upgrades and Unit 7 steam attemperator. At the gas turbines, new voltage regulators and field breakers are planned.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Electric Transmission

In 2009, CFU, along with MEC, turned over functional control of its transmission system to the non-profit Midcontinent Independent System Operator (MISO). MISO directs the operation of transmission systems in 15 states and 1 Canadian province. CFU is now a transmission owner in MISO and receives revenue for its share of transmission revenue collected by MISO. This substantially changed CFU's business model. CFU purchases transmission service from MISO to serve the requirements of CFU customers. MISO operates Day Ahead and Real Time Energy Markets to control transmission system congestion. CFU sells power generated to MISO in these markets and purchases energy from them to serve CFU customers. As energy is scheduled, the difference between the Local Marginal Price (LMP) price at the point of injection into the network and the exit LMP price out of the network is billed as an hourly credit or charge. Therefore, the price of congestion and losses provide a strong price signal to limit transmission overloads.

CFU participated in a major MISO transmission upgrade in 2014 and 2015 after MISO determined that a major 345 kV transmission line across the northern half of Iowa would benefit all MISO members and approved a Multi-Value Project (MVP) to build the line that cost roughly \$1 billion. This MVP project was constructed by both MEC and International Transmission Company (ITC). CFU participated in the MEC portion of the project with an 18.42% ownership of the west half of the line between Black Hawk and Hazelton substations for \$4.5 million. The line was placed in service in late 2015. These assets allow the Utility to experience fewer congestion issues that impact wholesale market prices as well as providing a rate of return on invested transmission equity that offsets transmission network service charges.

In 2014, a \$7 million project was submitted by CFU and approved by MISO to construct a new transmission substation and transmission line to increase the capacity and reliability of the local 69kV system. This project was completed in 2017.

In 2018, CFU switched to a Forward-Looking Rate from a Historical Rate for the collection of transmission revenues. This allows CFU to collect the revenues earlier and be in line with other transmission owners in the same transmission zone.

In 2023, CFU plans to rebuild and upsize a 69kV transmission line that is predominantly in Waterloo. The line connects to MidAmerican Energy who is rebuilding and upsizing their end of the line, so it makes sense for CFU to do the same. CFU's cost will total \$1.987 million in 2023 and 2024.

Like the MISO MVP project in 2015, MISO has implemented a Long-Range Transmission Plan (LRTP). One of the LRTP projects will connect to existing CFU owned facilities in central Iowa and CFU plans to participate in this project at a cost of \$6.259 million over the next four years.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Overhead to Underground Conversion Program

CFU plans to convert additional overhead to underground over the next several years that will bring the system to 20% overhead and 80% underground. The plan includes the 18th Street and South Main Street intersection in conjunction with City street reconstruction. It also includes installing conduits in the rural area in conjunction with the rural fiber project as it is more cost effective to install these conduits simultaneously. Progress has slowed significantly in terms of line distance converted inside the city limits due to supply chain issues, significant material cost increases and concentrating on the rural areas with the fiber project. Benefits of an underground system include significantly higher reliability, less maintenance, a safer system to the public and employees, with much improved aesthetics. In recent customer surveys, reliability is their highest priority. Most outages to the electric system are on the overhead system caused by trees, animals, lightning, and overhead equipment issues.

The City has an underground ordinance requiring all utilities in designated areas to remove their existing overhead systems and put them underground. The designated areas are those areas identified in CFU's conversion plan, which is available upon request.

The goal for the overhead to underground project is to minimize as much as possible the impact to the customer. Although the cost is higher, 80% of the underground system will be installed using boring rather than trenching, thereby minimizing the disturbance to the customer's lawn, landscape, buildings, fence and driveways. Normally, the customer would make a contribution for the cost of the underground service and convert their meter socket. For customers within the conversion plan areas, there is no charge for either. CFU has contracted with an outside contractor to change out the meter socket at each customer premise. Total capital costs for the overhead to underground conversion projects 2023 through 2032 is estimated to be \$3,628,000.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Generation & Acquisition Fund

The Electric Generation & Transmission Acquisition Fund was established for the purchase of new or replacement electric generation or transmission capacity. Presuming the continued availability of our existing generating units, and peak needs growth trending similarly to recent history, we would not be short of capacity until sometime in the 2060s. We will continue to monitor generation availability and capacity markets, as ultimately, we will need to make a decision on whether to invest in ownership of additional (or replacement) generation, or to contract for capacity via a bilateral agreement or the annual MISO capacity market auction. Any future investment in renewable energy generation would likely be sourced from these funds. This fund could also be used for transmission investments. Transmission investments, such as the Black Hawk to Hazelton 345kv line from 2015, allow a return through the MISO Multi-Value Project (MVP) reporting process.

The annual transfer amount is determined in the budget process and subject to change annually based on the projected surplus or deficit. The 2022 transfer and 2023 budgeted transfer are shown in the table below.

2022	2023 Budget	Increase / (Decrease)	
\$ 2,700,000	\$ 3,000,000	\$ 300,000	11.11%

The Electric cash flow includes \$5,046,000 paid from the Generation & Acquisition Fund for the following:

- \$2,373,000 for the installation of solar at the Cedar Falls High School between 2023 and 2024.
- \$2,673,000 for the purchase of Prairie Lakes Solar Farm in 2023.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Operating Expenses

Electric Expenses

	2022 Original Budget	2022 Reforecast	2023 Budget	'22 Budget vs. '23 Budget
Recovered via ECA	\$ 17,288,788	\$ 32,403,965	\$ 39,899,146	
Not Recovered via ECA	\$ 33,520,337	\$ 33,532,541	\$ 36,912,189	
Total Operating Expenses	\$ 50,809,125	\$ 65,936,506	\$ 76,811,335	
Recovered via ECA	34.0%	49.1%	51.9%	
Not Recovered via ECA	66.0%	50.9%	48.1%	
Total Operating Expenses	100.0%	100.0%	100.0%	
Increase (Decrease)				
Recovered via ECA		\$ 15,115,177	\$ 7,495,181	\$ 22,610,358
Not Recovered via ECA		\$ 12,204	\$ 3,379,648	\$ 3,391,852
Total Operating Expenses		\$ 15,127,381	\$ 10,874,829	\$ 26,002,210
Increase (Decrease)				
Recovered via ECA		87.4%	23.1%	130.8%
Not Recovered via ECA		0.0%	10.1%	10.1%
Total Operating Expenses		29.8%	16.5%	51.2%

In 2021 natural gas was the largest source of electricity generation in the U.S. at 38% and the Electric Utility has seen a significant increase in purchased power and fuel expenses in 2022 due to the increase in the price of natural gas. See Gas Utility section on for more information regarding natural gas prices.

The cost the Utility pays for purchased power and fuel expenses are passed on to customers through the Energy Cost Adjustment (ECA).

Other items significantly impacting the 2023 Budget include:

- Labor and benefits expenses are \$1.4 million more than the 2022 Reforecast.
- Joint Ownership Expenses are \$525,000 more than the 2022 Reforecast.
- General increase in supplies and services purchased by the Utility.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Operating Revenue & Rates

Electric Revenue

	2022 Original Budget	2022 Reforecast	2023 Budget	'22 Budget vs. '23 Budget
Recovered via ECA	\$ 16,107,964	\$ 26,253,926	\$ 34,974,883	
Base Rates	\$ 27,225,367	\$ 27,050,012	\$ 28,849,452	
Sales for Resale	\$ 5,949,807	\$ 15,606,492	\$ 16,667,211	
Other	\$ 1,827,156	\$ 1,470,151	\$ (465,427)	
Total Operating Revenue	\$ 51,110,294	\$ 70,380,581	\$ 80,026,119	

Recovered via ECA	31.5%	37.3%	43.7%	
Base Rates	53.3%	38.4%	36.1%	
Sales for Resale	11.6%	22.2%	20.8%	
Other	3.6%	2.1%	-0.6%	
Total Operating Revenue	100%	100%	100%	

Increase (Decrease)				
Recovered via ECA		\$ 10,145,962	\$ 8,720,957	\$ 18,866,919
Base Rates		\$ (175,355)	\$ 1,799,440	\$ 1,624,085
Sales for Resale		\$ 9,656,685	\$ 1,060,719	\$ 10,717,404
Other		\$ (357,005)	\$ (1,935,578)	\$ (2,292,583)
Total Operating Revenue		\$ 19,270,287	\$ 9,645,538	\$ 28,915,825

Increase (Decrease)				
Recovered via ECA		63.0%	33.2%	117.1%
Base Rates		-0.6%	6.7%	6.0%
Sales for Resale		162.3%	6.8%	180.1%
Other		-19.5%	-131.7%	-125.5%
Total Operating Revenue		37.7%	13.7%	56.6%

The cost the Utility pays for purchased power and fuel expenses are passed on to customers through the Energy Cost Adjustment (ECA). As discussed in the Operating Expenses section there are significant increases in these costs for the 2022 Reforecast and 2023 Budget therefore there is a significant increase in ECA revenue.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

The increased price of power in the MISO market have also resulted in increased Sales for Resale revenue. The majority of this increase is from Western Unit sales into the MISO market.

Electric Revenue - MISO Sales - Western Units

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 4,700,687	-	-
2022 Reforecast	\$ 9,328,027	\$ 4,627,340	98.4%
2023 Budget	\$ 11,586,853	\$ 2,258,826	24.2%
'22 Budget vs. '23 Budget	██████████	\$ 6,886,166	146.5%

50% of this revenue is budgeted to be given back to the customers via the Western Units Revenue Sharing Adjustment (WURSA).

It should be noted that this a significant change from the 2022 budget. In the 2022 budget we were anticipating a continuation of reduced sales from jointly owned western units (Walter Scott 3 & 4 and Neal 4) into the MISO market in part to the increasing quantity of wind energy sold into the market.

2023's budgeted amounts for Base Rate revenue reflects a 3.0% increase to base rates and anticipated changes in the customer base and sales. Note that usage for the Electric Utility is heavily dependent on temperature and budgeted sales are based on normalized temperatures.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility

Customers

As of July 31, 2022, CFU serves 20,001 electric customers.

Customer information at December 31, 2020 & 2021:

	2020		
	Customers	Sales (kWh)	Revenue
Residential	17,212	172,295,802	\$ 16,256,296
Commercial & Industrial			
Small	2,267	204,378,748	\$ 14,692,282
Large	5	37,020,471	\$ 2,400,915
Other	146	53,199,241	\$ 3,110,257
Total	19,630	466,894,262	\$ 36,459,750

	2021		
	Customers	Sales (kWh)	Revenue
Residential	17,387	176,722,583	\$ 19,055,581
Commercial & Industrial			
Small	2,284	208,272,204	\$ 18,087,069
Large	5	38,414,868	\$ 3,013,916
Other	150	56,856,563	\$ 4,077,934
Total	19,826	480,266,219	\$ 44,234,500

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility Revenue and Expense Summary

	2020 ACTUAL	2021 ACTUAL	2022 REFORECAST	2023 BUDGET
OPERATING REVENUE				
Residential Sales	\$ 16,256,296	\$ 19,055,581	\$ 21,088,415	\$ 21,344,106
Commercial & Industrial Sales	\$ 17,093,197	\$ 21,100,985	\$ 23,747,628	\$ 31,606,926
Governmental Sales	\$ 2,907,992	\$ 3,821,572	\$ 4,326,837	\$ 4,644,954
Interdepartmental	\$ 202,265	\$ 256,362	\$ 318,875	\$ 434,922
Retail Sales Subtotal	\$ 36,459,750	\$ 44,234,500	\$ 49,481,755	\$ 58,030,908
Sales for Resale - FTR	\$ 142,605	\$ 1,275,703	\$ 3,453,410	\$ 4,209,457
Sales for Resale - MISO	\$ 555,855	\$ 1,059,891	\$ 2,825,055	\$ 870,901
Sales for Resale - Western Units	\$ 3,658,736	\$ 8,406,843	\$ 9,328,027	\$ 11,586,853
Transmission Revenues	\$ 3,117,275	\$ 2,673,031	\$ 3,933,131	\$ 3,978,000
Other Operating Revenue	\$ 1,196,435	\$ 1,223,346	\$ 1,359,203	\$ 1,350,000
TOTAL	\$ 45,130,656	\$ 58,873,314	\$ 70,380,581	\$ 80,026,119
NET OPERATING EXPENSE				
Fuel - Western Units	\$ 2,176,069	\$ 3,200,064	\$ 3,088,024	\$ 3,649,977
Fuel - Local	\$ 654,857	\$ 2,704,397	\$ 1,792,650	\$ 2,513,952
Purchased Power	\$ 10,401,843	\$ 18,767,467	\$ 28,050,970	\$ 33,977,175
MISO/NITS Transmission Costs	\$ 3,434,255	\$ 3,883,386	\$ 3,827,000	\$ 3,896,400
Other Production O&M	\$ 4,104,537	\$ 4,458,171	\$ 4,844,260	\$ 6,088,135
Other Operating Expense*	\$ 13,264,496	\$ 13,274,166	\$ 14,519,216	\$ 16,626,540
TOTAL	\$ 34,036,057	\$ 46,287,651	\$ 56,122,120	\$ 66,752,179
CASH FLOW FROM OPERATIONS	\$ 11,094,599	\$ 12,585,663	\$ 14,258,461	\$ 13,273,940
NON-OPERATING REVENUE (EXPENSE)				
Investment Income	\$ 322,889	\$ 57,969	\$ 330,366	\$ 229,200
Interest Charges - Customer Deposits	\$ 9,640	\$ 19,129	\$ (2,000)	\$ (45,000)
TIF Reimbursements	\$ 557,761	\$ 563,472	\$ 499,047	\$ 497,111
Other Non-Op. Revenue (Expense)*	\$ 318,226	\$ 819,016	\$ 150,000	\$ 125,000
TOTAL	\$ 1,208,516	\$ 1,459,586	\$ 977,413	\$ 806,311
REVENUE AVAILABLE FOR DEBT SERVICE	\$ 12,303,115	\$ 14,045,249	\$ 15,235,874	\$ 14,080,251

*Does not include Depreciation, GASB Related IPERS & OPEB Expenses or AFUDC but does include

Payment in Lieu of Taxes (PILOT) of...	\$ 2,637,314	\$ 2,700,000	\$ 2,453,963	\$ 2,643,876
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Cedar Falls Utilities - Municipal Electric Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	1.7%	0.1%	0.2%	0.2%	3.0%	3.0%	3.0%	0.0%	3.0%
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Revenue & Expense

Total Retail Sales	466,894,262	480,266,219	482,000,000	489,250,995	633,840,000	638,670,500	643,562,509	648,516,897	653,534,549
Total MISO Sales	210,201,665	266,560,390	187,659,630	213,861,151	189,574,016	188,815,804	188,169,734	187,535,577	186,913,106
Total Electric Energy Sales (Units)	677,095,927	746,826,609	669,659,630	703,112,146	823,414,016	827,486,304	831,732,243	836,052,474	840,447,655
Total Operating Revenues	45,130,656	58,873,314	51,110,294	70,380,581	80,026,119	81,683,189	82,173,726	82,031,328	83,110,931
Total Operating Expenses	42,360,666	53,531,260	50,809,125	65,936,506	76,811,335	78,284,408	78,620,228	78,689,824	78,692,440
Net Operating Income (Loss)	2,769,990	5,342,054	301,169	4,444,075	3,214,784	3,398,781	3,553,498	3,341,504	4,418,491
Total Non-Operating Revenue or (Expense)	815,928	1,214,133	585,675	879,735	916,921	1,048,538	911,982	939,001	943,193
Net Income (Loss)	3,585,918	6,556,187	886,844	5,323,810	4,131,705	4,447,319	4,465,480	4,280,505	5,361,684
NOI as a Percent of Revenue	6.14%	9.07%	0.59%	6.31%	4.02%	4.16%	4.32%	4.07%	5.32%
NI as a Percent of Revenue	7.95%	11.14%	1.74%	7.56%	5.16%	5.44%	5.43%	5.22%	6.45%

Cash Balance

Adjust Net Income To Cash									
Capital Outlays	(8,369,848)	(7,968,651)	(8,857,460)	(8,859,629)	(16,707,420)	(12,814,310)	(13,770,500)	(8,661,900)	(9,034,760)
Debt									
Bond or Note Proceeds	0	0	0	0	0	0	0	0	0
Debt Service Payments	(3,349,875)	(3,353,625)	(3,350,625)	(3,350,625)	(3,355,875)	(3,353,625)	(1,368,750)	(1,375,050)	0
Inter-Company Loan	0	0	0	0	0	0	0	0	0
Other Revenue & Expense Adjustments									
Depreciation & Amortization	8,018,470	8,167,047	8,888,032	9,373,886	9,581,452	9,948,809	10,225,059	10,515,778	10,675,766
Other	1,096,543	821,565	532,094	923,718	367,094	240,042	364,344	340,725	429,735
Adjust To Cash	(2,604,710)	(2,333,664)	(2,787,959)	(1,912,650)	(10,114,749)	(5,979,084)	(4,549,847)	819,553	2,070,741
Annual Cashflow Surplus / (Deficit)	981,208	4,222,523	(1,901,115)	3,411,160	(5,983,044)	(1,531,765)	(84,367)	5,100,058	7,432,425
Total Cash & Investments									
Beginning Balance	42,840,840	43,822,048	43,439,598	48,044,571	51,455,731	45,472,687	43,940,922	43,856,555	48,956,613
Annual Cashflow Surplus / (Deficit)	981,208	4,222,523	(1,901,115)	3,411,160	(5,983,044)	(1,531,765)	(84,367)	5,100,058	7,432,425
Ending Balance	43,822,048	48,044,571	41,538,483	51,455,731	45,472,687	43,940,922	43,856,555	48,956,613	56,389,038

Cedar Falls Utilities - Municipal Electric Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	1.7%	0.1%	0.2%	0.2%	3.0%	3.0%	3.0%	0.0%	3.0%
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Breakout of Cash Balance

Unrestricted Cash & Investments	27,152,621	28,741,017	19,904,540	29,370,988	24,134,624	21,856,083	21,443,935	26,188,863	30,718,035
Board Designated Restricted Cash & Investments									
Generation & Transmission Acquisition Fund	5,415,412	8,104,821	10,810,053	10,853,906	10,038,906	11,922,306	12,529,606	15,642,406	18,783,206
PILOT Surplus Reserve	2,637,314	2,700,000	2,442,528	2,453,963	2,643,876	2,860,702	2,603,158	2,357,626	2,142,579
Security Deposit Fund	319,906	374,857	328,569	368,500	368,500	368,500	368,500	368,500	368,500
Western Units Landfill Closure Fund	2,701,769	2,738,918	2,701,769	2,873,918	2,873,918	2,873,918	2,873,918	2,873,918	2,873,918
Ending Balance	11,074,401	13,918,596	16,282,919	16,550,287	15,925,200	18,025,426	18,375,182	21,242,450	24,168,203
Legally Restricted Cash & Investments									
Bond & Interest Fund	280,444	279,219	279,656	279,656	279,469	114,063	114,588	0	0
Bond Reserve Fund	2,784,000	2,639,500	2,639,500	2,639,500	2,540,594	1,375,050	1,375,050	0	0
Improvement & Extension Fund	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0	0
Self-Funded Dental Insurance Plan	50,266	40,701	45,211	38,800	38,800	38,800	38,800	38,800	38,800
Self-Funded Health Insurance Plan	1,329,816	1,283,038	1,281,657	1,464,000	1,464,000	1,464,000	1,464,000	1,464,000	1,464,000
Streeter Landfill Closure Fund	150,500	142,500	105,000	112,500	90,000	67,500	45,000	22,500	0
Ending Balance	5,595,026	5,384,958	5,351,024	5,534,456	5,412,863	4,059,413	4,037,438	1,525,300	1,502,800
Total Cash & Investments	43,822,048	48,044,571	41,538,483	51,455,731	45,472,687	43,940,922	43,856,555	48,956,613	56,389,038

Board Recommended Reserves

Unrestricted Cash & Investments	27,152,621	28,741,017	19,904,540	29,370,988	24,134,624	21,856,083	21,443,935	26,188,863	30,718,035
Board Recommended Reserves									
CIP (Five Year Average) [A]	9,288,278	8,848,952	8,428,508	12,162,752	12,197,778	10,716,198	10,015,716	8,638,452	8,151,192
Liability Insurance Deductible	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Operating Expense Reserve [B]	3,924,843	5,448,456	4,950,431	6,708,520	8,013,538	8,124,649	8,164,288	8,167,340	8,174,549
Board Designated Unrestricted Reserves [C]	14,713,121	15,797,408	14,878,939	20,371,272	21,711,316	20,340,847	19,680,004	18,305,792	17,825,741
Reserves Surplus (Deficit)	12,439,500	12,943,609	5,025,601	8,999,716	2,423,308	1,515,236	1,763,931	7,883,071	12,892,294

[A] = Net of bond proceeds.

[B] = 12.5% of adjusted operating expenses, does not include PILOT & non-cash expenses (IE: depreciation; IPERS unfunded liability; OPEB).

[C] = Minimum Unrestricted Cash Reserve Level per the Cash Reserve Policy

Cedar Falls Utilities - Municipal Electric Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	1.7%	0.1%	0.2%	0.2%	3.0%	3.0%	3.0%	0.0%	3.0%
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Financial Ratios

	Goal									
Debt Service Coverage - Revenue Debt - Bond Covenant	1.25+	3.67	4.19	3.08	4.55	4.20	4.36	11.00	11.01	N/A
Debt Service Coverage - All Debt - Bond Covenant	1.75+	3.67	4.19	3.08	4.55	4.20	4.36	11.00	11.01	N/A
Unrestricted Cash Balances as % of Operating Expenses Without Depreciation, PILOT, & NPL/OPEB	50%+	86.48%	65.94%	50.26%	54.73%	37.65%	33.63%	32.83%	40.08%	46.97%
Net Operating Income (NOI) as a % of Revenue	6%+	6.14%	9.07%	0.59%	6.31%	4.02%	4.16%	4.32%	4.07%	5.32%
Net Income (NI) as a % of Revenue	6%+	7.95%	11.14%	1.74%	7.56%	5.16%	5.44%	5.43%	5.22%	6.45%
Cash Surplus (Deficit) after Legal & Board Recommended Reserves	\$0	\$ 12,439,500	\$ 12,943,609	\$ 5,025,601	\$ 8,999,716	\$ 2,423,308	\$ 1,515,236	\$ 1,763,931	\$ 7,883,071	\$ 12,892,294

Assumptions Used in Cashflow

Sales Growth	-3.8%	2.9%	0.4%	1.9%	29.6%	0.8%	0.8%	0.8%	0.8%
Projected Operating Expenses (If NOT Specifically Projected)						3.5%	3.5%	3.5%	3.5%
Interest Rate for Cash & Investments						1.0%	1.0%	1.0%	1.0%
Debt Interest Rate	5.0%	5.0%	5.0%	5.0%	5.0%	2.5%	3.0%	3.0%	0.0%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Electric Utility Historical and Projected Average Rate Adjustments

Year	Note	%
2002		15.0%
2003		
2004		9.0%
2005		5.0%
2006		
2007		
2008		2.0%
2009		
2010		6.0%
2011		5.0%
2012		4.0%
2013		
2014		0.5%
2015		
2016		
2017		
2018		
2019		1.5%
2020		1.7%
2021	[A]	0.1%
2022	[A]	0.2%
2023		3.0%
2024		3.0%
2025		3.0%
2026		
2027		3.0%

[A] = Adjustment only in Non-Profit & Governmental Rate due to planed phase out of rate.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

Gas Distribution

The City of Cedar Falls, Iowa was previously served by the Citizens Gas and Electric Company. However, in the 1920's, public interest grew significantly in municipal ownership of a gas utility. A vote on the gas franchise passed by a 7-to-1 margin. Plans for a high-pressure manufactured gas system followed almost immediately. The gas distribution system was purchased from Iowa Public Service Company at a cost of \$83,000. When Northern Natural Gas Company announced plans to build a transmission pipeline near Cedar Falls in the 1950's, plans were developed to overhaul the entire gas system to use natural gas. The existing system was updated where possible and new gas mains and services were constructed. New gas meters were installed throughout the system and gas appliances at 2,750 customer locations were converted to natural gas. Cedar Falls continued to grow and the increases in industrial and residential customers required additional supplies of natural gas and the expansion of the distribution system.

Natural gas service was extended into northern Cedar Falls in 1982 and 1983. The Gas Utility unveiled a plan in 1983 to replace all cast iron and bare steel gas mains and services with polyethylene pipe. Polyethylene pipe was selected to prevent future corrosion problems. Customer gas meters were moved outside as part of this replacement project. This notable system improvement project greatly improved the safety and reliability of the CFU natural gas system, and annual operational and maintenance costs were reduced. This project began in 1984 and was completed in 1997.

In 2014, the Gas Utility financed the construction of Town Border Station (TBS#4) by Northern Natural Gas (NNG) to provide a new gas feed into the gas distribution system. This station is now the primary feed into Cedar Falls with the existing Town Border Station (TBS#1) placed into a secondary feed role for redundancy. TBS#4 required a system extension to tie into the distribution system and has supplied a more reliable feed into the system. In 2015 TBS#1 was upgraded by CFU to enhance its reliability and operation.

The Gas Utility distribution system is made up of over 230 miles of pipe ranging in size from 1" in diameter to 12" in diameter. The system piping materials include 197 miles of high-density polyethylene and 33 miles of wrapped steel. The distribution system also includes 12,675 gas services, including 11,413 high-density polyethylene services and 1,262 wrapped steel services. All the wrapped steel gas mains and services are cathodically-protected. The system is operated at two different distribution pressures: high pressure at 55 psig and medium pressure at 5 psig.

Gas main extension, relocation, abandonment, and replacement projects coincide with city and state road reconstruction, street restoration, drain tile installation, and sanitary and storm sewer repairs or replacements along with new developments. No major gas main replacements are budgeted 2023. There may be small areas of replacements in connection with the City's projects. The first phase of the gas extension into the new West Industrial Park is planned for

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

2023 with completion of the extension in 2024. The estimated cost of the extension is \$452,000.

Total capital costs for these gas main replacement, relocation, and extension projects 2023 through 2032 are estimated at \$3,846,000.

Gas Supply

The Gas Utility has a transportation contract with Northern Natural Gas Company (NNG) that expires in October, 2027. The gas is transported to the Town Border Stations over NNG’s interstate pipeline system. The contract is for 23,885 MMBTU per day January through March, November and December. The remainder of the year is contracted for 12,000 MMBTU per day. This includes volumes specifically contracted for the Electric Utility to generate during the months of April through October. In addition, the Gas Utility contracts with Tenaska Marketing Ventures for our gas commodity purchases to act as CFU’s agent for pipeline nominations through an Asset Management Agreement (AMA) The Gas Utility uses Tenaska’s interruptible storage capacity for the flexibility required for our gas nomination process. The AMA with Tenaska allows Tenaska to market CFU’s daily unused gas volumes.

The Gas Utility continues exploring other means to secure reliable and cost-effective sources of natural gas for its customers. Membership in a joint arrangement with two municipal utilities in Nebraska has been established to secure gas under prepaid agreements. The Gas Utility has entered into five prepay agreements with Central Plains Energy Project (CPEP) that currently provide for 20-70% of the average daily usage at a discount to monthly index for 2023. The agreements include:

Agreement	Ends	Note
CPEP 1	2020	
CPEP 2	2049	
CPEP 3	2042	
CPEP 4	2050	
CPEP 5	2053	Starts Nov. 2023

The Utility also has fixed price contracts with BP Canada Energy Marketing Corporation that currently cover 10% of average daily usage for the 2022/2023 heating season (November-March).

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

Capital Replacement Fund

The Gas Utility Capital Replacement Fund was established for the replacement of the gas distribution system as it reaches the end of its theoretical 40-year useful life in the next 10-20 years, at a cost of over \$50 million in 2022 dollars. Current research has indicated the polyethylene gas pipe may last substantially longer than the 10-20 year remaining theoretical life and at 2026 a thorough life expectancy analysis should be completed to determine the schedule for a cost-effective replacement program.

The annual funding amount is determined in the budget process and subject to change annually based on the projected surplus or deficit. The 2022 funding and 2023 budgeted funding are shown in the table below.

Capital Replacement Fund

2022	2023 Budget	Increase / (Decrease)	
\$ 500,000	\$ -	\$ (500,000)	-100.0%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

Operating Expenses

Gas Expenses

	2022 Original Budget	2022 Reforecast	2023 Budget	'22 Budget vs. '23 Budget
Purchased Gas Supply Expenses	\$ 15,025,229	\$ 18,452,983	\$ 24,459,409	
Other Expenses	\$ 5,673,463	\$ 6,364,851	\$ 6,084,772	
Total Operating Expenses	\$ 20,698,692	\$ 24,817,834	\$ 30,544,181	

Purchased Gas Supply Expenses	72.6%	74.4%	80.1%	
Other Expenses	27.4%	25.6%	19.9%	
Total Operating Expenses	100.0%	100.0%	100.0%	

Increase (Decrease)				
Purchased Gas Supply Expenses		\$ 3,427,754	\$ 6,006,426	\$ 9,434,180
Other Expenses		\$ 691,388	\$ (280,079)	\$ 411,309
Total Operating Expenses		\$ 4,119,142	\$ 5,726,347	\$ 9,845,489

Increase (Decrease)				
Purchased Gas Supply Expenses		22.8%	32.5%	62.8%
Other Expenses		12.2%	-4.4%	7.2%
Total Operating Expenses		19.9%	23.1%	47.6%

Purchased Gas Supply expenses, the largest cost to the Gas Utility, include natural gas and related pipeline fees. These expenses are passed on to customers through the Purchased Gas Adjustment (PGA) without markup.

In 2021 there was a significant increase in the average price the utility paid for natural gas.

Gas Expenses - Average Natural Gas Cost (\$ per MCF)

	Amount	Increase (Decrease)	
2020 Cost	\$ 1.846	-	-
2021 Cost	\$ 6.510	\$ 4.663	252.6%
2022 YTD Cost	\$ 6.189	\$ (0.320)	-4.9%
2023 Budget	\$ 8.030	\$ 1.841	29.7%

During the first quarter of 2022 U.S. natural gas price volatility reached its highest level in 20 years and in 2022 the average price has continued to be significantly higher than pre-2021 prices. The 2023 budget anticipates continued increases in natural gas prices.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

In October 2022 the utilities contract with Northern Natural Gas expired and the 2023 budget also reflects a significant increase in related pipeline fees.

Gas Expenses - Pipeline Fees

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 1,812,586	-	-
2023 Budget	\$ 6,580,665	\$ 4,768,079	263.1%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

Operating Revenue & Rates

Gas Revenue

	2022 Original Budget	2022 Reforecast	2023 Budget	'22 Budget vs. '23 Budget
PGA Revenue	\$ 15,025,220	\$ 18,394,911	\$ 24,459,442	
Other Revenue	\$ 5,932,550	\$ 5,833,590	\$ 6,456,071	
Total Operating Revenue	\$ 20,957,770	\$ 24,228,501	\$ 30,915,513	

PGA Revenue	71.7%	75.9%	79.1%	
Other Revenue	28.3%	24.1%	20.9%	
Total Operating Revenue	100.0%	100.0%	100.0%	

Increase (Decrease)				
PGA Revenue		\$ 3,369,691	\$ 6,064,531	\$ 9,434,222
Other Revenue		\$ (98,960)	\$ 622,481	\$ 523,521
Total Operating Revenue		\$ 3,270,731	\$ 6,687,012	\$ 9,957,743

Increase (Decrease)				
PGA Revenue		22.4%	33.0%	62.8%
Other Revenue		-1.7%	10.7%	8.8%
Total Operating Revenue		15.6%	27.6%	47.5%

The cost the Utility pays for natural gas and related pipeline fees are passed on to customers through the Purchased Gas Adjustment (PGA) without markup. As discussed in the Operating Expenses section there are significant increases in these costs for the 2022 Reforecast and 2023 Budget therefore there is a significant increase in PGA revenue.

2023's budgeted amounts for Other revenue reflects an 8.0% increase to base rates and anticipated changes in the customer base and sales. Note that usage for the Gas Utility is heavily dependent on temperature and budgeted sales are based on normalized temperatures.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility

Customers

As of July 31, 2022, the CFU serves 14,835 natural gas customers.

Customer information at December 31, 2020 & 2021:

	2020		
	Customers	Sales (MCFs)	Revenue
Residential	13,241	853,921	\$ 5,856,631
Commercial & Industrial			
Small	1,182	470,359	\$ 2,492,118
Large	28	195,860	\$ 812,575
Other	107	864,947	\$ 2,747,454
Total	14,558	2,385,087	\$ 11,908,778

	2021		
	Customers	Sales (MCFs)	Revenue
Residential	13,428	841,422	\$ 15,293,888
Commercial & Industrial			
Small	1,179	456,590	\$ 7,526,487
Large	27	183,149	\$ 2,609,406
Other	107	866,898	\$ 8,628,483
Total	14,741	2,348,060	\$ 34,058,264

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility Revenue and Expense Summary

	2020 ACTUAL	2021 ACTUAL	2022 REFORECAST	2023 BUDGET
OPERATING REVENUE				
Residential Sales	\$ 5,856,631	\$ 15,293,888	\$ 11,439,763	\$ 14,593,151
Commercial & Industrial Sales	\$ 3,488,748	\$ 10,332,809	\$ 8,535,379	\$ 10,839,295
Governmental Sales	\$ 1,921,057	\$ 5,958,876	\$ 2,218,679	\$ 2,102,625
Interdepartmental	\$ 642,342	\$ 2,472,691	\$ 1,980,680	\$ 3,326,442
Other Operating Revenue	\$ 48,936	\$ 61,305	\$ 54,000	\$ 54,000
TOTAL	\$ 11,957,714	\$ 34,119,569	\$ 24,228,501	\$ 30,915,513
NET OPERATING EXPENSE				
Purchased Gas Supply	\$ 6,453,965	\$ 28,482,040	\$ 18,452,983	\$ 24,459,409
Other Operating Expense*	\$ 4,092,321	\$ 4,147,935	\$ 5,323,749	\$ 4,957,720
TOTAL	\$ 10,546,286	\$ 32,629,975	\$ 23,776,732	\$ 29,417,129
CASH FLOW FROM OPERATIONS	\$ 1,411,428	\$ 1,489,594	\$ 451,769	\$ 1,498,384
NON-OPERATING REVENUE (EXPENSE)				
Investment Income	\$ 95,008	\$ 9,768	\$ 64,783	\$ 103,200
TIF Reimbursements	\$ 1,815	\$ 1,815	\$ 1,815	\$ 1,815
Other Non-Op. Revenue (Expense)*	\$ 1,501	\$ 3,481	\$ 1,200	\$ 1,200
TOTAL	\$ 98,324	\$ 15,064	\$ 67,798	\$ 106,215
REVENUE AVAILABLE FOR DEBT SERVICE	\$ 1,509,752	\$ 1,504,658	\$ 519,567	\$ 1,604,599

*Does not include Depreciation, GASB Related IPERS & OPEB Expenses or AFUDC but does include

Payment in Lieu of Taxes (PILOT) of...	\$	0	\$	0	\$	666,119	\$	0
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Cedar Falls Utilities - Municipal Gas Utility
Cash Flow History and Projections - SUMMARY

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	2.0%	2.9%	0.0%	0.0%	8.0%	8.0%	6.0%	5.0%	5.0%
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Revenue & Expense

Total Gas Unit Sales (MCF)	2,385,087	2,348,060	2,610,311	2,159,121	2,226,381	2,226,381	2,226,381	2,226,381	2,226,381
Total Operating Revenues	11,957,714	34,119,569	20,957,770	24,228,501	30,915,513	31,422,013	31,832,304	32,194,728	32,575,277
Total Operating Expenses	11,577,922	33,216,130	20,698,692	24,817,834	30,544,181	31,182,324	31,409,111	32,096,764	32,342,290
Net Operating Income (Loss)	379,792	903,439	259,078	(589,333)	371,332	239,689	423,193	97,964	232,987
Total Non-Operating Revenue or (Expense)	102,466	19,642	11,831	70,031	110,866	94,795	91,718	95,929	98,618
Net Income (Loss)	482,258	923,081	270,909	(519,302)	482,198	334,484	514,911	193,893	331,605
NOI as a Percent of Revenue	3.18%	2.65%	1.24%	-2.43%	1.20%	0.76%	1.33%	0.30%	0.72%
NI as a Percent of Revenue	4.03%	2.71%	1.29%	-2.14%	1.56%	1.06%	1.62%	0.60%	1.02%

Cash Balance

Adjust Net Income To Cash									
Capital Outlays	(1,134,658)	(1,154,097)	(1,184,200)	(986,878)	(1,562,860)	(1,524,640)	(1,253,320)	(1,191,040)	(1,294,800)
Debt									
Receipt of Funds	0	0	0	0	0	0	0	0	0
Debt Service Payments - Principal	0	0	0	0	0	0	0	0	0
Inter-Company Loan									
Loan	0	0	0	0	0	0	0	0	0
Repayment of Loan	0	0	0	0	0	0	0	0	0
Other Revenue & Expense Adjustments									
Depreciation & Amortization	881,000	910,515	944,028	932,202	934,452	979,142	1,022,747	1,058,592	1,092,656
Other	(177,717)	(5,228,657)	4,053,076	4,800,868	(478,170)	594,097	192,782	655,492	208,534
Adjust To Cash	(431,375)	(5,472,239)	3,812,904	4,746,192	(1,106,578)	48,599	(37,791)	523,044	6,390
Annual Cashflow Surplus / (Deficit)	50,883	(4,549,158)	4,083,813	4,226,890	(624,380)	383,083	477,120	716,937	337,995

Total Cash & Investments									
Beginning Balance	13,032,273	13,083,156	8,598,049	8,533,998	12,760,888	12,136,508	12,519,591	12,996,711	13,713,648
Annual Cashflow Surplus / (Deficit)	50,883	(4,549,158)	4,083,813	4,226,890	(624,380)	383,083	477,120	716,937	337,995
Ending Balance	13,083,156	8,533,998	12,681,862	12,760,888	12,136,508	12,519,591	12,996,711	13,713,648	14,051,643

Cedar Falls Utilities - Municipal Gas Utility
Cash Flow History and Projections - SUMMARY

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	2.0%	2.9%	0.0%	0.0%	8.0%	8.0%	6.0%	5.0%	5.0%
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Breakout of Cash Balance

Unrestricted Cash & Investments	7,773,366	2,723,702	6,036,268	5,715,417	5,731,956	5,650,405	5,665,125	5,652,741	5,665,684
Board Designated Cash & Investments									
Capital Replacement Fund	4,807,101	5,325,032	5,820,666	5,842,652	5,867,852	5,926,552	6,385,852	6,649,752	6,956,252
PILOT Surplus Reserve	0	0	304,992	666,119	0	405,934	409,034	874,455	893,007
Ending Balance	4,807,101	5,325,032	6,125,658	6,508,771	5,867,852	6,332,486	6,794,886	7,524,207	7,849,259
Legally Restricted Cash & Investments									
Bond & Interest Fund	0	0	0	0	0	0	0	0	0
Bond Reserve Fund	0	0	0	0	0	0	0	0	0
Improvement & Extension Fund	0	0	0	0	0	0	0	0	0
Self-Funded Dental Insurance Plan	17,997	16,154	15,946	12,700	12,700	12,700	12,700	12,700	12,700
Self-Funded Health Insurance Plan	484,692	469,110	503,990	524,000	524,000	524,000	524,000	524,000	524,000
Ending Balance	502,689	485,264	519,936	536,700	536,700	536,700	536,700	536,700	536,700
Total Cash & Investments	13,083,156	8,533,998	12,681,862	12,760,888	12,136,508	12,519,591	12,996,711	13,713,648	14,051,643

Board Recommended Reserves

Unrestricted Cash & Investments	7,773,366	2,723,702	6,036,268	5,715,417	5,731,956	5,650,405	5,665,125	5,652,741	5,665,684
Board Recommended Reserves									
CIP (Five Year Average) [A]	1,091,612	1,218,719	1,210,688	1,303,748	1,365,332	1,297,560	1,274,580	1,286,008	1,319,240
Liability Insurance Deductible	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Operating Expense Reserve [B]	1,318,286	4,078,747	2,422,064	2,888,827	3,677,141	3,700,581	3,723,091	3,746,390	3,770,503
Board Designated Unrestricted Reserves [C]	3,009,898	5,897,466	4,232,752	4,792,575	5,642,473	5,598,141	5,597,671	5,632,398	5,689,743
Reserves Surplus (Deficit)	4,763,468	(3,173,764)	1,803,516	922,842	89,483	52,264	67,454	20,343	(24,059)

[A] = Net of bond proceeds

[B] = 12.5% of adjusted operating expenses, does not include PILOT & non-cash expenses (IE: depreciation; IPERS unfunded liability; OPEB).

[C] = Minimum Unrestricted Cash Reserve Level per the Cash Reserve Policy

Cedar Falls Utilities - Municipal Gas Utility
Cash Flow History and Projections - SUMMARY

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	2.0%	2.9%	0.0%	0.0%	8.0%	8.0%	6.0%	5.0%	5.0%
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Financial Ratios

	Goal									
Debt Service Coverage - Revenue Debt - Bond Covenant	1.25+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt Service Coverage - All Debt - Bond Covenant	1.75+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted Cash Balances as % of Operating Expenses Without Depreciation, PILOT, & NPL/OPEB	50%+	73.71%	8.35%	31.15%	24.73%	19.49%	19.09%	19.02%	18.86%	18.78%
Net Operating Income (NOI) as a % of Revenue	6%+	3.18%	2.65%	1.24%	-2.43%	1.20%	0.76%	1.33%	0.30%	0.72%
Net Income (NI) as a % of Revenue	6%+	4.03%	2.71%	1.29%	-2.14%	1.56%	1.06%	1.62%	0.60%	1.02%
Cash Surplus (Deficit) after Legal & Board Recommended Reserves	Zero	\$ 4,763,468	\$ (3,173,764)	\$ 1,803,516	\$ 922,842	\$ 89,483	\$ 52,264	\$ 67,454	\$ 20,343	\$ (24,059)

Assumptions Used in Cashflow

Sales Growth	-8.0%	-1.6%	11.2%	-8.0%	-14.7%	0.0%	0.0%	0.0%	0.0%
Projected Operating Expenses (If NOT Specifically Projected)						3.5%	3.5%	3.5%	3.5%
Interest Rate for Cash & Investments						1.0%	1.0%	1.0%	1.0%
Debt Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Gas Utility Historical and Projected Average Rate Adjustments

Year	%
2002	25.0%
2003	
2004	-5.0%
2005	
2006	
2007	
2008	
2009	
2010	3.0%
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	2.0%
2021	2.9%
2022	
2023	8.0%
2024	8.0%
2025	6.0%
2026	5.0%
2027	5.0%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility

Water Supply

The Municipal Water Utility of the City of Cedar Falls, Iowa (Water Utility) was established in 1888. The springs below Pfeiffer Springs Park provided the water supply. Steam powered pumps at the east end of East 12th Street, housed near the present day CFU electric power plant, pumped the water to the 126,000 gallon capacity reservoir that provided the city's water storage. The distribution system consisted of nine miles of cast-iron pipe.

Three wells were dug in 1912 for a safer source of water. By 1928 two additional wells had been dug and a new 125-horsepower centrifugal pump was in operation, with a daily capacity of 1.5 million gallons. Over 1,600 water meters were in place during this time.

The Water Utility continued to expand along with the Electric and Gas Utilities. The original five wells were replaced with eight deeper wells for a combined maximum daily capacity of 21.6 million gallons. The water is pumped from the Silurian-Devonian Aquifer and is of high quality requiring minimal treatment. Direct injection of chlorine takes place at all eight wells and direct injection of fluoride takes place at four wells to supplement natural levels.

Water Distribution

CFU provides water service to most of the developed portions of the city through the distribution system that consists of 213 miles of cast iron and ductile iron mains ranging in size from 4-inch through 20-inch. Four elevated tanks provide a total storage capacity of 2.5 million gallons. There are 2,639 fire hydrants throughout the distribution system.

The Water Utility is committed to providing quality water to the customers of CFU. As reported in our 2022 Consumer Confidence Report, CFU water meets all Federal and State water quality standards.

There are major city and state reconstruction and construction projects that will continue through 2023. These road projects will require relocations, replacements, or abandonment of existing water mains and services as well as the extension of new water main. Water replacements in 2023 are planned to include Madison St, Timber Dr, W Ridgewood Dr, 18th St and Main St. New water main extensions by developers in 2023 are likely to occur in West Fork Crossing, Panther West 8th, Autumn Ridge 9th, Arbors, W Viking Rd Extension and Wild Horse 6th. Total capital costs of these water main replacement, relocation and extension projects 2023 through 2032 are estimated at \$16,170,000.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility

Operating Expenses

Water Expenses

	2022 Original Budget	2022 Reforecast	2023 Budget	'22 Budget vs. '23 Budget
Labor & Benefits	\$ 2,586,022	\$ 2,493,124	\$ 2,720,815	
Other	\$ 2,433,194	\$ 2,428,615	\$ 2,688,580	
Total Operating Expenses	\$ 5,019,216	\$ 4,921,739	\$ 5,409,395	

Labor & Benefits	51.5%	50.7%	50.3%	
Other	48.5%	49.3%	49.7%	
Total Operating Expenses	100.0%	100.0%	100.0%	

Increase (Decrease)				
Labor & Benefits		\$ (92,898)	\$ 227,691	\$ 134,793
Other		\$ (4,579)	\$ 259,965	\$ 255,386
Total Operating Expenses		\$ (97,477)	\$ 487,656	\$ 390,179

Increase (Decrease)				
Labor & Benefits		-3.6%	9.1%	5.2%
Other		-0.2%	10.7%	10.5%
Total Operating Expenses		-1.9%	9.9%	7.8%

Changes including: anticipated wage increases, filling of open or new positions and changes in expenses between the utilities.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility

Operating Revenue & Rates

Water Revenue

	Amount	Increase (Decrease)	
2022 Original Budget	\$ 5,569,365	-	-
2022 Reforecast	\$ 5,579,440	\$ 10,075	0.18%
2023 Budget	\$ 6,126,329	\$ 546,889	9.80%
'22 Budget vs. '23 Budget		\$ 556,964	10.00%

Water Retail Sales - CCFs

	Amount	Increase (Decrease)	
2022 Original Budget	1,567,049	-	-
2022 Reforecast	1,554,454	(12,595)	-0.80%
2023 Budget	1,598,951	44,497	2.86%
'22 Budget vs. '23 Budget		31,902	2.04%

2023's budgeted revenue reflects a 9.5% increase to base rates and anticipated changes in the customer base and sales. Note that usage for the Water Utility is heavily dependent on rainfall and budgeted sales are based on normalized rainfall.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility

Customers

As of July 31, 2022, the Water Utility serves 14,778 customers.

Customer information at December 31, 2020 & 2021:

	2020			
	Customers	Sales CCFs	Sales Gallons	Revenue
Residential	12,713	939,474	702,726,552	\$ 3,341,439
Commercial	1,518	418,646	313,147,208	\$ 1,018,210
Industrial	36	28,732	21,491,536	\$ 50,984
Governmental	186	141,671	105,969,908	\$ 215,661
Other	3	8,517	6,370,716	\$ 12,670
Total	14,456	1,537,039	1,149,705,920	\$ 4,638,964

	2021			
	Customers	Sales CCFs	Sales Gallons	Revenue
Residential	12,908	1,008,340	754,238,320	\$ 3,640,093
Commercial	1,528	472,310	353,287,880	\$ 1,127,848
Industrial	36	33,334	24,933,832	\$ 58,607
Governmental	187	171,952	128,620,096	\$ 263,825
Other	3	21,593	16,151,564	\$ 28,868
Total	14,662	1,707,530	1,277,231,692	\$ 5,119,241

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility Revenue and Expense Summary

	2020 ACTUAL	2021 ACTUAL	2022 REFORECAST	2023 BUDGET
OPERATING REVENUE				
Residential Sales	\$ 3,341,439	\$ 3,640,093	\$ 3,703,405	\$ 4,087,320
Commercial & Industrial Sales	\$ 1,069,194	\$ 1,186,455	\$ 1,178,639	\$ 1,267,304
Governmental Sales	\$ 215,661	\$ 263,825	\$ 271,127	\$ 341,022
Interdepartmental	\$ 12,670	\$ 28,868	\$ 20,669	\$ 25,083
Other Operating Revenue	\$ 404,902	\$ 433,984	\$ 405,600	\$ 405,600
TOTAL	\$ 5,043,866	\$ 5,553,225	\$ 5,579,440	\$ 6,126,329
NET OPERATING EXPENSE				
Other Operating Expense*	\$ 3,375,171	\$ 3,234,290	\$ 3,934,316	\$ 4,380,771
TOTAL	\$ 3,375,171	\$ 3,234,290	\$ 3,934,316	\$ 4,380,771
CASH FLOW FROM OPERATIONS	\$ 1,668,695	\$ 2,318,935	\$ 1,645,124	\$ 1,745,558
NON-OPERATING REVENUE (EXPENSE)				
Investment Income	\$ 26,335	\$ 5,111	\$ 42,567	\$ 66,360
TIF Reimbursements	\$ 0	\$ 0	\$ 0	\$ 0
Other Non-Op. Revenue (Expense)*	\$ 213,918	\$ 225,561	\$ 209,600	\$ 207,600
TOTAL	\$ 240,253	\$ 230,672	\$ 252,167	\$ 273,960
REVENUE AVAILABLE FOR DEBT SERVICE	\$ 1,908,948	\$ 2,549,607	\$ 1,897,291	\$ 2,019,518

*Does not include Depreciation, GASB Related IPERS & OPEB Expenses, AFUDC or Noncash Contributions in Aid of Construction

Cedar Falls Utilities - Municipal Water Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	7.4%	5.8%	5.9%	5.9%	9.5%	7.9%	7.5%	3.9%	3.9%
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Revenue & Expense

Total Water Unit Sales (CCF)	1,537,039	1,707,530	1,567,049	1,554,454	1,598,951	1,598,951	1,598,951	1,598,951	1,598,951
Total Operating Revenues	5,043,866	5,553,225	5,569,365	5,579,440	6,126,329	6,578,267	7,041,217	7,300,006	7,568,888
Total Operating Expenses	4,352,057	3,841,193	5,019,216	4,921,739	5,409,395	5,637,861	5,850,039	6,079,202	6,283,859
Net Operating Income (Loss)	691,809	1,712,032	550,149	657,701	716,934	940,406	1,191,178	1,220,804	1,285,029
Total Non-Operating Revenue or (Expense)	987,408	256,302	231,810	266,605	308,008	251,500	264,699	245,830	249,801
Net Income (Loss)	1,679,217	1,968,334	781,959	924,306	1,024,942	1,191,906	1,455,877	1,466,634	1,534,830
NOI as a Percent of Revenue	13.72%	30.83%	9.88%	11.79%	11.70%	14.30%	16.92%	16.72%	16.98%
NI as a Percent of Revenue	33.29%	35.44%	14.04%	16.57%	16.73%	18.12%	20.68%	20.09%	20.28%

Cash Balance

Adjust Net Income To Cash									
Non-Cash Contribution In Aid of Construction	(742,137)	(20,475)	0	0	0	0	0	0	0
Capital Outlays	(1,292,575)	(1,186,603)	(2,929,160)	(1,899,886)	(3,638,920)	(2,803,850)	(3,405,100)	(1,812,420)	(1,700,760)
Debt									
Bond or Note Proceeds	0	0	0	0	0	0	0	0	0
Debt Service Payments	0	0	0	0	0	0	0	0	0
Other Revenue & Expense Adjustments									
Depreciation & Amortization	873,093	909,827	920,796	922,723	963,924	1,033,063	1,086,337	1,151,034	1,185,470
Other	(1,195,826)	(674,009)	31,276	50,262	30,652	43,026	37,179	51,948	53,419
Adjust To Cash	(2,357,445)	(971,260)	(1,977,088)	(926,901)	(2,644,344)	(1,727,761)	(2,281,584)	(609,438)	(461,871)
Annual Cashflow Surplus / (Deficit)	(678,228)	997,074	(1,195,129)	(2,595)	(1,619,402)	(535,855)	(825,707)	857,196	1,072,959
Total Cash & Investments									
Beginning Balance	6,061,424	5,383,196	5,804,715	6,380,270	6,377,675	4,758,273	4,222,418	3,396,711	4,253,907
Annual Cashflow Surplus / (Deficit)	(678,228)	997,074	(1,195,129)	(2,595)	(1,619,402)	(535,855)	(825,707)	857,196	1,072,959
Ending Balance	5,383,196	6,380,270	4,609,586	6,377,675	4,758,273	4,222,418	3,396,711	4,253,907	5,326,866

Cedar Falls Utilities - Municipal Water Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Rereforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	7.4%	5.8%	5.9%	5.9%	9.5%	7.9%	7.5%	3.9%	3.9%
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Breakout of Cash Balance

Unrestricted Cash & Investments	5,028,678	6,055,992	4,256,464	5,996,865	4,377,463	3,841,608	3,015,901	3,873,097	4,946,056
Board Designated Restricted Cash & Investments									
Ending Balance	0	0	0	0	0	0	0	0	0
Legally Restricted Cash & Investments									
Debt & Construction	0	0	0	0	0	0	0	0	0
Self-Funded Dental Insurance Plan	13,000	11,125	11,073	9,810	9,810	9,810	9,810	9,810	9,810
Self-Funded Health Insurance Plan	341,518	313,153	342,049	371,000	371,000	371,000	371,000	371,000	371,000
Ending Balance	354,518	324,278	353,122	380,810	380,810	380,810	380,810	380,810	380,810
Total Cash & Investments	5,383,196	6,380,270	4,609,586	6,377,675	4,758,273	4,222,418	3,396,711	4,253,907	5,326,866

Board Recommended Reserves

Unrestricted Cash & Investments	5,028,678	6,055,992	4,256,464	5,996,865	4,377,463	3,841,608	3,015,901	3,873,097	4,946,056
Board Recommended Reserves									
CIP (Five Year Average) [A]	1,765,355	2,113,765	2,295,844	2,712,035	2,672,210	2,330,378	2,207,024	1,890,884	1,905,744
Liability Insurance Deductible	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Operating Expense Reserve [B]	421,896	404,286	505,971	491,790	547,596	567,512	587,375	607,934	629,211
Board Designated Unrestricted Reserves [C]	2,387,251	2,718,051	3,001,815	3,403,825	3,419,806	3,097,890	2,994,399	2,698,818	2,734,955
Reserves Surplus (Deficit)	2,641,427	3,337,941	1,254,649	2,593,040	957,657	743,718	21,502	1,174,279	2,211,101

[A] = Net of bond proceeds.

[B] = 12.5% of adjusted operating expenses, does not include PILOT & non-cash expenses (IE: depreciation; IPERS unfunded liability; OPEB).

[C] = Minimum Unrestricted Cash Reserve Level per the Cash Reserve Policy

Cedar Falls Utilities - Municipal Water Utility
Cash Flow History and Projections Summary

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Average Rate Adjustments

Historical / Projected Rate Adjustments	7.4%	5.8%	5.9%	5.9%	9.5%	7.9%	7.5%	3.9%	3.9%
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Financial Ratios

	Goal									
Debt Service Coverage - Revenue Debt - Bond Covenant	1.25+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Debt Service Coverage - All Debt - Bond Covenant	1.75+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Unrestricted Cash Balances as % of Operating Expenses Without Depreciation, PILOT, & NPL/OPEB	50%+	148.99%	187.24%	105.16%	152.42%	99.92%	84.62%	64.18%	79.64%	98.26%
Net Operating Income (NOI) as a % of Revenue	6%+	13.72%	30.83%	9.88%	11.79%	11.70%	14.30%	16.92%	16.72%	16.98%
Net Income (NI) as a % of Revenue	6%+	33.29%	35.44%	14.04%	16.57%	16.73%	18.12%	20.68%	20.09%	20.28%
Cash Surplus (Deficit) after Legal & Board Recommended Reserves	Zero	\$ 2,641,427	\$ 3,337,941	\$ 1,254,649	\$ 2,593,040	\$ 957,657	\$ 743,718	\$ 21,502	\$ 1,174,279	\$ 2,211,101

Assumptions Used in Cashflow

Projected Sales Growth	0.9%	11.1%	-8.2%	-9.0%	2.9%	0.0%	0.0%	0.0%	0.0%
Projected Operating Expenses (If NOT Specifically Projected)						3.5%	3.5%	3.5%	3.5%
Interest Rate for Cash & Investments						1.0%	1.0%	1.0%	1.0%
Debt Interest Rate =5.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Water Utility Historical and Projected Average Rate Adjustments

Year	%
2002	
2003	
2004	
2005	9.0%
2006	
2007	9.0%
2008	9.0%
2009	9.0%
2010	9.0%
2011	9.0%
2012	
2013	7.0%
2014	4.0%
2015	5.0%
2016	5.0%
2017	
2018	4.9%
2020	7.4%
2021	5.8%
2022	5.9%
2023	9.5%
2024	7.9%
2025	7.5%
2026	3.9%
2027	3.9%

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Communications Utility

Communications Backbone

The Communications Utility was established in 1994 after a Cedar Falls citizen referendum passed, by a 70 percent majority. Originally, CFU constructed and operated a city-wide hybrid system providing a range of communications and entertainment services. The broadband coaxial network was a hybrid fiber/coaxial system consisting of 21 service areas or nodes. There were approximately 310 miles of coaxial cable and 97 miles of fiber in the distribution system.

In 2013 the Communications Utility completed a system wide upgrade to the entire communications plant to fiber-to-the-premises (FTTP) infrastructure and capabilities that was started in 2009. FTTP provides the ability to continually increase bandwidth delivered to homes and businesses compared to copper-based technologies used by cable TV or telephone companies in the United States. Fiber optic data and video services enter the home or business through a single gateway, known as an optical network terminal (ONT). This service delivers a crisp, clear television picture and highly reliable internet access at download speeds of 10,000 megabits (10 gigabit) per second. Future standards are planned with support for 25 gigabits and 50 gigabits per second. Fifth-generation cellular data service or new fixed-wireless technologies can compete with slower GPON (Gigabit PON) but struggle with variability in delivered bandwidth due to issues with location, obstructions, distance, or the number of connections to aggregation points.

In August 2010, CFU received notice that Rural Utilities Service (RUS), an arm of United States Department of Agriculture (USDA), approved our application to extend high speed internet services to rural Cedar Falls customers. The design was a combination of FTTP and fixed wireless with FTTP being built to areas with higher customer density and the remaining being served with fixed wireless. The fiber system made available both cable and high-speed internet whereas the wireless system provides internet only. FTTP is a far superior service providing the highest bandwidth option and high reliability. Fixed wireless is price competitive with customers' current satellite options or providing higher speeds compared to DSL. Construction began in the fall of 2012 and was completed in 2015. Upgrades to the wireless signal and receiving equipment completed in 2019 provide greater signal quality and improved speeds.

We are working through a multi-year project to migrate off two core switches installed in 2010 with three core routers. As more services become IP-enabled, the features and functionality of our core network become more important. All customer data, video, and voice traffic flows through our cores, and business PtP (point-to-point) services as well. These upgrades will allow delivery of true carrier-class service and will meet customer needs well for many years to come.

We began a multi-year project to replace our aging, unsupported Motorola GPON system in 2020 with over 10,000 Motorola ONT's to be replaced. We have installed new Calix optical line terminals (OLT's) in our fiber hub sites and head end which support the new 10-gigabit-capable symmetric passive optical network (XGS-PON) standard as well as the gigabit passive optical

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Communications Utility

network (GPON) standard we use today. This will allow us to mix and match 1gb and 10gb services across our network. Today each PON on our network serves 32 customers.

Services

In 1994 the first fiber optic installation was to Doerfer Engineering and the first residential cable television customer was connected in 1996. Following the introduction of cable television service, the Communications Utility introduced CyberNet, its own high-speed Internet access via cable modem instead of a phone line. The first CyberNet customer was connected in 1997. The Utility also began offering high-speed data services such as Fiber CyberNet, Point-to-Point service, and other Specialized Telecommunications Services for residential, commercial and industrial customers.

The Communications Utility launched digital cable television service in November 2001 and high-definition cable service in November 2003. Then in 2006, introduced fiber-to-the-premises (FTTP) technology in several new commercial and residential developments. With the complete fiber upgrade to the system finished in 2013, new FiberNet services replaced the previous CyberNet services.

In May 2013, CFU became the first provider in Iowa to offer internet service at 1 gigabit per second as a standard product available community-wide. The service is available to residential and business customers. With this upgrade from CFU, Cedar Falls ranks among the top communities in the nation for broadband speed and availability. CFU was one of the first ISPs in the nation and the first provider in Iowa to provide 10 gigabit service in 2020. That same year we were also recognized by PC Mag as the fastest ISP and best ISP for gaming in the nation.

In 2015, the Communications Utility received approval from the Board of Trustees to provide telephone service to the community of Cedar Falls. This new service was available to subscribers starting in the second quarter of 2016. CFU selected ImOn from Cedar Rapids, Iowa as the wholesale telephone-switching provider for this new service.

Our partnership with Waverly Utilities in a new internet protocol television (IPTV) video head end began in 2015, was expanded to include Bellevue Municipal Utilities in 2017, Indianola Municipal Utilities in 2018, Vinton Municipal Utilities in 2019, and Pella Utilities and New Hampton Municipal Utilities in 2020.

With the ONT conversion project, we will visit each home and business which currently has a Motorola ONT and convert them to one of the Calix ONT models. Most customers will get a cost-saving compact XGS-PON ONT capable of a maximum 2.5 gigabit service and one POTS line. Other ONT models will be used for customers subscribing to the 10 gigabit service, or for locations where the ONT must be mounted outside. We are moving outside mounted ONTs

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Communications Utility

indoors whenever possible as indoor ONTs are less expensive, provide greater reliability and stay in service longer.

In 2021 we began switching all video customers to IPTV when swapping to Calix ONTs as part of the plan to discontinue traditional RF (radio frequency) cable TV service. Current plans are for the RF system to be shut down December 1, 2024; as the main equipment providing the RF signal will be unsupported by the vendor in 2025. This legacy technology will require more maintenance over time, have higher equipment costs, and limited staff knowledgeable to support it. Customers who have RF set top boxes (STB) will get new IP-based STB's which have a video guide driven by rich metadata and capabilities of advanced video features.

In 2022 we have migrated to a new ABR (Adaptive Bit Rate) delivery system for IPTV which allows us to deliver our video service through an application which runs on the popular Android TV platform, as well as mobile devices using Android or Apple iOS. This system is similar to technology used by streaming services such as Netflix, Amazon Prime Video, or Hulu. Delivery through the CFU TV App will match the way customers are consuming video content on streaming devices. During 2023 support is planned for SCDs (Supported Consumer Devices) to reduce the investment in traditional STBs.

In 2021, the State of Iowa opened a new broadband grant opportunity. The Empower Rural Iowa Broadband Program was developed to provide high speed internet service, with a minimum of 100mbps upload and download, in rural unserved or underserved areas of the state. CFU was awarded a grant for over \$2.3 million to extend fiber to over 700 rural underserved customers west, northwest, north and northeast of Cedar Falls. The grant covers 44% of the 3-year project cost to extend fiber to the premise in those rural areas surrounding Cedar Falls. Conduit began being buried in June of 2022 using a technology new to CFU that allows longer conduit runs between vaults or pedestals. It is expected fiber cable will be blown into the conduit ducts starting in October of 2022, and fiber splicing to occur over the winter into 2023. The first customer installs could begin as early as Spring of 2023. The entire project will last through 2025.

Customers

As of July 31, 2022, the Communications Utility serves 6,364 retail TV customers, 16,275 internet customers, and 3,093 phone lines.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Communications Utility Revenue and Expense Summary

	2020 ACTUAL	2021 ACTUAL	2022 REFORECAST	2023 BUDGET
OPERATING REVENUE				
Cable Services	\$ 9,030,126	\$ 8,874,975	\$ 8,412,857	\$ 7,912,873
Data/Phone Services	\$ 11,959,498	\$ 12,535,067	\$ 13,212,131	\$ 13,823,741
Other Cable Operating Revenue	\$ 916,816	\$ 490,701	\$ 506,248	\$ 444,340
Other Data Operating Revenue	\$ 97,591	\$ 114,906	\$ 113,377	\$ 113,112
TOTAL	\$ 22,004,031	\$ 22,015,649	\$ 22,244,613	\$ 22,294,066
NET OPERATING EXPENSE				
Programming Expenses	\$ 6,674,934	\$ 6,706,151	\$ 6,317,990	\$ 6,028,155
Data/Phone Bandwidth Access Expenses	\$ 673,193	\$ 670,954	\$ 804,575	\$ 865,833
Other Operating Expense*	\$ 6,494,436	\$ 6,891,053	\$ 7,024,924	\$ 8,088,095
TOTAL	\$ 13,842,563	\$ 14,268,158	\$ 14,147,489	\$ 14,982,083
CASH FLOW FROM OPERATIONS	\$ 8,161,468	\$ 7,747,491	\$ 8,097,124	\$ 7,311,983
NON-OPERATING REVENUE (EXPENSE)				
Investment Income	\$ 56,776	\$ 15,359	\$ 45,515	\$ 45,516
Contributions In Aid of Construction	\$ -	\$ 151,754	\$ -	\$ -
TIF Reimbursements	\$ 1,073	\$ 1,073	\$ 1,073	\$ 1,073
Other Non-Op. Revenue (Expense)*	\$ (2,775)	\$ 11,131	\$ 2,815	\$ 2,400
TOTAL	\$ 55,074	\$ 179,317	\$ 49,403	\$ 48,989
REVENUE AVAILABLE FOR DEBT SERVICE	\$ 8,216,542	\$ 7,926,808	\$ 8,146,527	\$ 7,360,972

*Does not include Depreciation, GASB Related IPERS & OPEB Expenses or AFUDC

Payment in Lieu of Taxes (PILOT) of...	\$ 15,000	\$ 30,000	\$ -	\$ -
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CFU - Municipal Communications Utility
Cash Flow History and Projections - SUMMARY

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Revenue & Expense

Cable Operating Revenues	9,946,942	9,365,676	9,488,689	8,919,105	8,357,213	8,254,445	8,110,925	8,096,614	7,953,971
Data Operating Revenues	12,057,089	12,649,973	13,319,274	13,325,508	13,936,853	14,465,389	14,781,460	14,954,106	15,192,730
Total Operating Revenues	22,004,031	22,015,649	22,807,963	22,244,613	22,294,066	22,719,834	22,892,385	23,050,720	23,146,701
Cable Operating Expenses	11,517,827	11,398,224	12,394,245	11,302,576	11,542,836	11,546,026	11,811,357	12,066,367	12,314,282
Data Operating Expenses	6,039,392	5,946,071	7,157,898	7,003,219	7,955,375	8,442,071	8,796,646	9,133,378	9,457,243
Total Operating Expenses	17,557,219	17,344,295	19,552,143	18,305,795	19,498,211	19,988,097	20,608,003	21,199,745	21,771,525
Net Operating Income (Loss)	4,446,812	4,671,354	3,255,820	3,938,818	2,795,855	2,731,737	2,284,382	1,850,975	1,375,176
Total Non-Operating Revenue or (Expense)	73,028	204,077	46,370	87,321	93,676	95,561	2,457,913	148,937	170,678
Net Income (Loss)	4,519,840	4,875,431	3,302,190	4,026,139	2,889,531	2,827,298	4,742,295	1,999,912	1,545,854
NOI as a Percent of Revenue	20.21%	21.22%	14.27%	17.71%	12.54%	12.02%	9.98%	8.03%	5.94%
NI as a Percent of Revenue	20.54%	22.15%	14.48%	18.10%	12.96%	12.44%	20.72%	8.68%	6.68%

Cash Balance

Adjust Net Income To Cash									
Net Income (Loss)	4,519,840	4,875,431	3,302,190	4,026,139	2,889,531	2,827,298	4,742,295	1,999,912	1,545,854
Capital Outlays	(3,388,976)	(4,361,990)	(9,407,180)	(8,701,994)	(9,472,800)	(3,323,200)	(3,214,080)	(2,648,640)	(4,617,680)
Inter-Company Loan									
Revenue & Expense Adjustments:									
Depreciation & Amortization	3,572,442	3,593,229	4,085,436	4,002,446	4,482,660	4,836,359	5,029,823	5,231,453	5,403,983
Other	(645,549)	(262,423)	107,792	117,942	(11,219)	20,846	17,592	21,131	22,390
Adjust To Cash	(462,083)	(1,031,184)	(5,213,952)	(4,581,606)	(5,001,359)	1,534,005	1,833,335	2,603,944	808,693
Annual Cashflow Surplus / (Deficit)	4,057,757	3,844,247	(1,911,762)	(555,467)	(2,111,828)	4,361,303	6,575,630	4,603,856	2,354,547
Total Cash & Investments									
Beginning Balance	11,376,968	15,434,725	18,870,209	19,278,972	18,723,505	16,611,677	20,972,980	27,548,610	32,152,466
Annual Cashflow Surplus / (Deficit)	4,057,757	3,844,247	(1,911,762)	(555,467)	(2,111,828)	4,361,303	6,575,630	4,603,856	2,354,547
Ending Balance	15,434,725	19,278,972	16,958,447	18,723,505	16,611,677	20,972,980	27,548,610	32,152,466	34,507,013

CFU - Municipal Communications Utility
Cash Flow History and Projections - SUMMARY

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Breakout of Cash Balance

Unrestricted Cash & Investments	14,781,242	18,642,218	16,330,222	18,020,505	15,908,677	20,269,980	26,845,610	31,449,466	33,804,013
Board Designated Restricted Cash & Investments									
PILOT Surplus Reserve	15,000	30,000	0	0	0	0	0	0	0
Ending Balance	15,000	30,000	0	0	0	0	0	0	0
Legally Restricted Cash & Investments									
Bond & Interest Fund	0	0	0	0	0	0	0	0	0
Bond Reserve Fund	0	0	0	0	0	0	0	0	0
Improvement & Extension Fund	0	0	0	0	0	0	0	0	0
Self-Funded Dental Insurance Plan	23,015	20,768	21,266	18,000	18,000	18,000	18,000	18,000	18,000
Self-Funded Health Insurance Plan	615,468	585,986	606,959	685,000	685,000	685,000	685,000	685,000	685,000
Construction Fund	0	0	0	0	0	0	0	0	0
Ending Balance	638,483	606,754	628,225	703,000	703,000	703,000	703,000	703,000	703,000
Total Cash & Investments	15,434,725	19,278,972	16,958,447	18,723,505	16,611,677	20,972,980	27,548,610	32,152,466	34,507,013

Board Recommended Reserves

Unrestricted Cash & Investments		14,781,242	18,642,218	16,330,222	18,020,505	15,908,677	20,269,980	26,845,610	31,449,466	33,804,013
Board Recommended Reserves										
CIP (Five Year Average) [A]	5,135,767	5,474,056	5,119,628	5,472,143	4,655,280	3,558,864	3,783,480	3,967,656	3,962,624	
Liability Insurance Deductible	200,000	200,000	300,000	200,000	200,000	200,000	200,000	200,000	200,000	
Operating Expense Reserve [B]	1,728,445	1,779,770	1,915,733	1,768,436	1,872,760	1,889,784	1,943,089	1,991,853	2,041,759	
Board Designated Unrestricted Reserves [C]	7,064,212	7,453,826	7,335,361	7,440,579	6,728,040	5,648,648	5,926,569	6,159,509	6,204,383	
Reserves Surplus (Deficit)	7,717,030	11,188,392	8,994,861	10,579,926	9,180,637	14,621,332	20,919,041	25,289,957	27,599,630	

[A] = Net of bond proceeds.

[B] = 12.5% of adjusted operating expenses, does not include PILOT & non-cash expenses (IE: depreciation; IPERS unfunded liability; OPEB).

[C] = Minimum Unrestricted Cash Reserve Level per the Cash Reserve Policy

**CFU - Municipal Communications Utility
Cash Flow History and Projections - SUMMARY**

Audited 2020	Audited 2021	Budget 2022	Reforecast 2022	Budget 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027
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Financial Ratios

	Goal									
Debt Service Coverage - Revenue Debt - Bond Covenant	1.25+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Debt Service Coverage - All Debt - Bond Covenant	1.75+	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unrestricted Cash Balances as % of Operating Expenses Without Depreciation, PILOT, & NPL/OPEB	50%+	106.90%	130.93%	106.55%	127.38%	106.18%	134.08%	172.70%	197.36%	206.95%
Net Operating Income (NOI) as a % of Revenue	6%+	20.21%	21.22%	14.27%	17.71%	12.54%	12.02%	9.98%	8.03%	5.94%
Net Income (NI) as a % of Revenue	6%+	20.54%	22.15%	14.48%	18.10%	12.96%	12.44%	20.72%	8.68%	6.68%
Cash Surplus (Deficit) after Legal & Board Recommended Reserves	\$0	7,717,030	11,188,392	8,994,861	10,579,926	9,180,637	14,621,332	20,919,041	25,289,957	27,599,630

Assumptions Used in Cashflow

Projected Operating Expenses (If NOT Specifically Projected)							3.5%	3.5%	3.5%	3.5%
Interest Rate for Cash & Investments							1.0%	1.0%	1.0%	1.0%
Debt Interest Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Personnel Summary

Overview

The organizational structure of Cedar Falls Utilities (CFU) reflects its commitment to its Mission Statement “To provide our customers with innovative, high-quality utility services that bring the best value to the community” and its Vision Statement to “achieve a standard of excellence as an industry leader and a trusted provider of utility services to our customers and community”. These statements guide CFU in making further changes and progressing forward as an effective and efficient organization. The current structure divides the organization into Administration and five business units.

Business Unit	Departments
Administration	Administration
Communication Services	Communication Operations, Meter Reading, Information Systems, Information Technology & Security
Customer Service and Business Development	Customer Service, Energy Service, Sales & Business Development, Marketing
Electric, Gas and Water Operations	Electric Production, Electric Distribution, Electric Operations, Gas & Water Operations, Gas & Water Construction
Employee and Legal Services	Employee & Legal Services
Finance and Organizational Services	Finance, Purchasing & Warehousing, Maintenance Support Services-Facilities and Transportation

The CFU organization continually evaluates staffing needs for technical talent and expertise to successfully meet the complex challenges of a four-utility service provider and achieving the outcomes of the capital improvement plan, operating budget maintenance plans and succession planning.

CFU relies on seasonal and part time staffing to help during the busy construction season and supplementing of the regular CFU work force. These positions are used in supporting various projects for all four utilities and staffing of the help desk and administrative duties.

Staffing count comparisons and projections are as follows:

EMPLOYEES	2018	2019	2020	2021	2022 Original	2022 Current	2023 Budget	2024	2025	2026	2027
SEASONAL	6	8	6	6	8	10	9	9	9	9	9
TEMPS PT	1	1	1	1	1	2	0	0	0	0	0
TEMPS FT	0	0	1	1	1	1	1	0	0	0	0
PART TIME	15	14	14	12	13	12	13	13	13	13	13
FULL TIME	172	175	179	181	185	178	189	187	189	187	185
TOTALS	194	198	201	201	208	203	212	209	211	209	207

CEDAR FALLS UTILITIES
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Our current 2022 full-time staffing of 178 employees is less than we budgeted for 2022, in part because of decisions made to defer hiring of some positions, such as an Electric Production Engineer, a Systems Administrator, and Energy Services Engineer, and a Line Worker. The current count does include five positions in the hiring process currently: Customer Service Assistant, ROW Specialist, Locator, Software Engineer, and a Security Analyst.

Changes to full time staffing for 2023 include positions for succession planning, for previously positions currently unfilled, and for new positions:

Succession Planning Positions:

- For the past three years we have considered the need to add an engineer position for our power plant and power supply operations, largely for succession planning. Our three engineers directly involved in power supply and transmission are all 55 years or older. The complexities of power supply, transmission and our specific generation units warrant us planning for their retirements and investing in their replacements. We will consider adding one engineer in 2023. The hiring process has begun in 2022.
- Two Relief Control Room Operators are being added for an overlap of more than one year, allowing development of new employees to achieve full Operator status which will be needed for Operator retirements expected in 2024.
- A Garage Technician is planned for Transportation Services to cover workload as the current Assistant Manager position transitions to Manager of both Facilities and Transportation Services. A future retirement of the Manager is forecast.

New Positions:

- A Systems Administrator assigned to ensure cybersecurity compliance of our transmission system monitoring and control. The North American Electric Reliability Corporation Critical Infrastructure Protection (NERC CIP) is a set of requirements designed to secure the assets required for operating North America's bulk electric system. Systems are classified within NERC CIP as either Low, Medium or High Impact systems, with progressively stringent monitoring, control and cybersecurity requirements. CFU's system has historically been classified as a Low Impact system, however the increasing frequency of threats and disruptions has caused a significant reclassification which finds many systems, including CFU's, moving up the impact evaluation. We were notified in July that the NERC CIP standards for Medium Impact would be enforceable to our control center/SCADA system beginning October 1, 2023. This requires a substantial effort to bring our systems into Medium Impact compliance, and our initial estimate is that this could take two full-time employees to implement and manage those systems to ensure compliance. One was hired in 2022.
- A Software Engineer position is planned for the Information System department to assist with the increasing workload.
- A Communications Planner position is budgeted to assist with increased workload from Communications Utility projects and GIS technology conversion.
- A Help Desk Specialist is planned to cover the hours and workload with help desk services. Part time hours will be reduced in this department because of this position.

CEDAR FALLS UTILITIES
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- A part time Communications Assistant/Provisioner is budgeted to assist with workload. Several years ago, there was a full time provisioner that is currently being covered by the Communications Specialist in this department.

Previous positions currently unfilled:

- The Energy Services department is planning to fill a vacant Energy Services Engineer position that was left vacant very early in the year. This returns this department's staffing to the same level as in 2016 and prior.
- A Line Worker position was left vacant in 2022 because of some line worker transfers to planning from a retirement and another employee transfer to Communications. This Line Worker position has been delayed to material purchasing delays and will be filled sometime in 2023 when materials become available to work on overhead to underground projects.
- Due to a department transfer into a vacant position in the company, the ELS Specialist position is budgeted to be filled in 2023. Currently, an intern is covering some of these duties and that position will be eliminated.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Personnel Summary

The Administration business unit is responsible for carrying out the CFU Mission, Vision, and Core Values. Strategic initiatives which accomplish the department objectives are driven by the General Manager/Chief Executive Officer.

The Administration business unit has the following staffing in September 2022:

BOARD OF TRUSTEES		
Jeff Engel, Richard McAlister, MaraBeth Soneson, Deb Iehl, Leslie Prideaux		
General Manager (CEO) Steve Bernard	Executive Assistant	Renee Weber
	Director of Customer Service & Business Development (CRO)	Mike Litterer
	Director of Communications Services (CTO)	Charles Dostale
	Director of Electric, Gas, & Water Operations (COO)	William Skubal Jr.
	Director of Employee & Legal Services (General Counsel)	Susan Abernathy
	Director of Finance & Organizational Services (CFO)	Wynette Froehner

Employee and Legal Services (ELS) Business Unit

The Employee and Legal Services business unit provides the legal and personnel development necessary for CFU’s ongoing success in support of CFU’s Vision. The Director of Employee and Legal Services serves as the General Counsel of CFU for the daily activities and contracts.

In addition to providing legal counsel for the CFU organization, the human resources and employee development area is charged with the responsibility of providing innovative, high-quality administration, coordination, and promotion of CFU’s benefits, insurance, job search, service recognition, compensation, and employee development programs.

The Health and Safety Coordinator is responsible for establishing an accident prevention and safety program leading to zero employee accidents and identifying safety measures and training to achieve a safe environment for CFU’s customers and employees.

The ELS business unit has the following staffing in September 2022:

Director of Employee & Legal Services	
Human Resources Manager	Compensation & Benefits Specialist
	Employee Services Specialist
	Human Resources Intern
Health & Safety Coordinator	

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
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Customer Service and Business Development (CSBD) Business Unit

The Customer Services and Business Development business unit provides the business platform for CFU as based upon customer needs and development of the CFU Vision. The Director of this business unit functions as the Chief Relationship Officer.

The Energy Services department is charged with providing services intended to assist CFU customers in energy management and conservation such that additional energy capacity can be deferred, and the economic value of existing utility facilities can be maximized. Department efforts are to serve the needs of commercial and key accounts through personal attention, special programs, and contractual relationships. The staff also hosts regular key accounts meetings, allowing time to thank these customers and provide useful industry-related presentations.

The Customer Service department is charged with customer relations services and billing. This department is the main sources of customer contact and is responsible for updating of the customer records, and the offering of credit services that are designed to be fair and relationship-enhancing.

The Marketing department is responsible for providing a dedicated marketing function capable of enabling CFU to offer products its customers' desire, at a cost-effective price and in a timely manner. In addition, this department assembles market demographic information as required so that CFU can offer innovative, high-quality, and targeted services and products across the spectrum of its products. The CFU business development function defines, models, and coordinates strategic scenarios as they may relate to future activity in the competitive marketplace. One such scenario started in 2019 is the Motorola and advanced video conversion project, which will occur over multiple years in the Communications Utility.

The Communication Sales department is responsible for direct sales and customer support of CFU's cable TV and data services. Communications Services Specialists field most residential customer inquiries for our FiberNet TV, phone and internet products, including product offering questions and billing. This department is also responsible for the sales of business-class communication services. Business-class services include fiber-based internet or point-to-point products, commercial TV products, business phone, and wholesale transactions with other municipal communication providers.

This department also includes the Communications Help Desk, providing phone support seven days a week for customers who may be experiencing TV, internet, or phone problems. They have had a large turnover this year with many students graduating and leaving CFU to take permanent full-time jobs elsewhere. The addition of the one full time help desk position helped stabilize the department during this time and allowed us to continue the excellent service we provide. As we move forward with the Advanced Video and Calix equipment conversion, the Help Desk will be critical to customer satisfaction and support during this time. Additional hours are planned to cover the conversion over the next few years.

CEDAR FALLS UTILITIES
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The CSBD business unit has the following staffing in September 2022:

Director of Customer Service & Business Development		
Energy Services Manager	Energy Services Specialist Energy Services Administrative Specialist	
Marketing Manager	Marketing Specialist	
Communications Sales Manager	Help Desk Services Specialist (2) Help Desk Services Assistant (7) Lead Communications Services Specialist Communications Services Specialist Communications Sales Specialist Communications Services Assistant (Temporary)	
Customer Service Manager	Customer Service Supervisor Customer Service Analyst Billing Systems Assistant Lead Credit Services Specialist Credit Services Specialist	Customer Service Assistant (3) Customer Service Specialist (5) Administrative Assistant

Communications Services (CS) Business Unit

The Communications Services organization, through its four departments, provides the product and services using the guidelines within the CFU Mission Vision Statements and the initiatives outlined in the Strategic Plan. The Director of this business unit functions as the Chief Technology Officer.

Communications Field Operations provides communications and technology applications for CFU. Its main functions include the engineering, planning, design and operations and maintenance of the Communications Utility transmission and distribution systems.

The Information Systems (IS) department provides development and maintenance of computer networks, intranet computer operational support and other value-added platforms. IS also provides support for engineering, operations, customer service and financial services systems.

CEDAR FALLS UTILITIES
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The Information Technology & Security (IT) department provides end-user computer needs. Cyber security of the internal CFU systems is vested in this department which works with all business units to achieve company-wide security.

The Meter Reading department provides for timely and accurate meter reading services to customers for billing purposes.

The CS business unit has the following staffing in September 2022:

Director of Communication Services	
Network Engineering Manager	Network Engineer II Network Engineer I (4) Network Technician Headend Communications Technician
Information Systems and Meter Reading Manager	Meter Reading Supervisor Meter Reader (5) Senior Software Engineer (2) Software Engineer I - Java Developer (1) Software Engineer I - Microsoft 365 Developer (1) Business Systems Analyst Billing System Analyst Operations Systems Analyst
Information Technology & Security Manager	Systems Administrator II Systems Administrator I (2) IT Support Technician Security Analyst
Communications Field Operations Manager	Communications Supervisor Lead Communications Technicians (3) Communications Technician (9) Senior Communications Planner Communications Administrative Specialist

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Personnel Summary

Electric, Gas & Water Operations (OPS) Business Unit

The Electric, Gas & Water Operations organization, through its six departments, provides the products and services using the guidelines within the CFU Mission Vision Statements and the initiatives outlined in Strategic Plan. The Director of Operations functions as the Chief Operations Officer.

The Electric Production department is responsible for providing the competitive electric energy supply required to meet the needs for CFU's customers. Functions include operation and maintenance of CFU's generating facilities, dispatching of generation resources and wholesale power transactions, energy resource procurement, monitoring CFU's interest in jointly owned facilities, load forecasting, energy forecasting-sales/purchases and strategic analysis for future generation requirements that meet CFU environmental goals and State or Federal Renewable Portfolio Standards.

The Electric Distribution department is responsible for services that include the planning, design, construction and maintenance of the transmission and distribution systems of the Electric Utility.

The Electric Operations department provides engineering and planning services to the CFU organization in support of major projects and health and safety services affecting electric, gas, and water and communications utilities. Functions include planning, standards, project management, SCADA, GIS, design, mapping and drafting, electric metering, NERC compliance and operation of CFU's transmission and distribution system for the Electric Utility. In addition, there is shared responsibility for cyber security of SCADA and other key systems.

The Gas & Water Operations department provides competitive, dependable natural gas and water to CFU's customers. Gas operations include the purchase and safe distribution of natural gas. Water operations include the pumping, treatment, testing, and delivery of high-quality water meeting all federal and state regulations. The department also provides the gas and water metering, engineering, planning and design for the Gas and Water Utilities.

The Gas & Water Construction department is responsible for construction and maintenance of the Gas and Water Utilities. Gas service provides customers with a wide variety of in-home services, some of which include leak investigation and mitigation, annual furnace inspection, carbon monoxide investigation, and new piping inspection.

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Personnel Summary

The OPS business unit has the following staffing in September 2022:

Director of Electric, Gas, & Water Operations		
Principal Transmission Engineer		
Electric Substation and Metering Manager	GIS Supervisor CAD Technician II Right of Way & GIS Specialist Compliance Specialist Distribution System Engineer II Electrical Engineering Technician Senior Electric Meter Technician Electric Meter Technician Operational Technology Systems Engineer II	
Construction Services Manager	Electric Construction & Line Supervisor (2)	Line Crew Leader (2) Electric Line Worker (9)
	Gas & Water Construction Supervisor	Welder Water & Gas Crew Leader (2) System Locator/Relief Meter Reader Construction Specialist I (6)
	Electric Services Specialist Office Assistant Part Time Senior Electric Distribution Planner Electric Distribution Planner (2)	
Gas & Water Operations Manager	Water Operations Supervisor	Water Systems Operator (2)
	Gas & Water Planning Supervisor	Distribution Technician Gas & Water Distribution Planner (2)
	Gas Operations Supervisor	Senior Gas Distribution Specialist Gas & Water Administrative Specialist Gas Service Technicians (5)
	Gas & Water Administrative Specialist	
Electric Production Manager	Power Plant Maintenance Supervisor	Instrument & Control Technician Power Plant Electrician Maintenance Mechanic (5)
	Control Room Operator Supervisor	Control Room Operator (4) Assistant Control Room Operator (5) Relief Control Room Operator (3)
	Environmental Compliance Coordinator Power Plant Administrative Specialist	

CEDAR FALLS UTILITIES
2023 Annual Operating Budget and Capital Improvement Plan
Personnel Summary

Finance and Organizational Services (FOS) Business Unit

The Finance and Organizational Services business unit consists of three departments and provides the business assessments and measures for the business platform to succeed in addition to providing corporate services for CFU. The Director of this business unit functions as the Chief Financial Officer and Board of Trustees Treasurer.

The Finance department provides service in financial reporting, budgeting, analysis, rate development and monitoring, and accounting management of CFU physical and financial assets. The department also provides the basis for development of the business assessment and measurement tools necessary for the CFU organization’s ongoing success.

The Purchasing & Warehousing department is charged with providing innovative, high-quality management and control of the inventory procurement processes and management of CFU inventory assets, warehouses, and storage. This department provides for the procurement of goods and services for CFU for general operations.

The Maintenance Support Services-Facilities department provides innovative, high-quality service to the CFU organization for the ongoing maintenance of all CFU buildings and grounds and facilitates planning for the efficient use of these facilities.

The Maintenance Support Services-Transportation department is responsible for providing maintenance and upkeep of all CFU vehicles and equipment. This includes coordinating the use of the CFU fleet and assisting in filing insurance claims for vehicles and equipment.

The FOS business unit has the following staffing in September 2022:

Director of Finance & Organizational Services		
Finance & Rates Coordinator		
Internal Audit Specialist		
Finance Manager	Senior Finance Specialist (2) Finance Specialist Finance Assistant	
Purchasing & Warehousing Manager	Warehouse Supervisor Purchasing Specialist	Warehouse Worker (2)
Maintenance Support Services Manager-Facilities Division	Lead Property Maintenance Worker Property Maintenance Worker Part Time Laborer	
Maintenance Support Services Assistant Manager-Transportation	Part Time Vehicle Washer Lead Garage Technician Garage Technician I (2)	

CEDAR FALLS UTILITIES CAPITAL IMPROVEMENT PLAN

SUMMARY BY UTILITY (INCLUDING INFLATION)

Item	2020 Actual	2021 Actual	2022 Published	2022 Reforecast	2023 Budget	2024	2025	2026	2027	2023-2027 TOTALS
Electric Production	\$ 1,026,815	\$ 2,208,931	\$ 2,610,000	\$ 3,966,200	\$ 6,541,000	\$ 3,729,000	\$ 2,187,000	\$ 1,464,000	\$ 1,069,000	\$ 14,990,000
Electric Transmission	86,385	132,472	220,000	159,900	2,692,000	907,000	4,603,000	1,164,000	383,000	9,749,000
Electric Distribution	5,421,257	4,622,617	3,959,000	3,525,800	4,107,000	4,645,000	4,688,000	3,680,000	5,267,000	22,387,000
General Plant and Vehicles	1,835,392	1,004,631	2,068,460	1,207,729	3,367,420	3,533,310	2,292,500	2,353,900	2,315,760	13,862,890
ELECTRIC UTILITY Totals	\$ 8,369,849	\$ 7,968,651	\$ 8,857,460	\$ 8,859,629	\$ 16,707,420	\$ 12,814,310	\$ 13,770,500	\$ 8,661,900	\$ 9,034,760	\$ 60,988,890
Gas	\$ 948,594	\$ 1,051,746	\$ 1,072,000	\$ 923,800	\$ 1,346,000	\$ 1,317,000	\$ 1,139,000	\$ 1,074,000	\$ 1,113,000	\$ 5,989,000
General Plant	186,064	102,351	112,200	63,078	216,860	207,640	114,320	117,040	181,800	837,660
GAS UTILITY Totals	\$ 1,134,657	\$ 1,154,097	\$ 1,184,200	\$ 986,878	\$ 1,562,860	\$ 1,524,640	\$ 1,253,320	\$ 1,191,040	\$ 1,294,800	\$ 6,826,660
Water	\$ 1,178,302	\$ 1,120,964	\$ 2,835,000	\$ 1,846,500	\$ 3,532,000	\$ 2,701,000	\$ 3,349,000	\$ 1,755,000	\$ 1,611,000	\$ 12,948,000
General Plant	114,273	65,639	94,160	53,386	106,920	102,850	56,100	57,420	89,760	413,050
WATER UTILITY Totals	\$ 1,292,575	\$ 1,186,603	\$ 2,929,160	\$ 1,899,886	\$ 3,638,920	\$ 2,803,850	\$ 3,405,100	\$ 1,812,420	\$ 1,700,760	\$ 13,361,050
Communications	\$ 3,336,164	\$ 4,318,779	\$ 9,074,000	\$ 8,471,351	\$ 9,409,000	\$ 2,923,000	\$ 3,166,000	\$ 2,610,000	\$ 4,280,000	\$ 22,388,000
General Plant	52,814	43,212	333,180	230,643	63,800	400,200	48,080	38,640	337,680	\$ 888,400
COMMUNICATIONS UTILITY Totals	\$ 3,388,978	\$ 4,361,991	\$ 9,407,180	\$ 8,701,994	\$ 9,472,800	\$ 3,323,200	\$ 3,214,080	\$ 2,648,640	\$ 4,617,680	\$ 23,276,400
TOTAL UTILITY PLANT	\$ 11,997,516	\$ 13,455,509	\$ 19,770,000	\$ 18,893,551	\$ 27,627,000	\$ 16,222,000	\$ 19,132,000	\$ 11,747,000	\$ 13,723,000	\$ 88,451,000
TOTAL GENERAL PLANT	\$ 2,188,542	\$ 1,215,834	\$ 2,608,000	\$ 1,554,836	\$ 3,755,000	\$ 4,244,000	\$ 2,511,000	\$ 2,567,000	\$ 2,925,000	\$ 16,002,000
TOTAL CIP PLAN	\$ 14,186,058	\$ 14,671,342	\$ 22,378,000	\$ 20,448,387	\$ 31,382,000	\$ 20,466,000	\$ 21,643,000	\$ 14,314,000	\$ 16,648,000	\$ 104,453,000

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
ELECTRIC PRODUCTION**

Budget Item	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
102	WS #4 Generation (CFU Share 2.14%)	172,019	478,783	126,000	212,000	151,000	505,000	1,110,000	151,000	151,000	2,068,000
103	WS #3 Generation (CFU Share 3.1%)	342,193	444,106	1,765,000	2,624,600	1,514,000	278,000	328,000	404,000	404,000	2,928,000
104	Neal #4 Generation (CFU Share 2.5%)	222,529	102,220	202,000	434,100	505,000	379,000	505,000	656,000	252,000	2,297,000
112	Streeter Station Upgrades	284,436	144,262	336,000	324,600	304,000	315,000	232,000	240,000	249,000	1,340,000
114	Combustion Turbine Upgrades	5,637	42,693	52,000	50,400	47,000	49,000	12,000	13,000	13,000	134,000
115	Unit #6 Turbine Inspection			-	-	-	604,000	-	-	-	604,000
116	Reciprocating Engine Generation			-	124,300	-	-	-	-	-	-
117	Purchase Prairie Lakes Solar Farm			-	-	2,638,000	-	-	-	-	2,638,000
118	Solar Equipment at CF High School		10,492	-	-	1,166,000	1,207,000	-	-	-	2,373,000
119	Production Environmental	-	14,614	-	186,500	99,000	-	-	-	-	99,000
130	Gas Turbines and Streeter Station Fire Protection			129,000	-	117,000	-	-	-	-	117,000
138	Power Plant DCS Replacement	-	2,888	-	-	-	392,000	-	-	-	392,000
139	Unit #7 Turbine Inspection		968,873	-	9,700	-	-	-	-	-	-
	Current Year CIP Budget	1,026,815	2,208,931	2,610,000	3,966,200	6,541,000	3,729,000	2,187,000	1,464,000	1,069,000	14,990,000
	Prior Year CIP Budget - As Amended				2,610,000	3,816,000	3,402,000	859,000	976,000	979,000	10,032,000
	Current Year (over) under Prior Year				(1,356,200)	(2,725,000)	(327,000)	(1,328,000)	(488,000)	(90,000)	(4,958,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

ELECTRIC PRODUCTION – 2023

Budget Item 102: Walter J. Scott Jr. Energy Center Unit 4 (WS4) Generation - \$151,000

CFU was originally a 2.02% shareholder in WS4. After purchasing 0.96 MW from Pella's share in 2011, CFU now has a 2.14% share (16 MW). WS4 began commercial operations in June 2007 and is the first new coal fired utility electric generator built in Iowa since 1977. This 750 MW unit has a super-critical high-pressure boiler and turbine generator and obtains maximum efficiency and lower emissions to the environment. This budget item is for production related capital additions required to continue efficient and environmentally conscious operation of the unit. As an owner of the generating unit, CFU is contractually required to contribute 2.14% of the annual capital additions to maintain the plant.

Budget Item 103: Walter J. Scott Jr. Energy Center Unit 3 (WS3) Generation - \$1,514,000

The 3.1% CFU ownership (21 MW) in WS3 provides CFU with an economical base load source of electricity. This budget item is for production related capital additions required to continue efficient and environmentally conscious operation of the unit. As an owner of the generating unit, CFU is contractually required to contribute 3.1% of the annual capital additions to maintain the plant.

Budget Item 104: George A. Neal Generating Station Unit 4 (Neal 4) Generation - \$505,000

The 2.5% CFU ownership (16 MW) in Neal Unit 4 provides CFU with an economical base load source of electricity. This budget item is for production related capital additions required to continue efficient and environmentally conscious operation of the unit. As an owner of the generating unit, CFU is contractually required to contribute 2.5% of the annual capital additions to maintain the plant.

Budget Item 112: Streeter Station Upgrades - \$304,000

This budget item reflects the cost of upgrades to Streeter Station generating facility.

Budget Item 114: Combustion Turbine Upgrades - \$47,000

This budget item reflects the cost of upgrades to the combustion turbine generating facility.

Budget Item 117: Purchase Prairie Lakes Solar Farm - \$2,638,000

This budget item reflects the cost to purchase the Prairie Lakes Solar Farm.

Budget Item 118: Solar Equipment at Cedar Falls High School - \$1,166,000

This budget item reflects the cost to install solar equipment at the new Cedar Falls High School.

Budget Item 119: Production Environmental - \$99,000

This budget item reflects the cost to replace the CEMS analyzers.

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

ELECTRIC PRODUCTION – 2023

Budget Item 130: Gas Turbine and Streeter Station Fire Protection - \$117,000

This budget item provides the upgrade of fire detection and suppression system.

CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
ELECTRIC TRANSMISSION

Budget Item Number	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
151	Network Transmission Upgrades	-	-	70,000	71,100	67,000	70,000	72,000	75,000	77,000	361,000
152	Network Transmission GT 69kV	-	-			1,926,000	61,000	-	-	-	1,987,000
153	HWY 58 Corridor Improvements - TRANSMISSION - TIF	-	-	-	43,400	-	-	-	-	156,000	156,000
154	CIP Medium Impact Control Center Software	-	-	-	-	236,000	-	-	-	-	236,000
192	WS #4 Transmission (CFU Share 2.140%)	3,728	63,652	50,000	7,043	50,000	50,000	50,000	50,000	50,000	250,000
193	WS #3 Transmission (CFU Share 3.1%)	15,501	10,583	50,000	13,907	50,000	50,000	50,000	50,000	50,000	250,000
194	Neal #4 Transmission (CFU Share 2.5%)	67,156	58,237	50,000	11,998	50,000	50,000	50,000	50,000	50,000	250,000
195	Webster - N. Franklin 345 Transmission Line and Substation			-	12,452	313,000	626,000	4,381,000	939,000	-	6,259,000
	Current Year CIP Budget	86,385	132,472	220,000	159,900	2,692,000	907,000	4,603,000	1,164,000	383,000	9,749,000
	Prior Year CIP Budget - As Amended				220,000	222,000	224,000	227,000	230,000	411,000	1,314,000
	Current Year (over) under Prior Year				60,100	(2,470,000)	(683,000)	(4,376,000)	(934,000)	28,000	(8,435,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

ELECTRIC TRANSMISSION – 2023

Budget Item 151: Network Transmission Upgrades - \$67,000

This budget item provides for the upgrades on network transmission equipment, which includes both 69kV and 161kV systems equipment.

Budget Item 152: Tie #1 69kV Rebuild - \$1,926,000

This budget item reflects the cost to rebuild 2.5 miles of 69kV network transmission line.

Budget Item 154: CIP Medium Impact Control Center Software - \$236,000

This budget item reflects the cost to purchase 2 software packages to comply with NERC CIP Medium Impact requirements for our Control Center.

Budget Item 192: Walter J. Scott Jr. Energy Center Unit 4 (WS4) Transmission - \$50,000

CFU was originally a 2.02% shareholder in WS4. After purchasing 0.96 MW from Pella's share in 2011, CFU now has a 2.14% share (16 MW). WS4 began commercial operations in June 2007 and is the first new coal fired utility electric generator built in Iowa since 1977. This budget item is for capital improvements to transmission built for WS4. As an owner of the unit, CFU is contractually required to contribute 2.14% of the annual capital additions.

Budget Item 193: Walter J. Scott Jr. Energy Center Unit 3 (WS3) Transmission - \$50,000

The 3.1% CFU ownership (21 MW) in WS3 provides CFU with an economical base load source of electricity. This budget item is for capital improvements to transmission built for WS3. As an owner of the unit, CFU is contractually required to contribute 3.1% of the annual capital additions.

Budget Item 194: George A. Neal Generating Station Unit 4 (Neal 4) Transmission - \$50,000

The 2.5% CFU ownership (16 MW) in Neal Unit 4 provides CFU with an economical base load source of electricity. This budget item is for capital additions required to continue operation of Neal 4 transmission and Lehigh-Webster transmission lines. As an owner of the unit, CFU is contractually required to contribute 2.5% of the annual capital additions.

Budget Item 195: Webster – N. Franklin 345 Transmission Line & Substation - \$313,000

This budget item reflects CFU's partner percentage with MEC to build the MISO LRTP 345kV line between Webster and the new North Franklin substation.

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
ELECTRIC DISTRIBUTION**

Budget Item	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
111	SCADA System Upgrades		19,593	257,000	183,900	119,000	30,000	31,000	32,000	33,000	245,000
144	Distribution Substation Upgrades	90,878	358,278	186,000	97,800	65,000	303,000	314,000	73,000	75,000	830,000
145	Gas Turbine 69kV Substation Rebuild					-	51,000	53,000	-	-	104,000
150	12 kV Protective Relay Replacement	4,581									-
160	Union Sub - 2nd Dist Transformer	2,219,414	95,999			-					-
161	Viking Road Substation - Distribution					-	-	-	-	2,272,000	2,272,000
204	UG Cable Replacement	230,455	163,684	282,000	329,500	334,000	235,000	210,000	85,000	88,000	952,000
206	UG Electric Facilities - New Residential	202,838	21,767	313,000	112,000	231,000	243,000	252,000	261,000	270,000	1,257,000
210	OH Line Ext, Upgrades and Removals	380,624	446,628	371,000	418,500	346,000	195,000	202,000	209,000	340,000	1,292,000
213	HWY 58 Corridor Improvements - TIF					403,000	834,000	863,000	447,000	138,000	2,685,000
305	UG Line Extensions	362,091	835,140	354,000	354,400	333,000	338,000	350,000	362,000	374,000	1,757,000
306	OH to UG Conversions	638,340	812,761	834,000	790,300	658,000	491,000	508,000	526,000	221,000	2,404,000
320	Underground Services	307,954	342,090	231,000	296,200	278,000	288,000	298,000	308,000	319,000	1,491,000
360	New Distribution Transformers	378,492	671,062	441,000	94,500	628,000	916,000	949,000	696,000	432,000	3,621,000
370	New Electric Meters	376,485	448,787	391,000	495,200	396,000	409,000	424,000	439,000	454,000	2,122,000
381	Street Light Facilities	187,834	367,984	256,000	312,100	288,000	298,000	219,000	227,000	235,000	1,267,000
390	Security Lighting	41,270	38,845	43,000	41,400	28,000	14,000	15,000	15,000	16,000	88,000
	Current Year CIP Budget	5,421,257	4,622,617	3,959,000	3,525,800	4,107,000	4,645,000	4,688,000	3,680,000	5,267,000	22,387,000
	Prior Year CIP Budget - As Amended				3,959,000	3,476,000	3,543,000	3,513,000	3,360,000	5,663,000	19,555,000
	Current Year (over) under Prior Year				433,200	(631,000)	(1,102,000)	(1,175,000)	(320,000)	396,000	(2,832,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

ELECTRIC DISTRIBUTION – 2023

Budget Item 111: Status Control and Data Acquisition System Upgrades (SCADA) - \$119,000

This budget item includes upgrading SCADA server software and hardware.

Budget Item 144: Substation Upgrades - \$65,000

This budget item reflects the cost of upgrades to various substations as needed throughout the year. This includes capacitors, regulators, re-closers, relays, batteries, and other equipment for the substations.

Budget Item 204: Underground Cable Replacement - \$334,000

This budget item reflects the cost of replacing underground facilities in areas that have faulted several times. Areas include Lilac Lane, Community Motors, Hearthside, and L&M Transmission along with other replacements as needed.

Budget Item 206: Underground Electric Facilities for New Residential - \$231,000

This budget item provides funding for installation of underground electric facilities to residential lots in new developments. Anticipated projects include Westfork Crossing and Western Home.

Budget Item 210: Overhead Line Extension, Upgrades and Removals - \$346,000

This budget item provides for overhead line extensions to serve new customers as well as installation and removal of poles and overhead line equipment associated with upgrades and replacements.

Budget Item 213: HWY 58 Corridor Improvements (TIF) - \$403,000

This budget item reflects the cost for the new Western Industrial Park.

Budget Item 305: Underground Line Extensions - \$333,000

This budget item reflects the cost of installing underground facilities to industrial, commercial, rural, and residential customers requiring electric service. It does not include projects in the TIF areas but does include laterals to feed customers in these areas.

Budget Item 306: Overhead to Underground Conversions - \$658,000

This budget reflects the cost of replacing old overhead electric lines with new underground lines to provide our customers with a more reliable system that requires less maintenance. Planned areas include the rural fiber project, Lilac Lane, 150th and U Avenue, and 18th and Main Roundabout.

Budget Item 320: Underground Services - \$278,000

This budget item provides for the installation of underground services to residential customers. Costs include installing approximately 120 new underground services and 50 replacements services.

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

ELECTRIC DISTRIBUTION – 2023

Budget Item 360: New Distribution Transformers - \$628,000

This budget item provides funding for the purchase, first-time installation, and permanent retirement of transformers. Areas requiring transformers are new residential developments and new commercial and industrial buildings.

Budget Item 370: New Electric Meters - \$396,000

This budget item provides for the purchase of AMI electric meters, first-time installation, and instrument transformers for new customers or failed units. This includes 1,000 new and replacement meters.

Budget Item 381: Street Light Facilities - \$288,000

This budget item reflects the cost of installing new streetlights in residential developments and other areas of the city as approved by the city engineer. It also includes the replacement of aging streetlights and street light circuits throughout the city. Planned lighting to be installed at Westfork Crossing and 1/3rd of the lighting for South Main Street.

Budget Item 390: Security Lighting - \$28,000

This budget item provides for the replacement, installation, and conversion of rental lights. Approximately 25 new rental lights and the replacement of 50 rental lights are planned.

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
GAS OPERATIONS**

Budget Item	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
480	New Gas Service	176,461	198,343	181,000	161,600	195,000	206,000	213,000	220,000	228,000	1,062,000
498	Gas Main Relocate, Replace and Abandon	229,128	533,166	88,000	166,000	180,000	174,000	180,000	120,000	125,000	779,000
501	Gas Main Installation and Changes - TIF	-	-	-	-	239,000	213,000	-	-	-	452,000
530	Gas Main Extensions	172,937	14,538	370,000	150,100	200,000	212,000	219,000	227,000	235,000	1,093,000
540	Gas Services Relocate, Replace and Abandon	133,279	50,146	94,000	101,600	105,000	109,000	112,000	116,000	120,000	562,000
550	Cathodic Protection	82	494	7,000	7,600	12,000	12,000	13,000	13,000	14,000	64,000
560	New Gas Meters	158,549	213,650	269,000	274,000	350,000	324,000	333,000	306,000	317,000	1,630,000
570	New Gas Regulators	78,157	41,409	63,000	62,900	65,000	67,000	69,000	72,000	74,000	347,000
	Current Year CIP Budget	948,594	1,051,746	1,072,000	923,800	1,346,000	1,317,000	1,139,000	1,074,000	1,113,000	5,989,000
	Prior Year CIP Budget - As Amended				1,072,000	1,206,000	1,087,000	1,104,000	1,048,000	1,237,000	5,682,000
	Current Year (over) under Prior Year				148,200	(140,000)	(230,000)	(35,000)	(26,000)	124,000	(307,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

GAS UTILITY – 2023

Budget Item 480: New Gas Service - \$195,000

This budget item provides for the installation of approximately 145 new gas services throughout the distribution system.

Budget Item 498: Gas Main Relocate, Replace, and Abandon - \$180,000

This budget item covers the cost of relocation, replacement, and abandonment of gas mains. Projects include valve installation, gas main repair and replacements.

Budget Item 501: Gas Main Installation and Changes (TIF) - \$239,000

The budget item covers the cost of the gas main extension in the West Industrial Park.

Budget Item 530: Gas Main Extensions - \$200,000

This budget item includes gas main extensions requested by customers or developers of new subdivisions and areas presently not served by the gas distribution system. Potential developments include the Western Home, West Fork Crossing, Autumn Ridge, Wild Horse, and Ashworth Drive.

Budget Item 540: Gas Service Relocate, Replace, and Abandon - \$105,000

This budget item is for the relocation, replacement or abandonment of existing services required by customer requests, street reconstruction, sanitary and storm sewer construction, or other related activities. Anticipate 20 services abandoned and 25 services replaced.

Budget Item 550: Cathodic Protection - \$12,000

This budget item provides for the installation of approximately 10 anodes and 2 insulation points. Installations include steel mains, services, and tracer wire locations.

Budget Item 560: New Gas Meters - \$350,000

This budget item provides for gas meters for system expansion or meter replacement. Advanced Metering Infrastructure (AMI) meters for new residential customers include electronic radio transmitter (ERT's). The balance of new meters are compatible with the AMI system but require ERT attachments in the future.

Budget Item 570: New Gas Regulators - \$65,000

This budget item covers the purchase of natural gas regulators for system expansion and meter replacement.

CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
WATER OPERATIONS

Budget Item Number	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
601	Water TIF Improvements	-		149,000	-	-	-	-	-	-	-
630	Water Main Extensions	8,952	2,230	46,000	16,400	39,000	46,000	48,000	50,000	52,000	235,000
640	Water Tower Coating System Replacement	-		-	63,900	673,000	66,000	690,000	-	-	1,429,000
647	Well House Improvements	24,560	60,384	293,000	22,700	402,000	29,000	30,000	31,000	32,000	524,000
655	Water Main Relocate, Replace and Abandon	837,138	904,513	2,053,000	1,536,500	2,117,000	2,243,000	2,253,000	1,334,000	1,176,000	9,123,000
680	New Water Meters	223,010	79,039	189,000	150,700	185,000	195,000	202,000	209,000	216,000	1,007,000
690	Hydrants - New Installs and Replacements	84,641	74,798	105,000	56,300	116,000	122,000	126,000	131,000	135,000	630,000
	Current Year CIP Budget	1,178,302	1,120,964	2,835,000	1,846,500	3,532,000	2,701,000	3,349,000	1,755,000	1,611,000	12,948,000
	Prior Year CIP Budget - As Amended				2,835,000	2,353,000	1,948,000	1,866,000	2,041,000	1,890,000	10,098,000
	Current Year (over) under Prior Year				988,500	(1,179,000)	(753,000)	(1,483,000)	286,000	279,000	(2,850,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

WATER UTILITY – 2023

Budget Item 630: Water Main Extensions - \$39,000

This budget item provides for water main extensions to areas that are not currently served by the distribution system. Developers are responsible for the cost of the water extension. CFU inspects the water system installation. Potential extensions include Wild Horse, West Fork Crossing, Panther West 8th, West Viking Rd, Autumn Ridge, and Arbors.

Budget Item 640: Water Tower Coating System Replacement - \$673,000

This budget item reflects the cost to blast and recoat the interior and exterior of the Cedar Heights water tower.

Budget Item 647: Well House Improvements - \$402,000

This budget item is for various well house and water treatment improvements. The budget includes improvements to remove contaminants, chlorine, fluoride monitoring equipment, and storage tank replacement at Well #7 and #11.

Budget Item 655: Water Main Relocate, Replace and Abandon - \$2,117,000

This budget item provides for water system improvements including the relocation and abandonment of existing water mains and water valve replacements required in connection with the City of Cedar Falls' street or sewer projects. Projects include Madison St, Timber Dr, West Ridgewood Dr, East Ridgewood Dr, Woodland Dr, 18th St, and Main St from Seerley to 18th St.

Budget Item 680: New Water Meters - \$185,000

This budget item covers the cost of water meter replacements and installations to new customers. Advanced Metering Infrastructure (AMI) meters for new residential customers include electronic radio transmitter (ERT's). Some existing meters are compatible with the AMI system but require ERT attachments in the future.

Budget Item 690: Hydrants – New Installs and Replacements - \$116,000

This budget item covers the cost of installation and relocation or replacement of approximately 16 hydrants. These improvements are generally done in connection with other construction projects, replacement of damaged hydrants and replacement of the old style Mathews hydrants.

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
COMMUNICATIONS OPERATIONS**

Budget Item Number	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
703	Special Telecommunications Services (STS)	12,242	23,112	11,000	41,151	38,000	41,000	42,000	44,000	45,000	210,000
801	Optical Network & Line Terminals ONTs and OLTs	1,208,514	2,811,181	2,786,000	2,154,200	3,139,000	695,000	664,000	572,000	2,188,000	7,258,000
804	Video Streaming	817,533	84,407	133,000	87,800	253,000	115,000	415,000	124,000	128,000	1,035,000
805	Digital Set-Top Boxes	230,486	412,251	1,270,000	1,227,200	456,000	250,000	235,000	231,000	227,000	1,399,000
806	Headend Data Equipment	127,929	159,702	367,000	355,000	472,000	380,000	630,000	652,000	434,000	2,568,000
807	Ad Insertion Equipment	-	-	367,000	355,000	105,000	-	-	-	93,000	198,000
820	Customer Service drops for CATV and Data	284,585	146,561	188,000	135,400	180,000	224,000	232,000	176,000	182,000	994,000
828	28E CFU IPTV Assets from Joint Ownership agreements	125,508	223,457	194,000	248,100	242,000	28,000	29,000	61,000	303,000	663,000
851	Industrial Parks Improvements - Unified HWY 58 - TIF	7,023	3,111	140,000	160,700	108,000	9,000	189,000	196,000	203,000	705,000
852	Overhead to Underground Conversions	105,734	69,455	74,000	71,400	76,000	78,000	112,000	116,000	87,000	469,000
854	FTTP infrastructure for New Developments	222,249	93,937	153,000	61,500	151,000	229,000	237,000	171,000	177,000	965,000
856	New Rural Broad Band (Non-Grant)	129,517	69,055	278,000	268,600	23,000	24,000	25,000	26,000	27,000	125,000
857	Rural Broad Band (Grant)		10,325	2,790,000	2,990,300	3,646,000	477,000	-	-	-	4,123,000
858	Special Telecom Build-Out (Outside City Limits)	12,972	92,347	34,000	33,000	34,000	35,000	36,000	38,000	39,000	182,000
860	Headend Video Transmission Equipment	-	-	60,000	60,000	61,000	63,000	65,000	-	-	189,000
862	Wireless Internet Access Points	-	-	-	-	7,000	-	-	-	-	7,000
864	Phone Equipment	1,304	1,536	5,000	5,200	5,000	6,000	6,000	6,000	6,000	29,000
865	Managed Wireless Routers	50,566	118,341	224,000	216,800	413,000	269,000	249,000	197,000	141,000	1,269,000
	Current Year CIP Budget	3,336,164	4,318,779	9,074,000	8,471,351	9,409,000	2,923,000	3,166,000	2,610,000	4,280,000	22,388,000
	Prior Year CIP Budget - As Amended				9,074,000	8,267,000	2,295,000	2,762,000	2,539,000	4,321,000	20,184,000
	Current Year (over) under Prior Year				602,649	(1,142,000)	(628,000)	(404,000)	(71,000)	41,000	(2,204,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

COMMUNICATIONS UTILITY – 2023

Budget Item 703: Special Telecommunications Services (STS) - \$38,000

This budget item covers installing special fiber services for businesses such as gigabyte internet connection, wholesale internet bandwidth, point-to-point, dark fiber, and looped fiber connections.

Budget Item 801: Optical Network and Line Terminals ONT and OLT - \$3,139,000

This budget item is for optical network terminals (ONTs) used at houses, businesses, or apartments. Motorola ONT's will not support the new Video IPTV system and will be replaced accordingly. Optical line terminals (OLTs) are installed at each fiber hut and will serve up to 2,500 customers.

Budget Item 804: Video Streaming - \$253,000

This budget item is for the 100% owned share of the IPTV infrastructure. Additional licensing and storage are needed to move customers to new platform.

Budget Item 805: Digital Set-Top Boxes - \$456,000

This budget item allows for the purchase of Digital Set-Tops and Digital Video Recorders used to view cable TV channels, high-definition channels, and video on demand. Replacing set top boxes will be in conjunction with the Motorola replacement project.

Budget Item 806: Headend Data Equipment - \$472,000

This budget item includes replacement and upgrade of servers, routers, and switches that are necessary to maintain the growth and stability of the communications data network.

Budget Item 807: Ad Insertion Equipment - \$105,000

This budget item is for Dynamic Ad Insertion equipment to insert advertising on a per stream basis.

Budget Item 820: Customer Service drops for CATV and Data - \$180,000

This budget item provides for installing service drops to connect new customers to CFU's broadband network as well as reconnecting existing customers. The material required to provide these services includes conduit and fiber. However, the cost of the ONTs is reflected in budget item 801. Many of these connections are in new subdivisions.

Budget Item 828: 28E Jointly Owned IPTV Assets - \$242,000

This budget item is for the jointly owned IPTV assets, the budget item only includes CFU share of the ownership. Additional storage and licenses are needed due to growth in jointly owned IPTV assets.

Budget Item 851: Industrial Park Improvements – Unified Hwy 58 - \$108,000

This budget item provides funding for additions, replacements and improvements for the fiber network in the TIF area.

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

COMMUNICATIONS UTILITY – 2023

Budget Item 852: Overhead to Underground Conversions - \$76,000

The Communication Utility is converting fiber and conduit from an overhead to underground system in conjunction with the Electric Utility conversions. Areas planned for conversion are Erik Road, West 27th, West 28th, West 2nd, West 3rd, & Main Street Roundabout.

Budget Item 854: Fiber-to-the-Premise infrastructure for new developments - \$151,000

This budget item enables CFU to provide fiber to new subdivisions, retail and business areas. Projects include Wild Horse, Spruce Hills, Autumn Lane, Algonquin 4 plex's, and Clarion Hotel.

Budget Item 856: Rural Broad Band (Non-Grant) - \$23,000

This budget covers completing fiber and wireless (Broadband) network improvements in rural areas.

Budget Item 857: Rural Broad Band (Grant) - \$3,646,000

This budget item covers extending fiber to rural customers. Potential areas include rural areas west of Cedar Falls, south of Hwy 20, and northeast of Cedar Falls.

Budget Item 858: Special Telecom Build-Out (Outside City Limits) - \$34,000

This budget item covers infrastructure projects mainly located in Waterloo area. The Cedar Falls portion of the construction is reflected in budget item 703.

Budget Item 860: Headend and Transmission System Equipment - \$61,000

This budget item is for enhancements and replacements to the Headend and Hut video transmission equipment.

Budget Item 862: Wireless Internet Access Points - \$7,000

This budget item is for outdoor Wi-Fi repairs and removal of access points.

Budget Item 864: Phone Equipment - \$5,000

This budget item includes customer premise equipment required for delivery of phone service.

Budget Item 865: Managed Wireless Routers - \$413,000

This budget item is for wireless routers. CFU provides customer premise routers that are manageable and supported by CFU.

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
GENERAL PLANT - TECHNOLOGY**

Budget Item Number	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
905	Meter Reading System Upgrade	-	-	32,000	-	-	-	-	-	36,000	36,000
906	Enterprise Systems Software (All Depts)	92,135	23,231	132,000	-	826,000	390,000	504,000	58,000	132,000	1,910,000
910	Shared Computer System Infrastructure	-	-	789,000	557,800	105,000	1,190,000	84,000	52,000	984,000	2,415,000
911	General Computer Equipment (All Depts)	277,225	86,927	236,000	102,400	753,000	407,000	178,000	169,000	224,000	1,731,000
971	New Phone System	597	-	11,000	-	52,000	335,000	11,000	12,000	12,000	422,000
	Current Year CIP Budget	369,957	110,158	1,200,000	660,200	1,736,000	2,322,000	777,000	291,000	1,388,000	6,514,000
	Prior Year CIP Budget - As Amended				1,200,000	1,737,000	1,629,000	625,000	255,000	1,399,000	5,645,000
	Current Year (over) under Prior Year				539,800	1,000	(693,000)	(152,000)	(36,000)	11,000	(869,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

GENERAL PLANT – TECHNOLOGY - 2023

Budget Item 906: Enterprise Systems/Software (All Depts.) - \$826,000

This budget item covers all critical and enterprise software for customer information and billing, finance, payroll, information retention and workflow management. Costs include Customer Care and Billing upgrade, purchase of a maintenance management system for work orders, inventory management and purchasing.

Budget Item 910: Shared Computer System Infrastructure - \$105,000

This budget item covers the expansion of capacity and technology upgrades for the network data storage, blade server and data backup systems shared by Communications, Information Systems, and SCADA. This also includes other shared equipment related to systems security and disaster recovery.

Budget Item 911: General Computer Equipment - \$753,000

This budget item provides for the computer equipment needs for employees, the internal network, systems security, and disaster recovery.

Budget Item 971: Phone System - \$52,000

This budget item provides for the evaluation of a new phone system.

**CAPITAL BUDGET REQUEST FY 2023
CIP BUDGET ITEM SUMMARY
GENERAL PLANT - FACILITIES AND EQUIPMENT**

Budget Item	Project Title or Asset Name	2020 Actual	2021 Actual	2022 Current Year Published	2022 Current Year Reforecast	2023	2024	2025	2026	2027	2023-2027 TOTAL
915	Facilities and Security	1,373,949	532,847	355,000	237,200	800,000	833,000	398,000	406,000	660,000	3,097,000
916	Office Furniture And Equipment	34,218	46,584	48,000	48,736	47,000	15,000	16,000	16,000	18,000	112,000
917	Heavy-Duty Shelving for General Use	-	-	48,000	5,100	89,000	49,000	7,000	7,000	7,000	159,000
919	Technical And Educational Equipment	(44)	-	16,000	5,100	21,000	5,000	6,000	6,000	6,000	44,000
920	Tools And Equipment	108,280	134,152	182,000	110,500	151,000	97,000	106,000	110,000	114,000	578,000
970	Fleet Replacement	302,182	392,093	759,000	488,000	911,000	923,000	1,201,000	1,731,000	732,000	5,498,000
	Current Year CIP Budget	1,818,585	1,105,676	1,408,000	894,636	2,019,000	1,922,000	1,734,000	2,276,000	1,537,000	9,488,000
	Prior Year CIP Budget - As Amended				1,408,000	1,736,000	1,338,000	1,993,000	1,218,000	1,273,000	7,558,000
	Current Year (over) under Prior Year				513,364	(283,000)	(584,000)	259,000	(1,058,000)	(264,000)	(1,930,000)

**CEDAR FALLS UTILITIES
CAPITAL IMPROVEMENTS PLAN (CIP)**

GENERAL PLANT – FACILITIES AND EQUIPMENT - 2023

Budget Item 915: Facilities and Security - \$800,000

This budget item is for improvements for buildings, security, and grounds. Planned improvements include paving, landscaping, humidification, and security upgrades.

Budget Item 916: Office Furniture and Equipment - \$47,000

This budget item provides for purchases as needed for additional workstations, equipment, and accessories. These expenses will enhance work environments, improve workflow, and improve employee efficiency and productivity.

Budget Item 917: Heavy-Duty Shelving for General Use - \$89,000

This budget item covers shelving needs in various areas of operation including the water department truck bays, cargo lift, and for office supply storage.

Budget Item 919: Technical and Educational Equipment - \$21,000

This budget item provides for unanticipated requests for technical and educational equipment, to facilitate employee and customer training and development. Planned upgrades include updating displays in first floor conference rooms and power plant and infrastructure.

Budget Item 920: Tools and Equipment (All Depts.) - \$151,000

This budget item provides for the purchase of small tools and equipment for all utilities as needed.

Budget Item 970: Fleet Replacement - \$911,000

This budget item provides funding for replacements and additions to the fleet. Purchases will follow the approved process for purchasing vehicles and equipment. Replacements will be purchased for units that are no longer cost effective for the Utilities to operate and maintain.