



March 7, 2007

Board of Water Commissioners
City and County of Denver
Denver, Colorado 80204-3412

Re: Denver Water 2007 Budget

Chips Barry, Manager

To Our Customers and Other Interested Readers:

Denver Water's proposed budget for 2007 and our operations during 2006 reflect our two chief commitments to customers—providing an adequate, reliable supply of high-quality water and ensuring ample future supplies as our customer base continues to grow.

We were able to avoid supply shortages in 2006, despite the absence of drought-related water restrictions, because peak storage levels in our reservoirs were 6 percent higher than historical averages and demand was 7 percent below normal. Above-average snowmelt filled the reservoirs to 98.9 percent of capacity in the spring, and customers who carried over some of the water-saving practices mandated during the dry years of 2002–2004 helped us maintain higher-than-average reservoir levels throughout the summer.

Water use efficiency is stretching supplies by treating reclaimed wastewater for non-potable uses. As part of our efforts in this area, we began several capital construction projects in 2006 to expand the reach of our Recycled Water Distribution System. When these projects are completed, recycled water will be available to irrigate parks and golf courses in the Stapleton and Lowry developments in northeast Denver.

We are working with the U.S. Army Corps of Engineers to determine the best method for ensuring adequate capacity in our Moffat Collection System northwest of Denver. In other efforts to protect the reliability of supplies in the north end of our service area, we purchased 7,400 acre-feet of storage capacity at the Lupton Lakes gravel pit property in Fort Lupton, Colo., in 2006.

Providing water of the highest quality continues to be one of Denver Water's prime priorities. In addition to our ongoing programs for pipe rehabilitation and other distribution system improvements, we took several steps in 2006 to make sure we comply with recently issued federal regulations related to disinfection. A new chlorine contact basin is being designed for our Foothills Treatment Plant, and we are updating our Geographic Information System database so we can more effectively track disinfection effects throughout our potable water distribution system.

As part of our leadership role with respect to all Front Range water issues, Denver Water continues to work closely with its neighbors in the metropolitan area and the communities where our watersheds are located to identify mutually beneficial solutions to water quality and water supply challenges.

Some of the most significant actions aimed at meeting future challenges are outlined in the following section, which summarizes Denver Water's 2007 goals and objectives.

2007 Goals and Objectives

Implement a New Conservation Program to Accelerate Customer Water Savings

Denver Water's Accelerated Conservation Program (ACP) is a 10-year plan to be launched in 2007. After complying with mandatory water-efficiency measures during recent water-short years, area residents have become more aware of the need to use water wisely, and Denver Water's conservation staff has shifted its focus from implementing short-term drought-response measures to instilling permanent water efficiency practices among the utility's customers.

The accelerated program builds on the most successful conservation measures of the past few years, allocates staff and funds to help City & County of Denver departments improve their water use efficiency, and introduces a proven public outreach model known as Community-Based Social Marketing (CBSM). The CBSM approach to changing behavior involves providing information to targeted individuals, asking them to make a commitment in light of that information, providing prompts to remind them to do what they have promised, and then checking to see if they have done what they agreed to and asking them to do more. Garnering the support of local government, business, and community leaders will be a key component of the outreach program.

In keeping with the long-term conservation goals articulated in Denver Water's current Integrated Resources Plan, we will keep buffer supplies in storage reservoirs for use during supply or demand uncertainties. This practice is comparable to earmarking cash reserves for use during unforeseen financial circumstances.

Pursue Water Supply Enhancements for Our Moffat Collection System

Three water collection systems comprise Denver Water's major sources of supply: the Moffat Collection System, northwest of the city, the South Platte and Roberts Tunnel collection systems to the southwest. According to the Integrated Resource Plan, which includes an analysis of future supply and demand, the Moffat Collection System is at risk of running out of water in a single severely dry year. The analysis concluded that the Moffat Collection System needs to provide an additional 18,000 acre-feet of firm yield to mitigate supply vulnerabilities and add reliability and balance to our water supply system.

Instead of proposing a specific project to add this extra capacity to the Moffat Collection System, Denver Water entered into the regulatory process with the U.S. Army Corps of Engineers to identify options for meeting this need. The Corps is preparing an Environmental Impact Statement (EIS) to evaluate the potential effects of these options and is expected to release a draft EIS for public review in the fall of 2007. The final EIS will follow in late 2007 or early 2008.

Continue to Strengthen Denver Water's Fiscal Health

In accordance with Denver Water's charter directive to provide high-quality water at rates as low as good service permits, we are implementing a number of changes in 2007 that will contribute to Denver Water's sound financial health. Adjustments in water rates, the administration of capital projects, and cost-sharing for employee healthcare insurance premiums will form the basis of these changes and will contribute to Denver Water's sound financial health in 2007.

The new rate structure that is effective January 1, 2007, uses a fixed service charge rather than a meter charge and communicates our water efficiency goals to customers by raising

rates for defined blocks of increased water use. The bimonthly service charge, no longer based on the size of the customer's meter, will be \$5.98, lower than the \$9.76 currently paid by most residential customers. By relating water bills directly to actual consumption, the inclining-block rate structure allows customers to better control their costs by reducing water use. The new rates will also bolster cash reserves, helping us handle large unforeseen expenses such as the need to mitigate watershed damage inflicted by the Hayman fire in 2002 and sudden increases in the cost of construction materials after Hurricane Katrina.

After several years of shouldering much of the cost of steadily rising employee healthcare insurance premiums, Denver Water will shift a greater share of these expenses to employees in 2007. We will continue to educate employees about the cost of all employee benefits as we evaluate these programs and consider modifications as appropriate. In addition, we will complete a comprehensive assessment of current staffing patterns and alter them as necessary to ensure optimal organization structure. We are also fine-tuning our capital improvement and budgeting processes to achieve greater fiscal accountability. The consultants hired to assess our bidding and construction management practices found no basic flaws in our procedures but have recommended several refinements. Among the modifications we will implement in 2007 are involving Operations & Maintenance Division staff early in the design of capital projects, applying experience from previous projects to minimize change orders, refining the review approval process and procedures for change orders in construction contracts, and training designated staff members in negotiating strategies and understanding the construction project scheduling software used by contractors.

We are also committed to providing better financial information to decision makers, including Board members, to ensure transparency in our processes and further Board confidence in our construction management program.

Implement Technology Systems to Improve Customer Service

In 2007 we will continue our multi-year effort to procure new software systems to advance our ongoing objectives of streamlining operating procedures and enhancing our ability to respond to customer needs. A Mobile Workforce Tracking System will permit real-time management of our field operations, speeding up customer service response times and increasing productivity. An up-to-date Customer Information System, also aimed at improving customer service, will boost our ability to track customer account information, analyze water savings more specifically, and enable us to administer alternative rate designs that may be necessary to achieve our demand-management and revenue goals.

Monitor Legislative and Regulatory Issues Affecting Water Utilities

In addition to staying up to date on developments at the state capitol, Denver Water's legislative liaison will continue to work with other water utility representatives to educate Colorado legislators about water issues and help them draft laws that take into account the needs of water providers across the state.

One piece of legislation expected to be re-introduced in 2007 will likely raise the cost of participating in the Utility Notification Center of Colorado, a one-call system through which property owners notify utilities before excavating. The law creating this system was passed in the early 1990s to help prevent damage to underground facilities such as water distribution service lines. Denver Water supports the concept of increased charges and is working to keep the higher price tag reasonable. We are also helping to craft legislation containing stronger enforcement provisions related to accidental damage caused by citizens or other excavators who dig without notification.

In the regulatory arena, the U.S. Environmental Protection agency promulgated new water quality standards related to disinfection practices in January 2006. Among the actions Denver

Water is taking to comply with these standards by the required deadline are installing a new chlorine contact basin at the Foothills Treatment Plant and updating our Geographic Information System database to improve our ability to measure water quality parameters throughout our water distribution system.

At the state level, Denver Water will continue collaborating with other utilities and a state Water Quality Control Division work group in 2007 to create more realistic regulations governing the temperature of lakes and rivers in various regions of the state. Past regulations specified temperature criteria for bodies of water in the state's cold mountain region and on the warmer plains but did not stipulate temperature criteria for water in the transitional areas along the foothills. These criteria can affect water utilities that use one watercourse to convey supplies from another source. The state is also likely to consider criteria regulating the nutrient content of lakes and rivers in 2007.

Collaborate with Other Agencies to Address Statewide and Metropolitan Water Supply Issues

Water providers across Colorado face the same fundamental challenge: balancing the state's limited, fluctuating water supplies with the diverse needs of a growing population. Both East Slope and West Slope municipalities are expected to experience continued growth in 2007, and we will support the Board of Water Commissioners in leading comprehensive negotiations to resolve ongoing points of conflict between Denver Water and its western Colorado neighbors.

The metropolitan area south of Denver faces particularly difficult water supply challenges. One of the fastest-growing areas in the state, it is seeking ways to decrease its dependence on finite groundwater supplies and find more sustainable sources. In 2007 Denver Water will continue discussions with the South Metro Water Supply Authority, a group of Douglas County water providers, to help them identify better supply solutions. We will explore the feasibility of selling the Authority excess South Platte water and reusable effluent when these sources are available in Denver Water's system. We will also assess the conservation programs of Authority members and work in partnership with them to help shift the water use culture of the entire metropolitan region toward more efficient use.

2007 Budget - Receipts

Denver Water's total receipts for 2007 are budgeted at \$292.4 million, an increase of \$39.8 million, or almost 15 percent, over budgeted receipts for 2006.

Water Sales are expected to yield \$189.8 million, surpassing budgeted sales for 2006 by \$25.5 million, or more than 15 percent. Although water demand in 2007 is projected to be 16.7 percent below historical norms, a rate increase averaging 7 percent will offset the decrease in volume of sales as well as relate charges more directly to the amount of water a customer uses. As in 2006, the sale of water is expected to account for approximately 65 percent of total receipts in 2007.

Hydropower Revenues will also rise in 2007 once construction of the new hydroelectric power generation facility at Gross Reservoir is completed. Scheduled to become operational in July, the facility is expected to raise revenues from hydropower sales by \$1.1 million more than budgeted sales in 2006.

System Development Charges (SDCs), the fees builders pay to connect new or expanded developments to Denver Water's distribution system, are expected to climb to \$27.8 million in 2007, a 20 percent increase over budgeted SDCs for 2006. The increase is being driven by a 9.8% average SDC rate increase as well as several special SDC contracts anticipated in 2007.

Debt Service Proceeds are budgeted at \$50 million. Although \$100 million of debt is expected to be issued during the second quarter of 2007, about half this amount will be used immediately to reimburse the Board for prior capital spending; the remaining \$50 million will be placed in a construction fund to be used for capital spending in 2007, 2008 and the first quarter of 2009.

Expenditures

Operations and Maintenance (O&M) costs for 2007 are budgeted at \$136.8 million, approximately \$8.0 million, or 6 percent, more than budgeted O&M expenditures for 2006. Launching Denver Water's new Accelerated Conservation Program will account for a substantial portion of the increase. The 10-year plan, designed to carry out the Board's directive to escalate water savings among Denver Water's customers, will require a budget of \$7.6 million in 2007, \$4.8 million more than the 2006 conservation budget. The new program expands on the most successful water-efficiency measures of the past, adds some new measures gleaned from other water providers across the globe, and incorporates a public outreach program known as community-based social marketing.

Payroll expenditures for 2007 are projected to be \$67.6 million, supporting 1,085 regular full-time employees and various temporary workers representing the equivalent of 32 full-time positions. Of the total amount budgeted for payroll, 82 percent is allocated to employees working in operations, and 18 percent is assigned to staff involved with capital projects.

One component of the O&M budget will decrease in 2007—Board spending for employee healthcare insurance premiums. After several years of steadily rising healthcare premiums for workers across the nation, Denver Water is shifting more of the cost-sharing burden for healthcare insurance to its employees. A new plan design that becomes effective in January 2007 will reduce the Board's share of these costs by \$2.2 million compared with what it would have paid under the old design. The \$12.5 million budgeted for employee healthcare insurance premiums in 2007 is \$1.1 million less than the amount budgeted in 2006 and brings Board spending for this budget item back to 2005 levels.

Capital Projects are expected to cost \$99.1 million in 2007. This figure, representing a \$13.4 million increase over the 2006 budget for capital spending, includes funding for several large capital projects that are currently under construction—the new hydroelectric power installation at Gross Reservoir and a storage tank, pump station, and conduits to extend our Recycled Water Distribution System. Five projects budgeted at more than \$5 million each account for a quarter of the 2007 capital budget.

Debt Service and related costs are budgeted at \$54.4 million.

Investment Balance

Based on projected receipts and expenditures for 2007, Denver Water's cash reserves are expected remain relatively stable at \$151.4 million by the end of 2007, excluding unspent bond proceeds restricted for future capital projects.

2006 Budget Performance

Receipts

Total receipts for 2006 were budgeted at \$252.6 million. Although current projections indicate that Denver Water will end the year with \$5.6 million less than that amount, the shortfall results from the decision not to issue debt in 2006 and will be partially offset by higher-than-anticipated water sales.

The 2006 **water sales** budget of \$164.3 million was based on a projection that demand for water would be 19 percent below the historical norm. Actual water consumption, however, turned out to be only 7 percent below normal. This greater-than-expected demand produced corresponding increases in revenue. Total receipts from water sales are \$195.1 million, or \$30.7 million above the budgeted amount.

System Development Charges were \$3.3 million less than the budgeted amount of \$25.7 million as a result of a large payment from East Cherry Creek Valley that was originally planned for 2006, but is now expected to be received in early 2007.

Denver Water had planned to receive \$40 million in **debt proceeds** in 2006, but unexpectedly high water sales and delays associated with several capital projects allowed us to postpone issuing debt until 2007.

Expenditures

Operating expenses in 2006 were \$127.1 million, slightly less than the budgeted amount. The reduced expenditures resulted from higher-than-expected vacancies in staff positions and lower spending on items such as training, conference attendance, and professional services.

Capital spending in 2006 was also lower than anticipated. Total spending on capital projects was \$83.8 million, approximately \$1.8 million less than the amount budgeted. This includes a \$12.3 million unbudgeted expenditure to purchase water storage capacity at the Lupton Lakes gravel pit property in Fort Lupton, Colo., north of Denver. The reductions in spending were due to the delay in procuring a new Customer Information System as well as delays in several projects related to the delivery of treated and recycled water. These expenditures have been carried forward into the 2007 budget for capital projects.

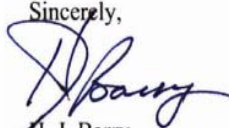
Debt service expenditures were less than the budgeted amount because of the decision not to issue \$40 million in planned debt in 2006.

The end-of-the-year **investment balance** was \$149.2 million, \$1.0 million less than the budgeted amount. This means Denver Water only used \$1.0 million more of its cash reserves in 2006 than originally planned despite the absence of \$40 million in anticipated debt proceeds.

Financial Overview

Denver Water's strong financial status is projected to prevail over our planning horizon of 10 years. Ratings of our revenue bonds by Moody's, Fitch Ratings, and Standard & Poor's are Aa2, AA+, and AA, respectively. We will continue to monitor water rates, capital expenditures, debt levels, and investment balances to minimize rate increases while providing reliable service to customers and maintaining Denver Water's financial well-being.

I am confident that the 2007 budget provides a responsible plan for both fiscal and physical operations as well as the continued development of the Denver Water system during the coming year.

Sincerely,

H. J. Barry
Manager

Charter Directives, Mission, Values and Strategic Plan

Charter Directives

Denver Water was established in 1918 by the people of Denver as an independent agency with duties and responsibilities specifically spelled out in the City Charter. Since that time, the Denver Board of Water Commissioners has supplied water to Denver and contract distributors adjacent to Denver in accordance with the following charter directives:

The Board shall "...have complete charge and control of a water works system and plant for supplying the City and County of Denver and its inhabitants with water for all uses and purposes." *Charter of the City and County of Denver, Section 10.1.1.*

The Board shall fix rates which "...shall be as low as good service will permit.. "and".. may be sufficient to pay

for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver Metropolitan area and to provide for Denver's general welfare." *Charter of the City and County of Denver, Section 10.1.9.*

Mission

Denver Water will provide our customers with high quality water and excellent service through responsible and creative stewards of the assets we manage. We will do this with a productive and diverse work force. We will actively participate in and be a responsible member of the water community.

Values

Our values describe the guiding principles and beliefs of Denver Water. We recognize it is every employee's responsibility to uphold these values in order to carry out and align the mission with the vision of the organization. These values provide the framework and guidance for decision making, daily performance, ensuring consistency and excellence throughout Denver Water.

CUSTOMER VALUES

Customer Satisfaction

We exist for the purpose of serving our customers and are constantly working to meet their needs.

Quality

Providing a high quality product and excellent service at a reasonable cost to allow us to improve our customer relationship.

EMPLOYEE VALUES

Accountability

We expect accountability from Management in accomplishing the goals of the organization and how they reach them.

Respect

We strive to show respect and courtesy in our relationship with others, acknowledging their ideas and contributions.

Workforce Diversity

We strive to have a work force that reflects the diversity of the community we serve; acknowledging that a diverse workforce is an enriched workforce.

Innovation

We want to be progressive, creative and open to new ideas and technologies to meet the challenges of the future, realizing new ideas create value for our customers.

Support Employee Excellence

We believe in our employees and enlist their contributions in operating, planning and policy matters.

Professional Growth

We encourage employees' management of their career development and participating in career planning.

HEALTH, SAFETY AND ENVIRONMENTAL VALUES

Safety and Health

We support the safety of our customers and public and promote the highest level of health and safety for our employees by encouraging workplace wellness.

Responsibility

We strive to be responsible and accountable stewards in our use of public land and water, and environmental and financial resources recognizing our obligation to the community we serve.

Commitment to the Future

We manage water supply based on a long-term perspective on water issues in order to help ensure quality water for future generations.

Strategic Plan Vision

The Strategic Plan is the basis for setting priorities and determining Denver Water's future direction.

Leadership

- We will maintain the Denver Water system as one of the best in the country.
- We will respect the natural environment.
- We will be a leader in water conservation.
- We will participate and provide leadership in all major Front Rangew water supply and water quality issues
- We will encourage and create cooperative projects with others.
- We will possess credibility and influence with public, regulatory community, media and decision-makers at all levels of government.

Products & Services

- We will provide drinking water that is always safe and meets our customers' expectations of quality and reliability.
- Our customers will be pleased with our service, responsiveness and courtesy.
- Our customers will believe that they receive high value for the cost of their water.
- Our facilities will be well-maintained, running efficiently and reliably.
- We will provide non-potable water for irrigation and industrial purposes.
- We will take increasing advantage of technology to meet our goals.
- We will anticipate new markets in order to provide ancillary products and services.
- We will accommodate the recreational interests of the public, where practicable.

Organization

- We will recognize and value the contributions of employees at every level.
- We will remain a municipal organization that serves an increasing customer base without significant increases in numbers of employees.
- Our Management and Staff will be worthy of the Board's trust and confidence.
- Our entire organization will work diligently as a team, committed to the goals of the organization.
- Our organizational culture will encourage open communication, creativity, risk taking and learning at all levels for the continual improvement of our products and services.
- Our organization will accommodate a changing work force, including differing technological skills, languages, backgrounds and family demands.
- Our employees and distributors will take pride in the professionalism of Denver Water.
- We will emphasize the safety and health of employees.
- All of our employees will be familiar with events and procedures at Denver Water and will be able to explain them to others.
- All of our employees will possess the skills and accept the responsibility to manage their own careers.

Financial Policies

The Board has established financial policies that constitute the basic framework for the financial management of Denver Water. These policies are intended to assist members of the Board and Denver Water's staff in evaluating current activities and proposals for future programs and are reviewed on an annual basis and modified to accommodate changing circumstances or conditions. Pursuant to the Charter, the Board maintains a single fund, the Water Works Fund. This fund is required to be the depository for all revenues received from the operation of the System and all moneys received by the Board from other sources.

Basis of Accounting and Financial Reporting

Denver Water prepares its financial reports in accordance with accounting principles generally accepted in the United States of America. Following the conclusion of the Fiscal Year, the Accounting Section publishes a Comprehensive Annual Financial Report (CAFR). The CAFR includes the audited financial statements, including the opinion of an independent certified public accounting firm. The Accounting Section analyzes and issues quarterly reports comparing financial results for the quarter and year to date with the same periods for prior years. Denver Water operates using the full accrual method of accounting.

Revenues

The Denver Water System is completely funded through rates, fees and charges for services provided by Denver Water. There are no transfers to or from the City's general fund. Water rates pay for operation and maintenance expenses, repair, capital replacements and modifications to existing facilities, debt service; and a portion of the costs of new facilities and water supply.

Expenditures

In planning expenditures, Denver Water follows the City Charter's mandate to keep rates as low as good service will permit. In general, this means that Denver Water will properly maintain its facilities and continuously seek ways to operate more efficiently.

Balanced Budget

Denver Water balances its budget by the planned use of or contribution to investment balances. The designated balances are maintained to provide for financial impacts to operation and maintenance, capital replacement, debt service and self-insurance. This approach is in accordance with the City Charter, which allows the accumulation of funds for improvements of such magnitude that they cannot be acquired from the surplus revenues of a single year.

Long Term Financial Plans

Denver Water's annually prepares a capital improvement plan that identifies all capital improvements likely to be needed during the next ten years to satisfy projected growth in demand for water and to maintain existing capacity to provide water. Each year a ten-year Operations and Maintenance Plan that identifies expenses for normal operations, including significant changes to current operations and expenses arising out of planned capital projects is prepared.

Using the 10-year capital improvement and operating plans, Denver Water develops a ten-year Financial Plan which is used to develop one or more scenarios for financing projected

The Budget Process

Overview

The long-range plans are the financial expressions over a ten-year period. The annual budget is the definition of needs and allocations of available resources to accomplish the first year of the long-range plans.

Long Range Planning

Denver Water maintains long-range (10 years) capital, operation and maintenance and financial plans that are updated annually. The Ten-Year Capital Plan projects additions, improvements and replacements to water system facilities, based on projected demands for water (Integrated Resource Plan), Federal and State regulations and ongoing system requirements. It is used as the basis for projecting the annual Capital Work Plan. The Ten-Year Operation and Maintenance Plan includes the ongoing costs of operating and maintaining the water system and the impact of the Ten-Year Capital Plan on operations. The financial plan projects compliance with debt covenants and the year-end targeted investment balance. Alternative financial plans that address estimated revenue shortfalls are also projected as a part of the long-range planning effort.

Annual Work Plan Budgets

The detailed annual work plan budgets for operation and maintenance activities, debt and capital projects are developed during the budget process each year. These budgets are substantially based on the budget year projections provided by the long-range plans. These work plans itemize the cost of activities and projects within each program

Annual Budget Preparation

The annual budget is prepared on a program budget basis that follows the flow of water from the sources of raw water to customers' taps and cuts across organizational boundaries. The focus is first on what Denver Water as a whole is doing (what our resources are used for), then on organizational structure (the divisions and sections expending the resources), and then by type of expenditures (what types of resources – payroll, services, etc., are being used). The intent of this particular format is to facilitate the reader's understanding of how we are accomplishing our mission to serve our customers needs in the present and future.

Each Cost Control Centers prepares its budgets on a capital project, operations and maintenance activity, by type of expenditure, by month basis. Budget development, monitoring and control reports are then available to budgeters and managers from project, cost control center, and type of expenditure perspectives at summary and detail levels. The annual Capital Work Plan budget consists of 212 specific projects. The Operation and Maintenance Work Plan budget includes 244 specific activities. While some Cost Control Centers may budget to as few as four or five projects and activities, others may budget to 50 or more. This method provides the detailed "working" budget and reporting mechanism for in-house purposes.

Each Cost Control Centers enters its budget into a centralized computer system. This system is able to provide budget and actual information for combinations of cost control center, master plan item (projects and activities) and types of expenditures for any month or year-to-date of months.

Budget Basis

The annual budget is prepared on a modified accrual basis in which receipts are budgeted and recorded when received and expenditures are recorded when incurred, regardless of when payment is made. This differs from the basis of accounting, which uses the full accrual method in accordance with the Generally Accepted Accounting Principles (GAAP). Historically this difference in the budget and accounting methods has been useful in modeling cash flow projections. However, Denver Water will be looking at alternatives to the basis of budgeting in the coming year.

Budget Schedule

The 2007 budget development schedule on the following page shows the process from the Integrated Resource Plan to Long Range Planning process to development of the annual budget and resulting budget approval by the Board of Water Commissioners.

Budgeting Units

Denver Water is divided into eight operating divisions totaling ninety-three budgeting units or cost control centers. Eighty-two of these cost control centers are comprised of groups of employees based on organizational structure. The remaining eleven are used to budget and control office furniture and equipment, personal computers, related expenditures and adjustments.

Amending the Budget

Amounts budgeted for specific projects and activities may be revised through the issuance of a special authorization. A special authorization request showing the budget code, cost control center(s) involved, reason for variance, amount of variance, revised estimate and schedule is prepared by the requesting Division. It may be approved by that Division Director and, if needed, the Manager, who will determine if Board approval is also required.

Budget Presentation and Approval

Denver Water is not required by City Charter or state law to make its draft budget available to the public prior to its adoption by the Board of Water Commissioners. The preliminary 2007 budget was reviewed by the Board's Budget Committee, presented in summary at a public Board meeting and presented in draft to the entire Board prior to its approval.

DENVER WATER
IRP, 2007 LONG RANGE PLANS, 2008 BUDGET PROCESS
and RATES ADJUSTMENT SCHEDULE

	DEC 2006	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
INTEGRATED RESOURCE PLANNING													
2007 LONG RANGE PLANS													
10 Year Capital Plan													
10 Year Operating Plan													
10 Year Financial Plan													
2008 BUDGET DEVELOPMENT PROCESS													
Receipt Sources													
Capital Projects													
Personnel & Payroll Budget													
Operating Budget													
Draft Budget Document													
Board Action 2008 Budget													
RATES ADJUSTMENT SCHEDULE													

Distinguished Budget Presentation Award



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award of Distinguished Budget Presentation to Denver Water, Colorado for its annual budget for the fiscal year beginning January 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Budget Controls and Updates

Periodic reports are provided to the Board of Water Commissioners, Manager, Division Directors, Cost Control Center Managers and Budget Coordinators. Key reports include:

Monthly Budget Status Summary - Provided to the Board, Manager and Division Directors. Compares receipts to related capital and operating expenditures for the year-to-date, broken down by type of expenditure. Budgeted and actual billed revenues are graphically compared to receipts from water sales by month-end and year to date.

Monthly Budget Status Report - Provides the Manager and Division Directors with graphs and summary tabulations of actual and budgeted receipts and expenditures for the month and year to date. Also included are explanations of major receipt, expenditure and investment balance variances and graphs showing each division's budget performance. Divisional Budget Coordinators also receive this information plus a detailed Receipt and Expenditure Budget report and a Gross Payroll Budget report by Division and Cost Control Center.

Monthly Cost Control Center Budget Report - Each Cost Control Center is provided with a comparison of month and year-to-date actual and budgeted expenditures by type of expenditure (Payroll, Materials, etc.). Annual budget amounts are also shown for comparative purposes.

Monthly Cost Control Center by Master Plan Item Report - This is a summary level report. Focus is on the capital projects and operation and maintenance activities that a cost control center has budgeted and/or charged during the year.

Monthly Budget Variance Explanation Report - Each month, cost control centers are required to explain significant variances between budgeted and actual expenditures.

Intranet Expenditures Budget Reports – Flexible budget reporting is available to all budgeters through the Intranet. Budgeters are able to make budget to actual comparisons for projects, cost control centers and type of expenditure combination, and “drill-down” to detail levels to obtain additional information as desired.

Additional Reporting – Additional reports can be created by the budgeters in the format and levels of detail required from the budget system.

How to Read the 2007 Budget

From Summary to Detail

The 2007 Budget is arranged for easy reference. An overall summary is provided at the beginning of the budget. Summary level information is also presented at the beginning of each section within the budget document. Additionally, the narratives include references to related information found elsewhere in the document.

Components

Furthermore, each section of this budget booklet describes a particular component of the budget, as follows:

For a summary overview of the entire 2007 Budget - Read Section One. This section provides an overview of 2007 budgeted receipts, expenditures, designated balances and number of employees. It also includes a brief history of Denver Water maps showing the area served and location of major facilities.

For a receipt forecasts - Read Section Two. This section provides information on all types of receipts.

For expenditures by program - Read Section Three. This section categorizes expenditures by program. Each major component of the process of providing water to our customers; raw water, recycled water, treatment, delivery to customers, and general operations are considered as programs. Each program is then further broken down into operation and maintenance and capital components. This format allows evaluation of the cost of each component of providing water from source to customer, down to detailed operation and maintenance activities and capital projects. It indicates why (for what activity or project) the expenditures are made. Information on both operation and maintenance activities as well as capital improvement and replacement projects is also provided.

For expenditures by type - Read Section Four. This section classifies total expenditures according to what was purchased, without regard to the activity or whether the expenditure was operation and maintenance or capital in nature. This section has information on the expenditures for labor, purchases of materials, services, equipment, construction contract payments, debt service and refunds.

For information on Denver Water's organizational structure and performance measures - Read Section Five. This section shows detailed number of employees, table of organization, activities by division and key performance measures for the organization.

For information on debt - Read Section Six. This section includes Denver Water's debt policy, debt service schedules and description of Certificate of Participation projects.

For information on cash flow - Read Section Seven. This section shows the impact of the 2007 budgeted receipts and expenditures on the designated balances and describes how these balances are to be used.

For terms used in the budget document - Read Section Eight. This section contains a glossary of terms.

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Section 1 - 2007 Budget Summary

2007 Beginning Investment Balance

Denver Water will begin 2007 with an Investment Balance of \$149.2 million.

Receipts

Total receipts for 2007 are projected to be \$292.5 million, including \$189.8 million from the sale of water. This projection is based on the assumption that demand for water will be 16.7% below historical norms. Please see Section 2-Receipts for more details on how this forecast was developed. Non-operating, interest, hydropower and other receipts total \$17.2 million. Receipts used for the construction of new facilities include \$5.0 million from participation receipts (payments to the Board for capacity in specific facilities to serve specific groups of customers) and \$27.8 million from System Development Charge receipts (tap fees). Reimbursements total \$2.7 million. This includes \$1.7 million from S. Adams County, \$300,000 from Arvada for the Moffat Collection System Project and \$700,000 from numerous smaller projects based on historical trend. Proceeds from debt issues for 2007 are budgeted at \$50.0 million.

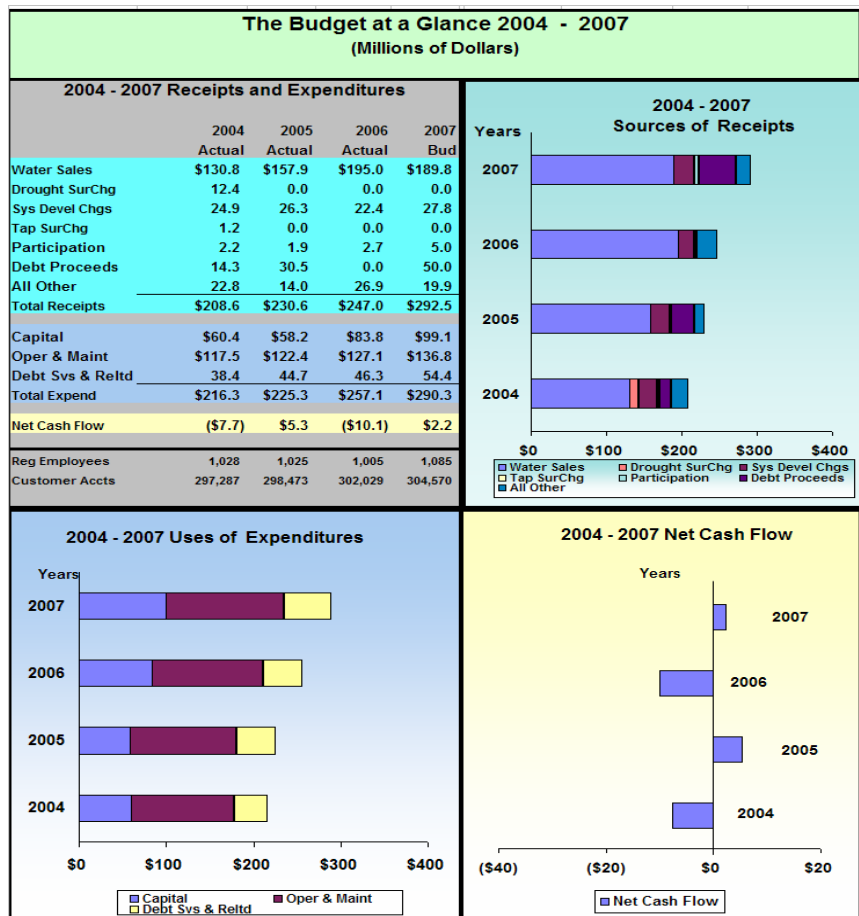
Receipts from the sale of water are projected to be \$189.9 million.

Expenditures

Total 2007 expenditures are budgeted at \$290.3 million. Operation and maintenance expenditures are budgeted to be \$136.8 million. Capital expenditures are budgeted at \$99.1 million. Debt service and related costs are budgeted to be \$54.4 million.

Capital Projects are projected to be \$99.1 million

Major capital projects, which are discussed in detail in Section 3 include projects related to the distribution and storage of recycled water (\$19.2 million), acquisition and construction of gravel pit storage facilities (\$10.7 million), and treatment plant upgrades (\$9.6 million).



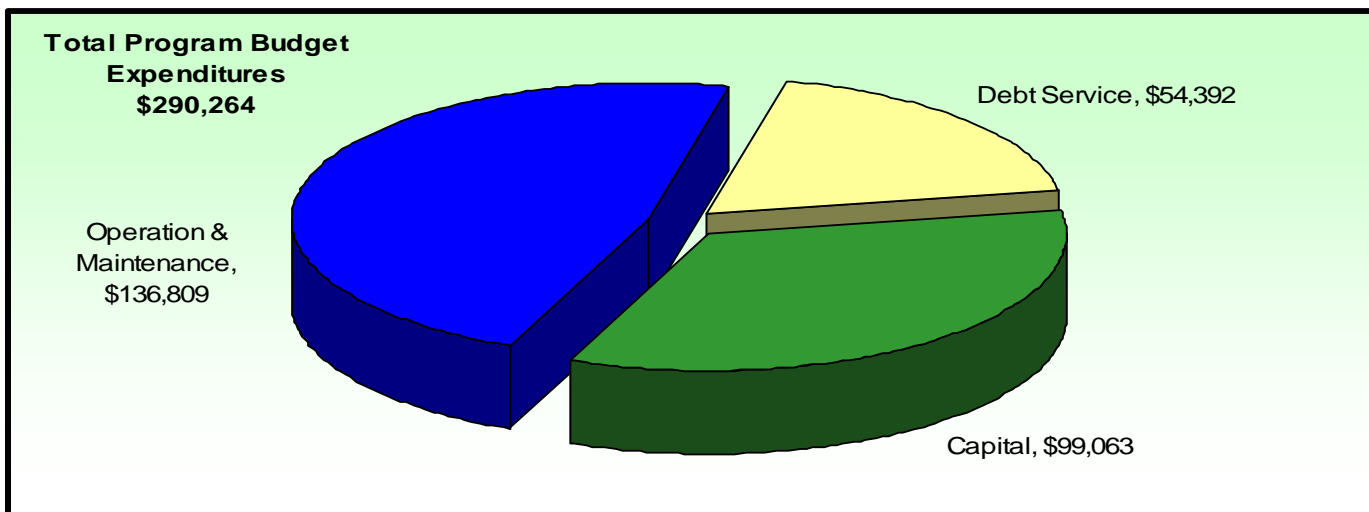
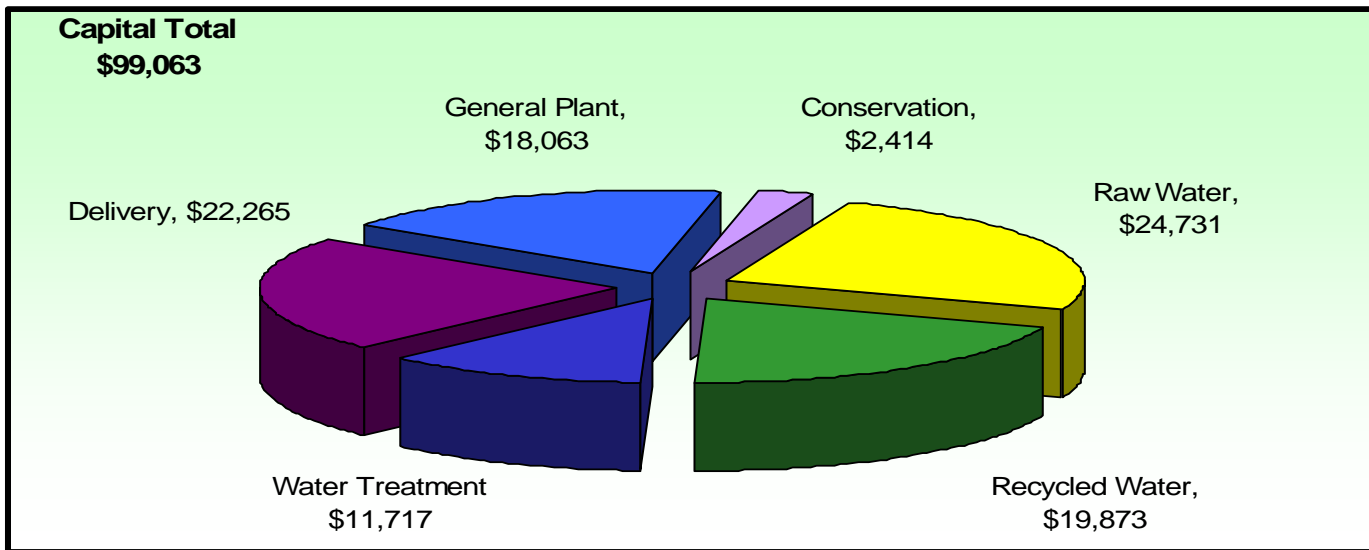
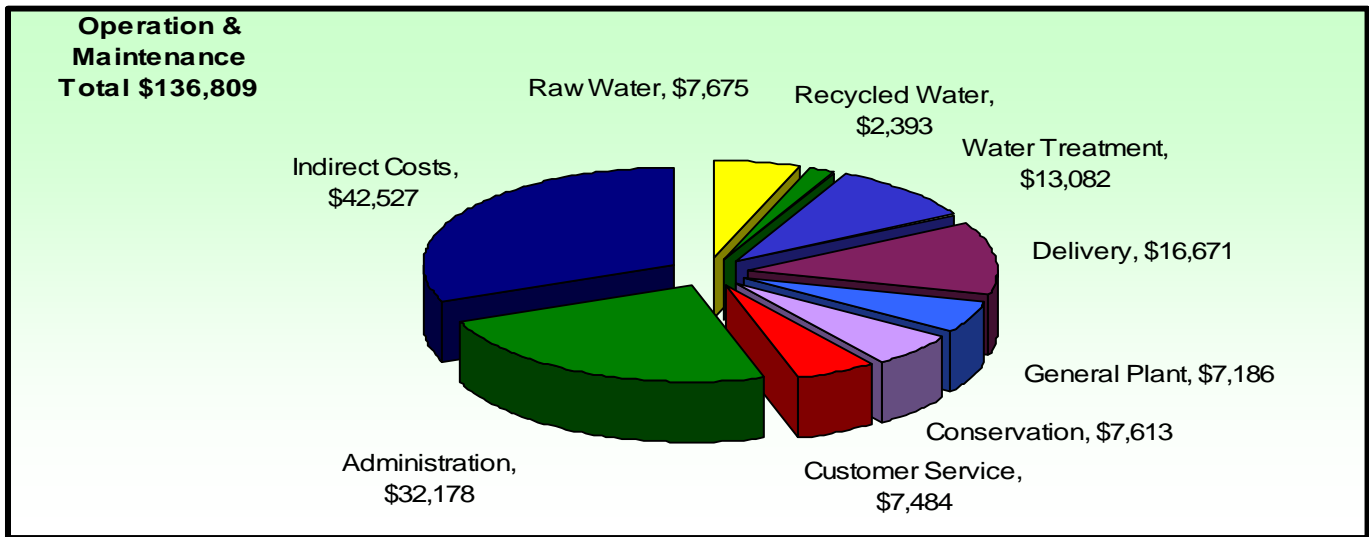
2007 Ending Investment Balance

The 2007 budgeted expenditures of \$290.3 million are \$2.2 million less than projected receipts of \$292.5 million resulting in a projected ending investment balance of \$151.4 million. The investment balances for system operations and capital are maintained to cover a portion of: (1) operation and maintenance, (2) non-expansion capital, (3) debt service, (4) self-insurance and (5) future capital projects. For more details, see Section 7, Investment Balance.

**Summary of Receipts
and Expenditures
2006 - 2007**

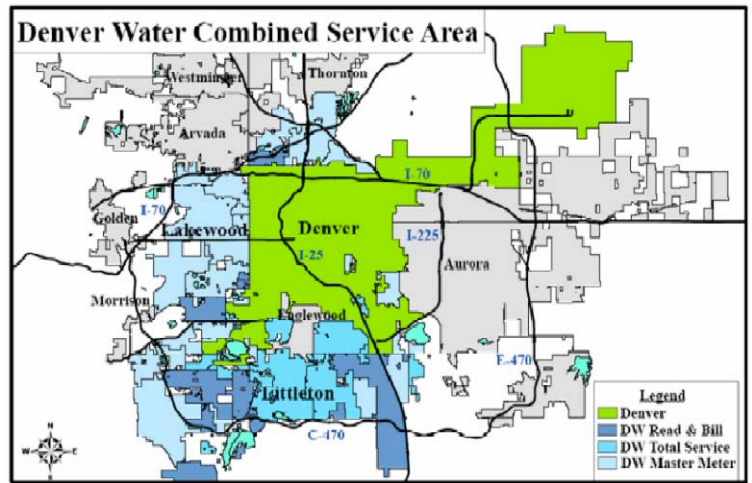
	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2007 Budget</u>
Beginning Investment Balance	\$ 159,276,000	\$ 159,276,000	\$ 149,198,000
Receipts from:			
Sale of Water	\$ 164,333,000	\$ 195,054,000	\$ 189,814,000
Non-Operating, Hydropower, Interest, & Other	14,976,000	25,254,000	17,166,000
System Development Charges	25,654,000	22,389,000	27,842,000
Participation	4,978,000	2,735,000	5,014,000
Reimbursements & Grants	2,705,000	1,586,000	2,658,000
Subtotal	<u>\$ 212,646,000</u>	<u>\$ 247,018,000</u>	<u>\$ 242,494,000</u>
Debt Proceeds	<u>40,000,000</u>	<u>0</u>	<u>50,000,000</u>
Total Receipts	<u>\$ 252,646,000</u>	<u>\$ 247,018,000</u>	<u>\$ 292,494,000</u>
Less Expenditures for:			
Operation & Maintenance Programs:			
Raw Water	\$ 7,327,000	\$ 6,855,000	\$ 7,675,000
Recycled Water	2,298,000	2,176,000	2,393,000
Water Treatment	12,453,000	13,174,000	13,082,000
Delivery	15,250,000	15,755,000	16,671,000
Conservation	2,786,000	2,832,000	7,613,000
Customer Service	7,174,000	7,143,000	7,484,000
General Plant	7,117,000	6,448,000	7,186,000
Administration	74,356,000	72,688,000	74,705,000
Total Operation & Maintenance Expenditures	<u>\$ 128,761,000</u>	<u>\$ 127,071,000</u>	<u>\$ 136,809,000</u>
Capital Programs:			
Raw Water	\$ 24,022,000	\$ 32,976,000	\$ 24,731,000
Recycled Water	17,435,000	22,086,000	19,873,000
Water Treatment	4,979,000	2,570,000	11,717,000
Delivery	18,609,000	13,973,000	22,265,000
Conservation	2,025,000	2,111,000	2,414,000
Customer Service	1,300,000	1,474,000	0
General Plant	17,171,000	8,571,000	18,063,000
Total Capital Expenditures	<u>\$ 85,541,000</u>	<u>\$ 83,761,000</u>	<u>\$ 99,063,000</u>
Debt Service, Related Costs and Interest on Reserve Funds	<u>\$ 47,398,000</u>	<u>\$ 46,264,000</u>	<u>\$ 54,392,000</u>
Total Expenditures	<u>\$ 261,700,000</u>	<u>\$ 257,096,000</u>	<u>\$ 290,264,000</u>
Ending Investment Balance	<u>\$ 150,222,000</u>	<u>\$ 149,198,000</u>	<u>\$ 151,428,000</u>

2007 PROGRAM BUDGET
(Thousands of Dollars)



The Denver Water Service Area, Population, & Demand

Denver Water’s Combined Service Area, totals approximately 335.5 square miles. The Combined Service Area is composed of the City and County of Denver and 69 treated water distributor contracts (see Table 1). In addition, Denver Water serves several special contracts with fixed contract amounts and two major raw water contracts.



**Denver Water Service Area
Square Miles**

The table below shows the total square miles served both inside and outside the City and County of Denver. The total square miles in the Inside the City service area have not changed materially since 1988 when the City and County of Denver annexed 43.3 square miles for the Denver International Airport. The old Stapleton Airport, within Denver, is being redeveloped with housing, office, and retail facilities. Although the development does not add square miles to the Denver Water service area, it will increase the number of customers we serve over the next 20 years.

Outside the city, Denver Water executes three main types of distributor contracts: Total Service, Read and Bill, and Master Meter. In Total Service districts, Denver Water operates and maintains the district’s facilities, including customer billing, at a level equivalent to the service provided within the Denver City Limits. In Read and Bill districts, Denver Water reads the meters and bills the customers, but does not operate the distribution system. Master Meter districts are those in which Denver Water sells the water wholesale directly to the district. Denver Water also maintains several contracts that receive a fixed amount of water and are not included in the figures below.

Table 1

<u>Denver</u>	
City and County	<u>154.6</u>
<u>Outside Denver</u>	
Total Service Distributors	40.8
Read and Bill Distributors	49.8
Master Meter Distributors	<u>90.3</u>
Subtotal	180.9
TOTAL	335.5

Source: 2004 Denver Water Directory of Distributors, Section 4. Figures exclude fixed special contracts and approximately 2.9 square miles presently not under contract.

Section 1- Summary

STATISTICAL SUMMARY: 2000 - 2005

	2005	2004	2003	2002	2001	2000
Operating Information:						
Population Served ¹	1,115,000	1,104,000	1,081,000	1,076,000	1,052,000	1,036,000
Total Treated Water Consumption in Million Gallons	68,473.70	60,578.77	65,399.47	75,221.18	81,054.72	83,585.25
Average Daily Consumption in Million Gallons	187.60	165.52	179.18	206.09	222.07	228.38
Average Daily Consumption per Capita in Gallons	168	150	166	192	211	220
Maximum Daily Consumption in Million Gallons	424.80	340.92	370.05	419.20	488.71	478.19
Maximum Hour Treated Water Use Rate in MGD ²	725.27	567.52	775.23	788.09	716.86	751.47
Treated Water Pumped in Million Gallons	41,890.71	39,105.07	46,030.79	51,205.33	54,161.28	47,953.92
Raw Water Storage Capacity in Acre-Feet	561,883	561,883	561,883	561,883	561,883	545,476
Replacement Reservoir Storage Capacity in Acre-Feet	122,432	122,432	122,432	122,432	122,432	96,822
Supply from South Platte River in Acre-Feet ³	154,750	119,978	144,982	58,856	129,926	133,912
Supply from Blue River/Roberts Tunnel System in Acre-Feet	94,470	75,984	164,294	56,848	102,282	102,750
Supply from Moffat System in Acre-Feet	63,872	59,344	84,072	33,116	71,296	59,811
Treated Water Pumping Capacity in MGD ²	1,096.3	1,077.1	1,077.1	1,070.6	1,052.5	1,052.5
Raw Water Pumping Capacity in MGD ²	92.2	92.2	92.2	92.2	92.2	92.2
Treatment Plant Capacity in MGD ²	715.0	715.0	715.0	645.0	645.0	645.0
Treated Water Reservoir Capacity in Million Gallons	368.65	376.65	376.65	406.45	378.45	378.75
Supply Mains in Miles (Mountain Collection System)	77.5	77.6	77.6	77.6	77.6	77.6
Supply Mains in Miles (Metropolitan Denver Area)	40.7	40.7	40.7	40.7	40.7	40.7
T&D Mains in Miles (Inside Denver and Total Service Contract Distributors)	2,631	2,608	2,574	2,552	2,508	2,474
Nonpotable T&D Mains in Miles	31.3	31.3	23.5	17.6	17.3	17.3
Total Active Taps-End of Year ¹	304,483	301,565	299,157	295,841	286,051	282,985
Fire Hydrants Operated & Maintained	15,459	14,956	14,648	14,380	14,173	13,991
Fire Hydrants Tested and Repaired	32,474	32,045	32,407	26,047	29,604	23,875
Breaks in Mains - Denver	242	219	231	287	261	243
Service Leaks	1,452	1,204	1,117	1,034	794	907
Additions to Capital Assets	\$ 81,877	\$ 71,669	\$164,363	\$128,479	\$104,721	\$ 87,493
Total Long-Term Debt ⁴	\$375,917	\$372,876	\$379,478	\$300,695	\$308,879	\$289,681

¹Population estimates based on treated water customers only. Beginning in 1996, population served and active taps exclude the City of Broomfield. Revised data through 2000 are interpolated from analysis of the 2000 Census and adjusted for tap growth.

²MGD = Million Gallons per Day.

³Supply includes effluent exchanges.

⁴Current and long-term portions of bonds payable and obligations under capital lease, net of discounts, premiums and deferred losses on advance refundings.

CUSTOMER SERVICE DATA: 2001 - 2006

	2006	2005	2004	2003	2002	2001
Active Taps: ¹						
Beginning of Year	304,483	301,565	299,157	295,841	286,051	282,985
Activated During Year	2,900	3,099	2,736	3,510	10,053 ⁴	3,273
Discontinued During Year	(482)	(181)	(328)	(194)	(263)	(207)
Net Increase During Year	2,418	2,918	2,408	3,316	9,790	3,066
Total Active Taps - End of Year	306,901	304,483	301,565	299,157	295,841	286,051
Active Taps ¹						
Inside City	157,124	155,778	154,170	152,783	150,607	149,054
City and County	1,222	1,206	1,084	1,076	1,065	1,071
Outside City - Read and Bill	36,043	35,558	35,043	34,694	34,425	36,955
Outside City - Total Service	35,960	35,793	35,639	35,502	35,209	31,974
Outside City - Master Meter	76,552	76,148	75,629	75,102	74,535	66,997
Total Active Taps - End of Year	306,901	304,483	301,565	299,157	295,841	286,051
Stub-Ins on System ²	1,936	1,926	2,887	3,023	2,553	2,992
Fire Hydrant Use Permits	518	488	472	473	830	456
AMR (Automatic Meter Reading) Installations	10,594	9,855	54,085	71,737	56,499	30,359
Turn-Offs Due to Delinquent Accounts	12,895	11,529	14,684	12,776	11,586	10,293
In-Home Water Audits	56	81	89	12	60	98
Call Center Calls ³	198,620	212,114	253,716	302,488	281,339	193,395
Water Quality Calls						
Taste and Odor	161	87	66	90	125	78
Clarity	222	90	221	166	15	75
Hardness	1	9	1		1	-
Other	88	24	22	14	135	80
New Taps Made	3,199	2,991	3,537	4,178	3,572	3,869

¹Service is on or has not been off for 5 consecutive years. Does not include taps sold to raw water distributors.

²Stub-Ins are a connection made solely to extend the service line from the main to the valve at the property line prior to the paving of the street and are not considered a tap.

³Call Center Calls include calls offered, plus calls handled through the Interactive Voice Response (IVR).

⁴Increase of 6,820 taps for Master Meter accounts within Willows Water District in 2002.

Demographic & Economic Overview of the Denver Metropolitan Area*

The following is selected information concerning the economic and demographic conditions in the City and County of Denver (“Denver” or the “City”) and the immediate vicinity. The statistics presented below have been obtained from the sources indicated and represent the most current information available from such sources. The statistics have not been adjusted to reflect economic trends, notably inflation.

Prior to 2004, Denver was the population center for a statistical area defined by the federal Office of Management and Budget (“OMB”) as the Denver Metropolitan Statistical Area (the “Denver MSA”) and comprising the counties of Adams, Arapahoe, Broomfield (formerly the City of Broomfield), Denver, Douglas and Jefferson. In June 2003, the OMB updated its statistical area definitions based on new standards and the results of the 2000 Census. The general concept of a metropolitan statistical area is that of a core area containing a substantial population nucleus, together with adjacent communities having a high degree of social and economic integration with that core. Metropolitan statistical areas comprise one or more entire counties. Following this definitional change, the City is now within the newly-created Denver-Aurora Metropolitan Statistical Area (the “Denver-Aurora MSA”), comprising the former Denver MSA and the counties of Clear Creek, Elbert, Gilpin and Park. The following provides information for the area comprising the Denver-Aurora MSA unless otherwise stated.

Population

The following table sets forth population statistics for the City, the Denver-Aurora MSA and the State of Colorado (the “State”).

Population Estimates

<u>Year</u>	<u>Denver</u>	<u>Denver- Aurora MSA</u>	<u>State of Colorado</u>	<u>Denver Water Service Area</u>
1960	493,887	868,943	1,753,947	612,000
1970	514,678	1,118,563	2,209,596	768,000
1980	492,694	1,450,768	2,889,735	846,000
1990	467,610	1,666,883	3,294,473	891,000
2000	554,636	2,157,756	4,301,261	1,036,000
2001	560,365	2,247,319	4,446,928	1,052,000
2002	560,882	2,288,616	4,521,824	1,076,000
2003	566,173	2,323,494	4,586,761	1,081,000
2004	568,913	2,360,678	4,653,023	1,104,000
2005*	572,116	2,392,163	4,720,772	1,115,000

*Forecast as of November 2005

Source: Colorado Department of Local Affairs, Division of Local Government, Demographic Section

Income

The following table set forth median household effective buying income (“EBI”) for Denver, the Denver-Aurora MSA, the State, and the United States for the past seven years. EBI is defined as money income less personal tax and non-tax payments, resulting in a figure often referred to as “disposable” or “after-tax” income. EBI for 2002 through 2004 is computed as a derivative of household income, with the correspondence between before-tax and after-tax income based on a three-year combination of Current Population Survey data. Income and all income-related fields for 2000 and 2001 are benchmarked to the 1990 Census.

Median Household Effective Buying Income

<u>As of January 1</u>	<u>Denver</u>	<u>Denver- Aurora MSA</u>	<u>State of Colorado</u>	<u>United States</u>
1999	\$29,010	\$39,275	\$35,247	\$35,377
2000	30,572	41,581	37,335	37,234
2001	32,877	44,312	39,742	39,130
2002	42,540	49,109	44,050	38,365
2003	37,261	46,878	43,510	38,035
2004	37,383	47,275	43,544	38,201
2005	38,523	48,239	44,489	39,324

Source: Trade Dimensions International, Inc., *Demographics USA⁸ - County Edition, 2001-2005*

The following table sets forth recent annual per capita personal income levels of the City, the Denver-Aurora MSA, the State and the United States.

Per Capita Personal Income in Current Dollars¹

<u>Year</u>	<u>Denver</u>	<u>Denver- Aurora MSA</u>	<u>State of Colorado</u>	<u>United States</u>
1996	\$29,573	\$28,616	\$25,570	24,176
1997	30,291	29,907	26,846	25,334
1998	33,005	32,221	28,784	26,880
1999	35,068	34,230	30,492	27,933
2000	39,152	37,847	33,371	29,847
2001	41,913	39,432	34,493	30,571
2002	42,212	38,923	34,027	30,813
2003	43,117	39,203	34,528	31,497
2004	Not available		36,113	33,046
2005	Not available		37,946	34,544

¹ The Denver and Denver-Aurora MSA figures are as of April 2005, and the Colorado and United States figures are as of March 2006.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Employment

The following tables set forth the number of individuals employed within selected industries covered by unemployment insurance in the City and the Denver MSA for the period 1996 through 2004. Annual data for 2005 is not yet available.

Beginning in 2001, such data has been published only under the North American Industrial Classification System (“NAICS”) codes and is not directly comparable to prior year data, which was classified by the Standard Industrial Classification System (“SIC”) codes.

**Average Number of Employees within Selected Industries in the Denver MSA
Subject to State Unemployment Laws - SIC Classifications**

Industry	1996	1997	1998	1999	2000
Agriculture, Forestry and Fisheries	8,585	9,302	10,206	11,273	12,215
Mining	6,840	6,895	6,756	5,949	5,749
Construction	57,402	61,474	68,691	77,980	87,748
Manufacturing	89,631	92,675	93,005	90,413	90,485
Transportation, Communication and Public Utilities	81,492	82,947	89,288	97,023	99,095
Wholesale Trade	66,929	69,762	70,441	71,243	74,137
Retail Trade	181,408	186,866	190,165	198,268	204,633
Finance, Insurance and Real Estate	75,426	80,760	86,356	88,604	89,442
Services	289,520	308,276	322,162	335,349	351,896
Government	138,884	141,574	144,346	146,703	149,953
Nonclassifiable	62	58	47	25	21
Total	996,179	1,040,589	1,081,463	1,122,830	1,165,374

Source: Colorado Department of Labor and Employment

**Average Number of Employees Within Selected Industries in the Denver MSA
Subject to State Unemployment Laws - NAICS Classifications**

Industry	2001	2002	2003	2004
Agriculture, Forestry, Fishing, Hunting	2,151	2,024	1,855	1,715
Mining	5,261	5,127	4,977	5,141
Utilities	3,752	3,758	3,588	3,627
Construction	90,603	86,775	79,659	79,282
Manufacturing	78,108	74,956	70,821	71,684
Wholesale Trade	68,124	65,068	62,673	61,982
Retail Trade	120,285	122,675	120,298	120,474
Transportation and Warehousing	46,787	44,090	43,112	43,674
Information	67,300	60,094	54,470	51,314
Finance and Insurance	69,011	68,357	69,124	69,498
Real Estate, Rental and Leasing	26,037	25,830	26,095	26,167
Professional and Technical Services	89,819	86,505	83,527	85,268
Management of Companies and Enterprises	12,998	14,889	16,167	17,652
Administrative and Waste Services	85,584	79,912	77,318	79,613
Educational Services	13,540	13,976	14,320	15,007
Health Care and Social Assistance	91,730	94,987	97,297	99,445
Arts, Entertainment and Recreation	14,672	15,014	15,006	16,325
Accommodation and Food Services	92,467	94,076	93,785	95,880
Other Services	35,558	36,027	35,276	35,324
Nonclassifiable	27	23	23	59
Government	153,826	160,443	160,755	159,994
Total	1,167,640	1,154,606	1,130,147	1,139,124

Source: Colorado Department of Labor and Employment

Civilian Labor Force Averages
(labor force expressed thousands and not seasonally adjusted)¹

<u>Year</u>	<u>Denver</u>			<u>Denver-Aurora MSA</u>			<u>State of Colorado</u>		
	<u>Labor Force</u>	<u>Percent Change</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Change</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Change</u>	<u>Percent Unemployed</u>
2000	298.8	--	2.8%	1,235.9	--	2.2%	2,359.3	--	2.6%
2001	290.4	(2.8)%	4.7	1,247.8	1.0%	3.7	2,394.9	1.5%	3.9
2002	294.2	1.3	7.2	1,263.5	1.3	6.0	2,443.3	2.0	5.9
2003	303.1	3.0	7.6	1,287.8	1.9	6.4	2,479.8	1.5	6.2
2004	308.9	1.9	6.7	1,313.2	2.0	5.6	2,522.2	1.7	5.5

¹ Data as of April 8, 2005.

Source: U. S. Department of Labor, Bureau of Labor Statistics

20 Largest Private Sector Employers in the Denver Metropolitan Area
(May 2005)

<u>Company</u>	<u>Business</u>	<u>Employment</u>
Qwest Communications International	Telecommunications	13,200
King Soopers Inc.	Grocery retail	7,800
Lockheed Martin	Aerospace	7,700
Wal-Mart Stores, Inc.	General merchandise retail	7,100
United Airlines	Airline	7,000
HCA-HealthONE, LLC	Health care services	6,800
IBM	Data processing	6,100
Safeway, Inc.	Grocery retail	6,000
University of Denver	Education	5,700
Exempla Healthcare	Health care	5,100
EchoStar Communications Corp.	Satellite television	5,000
Centura Health	Health care	5,000
Kaiser Permanente	Health care	4,100
Ball Corporation	Aerospace, containers	3,800
University of Colorado Hospital	Health care services	3,800
Frontier Airlines	Airline	3,600
Coors Brewing Co.	Beverage manufacturer	3,500
Denver Health and Hospital Authority	Health care	3,500
Wells Fargo Bank West, N.A.	Financial services	3,500
Great-West Life & Annuity Insurance Co.	Insurance	3,400

Source: Metro Denver Economic Development Corporation; compiled from various business lists by Development Research Partners

Construction

Building Permit Activity in Denver - New Structures

<u>Year</u>	<u>Residential¹</u>		<u>Other</u>	
	<u>Permits²</u>	<u>Value (000's)</u>	<u>Permits</u>	<u>Value (000's)</u>
1999	2,245	\$312,171	985	\$126,571
2000	1,794	332,601	1,146	183,287
2001	1,474	364,732	926	166,556
2002	2,049	401,106	1,374	175,390
2003	1,846	358,601	1,371	111,833
2004	1,831	414,728	1,088	93,089
2005	2,228	539,584	1,481	195,536

¹ Includes single family and two family dwellings, apartment buildings, hotels and motels.

² Number of permits issued, which is not equivalent to the number of units.

Source: City of Denver Building Department

Building Permit Activity in the Denver MSA
(values in millions and rounded)

<u>Year</u>	<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Public/Nonprofit</u>	
	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
1999	18,529	\$2,679.7	1,234	\$916.6	68	\$51.1	30	\$29.3
2000	16,669	2,717.0	1,032	840.0	55	27.8	42	102.8
2001	15,619	2,678.8	898	1,058.3	140	85.6	44	91.8
2002	15,451	2,701.3	886	562.7	176	144.1	111	91.0
2003	15,255	2,252.0	534	415.1	108	71.8	48	53.0
2004	16,687	3,608.4	655	569.9	137	81.5	45	75.7

Source: Metro Denver Economic Development Corporation

New Residential Units in Denver and the Denver MSA

<u>Year</u>	<u>Denver</u>				<u>Denver MSA</u>			
	<u>Single Family</u>	<u>Two Family</u>	<u>Multi-Family</u>	<u>Total Units</u>	<u>Single Family</u>	<u>Two Family</u>	<u>Multi-Family</u>	<u>Total Units</u>
1999	2,171	49	250	2,470	18,080	157	4,563	22,800
2000	1,544	255	1,053	2,852	14,074	2,691	8,996	25,761
2001	1,106	1,148	1,810	4,064	12,896	4,066	8,405	25,367
2002	1,475	1,244	1,336	4,055	12,549	4,022	4,085	20,656
2003	1,482	1,035	987	3,504	11,369	3,149	1,832	16,350
2004	1,419	1,087	1,174	3,680	12,736	4,315	2,319	19,370
2005	1,842	735	140	2,717	15,168	4,257	459	19,884

Source: Home Builders Association of Metropolitan Denver

Foreclosure Activity

The following table sets forth recent foreclosures filed in the Denver-Aurora MSA.

Foreclosures Filed in the Denver-Aurora MSA

<u>County</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Adams	799	1,313	1,899	2,499	3,281
Arapahoe	1,000	1,575	2,250	3,125	3,600
Broomfield ¹	3	73	110	132	124
Clear Creek	41	44	59	59	58
Denver	1,134	1,752	2,500	3,351	3,713
Douglas	270	415	652	800	912
Elbert	72	124	151	126	145
Gilpin	32	31	35	52	35
Jefferson	731	1,130	1,532	1,880	2,120
Park	92	147	139	155	200
Totals	<u>4,174</u>	<u>6,604</u>	<u>9,327</u>	<u>12,179</u>	<u>14,188</u>
Annual change	--	58.2%	41.2%	30.6%	16.5%

¹The City of Broomfield became the City and County of Broomfield effective in the fall of 2001. The former City of Broomfield encompassed portions of the counties of Adams, Boulder, Jefferson and Weld.

Source: County Public Trustees' Offices

Section 2 - Receipts

Receipts Summary

Total 2007 receipts forecast \$292.5 million.

Denver Water practices the full accrual method to account for annual revenues, we use a modified cash basis for budgeting. Receipts are budgeted based on when we expect to receive the payment. Receipts are comprised of operating receipts from the sale of water to customers, participation receipts (payments for capacity in specific facilities to serve specific groups of customers), system development charge receipts (tap fees), receipts from bond proceeds, as well as small amounts of non-operating and other receipts. Total 2007 receipts are forecast to be \$292.5 million.

Operating Receipts (Sale of water to customers)

Operating Receipts 2006 actual: \$195.1 million.

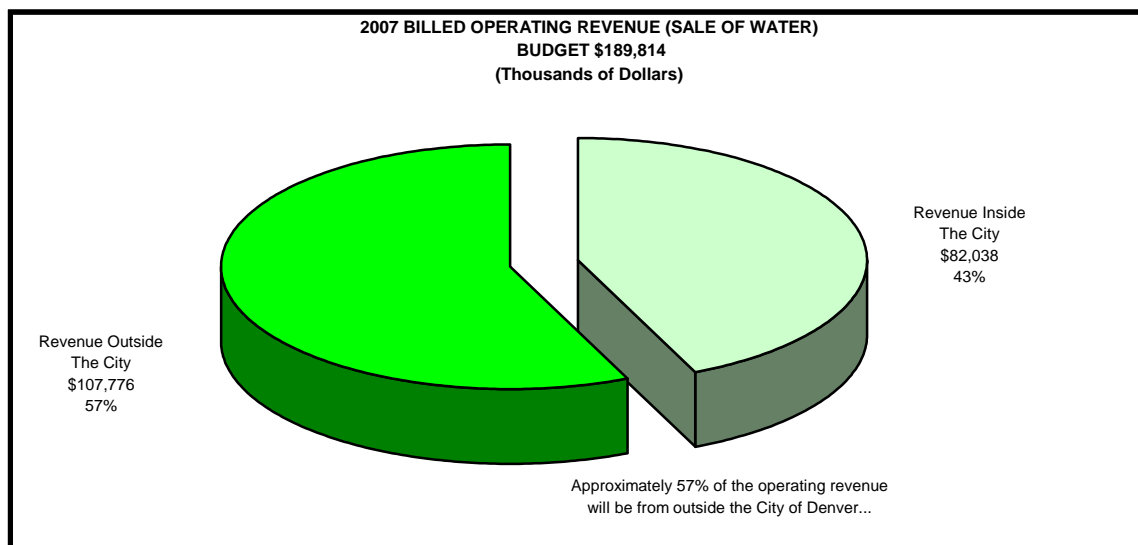
Operating receipts are generated from sales of water to customers. They are used to pay for normal operation and maintenance, replacement of facilities, and plant additions as well as debt service. In 2006, total receipts from the sale of water to customers were \$30.7 million higher than budgeted. The forecast used to develop the 2006 operating receipts budget assumed that customer demand for water would be 19% below the historical norm. In reality, demand was approximately 4.2% below the average in the 10 years preceding the drought.

In the past, receipts were forecasted and budgeted using historical trend information. However, the recent drought (2001-2004) added uncertainty to this forecasting process. Based on the experience from other water utilities, consumption of water drops drastically during a drought and gradually increases as climate conditions return to normal, finally leveling out somewhere below pre-drought historical norms. As a result, we base our forecast on this “drought shadow”. Although our experience in 2006 might indicate that our drought shadow demand forecast is lower than actual, Board guidance has been that we continue to be conservative in our forecasting method.

Operating Receipts 2007 Budget: \$189.8 million.

The 2007 budget of \$189.8 million reflects an average rate increase of 7.0% effective January 1, 2007 as well as a demand forecast at 16.7% below pre-drought historical averages. Approximately 57% of the 2007 billed water sales revenue is projected to be from outside the City of Denver, while only 49% of customers are located outside the City. Water provided to outside City customers is billed at a higher rate than water provided to inside City customers.

Denver Water does not depend on any one customer or any group of customers for a major portion of its revenue. The 25 largest customers (excluding the City and County of Denver) accounted for less than 5% of treated water revenue received in 2006.



Non-Operating Receipts

These receipts are obtained from payments for services that Denver Water renders such as ditch assessments for delivery of non-potable water for irrigation, main inspections, installation of taps, the calculating and mailing of sewer bills, rents on Denver Water facilities and other such services. Based on historical trends, total non-operating receipts for 2007 are projected to be \$2.8 million. Actual 2006 non-operating receipts of \$2.7 million were \$185,000, or 6.5%, less than budget.

Hydropower Receipts

Hydropower receipts are generated from the sale of power provided by generating facilities at the Dillon, Strontia Springs and Williams Fork dams, Roberts Tunnel, Foothills Treatment Plant and Conduit 27 at Hillcrest. The budget for Hydropower receipts is based on certain assumptions about hydrological and weather conditions and varies as these conditions vary each year. Total Hydropower receipts in 2006 were \$2.5 million, 37% above budget, due to favorable conditions that left many of our reservoirs at or near capacity. Hydropower receipts for 2007 are anticipated to be \$2.9 million. This higher projection is based on the anticipated completion of a new hydro facility at Gross Reservoir, which will generate approximately \$750,000 in 2007 and \$1.5 million annually in future years.

System Development Charges (SDC)

System Development Charges are projected to be \$27.8 million.

SDCs are tap fees for new connections to the Denver Water system that represent the value of the capacity used by the new customer. System development charge receipts are projected to total \$27.8 million for 2007, based on anticipated building trends. Actual 2006 receipts of \$22.4 million were \$3.3 million less than budgeted due to a late-year slowdown in new housing starts in the Denver areas.

Participation Receipts

Participation receipts are payments for capacity in specific facilities to serve specific groups of customers. For example, another water district may pay Denver Water for capacity in certain conduits that we are building. Participation receipts for 2007 are projected to be \$5.0 million. The largest item in the 2007 budget is \$2.7 million from Valley Water and Sanitation District for work on Conduits 158 and 159.

Actual 2006 receipts of \$2.7 million were \$2.2 million lower than budgeted due to delays in the completion of several participation projects.

Reimbursements and Grants

Reimbursements of \$2.7 million are anticipated for 2007. This includes \$1.7 million from the South Adams County Water & Sanitation District for our gravel pit storage project and \$300,000 from the City of Arvada for the Moffat Collection System project. Total 2006 reimbursements of \$1.6 million were \$1.1 million less than budgeted. The shortage was largely a result of timing for both the gravel pit projects and Moffat Collection System project.

Interest on Investments

Until March 2007, the Board maintained two investment portfolios, a liquidity portfolio designed to provide funds to meet the Boards obligations when they come due and an investment portfolio designed to attain a market average rate of return over a full interest rate cycle. Under the terms of an investment policy adopted by the Board on March 14, the two portfolios will be combined into a single portfolio with guidelines that are not materially different from the aggregate of the two separate portfolios.

Section 2- Receipts

The investment guidelines limit investments to treasury securities, federal agency securities, top-rated commercial paper, corporate bonds rated Aa or better, and money market mutual funds. The maximum maturity of corporate securities is 3 years, agency securities are 4 years, and treasury securities is 5 years. The investment policy also imposes concentration limits both by issuer and by type of security. The portfolio is accounted for on a fair market value basis. The combined interest paid to Denver Water on both investment portfolios in 2007 is budgeted at \$5.9 million. Actual 2006 interest receipts of \$6.9 million were \$1.4 million above budget because balances in investment portfolios were higher than anticipated and shorter term interest rates have been increasing.

Other

These receipts consist of reimbursements for the relocation of mains and fire hydrants, proceeds from the sale of surplus assets, employee payments for health and dental insurance and minor items not included elsewhere. Other receipts are projected to be \$5.4 million in 2007. Included in this total is \$2.4 million for employee payments for health and dental insurance. This is a substantial increase due to a change in health care plan design intended to bring Denver Water's health insurance benefits in line with industry averages.

Actual 2006 receipts of \$13.2 million were \$8.3 million over budget partially due to the unanticipated sale of several properties; Hugh M. Woods, (\$2.7 million), Highline Canal, (\$575,000) and Cherry Creek Galleries, (\$86,000). This category also includes our timing adjustment that we use to reconcile our cash receipts and payments method with the accrual method of reporting expenditures. In 2006 we had an unusually high payment timing adjustment of \$4.4 million for construction work completed in December but paid in January.

Debt Proceeds

Denver Water has budgeted cash receipts of \$50.0 million from the sale of revenue bonds in 2007. In 2006, Denver Water did not issue revenue bonds as anticipated in 2006 due to a mid-year assessment of our financial condition, and a desire to spend time evaluating future debt policy and strategy, and incorporating needed changes into the legal structure of the Board's bond resolutions. This activity will continue in 2007 although bonds were sold in March 2007 for capital expenditures made, or to be made in 2006-2008.

Comparison of Receipts
2004 - 2007
(Thousands of Dollars)

	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2007 Budget</u>
Receipts:					
Operating	\$ 130,838	\$ 157,902	\$ 164,333	\$ 195,054	\$ 189,814
Drought Surcharge/Rebate	12,425	68	0	0	0
Non-Operating	2,598	2,794	2,846	2,661	2,846
Hydropower	1,188	2,942	1,827	2,496	2,931
System Development Charges	24,917	26,280	25,654	22,389	27,842
Tap Surcharge	1,195	0	0	0	0
Participation	2,241	1,850	4,978	2,735	5,014
Reimbursements & Grants	3,646	762	2,705	1,586	2,658
Interest on Investments	3,942	2,092	5,490	6,937	5,974
Other	<u>11,320</u>	<u>3,777</u>	<u>4,813</u>	<u>13,160</u>	<u>5,415</u>
Subtotal Receipts	\$ 194,310	\$ 198,467	\$ 212,646	\$ 247,018	\$ 242,494
Debt Proceeds	<u>14,300</u>	<u>30,500</u>	<u>40,000</u>	<u>0</u>	<u>50,000</u>
Total Receipts	<u>\$ 208,610</u>	<u>\$ 228,967</u>	<u>\$ 252,646</u>	<u>\$ 247,018</u>	<u>\$ 292,494</u>

Section 2- Receipts

Comparison of Operating and Non-Operating Receipts

2004 - 2007

(Thousands of Dollars)

	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2007 Budget</u>
Operating Receipts (Water Sales)					
Billed Operating Revenue:					
Metered General	\$ 85,423	\$ 108,294	\$ 106,819	\$ 129,182	\$ 125,552
Private Fire Protection	757	796	766	962	848
Public Authority	4,518	6,168	6,506	9,141	7,632
Sales for Resale-Treated	30,981	37,825	39,194	45,111	44,746
Other Sales of Water-Raw	312	347	445	400	370
Sales for Resale-Raw	2,891	3,924	6,309	8,054	5,367
Other Operating Revenue	3,231	4,386	2,250	3,893	3,624
Recycled Water	384	779	1,366	854	1,246
Total Billed Operating Revenue	\$ 128,497	\$ 162,519	\$ 163,655	\$ 197,597	\$ 189,385
Cash Flow Adjustment*	2,341	(4,617)	678	(2,543)	429
Total Operating Receipts	\$ 130,838	\$ 157,902	\$ 164,333	\$ 195,054	\$ 189,814
% Receipts to Billed Revenue	101.80%	97.20%	100.40%	98.70%	100.20%
* Cash Flow Adjustment is the difference between amounts billed to customers and payments received in a year due to delays between billings and payments over the budget year.					
Non-Operating Receipts					
Merchandising, Jobbing & Contract Work	\$ 1,289	\$ 1,523	\$ 1,342	\$ 1,379	\$ 1,418
Canals, Ditches and Ranches	212	227	299	181	299
Sewer Billing Charges	528	549	605	513	630
Other Non-Operating	569	495	600	588	499
Total Non-Operating Receipts	\$ 2,598	\$ 2,794	\$ 2,846	\$ 2,661	\$ 2,846

Water Rates

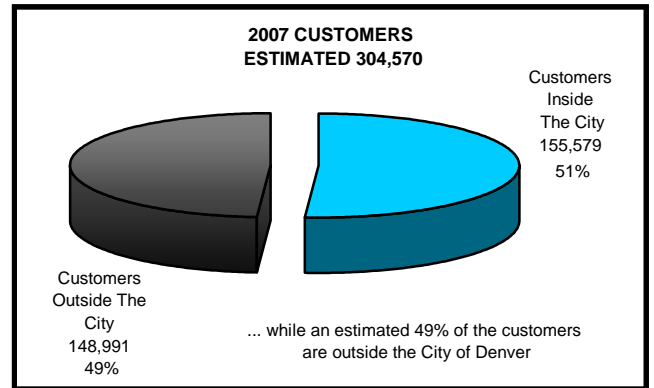
The Board of Water Commissioners is authorized by Section 10.1.9 of the Charter to set rates for water service. Since its inception, the Board has set rates at a level sufficient to service its debt and to meet its expenses of operation and maintenance. The Board has never required ad valorem taxes to meet its obligations.

Rate increases are implemented from time to time in order to offset the impact of inflation and other operating financial requirements.

Water Rate Levels

The Board continually reviews its structure of water rates, adjusting them as may be necessary to provide adequate levels of revenue. In view of the operational and capital needs of the system and the impact of inflation, the Board conducts ongoing rate studies to determine required rate levels.

On September 27, 2006, the Board adopted new rates and service charges to take effect for water bills dated on and after January 1, 2007. The new water rates are designed to increase revenue from water sales, under normal weather conditions, by 7.0%.



History of Rate Increases

The following statistics show effective dates of past actions by the Board in setting adequate rates and the proposed incremental increases in revenues for the past 10 years.

Effective Date	Increase in Revenues
January 1, 1997	4.5%
January 1, 1998	3.1%
January 4, 1999	0.5%
March 6, 2000	2.5%
January 1, 2001	2.4%
January 1, 2002	2.5%
January 1, 2003	3.1%
January 1, 2004	5.0%
September 7, 2004	5.0%
January 1, 2005	8.0%
January 1, 2006	8.0%
January 1, 2007	7.0%*

*On February 14, 2007, the Board elected to create a new rate class for irrigation accounts that have traditionally been required to pay single family residential rates. This was done in response to the concerns expressed by homeowner's associations ("HOAs") regarding the rates they must pay to irrigate common area for landscaping in single family residential developments. The new rates, which are based on a seasonal winter/summer rate design, will equitable water bill impacts. Rates for this new customer classification will be effective on May 1, 2007.

Types of Service

Water rates are based on three types of retail metered service: Inside City, Outside City Read and Bill, and Outside City Total Service. Inside City service refers to all water users inside Denver. Outside City Read and Bill service refers to areas outside the city where Denver Water is responsible for water delivery to a distributor and for reading meters and billing customers, while the distributor is responsible for operation and maintenance of the distribution system. Outside City Total Service refers to areas outside the city where Denver Water is responsible for water delivery, reading meters, billing customers, as well as operation and maintenance of the distribution system.

A variation to the standard “Total Service” contract is the Total Service Improvement contract. Under this contract a Distributor whose system does not currently meet Denver Water Engineering Standards may request to enter into a “Total Service” Contract that includes special provisions for Denver Water to take dominion over the Distributor’s existing water system and to upgrade the Distributor’s water system to meet Denver Water engineering standards. A surcharge is assessed to each of the customers within the Distributor’s service area to pay for the improvements.

Denver Water also provides wholesale water service to Master Meter Distributors (water districts outside the city) that own and operate their own water system, perform their own meter reading and customer billing, and purchase water on a wholesale basis for distribution to their respective retail customers. A variation of the standard Master Meter Contract was added in 2002. A Master Meter Distributor may elect to continue customer billing and collection functions within its service area but contracts with Denver Water to operate, maintain and replace its water system as needed. Currently Denver Water has no customers in this master meter class. Denver Water will bill the Distributor through master meters at a rate that reflects the cost of providing this additional service. As of December 31, 2004, wholesale water district contracts accounted for 25.82% of total treated water consumption.

Residential Bimonthly Billings

The table below illustrates average winter and summer bimonthly billings for a single-family home using the 2007 water rates. Based on an annual consumption of 120,000 gallons per year and service through a 3/4” meter.

<u>Type of Service</u>	<u>Average Winter</u>	<u>Average Summer</u>
Inside City	\$27.19	\$53.57
Outside City (Read & Bill)	36.67	74.59
Outside City (Total Service)	41.99	86.77

<u>Month</u>	<u>Consumption in Gallons</u>
January - February	11,000
March - April	13,000
May - June	21,000
July - August	34,000
September - October	28,000
November - December	<u>13,000</u>
Total Annual Consumption	<u>120,000</u>

Survey of Comparative Water Bills

This table compares Denver's annual residential water bills with those of other independent suppliers in the Denver Metropolitan area for a representative residential customer based on usage of 120,000 gallons per year. This information is for comparison purposes only.

ANNUAL RESIDENTIAL WATER CHARGES
DENVER AND OTHER WATER DISTRIBUTORS
IN THE DENVER METROPOLITAN AREA

City	2006 Annual Water Service Charge	Percent of Denver Inside City Customer Charges
Golden (outside)	\$973	345.04%
Arvada (outside)	641	227.30%
Colorado Springs (outside)	624	221.28%
Thornton (outside)	601	213.12%
Louisville (outside)	583	206.74%
Aurora	536	190.07%
Westminster (outside)	496	175.89%
Boulder (outside)	470	166.67%
Highlands Ranch	426	151.06%
Broomfield	421	149.29%
Englewood (outside)	417	147.87%
Denver (outside) – 2006	416	147.52%
Pueblo (outside)	392	139.01%
Northglenn City	386	136.88%
Denver (outside) – 2007¹	344	121.99%
Denver (inside) – 2006	282	100.00%
Denver (inside) - 2007¹	273	96.81%
Pueblo (outside)	392	139.01%

¹Despite the general water rate increases in 2007 compared to 2006, Denver Water's 2007 annual average residential water charges based on usage of 120,000 gallons of water per year are lower than in 2006 because residential consumption rates for Block 2, 3, and 4 were increased but the rate for consumption Block 1 was reduced as a means of encouraging water conservation. Customers who use 120,000 gallons of treated water annually fall primarily in the Block 1 category. In addition, in 2007 the meter charge was replaced with a service charge that is approximately \$4 less than the 2006 meter charge for residential customers.

Source: Denver Water and individual water suppliers

System Development Charges and Participation Receipts

In addition to operating revenues and bond proceeds, funds are generated from (1) system development charges (“SDCs”), which are fees received for new connections to Denver Water’s system, and (2) participation receipts, which are payments for capacity in specific facilities to serve specific groups of customers.

The system development charge (“SDC”), instituted in 1973, and has provided a major source of funds for capital expenditures. Since 1973, Denver Water has collected approximately \$531.6 million in SDCs. This charge applies to any applicant who is granted a license to take water through Denver Water’s system or through a system deriving its supply from Denver Water. The charge is assessed upon application for a new tap and is based upon the (1) gross square footage of the single family residential lot or, (2) the number of units in a multiplex building served through a single tap or, (3) the size of the connection required. (See table on the following page.)

Since 1974, developers have been required to participate in the front-end financing of facilities necessary to meet their specific needs. Total participation receipts of \$125.4 million have been collected since inception.

The Denver Board of Water Commissioners approved an average 9.8% increase for all SDCs within Denver Water’s Combined Service Area effective January 7, 2007.

System Development Charges and Participation Receipts Collected**(Cash Basis - net of amounts refunded)****1973 - 2006**

<u>Receipts</u>	<u>SDCs</u>	<u>Participation</u>
1973-86	\$ 149,473,600	\$ 43,647,100
1987	8,544,400	4,561,300
1988	6,084,600	3,067,700
1989	6,251,400	4,965,200
1990	6,615,100	1,838,700
1991	7,530,400	2,330,700
1992	10,920,300	1,198,800
1993	12,181,800	1,343,600
1994	13,535,700	2,881,800
1995	15,527,600	3,927,400
1996	15,137,300	2,913,102
1997	45,058,104	3,732,524
1998	33,155,890	8,411,534
1999	24,223,691	11,963,951
2000	25,525,391	6,392,360
2001	22,186,342	7,026,906
2002	36,590,914	5,567,014
2003	19,614,948	2,831,285
2004	24,833,961	2,228,550
2005	26,256,752	1,849,613
<u>2006</u>	<u>22,305,207</u>	<u>2,730,141</u>
Total	\$ 531,553,400	\$ 125,409,280

**History of Increases
System Development Charges
(First Implemented July 1973)**

<u>Effective Date</u>	<u>Incremental Increase</u>
July 1, 1973	100.0%
April 1, 1975	50.0%
April 16, 1976	50.0%
January 1, 1980	50.0%
February 1, 1982	50.0%
January 1, 1986	7.0%
January 1, 1998	5.0%
January 4, 1999	5.0%
January 1, 2001	9.0%
April 1, 2003	9.2%
October 22, 2003	20.0%
January 30, 2006	9.0%
April 10, 2006	7.8%
January 8, 2007	9.8%

Water Rate Structure
(Effective January 8, 2007)

Customers are billed a charge plus a consumption charge as follows:

RESIDENTIAL CHARGE:

	<u>Monthly</u>	<u>Bimonthly</u>
All Customers	\$3.87	\$5.98

RESIDENTIAL CONSUMPTION CHARGE (Bimonthly)

<u>Residential:</u>	<u>Rate Per 1,000 Gallons</u>		
	<u>Inside City</u>	<u>Outside City Read and Bill</u>	<u>Outside City Total Service</u>
<u>Single Family</u>			
First 22,000 Gallons	\$ 1.72	\$ 2.13	\$ 2.23
Next 38,000 Gallons	3.44	4.26	4.46
Next 20,000 Gallons	5.16	6.39	6.69
All over 80,000 Gallons	6.88	8.52	8.92
 <u>Small Multi-Family duplex with single meter*</u>			
First 30,000 Gallons	1.95	2.13	2.77
Over 30,000 Gallons	2.34	2.56	3.32
 <u>All Other Retail:</u>			
Winter	1.89	2.42	2.89
Summer	2.27	2.90	3.47

WHOLESALE RATE OUTSIDE CITY ONLY (Master Meter) Rate Per 1,000 Gallons

Consumption Charge:

All Consumption	\$ 2.55
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WHOLESALE with Maintenance (Master Meter Maintenance) Rate Per 1,000 Gallons

All Consumption	\$ 3.72
System Development Charge Schedule	

*Small Multi-family is 2 – 5 plex. The blocks increase with the number of units. See rate schedule for more details.

Section 2- Receipts

System Development Charge Schedule (Effective January 8, 2007)

Single Family	
Inside Denver	Outside Denver
\$2,000 + \$0.43 per Sq. Ft.	\$2,800 + \$0.60 per Sq. Ft.

Multifamily	
Inside Denver	Outside Denver
\$7,350 + \$1,675 for each unit over 2	\$10,280 + \$2,340 for each unit over 2

All Other	Treated Water	
Tap Size (\$/Tap)	Inside Denver	Outside Denver
3/4	\$ 5,450	\$ 7,625
1	16,350	22,875
1 1/2	32,700	45,750
2	49,050	68,625
3	119,900	167,750
4	212,550	297,375
6	365,150	510,875
8	490,500	686,250
10	621,300	869,250
12	757,550	1,059,875

Non-Potable		
Tap Size (\$/Tap)	Inside Denver	Outside Denver
3/4	\$ 3,625	\$ 5,100
1	10,950	15,300
1 1/2	29,200	40,800
2	47,450	66,300
3	80,300	112,200
4	120,450	168,300
6	248,200	346,800
8	321,200	448,800
10	412,450	576,300
12	587,650	821,100

	Treated Water		Non-Potable Water	
	Inside Denver	Outside Denver	Inside Denver	Outside Denver
Acre Foot Conversion (\$/AF)	\$11,850	\$16,575	\$7,925	\$11,100
Inside the Combined Service Area		\$17,000		\$11,100
Outside the Combined Service Area				

Section 3 - Expenditures By Program

Program Summary

Denver Water engages in specific activities to carry out Strategic and Integrated Resource Plan policies aimed at delivering high quality water at the lowest possible cost. These activities have been grouped into five broad categories or programs that follow the flow of water from raw water source to the customers tap. Each program is further broken down into operation and maintenance and capital expenditure components. The programs are:

Raw Water Program - Provision of an adequate raw water supply. Includes collection and impounding reservoirs, collection systems, ditches and canals and raw water supply mains.

Recycled Water Program - Includes studies, engineering, construction and operation of facilities for successive use of water for non-potable purposes such as irrigation.

Water Treatment Program – Contains expenditures related to the construction, operation and maintenance of facilities for the treatment of water prior to delivery to customers. This program includes both three potable water treatment plants as well as a Water Quality Laboratory.

Delivery Program - Providing treated water to customers and distributors. Includes pumping stations, treated water reservoirs, transmission and distribution mains, fire hydrants, and decentralization stations.

Conservation Program – Includes funds for capital conservation programs such as lake lining and Xeriscaping as well as education, advertising and rebate programs designed to assist our customers with water conservation.

Customer Service Program – This program supplies staff and operating expenditures for meter reading, customer billing, call center, meter testing and repair and other customer related services.

General Plant Program - Includes Capital and Operating expenditures for all activities not directly related to the above programs. Operation and maintenance of our administrative facilities, security, computer support and administration are included in this program.

Total 2007 program budget expenditures of \$290.3 million include \$136.8 million for operation and maintenance; \$99.1 million for capital for new additions, replacements and improvements and equipment as well as \$54.4 million for debt service and related costs.

**Total 2007
Expenditures
\$290.3 million**

Operation and Maintenance

The Operation and Maintenance budget for 2007 is an increase of 6.6% over 2006 expenditures. Average annual growth in Operation and Maintenance expenditures has been under 5 percent for the last ten years. As expected, inflation and growth in the number of customers we serve have increased our expenditure levels. As demand grows, so do our costs for water treatment chemicals, power, and other items related to the treatment and delivery of water.

Over the past several years, Denver Water has experienced several unanticipated events which have impacted operations. Security measures implemented following the September 11, 2001 terrorist attacks have resulted in permanent increases in operating costs. In addition, we experienced several major forest fires in 2002 and as a result have increased our expenditures for re-vegetation and sediment removal in our water shed.

The Board has approved \$7.6 million for conservation programs in 2007.

As the Denver area has emerged from the drought of the past several years, we have become aware of the need to focus our day to day operations on permanent water efficiency and wise water use. To achieve this the Board has directed Denver Water to accelerate water saving conservation measures so that we achieve a 20 year level of savings by 2016. To this end the Board has approved \$7.6 million for these conservation programs in 2007. As with most employers, Denver Water has been impacted by the rising cost of health care in recent years. In order to mitigate some of the impact, a consultant was hired to assess our health plan and benchmark us against comparable employers. As a result, Denver Water implemented plan design changes in 2007 that bring us inline with our peers. As a result, the 2007 budget for health care is \$12.5 million, \$2.2 million lower than projected without the changes.

Major Capital Project Impact on Operations

Completion of capital projects continues to impact our operating costs. Capital projects having the most significant impact on operations are described below.

Redevelopment of Stapleton Airport and Lowry Air Force Base continues to have a substantial impact on capital and operation and maintenance budgets. Stapleton Airport was closed in 1995 upon the opening of the new Denver International Airport. Lowry was decommissioned and the former base made available for redevelopment in September 1994. Both areas are now being developed as mixed-use communities featuring residential, office and retail facilities. As development occurs and new customers are connected to our system, costs for water treatment, delivery and maintenance of mains and lines will increase accordingly.

Additionally, the Board periodically receives requests from Read and Bill Distributors to convert to Total Service Distributors. Although the cost for capital upgrades are borne by the customers of that distributor, the conversion changes the system from one in which the distributor was responsible for system operation and maintenance to one in which Denver Water is directly responsible for such activities.

Our new recycled water plant became operational in 2004. As we began delivering recycled water to customers, our operating costs increased and now total \$2.4 million annually. The Capital Work Plan for 2007 includes several distribution and storage projects that, when complete, will expand the number of customers we are serving with non-potable water. In addition, a significant expansion of the plant is planned to begin in 2012. We currently anticipate that expansion of the recycled water system and the associated costs for chemicals and power will result in annual operating expenses of \$3.7 million by 2016.

Operating costs for our Hydropower facilities are anticipated to increase about \$100,000.

Completion of the hydropower facility at Gross Reservoir, currently scheduled for June of 2007, will impact both revenue and expenditures. The facility is expected to generate approximately \$1.5 million annually in revenue. The exact amount of revenue generated will be dependent on hydrological and weather conditions each year. Although no additional staff will be required, current staff needs to undergo training and certification in hydropower operation. Operating costs for our Hydropower facilities are anticipated to increase about \$100,000 in 2007 from 2006 levels.

Section 3- Expenditures by Program

The selection and implementation of a new Customer Information System (CIS) will also impact operations. The current schedule is for the CIS vendor to be selected in 2007 and implementation completed by 2009. The Information Technology Division will require two additional staff to support the system. In addition, annual costs for software support and maintenance will increase. The exact cost of the increase will not be known until the solution is selected, but a current estimate is approximately \$200,000 annually. Also, Mobile Workforce Automation will transition from design to implementation in 2007. The overall results of putting computers in certain vehicles will be improved information at the fingertips of our employees, greater efficiency in responding to customers and system emergencies, and increased productivity. However, there will be costs associated with maintaining the additional electronics and some vehicle specifications may need to be changed so that airbag deployment does not interfere with equipment and result in injury to employees.

Finally, completion of gravel pits will result in additional operation and maintenance costs at those facilities. In 2006, an employee was transferred from the High Line Canal to a residence at Miller Gravel Pit in order to begin maintenance activities there (fencing, weed control, demolition of old structures, security, mowing, etc.) in preparation for completion of that facility in late 2007 or early 2008. Additional staff and equipment will be needed in future years.

Capital

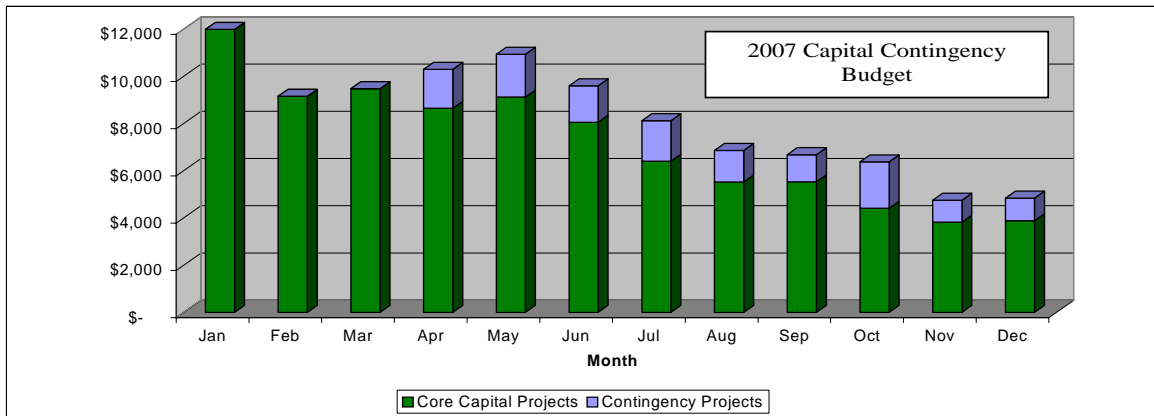
The Denver Water Capital Improvement Plan (CIP) budget for 2007 is \$99.1 million. Although this is a significant increase (15.8%) over the 2006 CIP, the budget includes significant funding for large capital projects that are currently in the construction phase. There are 5 projects in the budget over \$5.0 million and these projects account for \$33.8 million or 34% of the total CIP budget. A list of major 2007 capital projects is shown in the Expenditures by Program Section.

Capital projects are financed through a mixture of participation receipts, system development charges and reimbursements for relocations of water facilities as a result of construction, debt, reserves and other sources.

Approximately \$32.9 million of 2007 capital expenditures are shared with water distributors and others in the metropolitan area through participation contracts and system development charges, see Section 2 for further discussion of SDC and Participation Receipts.

2007 Contingency Planning

Given the financial impacts of the drought years, we have implemented a Capital Contingency Plan for 2007. This plan will allow us to be ready to move quickly to delay capital projects if water supply projections indicate a possible drought risk this spring. The projects included in the contingency plan have been budgeted to begin after April 1st. If water supply indicators show a potential water shortage, these \$13.0 million in capital projects will not go forward in 2007.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Contingency Plan	\$ -	\$ -	\$ -	\$ 1,646	\$ 1,814	\$ 1,541	\$ 1,717	\$ 1,333	\$ 1,153	\$ 1,961	\$ 933	\$ 951	\$ 13,049
Core Capital	\$ 11,990	\$ 9,156	\$ 9,477	\$ 8,647	\$ 9,122	\$ 8,054	\$ 6,401	\$ 5,524	\$ 5,528	\$ 4,412	\$ 3,818	\$ 3,886	\$ 86,014
Total 2007 Capital Plan	\$ 11,990	\$ 9,156	\$ 9,477	\$ 10,293	\$ 10,936	\$ 9,594	\$ 8,118	\$ 6,857	\$ 6,681	\$ 6,373	\$ 4,752	\$ 4,837	\$ 99,063

Section 3- Expenditures by Program

Supporting Activities

Each of the major programs contains a program element called supporting activities. This is an allocation of general and administrative expenditures that are not directly related to a particular program. These supporting activities can be characterized as indirect expenditures. A detailed listing of all of the supporting activities and their subsequent allocation to capital and operation and maintenance categories, along with further allocation to each of the major programs, is contained below.

Program Element: Administration & Distributed Indirects 2007 (Thousands of Dollars)

	Total 2007 Budget	O & M	Allocated To Capital
Administration			
Administration	28,147	23,720	4,427
Warehouse - Yards	806	680	126
Maintenance Shops	2,031	1,830	201
Other*	1,194	1,007	187
Total Administration	32,178	27,237	4,941
Benefits			
Employee Benefits	41,777	34,841	6,936
Gen. Liability & Other Ins.	750	620	130
Total Benefits	42,527	35,461	7,066
Total Allocation of Administration & Indirect Costs	74,705	62,698	12,007

* Includes Stores Issue and other adjustments including refunds to customers.

Summary of Allocation Of Administration & Indirect Costs to Programs

	Raw Water	Recycled Water	Water Treatment	Delivery	Conser.	Customer Service	General Plant	2007 Total
Operation and Maintenance	7,452	2,323	12,700	16,184	7,390	7,266	9,382	62,698
Capital	2,997	2,409	1,420	2,699	293	0	2,189	12,007
Total	10,449	4,732	14,120	18,883	7,683	7,266	11,572	74,705

Section 3- Expenditures by Program

MAJOR 2007 CAPITAL PROJECTS (Thousands of Dollars)

	<u>2007 Capital Budget</u>
PROGRAM: RAW WATER	
Gross Dam Hydroelectric Project - Construction of a hydroelectric powerhouse with a generating capacity of 7.6 megawatts began in 2005. The project will produce clean renewable power and produce income. Commercial operation is planned for 2007.	\$ 5,343
Cheesman Reservoir - New Inlet Control on Dam - Provide new upstream control on two existing tunnel inlets. Design and equipment procurement will be completed in 2007. Construction will begin in 2008.	\$ 1,499
Moffat Collection System Project - The Planning Division, through its PACSM water resource model, has determined that a water supply shortage will occur at the Moffat Treatment Plant during some drought years. This water supply shortage increases as build-out of the Combined Service Area is approached. If the Moffat Treatment Plant does not have enough water during a drought, Denver will not be able to meet its customer's water supply needs from the remaining two treatment plants. Therefore, development of additional water supply for the Moffat Treatment Plant is a high priority.	\$ 1,802
Gravel Pit Storage Below Metro Wastewater - This project will develop storage using gravel pits downstream from Metro Wastewater outfall to recapture water released to supplement metro reach flows in average and above average years. In dry years, the project will recapture reusable return flow when no exchange potential exists at S. Platte intakes and release water in late spring/early summer when exchange potential does exist for new yield and to augment the Recycled Water Project supply requirements.	\$ 10,737
PROGRAM: RECYCLED WATER	
Recycled Water Project - Capitol Hill Storage, Montclair Storage & Pumping - This project replaces an aging potable water storage tank located adjacent to Congress Park with a smaller recycled water tank. Demolition of the existing tank began in January 2006 and construction of the new tank will be completed by March 2007. Construction of the Montclair Pump Station started in July 2006 and will be completed in Winter 2007. This pump station allows the delivery of recycled water to the Lowry and Stapleton development areas.	\$ 9,390
Recycled Distribution System - Conduits 303, 306, and 307 are under construction. Conduits 303 and 306 are scheduled for completion in June 2007 and Conduit 307 is expected to finish in April 2007.	\$ 9,858
PROGRAM: WATER TREATMENT	
Foothills Treatment Plant Water Improvements - This project is the construction of a chlorine contact basin that allows compliance with future regulations on the control of disinfection by-products. The basin will be designed to house future state-of-the-art UV disinfection equipment. The design will be completed in Spring 2007 and anticipated construction will begin in early 2007. The project should be complete in July 2008.	\$ 9,552
PROGRAM: DELIVERY	
Colorow Reservoir Drain Line - Furnish and install approximately 6,300 ft of 30 inch pipe (Conduit 129) from Colorow Reservoir to W. Belleview Ave. and Quincy St. and 1,060 ft of 24 inch (drain line) pipe from Colorow Reservoir east to the Bergen Ditch. Construction will start in Spring 2007 and is scheduled to be completed by the end of 2007.	\$ 1,559

Section 3- Expenditures by Program

MAJOR 2007 CAPITAL PROJECTS (Thousands of Dollars)

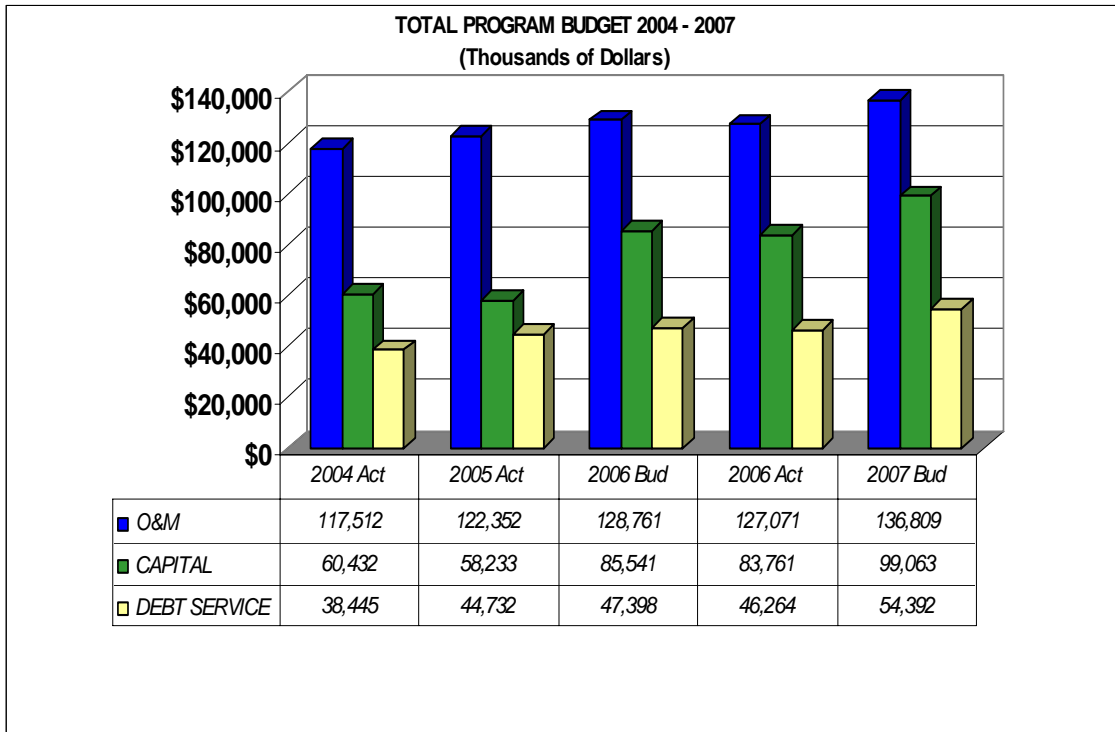
	<u>2007 Capital Budget</u>
PROGRAM: DELIVERY (Continued)	
Conduit 154, 158, and 159 - Conduit 154 will provide a 1,350 ft interconnection between Conduit 3 and Conduit 12 in Vassar Ave. between S. Federal. Conduit 158 includes 1,025 ft of 30 inch steel pipeline which will connect Conduit 21 to Conduit 119. Conduit 159 will connect Conduit 94 to Conduit 119 and the Valley Water Distribution system with 8,150 lineal feet of 30 inch steel pipeline. Construction began in March 2006 and anticipated completion is December 2007.	\$ 3,687
Main Improvements and Replacements - Includes installation of new mains for looping and other systems improvements and replacement of deteriorated, obsolete and leaking mains under 24" in diameter. Continuous program.	\$ 6,265
PROGRAM: GENERAL PLANT	
Motor Vehicles & Heavy Equipment - 32 replacement vehicles and 11 replacement heavy equipment purchases.	\$ 2,574
Capitalized Computer Systems and Equipment - Centralized computer hardware is budgeted at \$570,000, Enterprise Communications \$750,000, PCs and related equipment at \$458,000, and capitalized computer systems at \$10.7 million, including \$6.7 million for the Customer Care System.	\$ 12,440
ALL OTHER CAPITAL EXPENDITURES	<u>\$ 24,357</u>
TOTAL 2007 CAPITAL BUDGET	<u>\$ 99,063</u>

⁽¹⁾Note: There are 212 projects in the 2007 Capital Work Plan. The 12 projects shown constitute 75% of the budget.

Program Budget Expenditures Summary

The graph below shows the historical trend of operation and maintenance, capital and debt service expenditures summarized by program. Increases in operation and maintenance expenditures for 2007 reflects the accelerated conservation initiative as well as increases in chemical, fuel and utility costs. Cost impacts for prior years reflect the new Recycled Water Plant that began operation in the spring of 2004, drought response activities and the rising cost of employee health care.

The increase in anticipated CIP expenditures in 2007 are described in detail earlier in the section and include \$19.2 million for Recycled Water Projects, \$9.6 million for treatment plant upgrades, and \$10.7 million for the acquisition and construction of gravel pit storage facilities.



Section 3- Expenditures by Program

Program Expenditures Summary 2004 - 2007 (Thousands of Dollars)

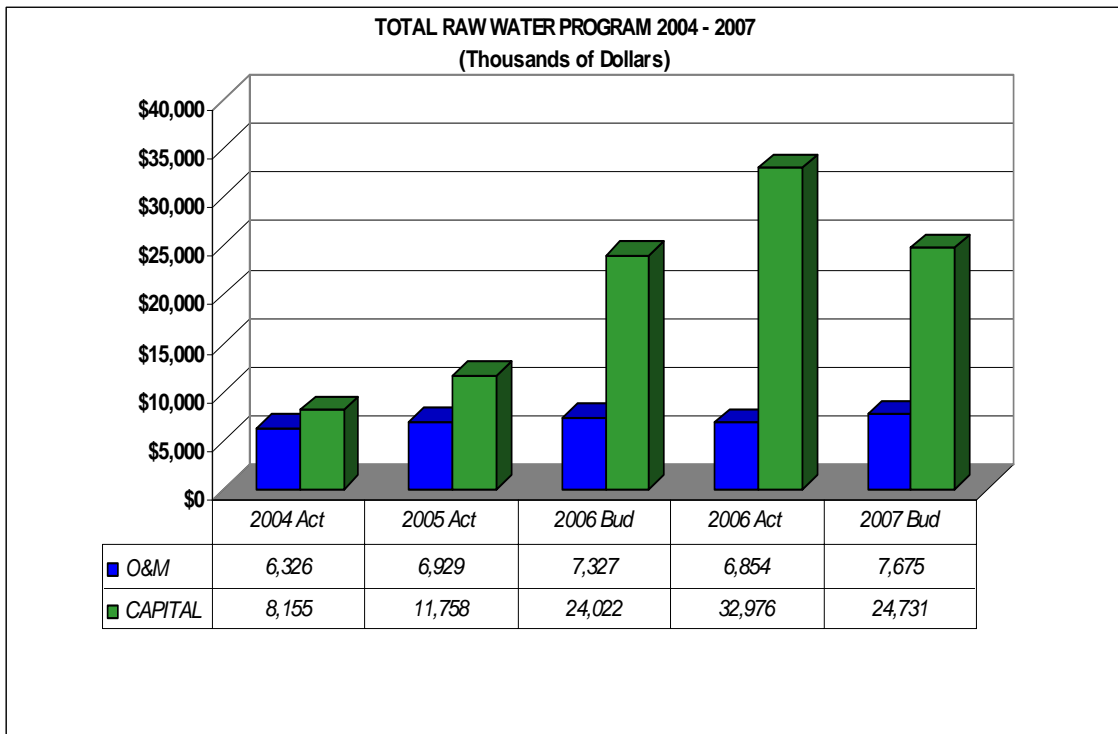
<u>Program Elements</u>	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2007 Budget</u>
Operation and Maintenance Programs:					
Raw Water	\$ 6,326	\$ 6,929	\$ 7,327	\$ 6,854	\$ 7,675
Recycled Water	2,000	2,440	2,298	2,176	2,393
Water Treatment	10,932	12,416	12,453	13,173	13,082
Delivery	15,243	16,250	15,250	15,756	16,671
Conservation	3,645	1,653	2,786	2,832	7,613
Customer Service	6,410	6,375	7,174	7,143	7,484
General Plant	6,656	6,848	7,117	6,448	7,186
Administration	25,742	27,359	30,194	29,589	32,178
Distributed Indirect Costs	<u>40,558</u>	<u>42,082</u>	<u>44,162</u>	<u>43,100</u>	<u>42,527</u>
Total Operation & Maintenance	\$ 117,512	\$ 122,352	\$ 128,761	\$ 127,071	\$ 136,809
Capital Programs:					
Raw Water	\$ 8,155	\$ 11,758	\$ 24,022	\$ 32,976	\$ 24,731
Recycled Water	13,428	3,496	17,435	22,086	19,873
Water Treatment	6,472	5,512	4,979	2,570	11,717
Delivery	14,542	22,609	18,609	13,973	22,265
Conservation	2,811	2,607	2,025	2,111	2,414
Customer Service	5,860	2,873	1,300	1,474	0
General Plant	<u>9,164</u>	<u>9,378</u>	<u>17,171</u>	<u>8,571</u>	<u>18,063</u>
Total Capital	\$ 60,432	\$ 58,233	\$ 85,541	\$ 83,761	\$ 99,063
Debt Service, Related Costs and					
Interest on Reserve Funds	<u>\$ 38,445</u>	<u>\$ 44,732</u>	<u>\$ 47,398</u>	<u>\$ 46,264</u>	<u>\$ 54,392</u>
Total Expenditures	<u>\$ 216,389</u>	<u>\$ 225,317</u>	<u>\$ 261,700</u>	<u>\$ 257,096</u>	<u>\$ 290,264</u>

Raw Water Program

Raw Water Program 2007 budget: \$32.4 million.

This program contains all of the expenditures related to the operation and maintenance of raw water facilities from source to treatment such as collection systems, storage reservoirs, intakes, wells, ditches and canals. It also includes capital expenditures related to hydropower development, water rights acquisitions, dam safety, and related activities. Total expenditures budgeted in 2007 for the Raw Water Program are \$32.4 million, comprised of \$7.7 million for operation and maintenance and \$24.7 million for capital.

Major 2007 capital initiatives include the completion of the Gross Dam Hydro-electric facility and gravel pit storage projects. The graph shows the historical trend of these expenditures.



Section 3- Expenditures by Program

Program: Raw Water 2004 - 2007 (Thousands of Dollars)

Program Elements	2004 Actual	2005 Actual	2006 Budget	2006 Actual	2007 Budget
Operation and Maintenance:					
Supervision & Engineering	\$ 175	\$ 162	\$ 350	\$ 304	\$ 422
Storage Reservoirs	2,048	2,242	2,499	2,160	2,672
Intakes, Wells, Ditches & Canals	1,104	1,194	893	1,017	1,002
Supply Mains & Collection Systems	1,182	1,279	1,136	1,396	1,104
Resource, Development, Planning & Control	902	1,251	1,193	914	1,252
Investigation & Development	216	317	176	420	317
Source Watershed Protection	200	167	509	234	275
Hydropower	499	317	571	409	631
IRP - Integrated Resource Planning	0	0	0	0	0
Misc. Raw Water	0	0	0	0	0
Total Operation & Maintenance	\$ 6,326	\$ 6,929	\$ 7,327	\$ 6,854	\$ 7,675
Capital:					
Gross Dam hydro unit	\$ 921	\$ 2,295	\$ 8,375	\$ 9,046	\$ 5,343
Gravel Pit Project - Miller Lake	48	55	2,514	2,567	2,973
Miller Cat Res. Interconnection Pipe	0	0	975	18	1,941
IRP Project - Moffat Collection System Project (N. End Proj.	1,250	1,210	2,905	2,513	1,802
Gravel Pit proj-Cat Res. Construction of Compacted Clay Line	0	878	419	1,377	1,716
All Other Raw Water Projects	5,936	7,320	8,834	17,455	10,956
Total Capital	\$ 8,155	\$ 11,758	\$ 24,022	\$ 32,976	\$ 24,731
Total Raw Water Expenditures	\$ 14,481	\$ 18,687	\$ 31,349	\$ 39,830	\$ 32,406

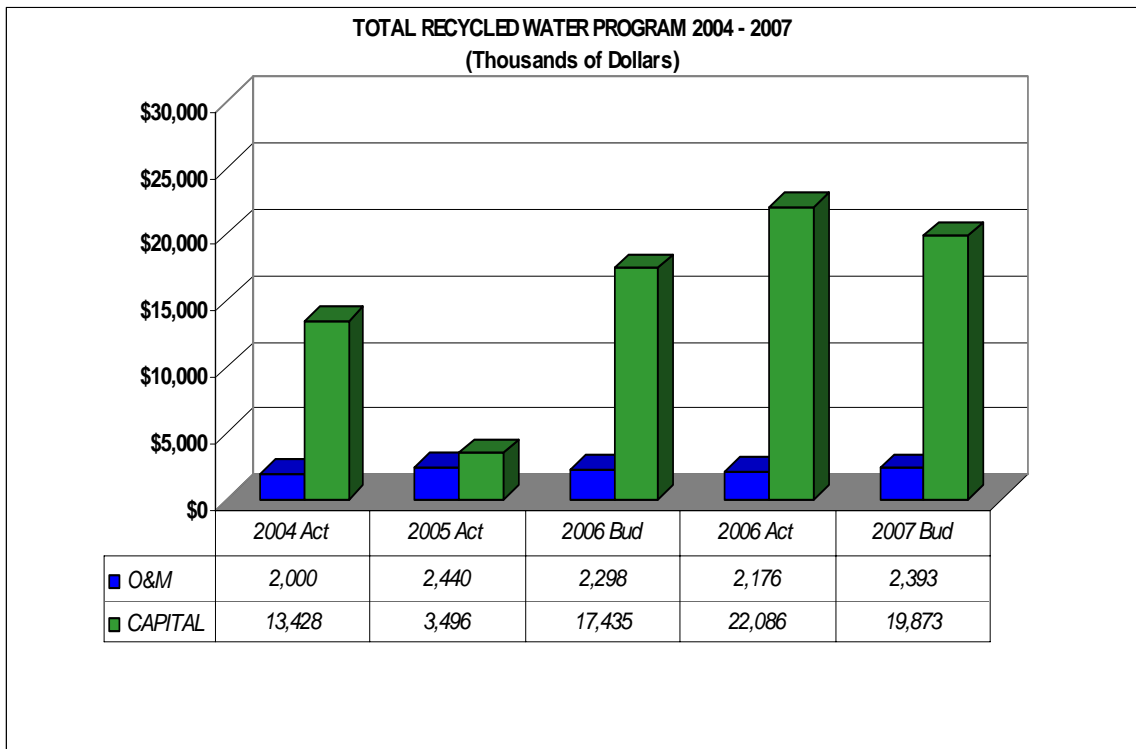
Recycled Water Program

Recycled Water Program 2007 Budget: \$22.3 million.

This program includes the operation and maintenance and capital expenditures related to the recycling of water and distribution of that water for non-potable uses such as irrigation. Total 2007 expenditures for the Recycled Water Program are budgeted at \$22.3 million, comprised of \$2.4 million for Operation and Maintenance and \$19.9 million for capital construction.

Capital expenditures are for the design, engineering and construction of system enhancements to expand the number of customers receiving potable water. These facilities will serve recycled water to customers for irrigation, cooling systems and similar purposes.

The 2006 expenditures included \$22.1 million for the Recycled Water Distribution System and facilities which are anticipated to be complete by 2007. This expansion will enable service to the southern portion of Stapleton, Lowry, and nearby customers. Distribution facilities will be completed to serve northern portions of Stapleton, Rocky Mountain Arsenal, and adjacent customers by 2011. Further service to DIA, Gateway, and the northeast is anticipated to be provided by 2013.



Section 3- Expenditures by Program

Program: Recycled Water 2004 - 2007 (Thousands of Dollars)

<u>Program Elements</u>	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Budget</u>
Recycled Water Treatment PLant	\$ 1,902	\$ 2,068	\$ 2,165	\$ 2,062	\$ 2,279
Recycled Solids Handling	77	335	104	110	114
Recycled Water-Service Lines	3	2	0	0	0
Recycled Water Service Lines DIA	0	0	0	0	0
Recycled Water T&D System mains	0	0	0	0	0
Recycled Water Mains DIA	18	35	29	4	0
Total Operation & Maintenance	\$ 2,000	\$ 2,440	\$ 2,298	\$ 2,176	\$ 2,393
Capital:					
Recycled Water Proj.-Capitol Hill Storage,	\$ 0	380	\$ 7,805	9,291	2,250
Conduit 307- Capitol Hill to Montclair	265	377	5,182	9,833	5,093
Recycled Distribution Sys - Cond. 303 Montclair to Stapleton	0	61	1,906	277	3,498
Conduit 306 - Montclair to Lowry	24	\$ 45	1,014	\$ 117	\$ 1,263
Recycled Plt - Improve Drainage, Corridor & Future Drainage	0	0	221	552	434
All Other Recycled Water Projects	13,139	2,633	1,307	2,016	7,335
Total Capital	\$ 13,428	\$ 3,496	\$ 17,435	\$ 22,086	\$ 19,873
Total Recycled Water Expenditures	\$ 15,428	\$ 5,936	\$ 19,733	\$ 24,262	\$ 22,266

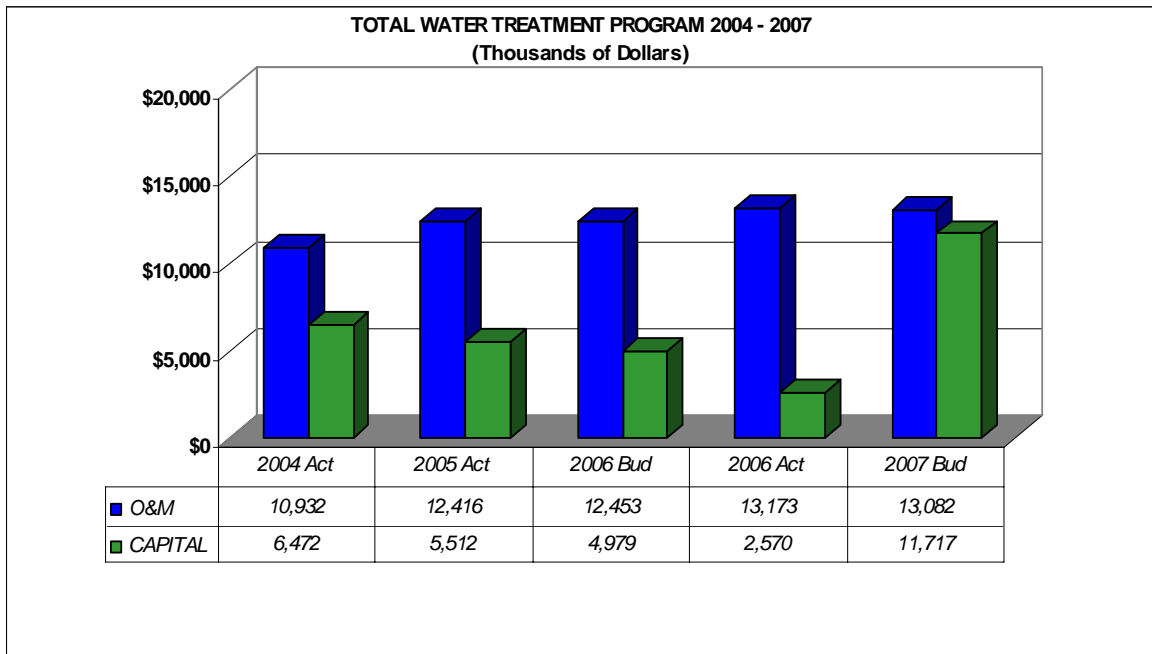
Water Treatment Program

Water Treatment Program 2007 Budget: \$24.8 million.

This program contains all expenditures related to the treatment of water for potable use, including operation and maintenance of the Moffat, Marston and Foothills water treatment plants, solids handling facilities and the Quality Control Laboratory, as well as capital expenditures for improvements, modifications and replacements to existing treatment facilities. Total 2007 expenditures for the Water Treatment Program are budgeted at \$24.8 million, comprised of \$13.1 million for operation and maintenance and \$11.7 million for capital.

The 2007 capital expenditures reflect modifications and improvements to the Foothills and Moffat Treatment Plants. Increase in operations and maintenance in 2006 reflects higher chemicals and utility costs due to both higher per unit costs and an increase treated water consumption.

The cost of treatment chemicals has been rising significantly in the past few years. The reasons for the increase include higher demand for the chemicals, particularly in China, the impact of Hurricane Katrina on production facilities, and higher energy and transportation costs for manufacturers. The price of two chemicals used in the treatment process, aluminum sulfate and caustic soda, have increased 20% and 30% respectively since 2004.



Section 3- Expenditures by Program

Program: Water Treatment 2004 - 2007 (Thousands of Dollars)

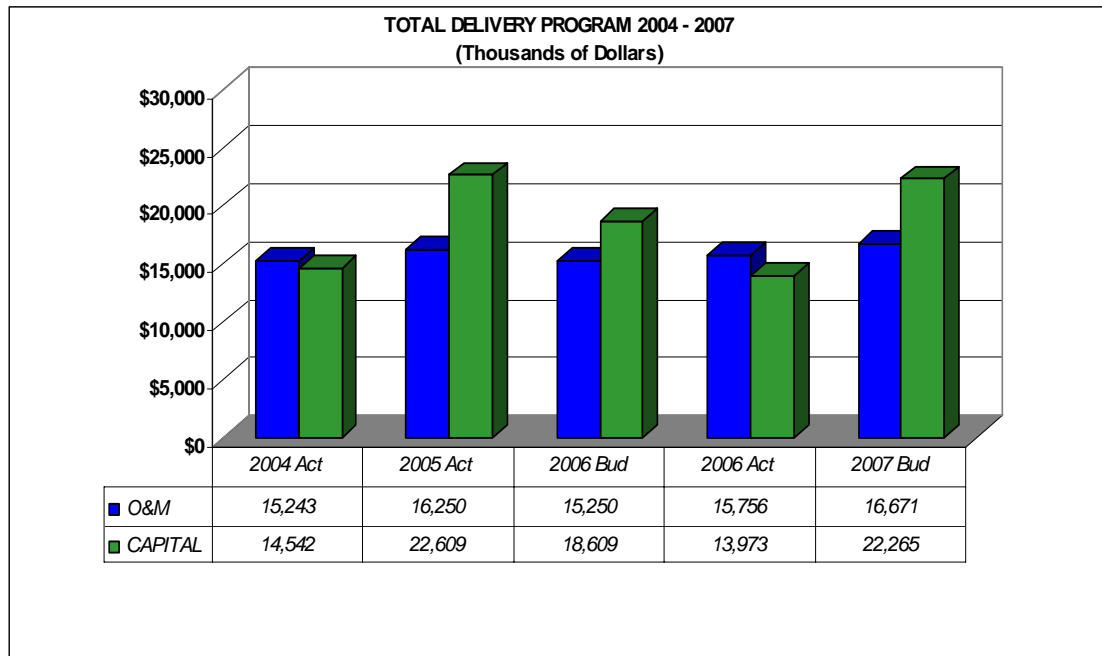
Program Elements	2004 Actual	2005 Actual	2006 Budget	2006 Actual	2007 Budget
Supervision & Engineering	\$ 243	\$ 233	\$ 290	\$ 224	\$ 274
Filter Plants	9,064	10,443	10,292	11,066	10,678
Laboratory	1,597	1,724	1,864	1,864	2,112
Treatment Facilities	28	16	7	19	18
 Total Operation & Maintenance	 \$ 10,932	 \$ 12,416	 \$ 12,453	 \$ 13,173	 \$ 13,082
Capital:					
Foothills TP - Disinfection Modifications	\$ 0	\$ 0	\$ 505	\$ 529	\$ 9,552
Moffat TP Install Influent Gates on Flocculation Sedimentat	0	0	147	25	274
Moffat TP - Replace 2 evaporators & 6 Chlorinators	0	0	0	0	208
Moffat TP- Replace Main Backwash Pumps	0	3	176	1	193
Moffat TP Replace Hydraulic Waste Gates w Electric Actuated	0	0	616	0	190
All Other Recycled Water Projects	6,472	5,509	3,535	2,015	1,300
Subtotal	\$ 6,472	\$ 5,512	\$ 4,979	\$ 2,570	\$ 11,717
 Total Capital	 \$ 6,472	 \$ 5,512	 \$ 4,979	 \$ 2,570	 \$ 11,717
 Total Water Treatment Expenditures	 \$ 17,404	 \$ 17,928	 \$ 17,432	 \$ 15,743	 \$ 24,799

Delivery Program

**Delivery Program
2007 Budget:
\$38.9
million.**

This program contains all expenditures relating to the delivery of water from the treatment plants to customers, including capital and operating expenses related to pumping facilities, treated water storage facilities, transmission and distribution mains, service lines, and fire hydrants, Total 2007 budgeted expenditures are \$38.9 million, comprised of \$16.7 million for operation and maintenance and \$22.3 million for capital. Participation projects will reimburse Denver Water for \$5.0 million of the capital expenditures.

Major 2007 capital expenditures include \$1.5 million for installation of a drain line from Colorow Reservoir to W. Belleview and Quincy St., Diesel Engine & Variable Frequency Motor installations, \$3.7 million for conduit construction and \$6.3 million for transmission and distribution improvements and replacements.



Section 3- Expenditures by Program

Program: Delivery 2004 - 2007 (Thousands of Dollars)

<u>Program Elements</u>	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Budget</u>
Operation and Maintenance:					
Supervision & Engineering	\$ 2,983	\$ 3,001	\$ 4,088	\$ 2,899	\$ 3,956
Pumping & Storage	4,106	5,005	3,996	4,554	4,606
Transmission & Distribution	5,218	5,521	4,421	5,558	5,683
Fire Hydrants	645	598	563	634	488
Service Lines	822	994	773	1,121	846
Contr Work Sprinkl DomSvs Conn & Rel	1,279	992	1,230	878	984
Other	190	139	179	112	108
Total Operation & Maintenance	\$ 15,243	\$ 16,250	\$ 15,250	\$ 15,756	\$ 16,671
Capital:					
Main Replacements	\$ 2,244	\$ 2,257	\$ 1,916	\$ 3,449	\$ 3,769
Main Improvements	3,084	3,344	1,929	2,339	2,496
Pumping and Storage Colorow Res Drain Line (Element)	30	10	477	32	1,559
Conduit & Main Rehabilitation Program	1,915	2,151	1,343	1,292	1,476
Fire Hydrant Replacement	\$ 512	\$ 643	\$ 436	\$ 733	\$ 1,196
All Other Delivery Projects	6,757	14,204	12,508	6,128	11,769
Subtotal	\$ 14,542	\$ 22,609	\$ 18,609	\$ 13,973	\$ 22,265
Total Capital	\$ 14,542	\$ 22,609	\$ 18,609	\$ 13,973	\$ 22,265
Total Delivery Expenditures	\$ 29,785	\$ 38,859	\$ 33,859	\$ 29,729	\$ 38,936

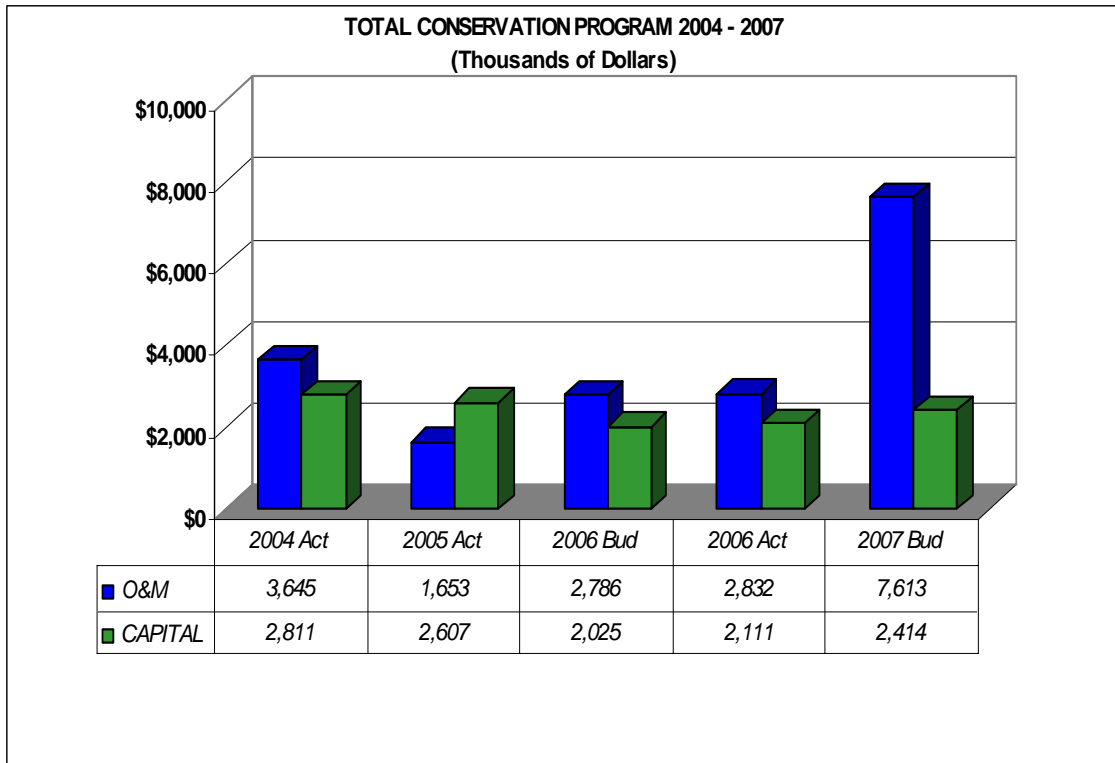
Conservation Program

Conservation Program is budgeted at \$10.0 million.

This program contains all expenditures relating to conservation programs and activities. Total 2007 budgeted expenditures are \$10.0 million, comprised of \$7.6 million for operation and maintenance and \$2.4 million for capital.

Major 2007 capital expenditures include \$2.1 million for lake lining projects intended to stop leakage in several City lakes, and \$400,000 for Xeriscaping projects at our properties.

Major operation and maintenance expenditures for 2007 are \$7.6 million for conservation programs designed to accelerate water savings. These programs include education and outreach, research, and incentive programs.



Section 3- Expenditures by Program

Program: Conservation 2004 - 2007

(Thousands of Dollars)

Program Elements	2004 Actual	2005 Actual	2006 Budget	2006 Actual	2007 Budget
Operation and Maintenance:					
Accelerated Savings	\$ 0	\$ 0	\$ 0	\$ 0	2,513
Incentives	709	475	1,328	1,380	1,739
2016 Conservation Plan C&C of Denver	0	0	0	19	970
Conservation-Open Space	14	19	361	21	869
Retrofits and Water Audits	173	323	211	130	580
All Other Conservation	<u>2,749</u>	<u>836</u>	<u>886</u>	<u>1,282</u>	<u>942</u>
 Total Operation & Maintenance	 <u>\$ 3,645</u>	 <u>\$ 1,653</u>	 <u>\$ 2,786</u>	 <u>\$ 2,832</u>	 <u>\$ 7,613</u>
Capital:					
Grassmere Lake - Lake Lining	49	0	572	18	42
Cherry Hills PS - Landscape & Irrigation	0	0	10	7	200
Capitol Hill Res - Landscape Design	0	0	45	5	100
Feril Lake	0	0	0	3	2,072
All Other Conservation	<u>2,762</u>	<u>2,607</u>	<u>1,398</u>	<u>2,078</u>	<u>0</u>
Total Capital	<u>\$ 2,811</u>	<u>\$ 2,607</u>	<u>\$ 2,025</u>	<u>\$ 2,111</u>	<u>\$ 2,414</u>
 Total Conservation Expenditures	 <u>\$ 6,456</u>	 <u>\$ 4,260</u>	 <u>\$ 4,811</u>	 <u>\$ 4,943</u>	 <u>\$ 10,027</u>

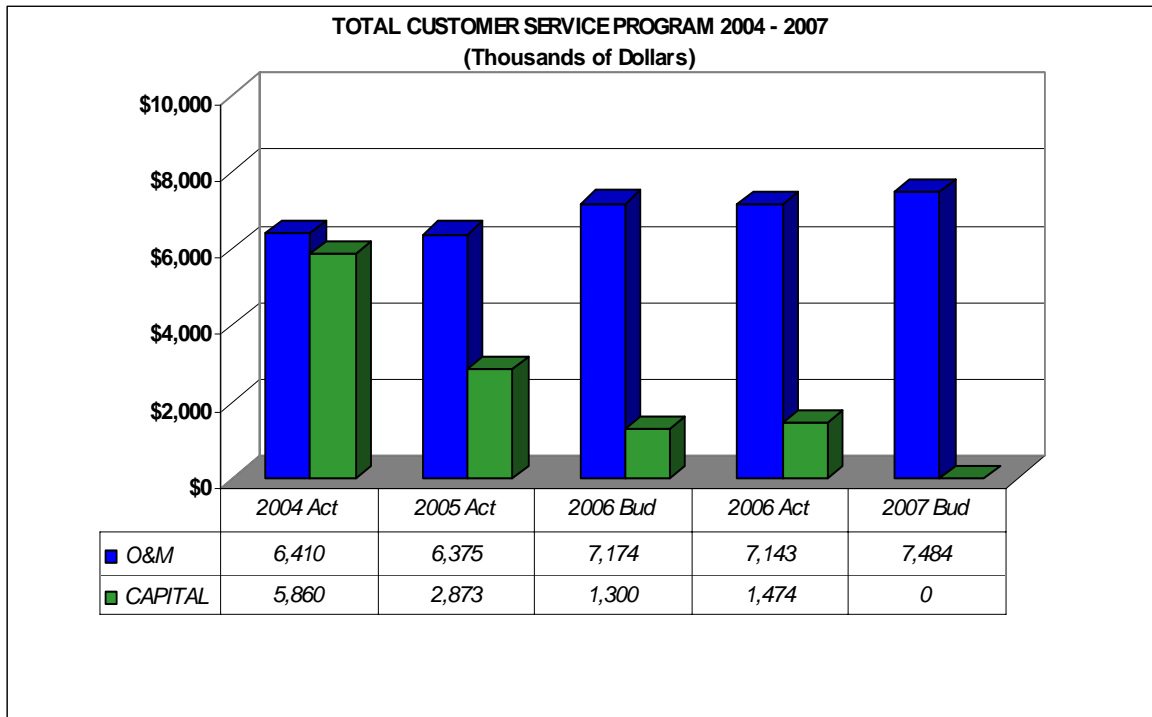
Customer Service Program

Customer Service Program 2007 Budget: \$7.5 million.

This program supplies staff and operating expenditures for meter reading, customer billing, call center, meter testing and repair and other customer related services.

Total 2007 budgeted expenditures are \$7.5 million, all in Operations and Maintenance. There are no capital projects planned for the Customer Service Program for 2007.

The graph below shows the historical trend of these expenditures. The Capital 2004 increase was due to the continued implementation of the Auto Meter Reading Program whereby equipment was installed throughout the entire Denver Water service area. Approximately 200,000 meters 1- inch and smaller were converted by contract in 2004 and approximately 5,000 meter installed in 2005.



Section 3- Expenditures by Program

Program: Customer Service 2004 - 2007 (Thousands of Dollars)

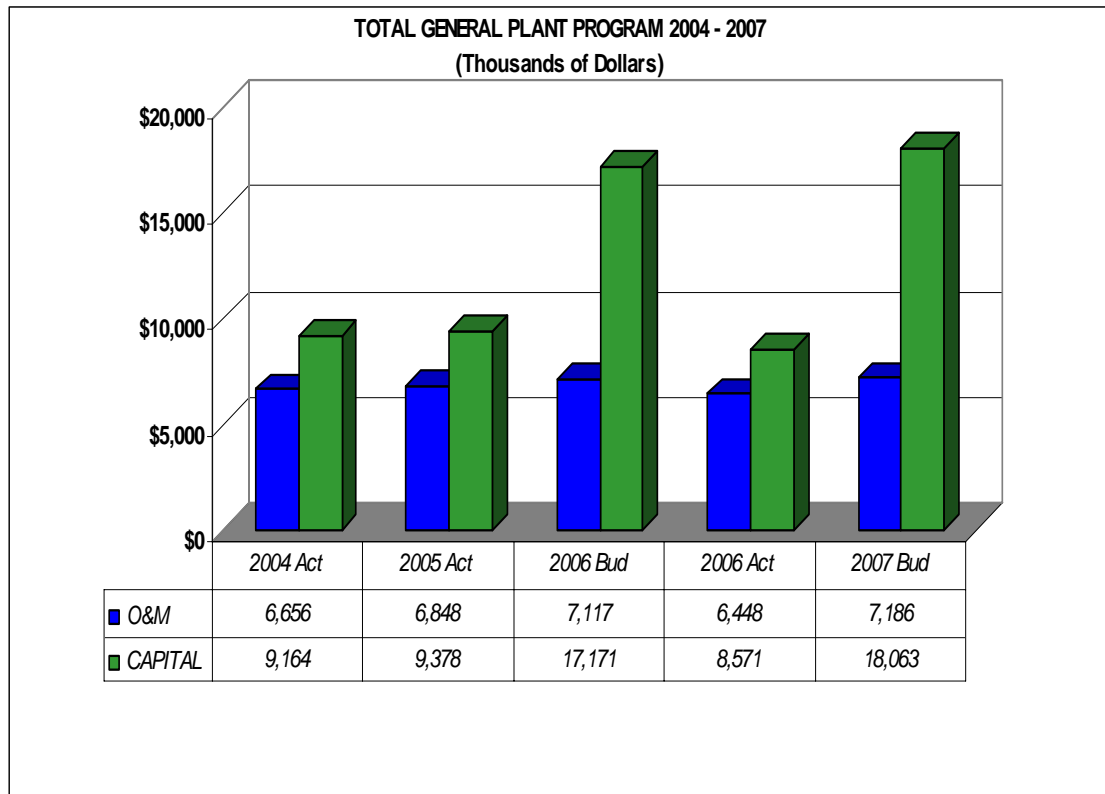
<u>Program Elements</u>	<u>2004</u> <u>Actual</u>	<u>2005</u> <u>Actual</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Actual</u>	<u>2007</u> <u>Budget</u>
Operation and Maintenance:					
O&M-Supervision of Customer Service Work	\$ 69	\$ 67	\$ 52	\$ 65	\$ 39
Meter Repair & Maintenance	806	758	1,289	1,613	1,315
Water Control - Customer Requested Inspection & Maintenance	4	43	4	12	0
Cust Svs - Supervision of Customer Service work	318	330	366	380	365
Customer Services Activities Water Service	4,888	4,760	5,083	4,622	5,335
Water Sales	<u>325</u>	<u>417</u>	<u>380</u>	<u>451</u>	<u>430</u>
Total Operation & Maintenance	<u>\$ 6,410</u>	<u>\$ 6,375</u>	<u>\$ 7,174</u>	<u>\$ 7,143</u>	<u>\$ 7,484</u>
Capital:					
Auto meter reading	4,783	495	0	191	0
Large Meter Upgrade Project	<u>1,077</u>	<u>2,378</u>	<u>1,300</u>	<u>1,283</u>	<u>0</u>
Total Capital	<u>\$ 5,860</u>	<u>\$ 2,873</u>	<u>\$ 1,300</u>	<u>\$ 1,474</u>	<u>\$ 0</u>
Total Customer Service Expenditures	<u>\$ 12,270</u>	<u>\$ 9,248</u>	<u>\$ 8,474</u>	<u>\$ 8,617</u>	<u>\$ 7,484</u>

General Plant Program

General Plant Program 2007 Budget: \$25.3 million.

This program contains all expenditures related to the operation and maintenance, construction and acquisition of general plant and equipment, including the Administration Building, West Side buildings and grounds, vehicles, heavy equipment, telemetering and computer-related items. Total 2007 expenditures budgeted for General Plant are \$25.2 million comprised of \$7.2 million for operation and maintenance and \$18.0 million for capital.

Major 2007 capital expenditures include \$2.6 million for the purchase of motor vehicles and heavy equipment, \$2.3 million for security upgrades and other facility modifications and \$12.4 million for computer and network equipment and major software acquisitions such as the Customer Information and Workforce Automation. The graph below shows the historical trend of these expenditures.



Section 3- Expenditures by Program

Program: General Plant

2004 - 2007

(Thousands of Dollars)

Program Elements	2004 Actual	2005 Actual	2006 Budget	2006 Actual	2007 Budget
Operation and Maintenance:					
Modifications to Westside & other locati	\$ 1,717	\$ 1,865	\$ 2,044	\$ 1,471	\$ 1,978
Various Locations	94	91	83	90	110
Security upgrades at various locations	141	121	149	121	162
Process Control	1,024	924	723	684	808
Hazard Waste Mgmt	307	278	427	334	463
General Plant Admin Items	651	665	600	596	605
Vehicles Hvy Equip Radios	<u>2,722</u>	<u>2,904</u>	<u>3,091</u>	<u>3,152</u>	<u>3,060</u>
Total Operation & Maintenance	\$ 6,656	\$ 6,848	\$ 7,117	\$ 6,448	\$ 7,186
Capital:					
Customer Care	\$ 830	\$ 3,179	\$ 6,706	\$ 1,568	\$ 6,715
Operational Asset Management	723	319	200	318	2,089
Vehicles, &Comm. Motor Vehicles - Replacements & A	1,591	565	599	791	924
Add TWOPS Facility @ Highlands KC Bldg	1	23	1,017	6	1,165
Heavy Equip & Comm Heavy Equipment -Replacements &	943	565	1,006	1,046	1,650
All Other General Plant	<u>5,076</u>	<u>4,727</u>	<u>7,643</u>	<u>4,842</u>	<u>5,520</u>
Total Capital	\$ <u>9,164</u>	\$ <u>9,378</u>	\$ <u>17,171</u>	\$ <u>8,571</u>	\$ <u>18,063</u>
Total General Plant Expenditures	\$ <u>15,820</u>	\$ <u>16,226</u>	\$ <u>24,288</u>	\$ <u>15,019</u>	\$ <u>25,249</u>

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Section 4 - Expenditures by Type of Expenditure

Type of Expenditure Summary

2007 budgeted expenditures are \$290.3 million.

In this section, total 2007 budgeted expenditures of \$290.3 million have been placed into categories that describe what these expenditures purchase. Each category accumulates expenditures for the particular type of purchase regardless of program or whether the expenditure is for operation and maintenance or for capital.

Gross Payroll

Budgeted 2007 payroll is \$67.6 million.

Total budgeted payroll for 2007 is \$67.6 million, an increase of \$4.7 million over 2006 actual payroll. Payroll expenses in 2006 were 3.8% below the budgeted level which already assumed a 3.5% vacancy rate. A robust job market and difficulty filling jobs requiring specialized training resulted in an overall position vacancy rate of 7.3% in 2006. The increase in payroll reflects an average overall wage and salary increase of 2.2% that went into effect January 2007, and an anticipated return to a more normal vacancy rate of 3.5%.

Authorized number of employees is 1,085.

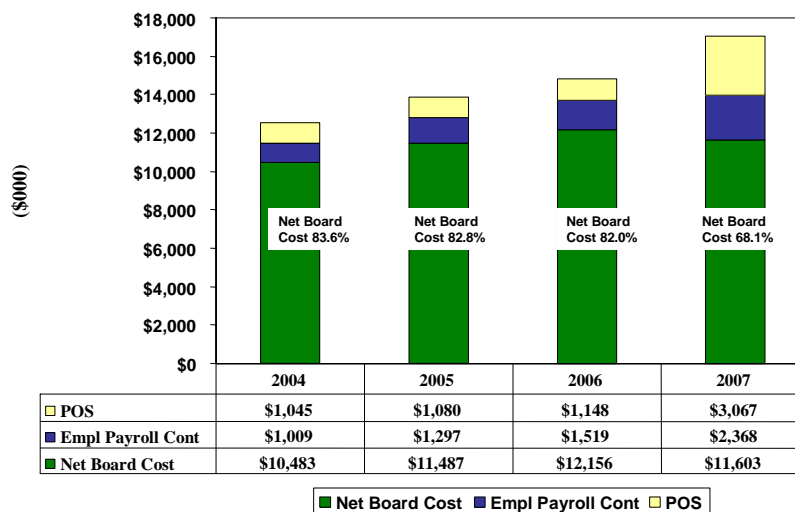
The authorized 2007 number of employees of 1,085 is 4.7 more than authorized for 2006. Information Technology, Public Affairs, and Engineering added positions to support our new Customer Information System, implement and manage our accelerated conservation initiatives, and enhance our ability to complete capital projects, respectively.

Employee Benefits

Employee benefits for 2007 are budgeted at \$30.9 million, a decrease of \$252,000 from 2006 expenditures. In 2006, at the Board's direction, Denver Water retained a benefits consultant to assess the appropriateness of our benefits program. A comparison of Denver Water's employee and retiree health insurance programs indicated that our plans, while generous, were not in line with similar entities. As a result, the plan design was altered so that a greater share of employee benefits costs are paid by the employees both through premiums and at the point of service (POS). It is anticipated that the plan changes will save Denver Water \$2.5 million in 2007.

Distribution of Total Health Care Costs 2004-2007

(Thousands of Dollars)



Materials and Supplies

Budgeted 2007 materials and supplies are \$19.6 million; a increase of \$2.2 million from 2006 which primarily a result of higher chemical costs. Chemical costs for the treatment of water have been steadily rising in recent years. The table below shows recent increases in the per unit cost of the major chemicals used for water treatment. In addition to increases in the per unit cost for water treatment chemicals, the 2007 Budget also includes an anticipated increase in demand for treated water due to growth in the number of customers.

Chemical Costs per Ton	2004	2006	Increase	% Increase	Avg. % Increase
Chlorine	\$347.50	502.40	154.90	44.6%	20.24
Caustic	\$342.89	582.50	239.61	69.9%	30.33
Alum	\$143.00	207.25	64.25	44.9%	20.38

Outside Services

The Outside Services budget for 2007 is \$44.5 million, including utilities and power for pumping, and contract dollars for professional (consultant), and other services such as rental of barricades for job sites. The 2007 budget includes \$7.6 million for utilities and pumping power an increase of \$85,000 from 2006. The professional services budget of \$13.5 million is a \$1.6 million increase over 2006. This increase is due to public outreach, advertising and other costs related to our focus on conservation initiatives.

General Equipment

Purchases of equipment for 2007 are budgeted at \$3.8 million, mainly for purchasing vehicles, heavy equipment and computer equipment. This is a \$1.4 million increase over 2006 as we make vehicle purchases that had been delayed in previous years.

Construction Contract Payments

Construction contract payments are budgeted at \$60.1 million.

This category includes payments for construction work and major material purchases under contract, purchase of water rights and acquisition of right-of-way. These payments are budgeted at \$60.1 million for 2007; an increase of \$6.1 million over 2006. There are currently several large capital projects under construction and payments for the completion of this work comprises the majority of this increase.

Refunds

Refunds consist primarily of system development charge and customer account refunds. The 2007 budget projects refunds of \$473,000, which is in line with actual expenditures from 2006.

Debt Service

Debt service is budgeted to be \$53.7 million.

Debt service includes principal and interest payments for general obligation bonds, revenue bonds, certificates of participation and capital leases. Debt service for 2007 is budgeted to be \$53.7 million. See section 6 for additional information. In the past, Denver Water relied on General Obligation Bonds. However, in 2002 the City Charter was changed to remove Denver Water’s authority to issue General Obligation Bonds.

Other

Other includes such items as legal and insurance claims, taxes collected on meter and materials sales, adjustments and expenditures not included in the above categories. The 2007 budgeted amount for other is \$2.0 million; this is a \$872,000 decrease from 2006.

Section 4- Expenditures by Type

Comparison of Expenditures by Type of Expenditure 2004 - 2007 (Thousands of Dollars)

	<u>2004 Actual</u>	<u>2005 Actual</u>	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>2007 Budget</u>
Gross Payroll	\$ 62,228	\$ 62,401	\$ 65,509	\$ 62,922	\$ 67,575
Employee Benefits	28,568	30,652	32,195	31,138	30,886
Materials and Supplies	17,527	18,437	17,951	17,396	19,607
Utilities & Pumping Power	6,540	7,938	6,096	7,511	7,596
Professional and Other Services	30,100	28,102	38,176	32,137	44,549
General Equipment	3,188	2,011	3,245	2,355	3,755
Construction Contract Payments	27,536	29,230	49,257	54,007	60,085
Refunds	760	1,193	523	472	473
Debt Service	38,146	44,486	47,137	46,237	53,689
Other	1,796	867	1,611	2,921	2,049
Total Expenditures	<u>\$ 216,389</u>	<u>\$ 225,317</u>	<u>\$ 261,700</u>	<u>\$ 257,096</u>	<u>\$ 290,264</u>

2005

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Denver Water Highlights**Who We Are & What We Do**

Established in 1918 Denver Water is Colorado's oldest and largest water utility. In general we ensure a continuous supply of water to the City and County of Denver and are responsible for the collection, storage, quality control and distribution of drinking water to nearly one fourth of all Coloradoans. The leadership of Denver Water consists of a five-member Board of Water Commissioners which is appointed by the Mayor of Denver to a staggered six-year term. The Board appoints a Manager who is chief executive officer of day-to-day operations; the Manager also serves as Secretary to the Board.

	12/31/2006	2006	2007	Change in
	Actual	T.O.	T.O.	T.O.s
Manager & Staff	38.8	41.8	38.8	(3.0)
Information Technology	58.8	66.0	68.0	2.0
Public Affairs	139.8	144.0	156.5	12.5
Legal	13.3	13.6	13.6	0.0
Finance	57.0	58.0	58.0	0.0
Engineering	126.0	132.0	137.0	5.0
Planning	42.3	45.1	45.1	0.0
Operations & Maintenance	528.8	579.8	568.0	(11.8)
Total Denver Water	1,004.8	1,080.3	1,085.0	4.7

Accomplishments During 2006

1. We were able to avoid supply shortages in 2006, despite the absence of drought-related water restrictions, because peak storage levels in our reservoirs were 6% higher than historical averages and demand was 7% below normal.
2. In addition to our ongoing programs for pipe rehabilitation and other distribution system improvements, we took several steps in 2006 to ensure we complied with recently issued federal regulations related to disinfection.
3. We began several capital construction projects in 2006 to expand the reach of our Recycled Water Distribution System.

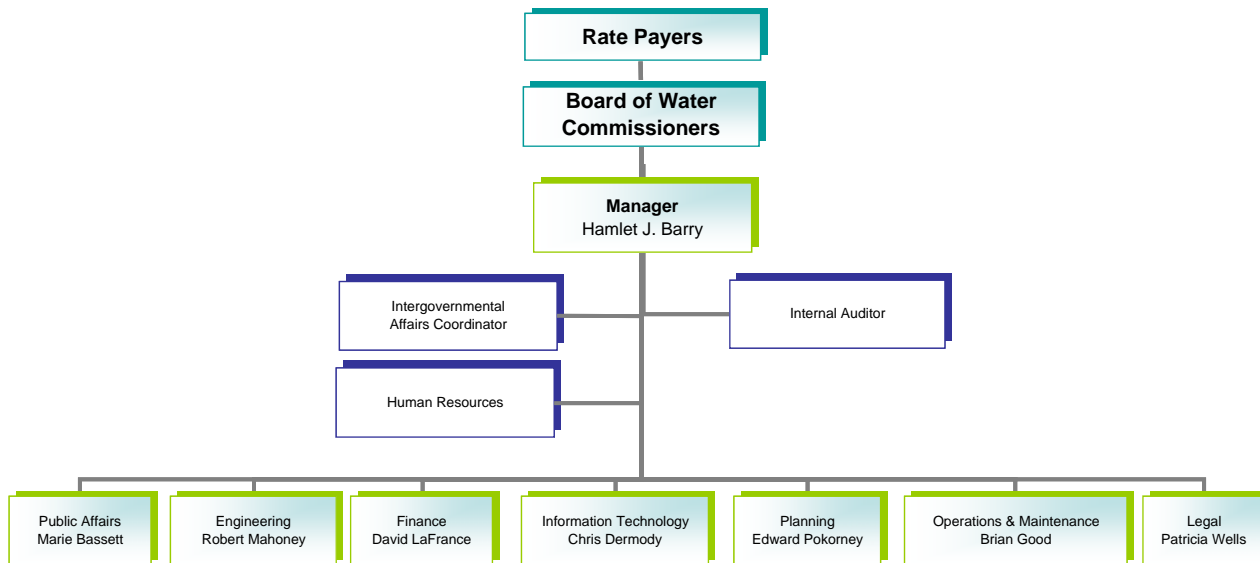
Goals for 2007

1. Implement a new conservation program to accelerate customer water savings.
2. Pursue water supply enhancements for our Moffat Collection System.
3. Continue to strengthen Denver Water's fiscal health.
4. Implement technology systems to improve customer service.
5. Monitor legislative and regulatory issues affecting water utilities.
6. Collaborate with other agencies to address statewide and metropolitan water supply issues.

Section 5- Organization

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
GOALS									
Implement a new conservation program to accelerate customer water savings.					•				
Pursue water supply enhancements for our Moffat Collection System.	•	•							
Continue to strengthen Denver Water's fiscal health.				•					
Implement technology systems to improve customer service.			•					•	•
Monitor legislative and regulatory issues affecting water utilities.		•							
Collaborate with other agencies to address statewide and metropolitan water supply.						•	•		

DENVER WATER



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Manager & Staff	41.8	41.8	41.8	38.8	38.8
Public Affairs	143.6	137.6	144.0	139.8	156.5
Engineering	130.0	127.0	132.0	126.0	137.0
Finance	54.0	54.0	58.0	57.0	58.0
Information Technology*	N/A	57.8	66.0	58.8	68.0
Planning	41.4	42.4	45.1	42.3	45.1
Operations & Maintenance	553.8	539.8	579.8	528.8	568.0
Legal	<u>13.5</u>	<u>12.3</u>	<u>13.6</u>	<u>13.3</u>	<u>13.6</u>
Total	978.1	1,012.7	1,080.3	1,004.8	1,085.0

*IT position became a separate division in 2005

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 62,228	62,401	65,509	62,922	67,575
Employee Benefits	28,568	30,652	32,195	31,140	30,886
Materials & Supplies / Plant Equip	17,649	18,242	17,967	18,252	19,623
Utility & Pumping	6,540	7,938	6,096	7,511	7,596
Prof & Other Services	30,100	28,090	38,176	32,157	44,550
General Equipment	3,188	2,011	3,245	2,355	3,755
Contract Payments	27,536	29,230	49,257	54,007	60,086
Refunds, Debt & Misc	<u>40,708</u>	<u>46,546</u>	<u>49,271</u>	<u>49,630</u>	<u>56,209</u>
Subtotal	216,517	225,110	261,716	257,974	290,280
Warehouse Purchases & Issues	(122)	195	(16)	(876)	(16)
Cash Flow	<u>(6)</u>	<u>12</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
Total	\$ 216,389	225,317	261,700	257,096	290,264

Manager and Staff

Divisions Summary

The Manager represents the Board in ongoing relationships with all levels of government, community organizations, and the public served and recommends to the Board a rate structure and other income producing procedures that will assure adequate revenues to meet operating and maintenance costs, finance of ongoing capital improvement programs and the principal and interest payments on long-term debts. Reporting directly to the Manager are the six Division Directors, the General Counsel, the Internal Auditor, and Manager of Human Resources.

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006	2006	2007	Change in
	Actual	T.O.	T.O.	T.O.s
Manager & Staff	14.0	14.0	14.0	-
Human Resources	24.8	27.8	24.8	(3.0)
Total Manager & Staff Division	38.8	41.8	38.8	(3.0)

Accomplishments During 2006

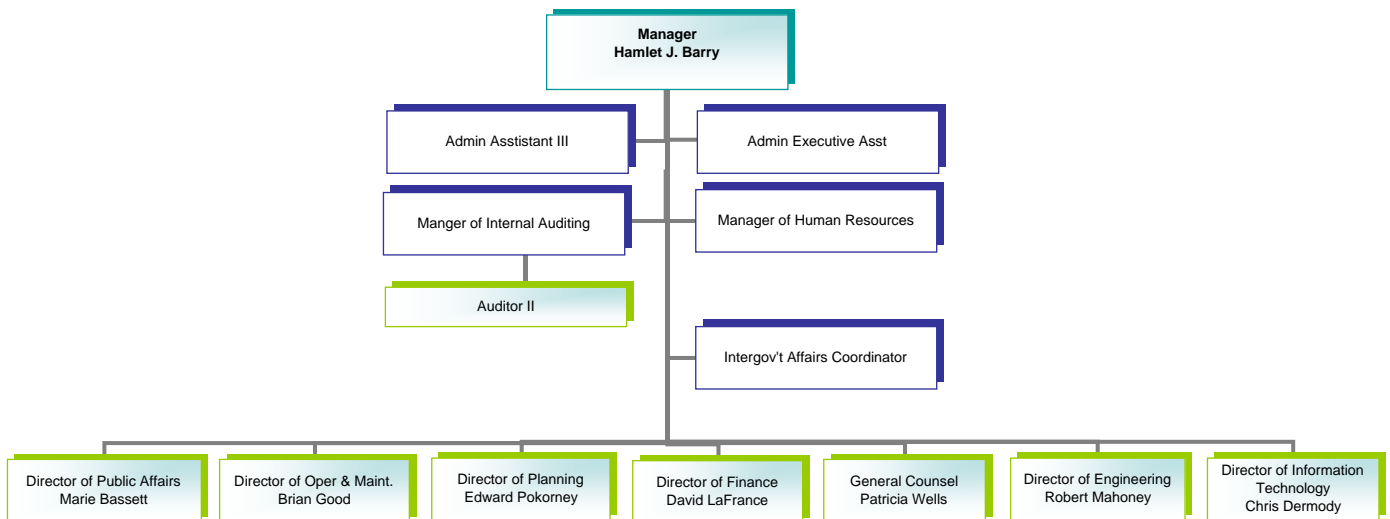
1. Participated in a comprehensive evaluation of Denver Water’s employee’s benefits programs.
2. Completion of changes in the HRIS for every employee in his or her medical benefit selections.
3. Human Resources worked with the Manger and O&M to prepare the organization for possible avian flu epidemic and other disasters that may occur.

Goals for 2007

1. Oversee the development, implementation and monitoring of Water Conservation programs, with special emphasis on the Mayor’s Greenprint Denver.
2. Remain alert to the timing of creative rate design alternatives that further our goals of wise water use and conservation.
3. Complete assessment of staffing levels including reviewing current staffing patterns and altering as necessary to ensure optimal organizational structure.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Oversee the development, implementation and monitoring of Water Conservation programs, with special emphasis on the Mayor's Greenprint Denver.					•				
Remain alert to the timing of creative rate design alternatives that further our goals of wise water use and conservation.				•	•	•			
Complete assessment of staffing levels including reviewing current staffing patterns and altering as necessary to ensure optimal organizational structure.	•		•					•	

MANAGER & STAFF DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Manager & Staff	14.0	14.0	14.0	14.0	14.0
Human Resources	<u>27.8</u>	<u>27.8</u>	<u>27.8</u>	<u>24.8</u>	<u>24.8</u>
Total	41.8	41.8	41.8	38.8	38.8

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 4,751	4,684	5,149	4,736	5,045
Employee Benefits	14,085	15,928	16,959	16,812	15,957
Materials & Supplies / Plant Equip	102	117	130	102	134
Utilitiy & Pumping	51	-	-	-	-
Prof & Other Services	2,111	2,426	2,999	2,767	3,091
Refunds, Debt & Misc	<u>29</u>	<u>36</u>	<u>71</u>	<u>54</u>	<u>71</u>
Total	\$ 21,129	23,191	25,308	24,471	24,298

Public Affairs Highlights

Division Summary

Under the direction of the Manager, the Public Affairs Division facilitates relationships with issues, persons and entities outside of Denver Water. In that capacity, the division responds to customer concerns and manages customer relations, maintains cooperative relationships with

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006	2006	2007	Change in
	Actual	T.O.	T.O.	T.O.s
Director of Public Affairs	6.0	7.0	8.0	1.0
Community Relations	4.2	4.4	5.4	1.0
Conservation	10.0	11.0	16.5	5.5
Central Services	3.0	3.0	3.0	-
Customer Care	37.0	40.0	40.0	-
Customer Services - Field	63.0	62.0	65.0	3.0
Meter Inspection Shop	5.0	5.0	7.0	2.0
Sales Administration	11.6	11.6	11.6	-
Total Public Affairs Division	139.8	144.0	156.5	12.5

Denver City administration and governmental agencies whose sphere of operation affects Denver Water, coordinates the administration of distributor contracts, and facilitates Denver Water’s relations with its various publics. The major sections of the Public Affairs Division include Community Relations, Water Conservation, Customer Care, Customer Service Field, and Sales Administration.

Accomplishments During 2006

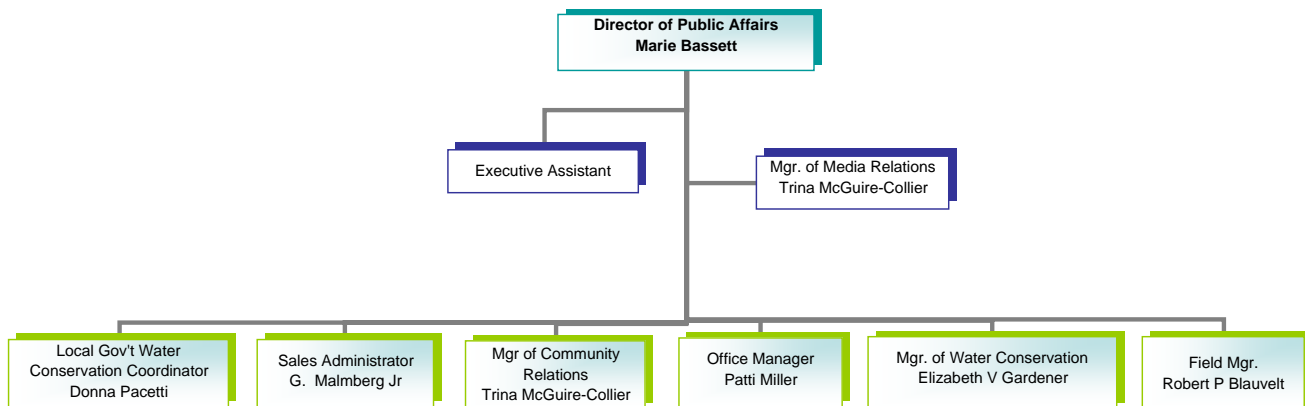
1. Completed AMR project for all customers. Redesigned routes to evenly manage workflow and prepared for monthly billing.
2. Secured Board approval for a three-year Communications Plan that will provide detailed and continuous outreach to customers, employees, the West Slope and decision-makers.
3. Completed a large portion of data scrubbing for the new CIS.

Goals for 2007

1. Provide positive customer contact.
2. Provide excellent and reliable service for our customers.
3. Communicate wise water use to our customers.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Provide positive customer contact.			•						
Provide excellent and reliable service for our customers.	•		•						
Communicate wise water use to our customers.					•		•		

PUBLIC AFFAIRS DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Director of Public Affairs	7.0	7.0	7.0	6.0	8.0
Community Relations	4.0	4.2	4.4	4.2	5.4
Conservation	12.0	9.8	11.0	10.0	16.5
Customer Care	107.0	105.0	110.0	108.0	115.0
Sales Administration	<u>13.6</u>	<u>11.6</u>	<u>11.6</u>	<u>11.6</u>	<u>11.6</u>
Total	143.6	137.6	144.0	139.8	156.5

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 6,960	6,822	7,082	6,812	7,437
Materials & Supplies / Plant Equip	4,327	2,694	2,227	2,353	1,748
Prof & Other Services	4,552	2,612	4,658	3,296	6,513
General Equipment	-	33	190	17	-
Contract Payments	-	-	-	-	-
Refunds	547	544	420	405	370
Other	<u>1,165</u>	<u>398</u>	<u>1,210</u>	<u>1,901</u>	<u>1,353</u>
Total	\$ 17,551	13,103	15,787	14,784	17,421

Legal Highlights

Division Summary

The Legal Division represents and gives legal advice to the Board of Water Commissioners, the Manager and the various Divisions of Denver Water and handles all of its litigation. The types of litigation include water rights cases and diligence proceedings before State and Federal Agencies, contract, civil rights and negligence cases, property suits and condemnations, and actions to recover Board charges and damages for injury to Board property and rights. In addition, the Legal Division represents Board interests in administrative hearings and appeals within Denver Water relating to personnel problems and customer complaints, reviews and advises upon matters of pending litigation, and prepares and reviews contract documents of all kinds.

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006 Actual	2006 T.O.	2007 T.O.	Change in T.O.s
Legal Division	13.3	13.6	13.6	-
Total Legal Division	13.3	13.6	13.6	-

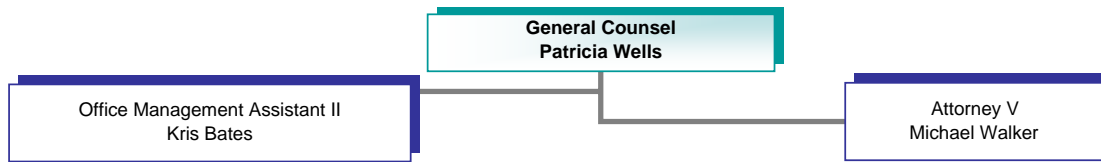
Accomplishments During 2006

1. Provided legal analysis of FERC regulations that enabled Denver Water to obtain an exemption for the Williams Fork hydropower project, rather than facing the expense and risk of future re-licensing.
2. Completed negotiations with Xcel Energy on contracts that retained the benefits of a net-metering concept for energy supply and achieved an agreement to relax the Shoshone call during drought.
3. Interpreted and implemented new immigration legislation, which unexpectedly required modifications to numerous Denver Water documents and procedures.

Goals for 2007

1. Continue to provide legal advice and assistance regarding real estate, water rights, operation needs, claims, lawsuits, employee disputes, personnel policies, benefits, contracts, negotiations, environmental permitting, legislation, and regulatory proceedings.
2. Resolve through negotiation or litigation the various claims and lawsuits brought against Denver Water.
3. Participate in revision of general conditions for construction contracts and revise other standard contracts as necessary.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Continue to provide legal analysis of FERC regulations that enabled Denver Water to obtain an exemption for the Williams Fork hydropower project, rather than facing the expense and risk of future re-licensing.				•					
Resolve through negotiation or litigation the various claims and lawsuits brought against Denver Water.								•	
Participate in revision of general conditions for construction contracts and revise other standard contracts as necessary.									•

LEGAL DIVISION**Regular & Introductory Employees (At End of Year)**

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Legal	<u>13.5</u>	<u>12.3</u>	<u>13.6</u>	<u>13.3</u>	<u>13.6</u>
Total	13.5	12.3	13.6	13.3	13.6

Expenditure History (Thousands of Dollars)

		2004	2005	2006	2006	2007
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$	1,001	987	1,024	1,038	1,081
Materials & Supplies / Plant Equip		9	2	17	2	2
Prof & Other Services		262	271	691	553	460
Other		<u>594</u>	<u>397</u>	<u>550</u>	<u>927</u>	<u>603</u>
Total	\$	1,866	1,657	2,282	2,520	2,146

Finance Highlights

Division Summary

The Finance Division is responsible for the planning, management and budgeting of Denver Water’s financial resources, including acting as the disbursing authority for the Manager and custodian of the Department’s documents and records. Major functional areas include accounting, treasury, long range financial planning, annual budgeting, water rate administration, purchasing and records and documentation management.

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006 Actual	2006 T.O.	2007 T.O.	Change in T.O.s
Director of Finance	10.0	10.0	10.0	-
Treasury Operations	7.0	6.0	7.0	1.0
Budget	4.0	4.0	4.0	-
Purchasing	9.0	9.0	9.0	-
Accounting	17.0	19.0	18.0	(1.0)
Rate Administration	2.0	2.0	2.0	-
Records & Documentation Admin	8.0	8.0	8.0	-
Total Finance Division	57.0	58.0	58.0	-

Accomplishments During 2006

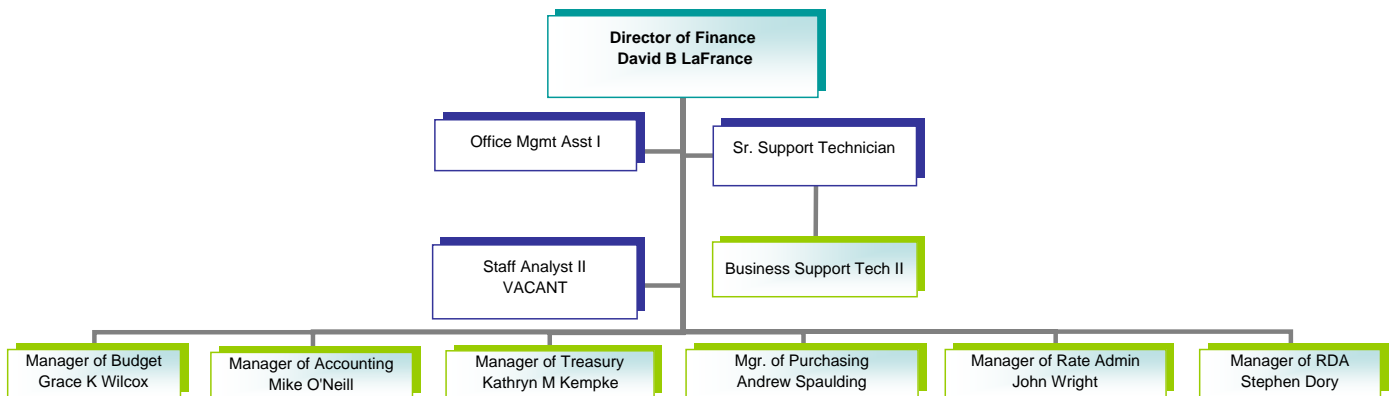
1. Successfully developed a more aggressive conservation rate structure for single family residential customers.
2. Continued to investigate and implement procedures and business processes to improve the flow of data through out the department. Not only including data entry but end user reporting for various systems.
3. Implemented paying supplier invoices with a p-card for materials and services which were purchased throughout the Purchase Order System.

Goals for 2007

1. Provide leadership in the development of budgets and long-range plans that represent responsible stewardship of our financial assets and transparency and accountability to our rate payers.
2. Facilitate updates of debt and cash balance policies to improve the way we manage Denver Water’s debt.
3. Compilation of the Annual Report for the Water Department in a timely manner.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Provide leadership in the development of budgets and long-range plans that represent responsible stewardship of our financial assets and transparency and accountability to our rate payers.				•				•	
Facilitate updates of debt and cash balance policies to improve the way we manage Denver Water's debt.				•					
Compilation of the Annual Report for the Water Department in a timely manner.				•					•

FINANCE DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Director	9.0	9.0	10.0	10.0	10.0
Treasury Operations	5.0	6.0	6.0	7.0	7.0
Budget Section	4.0	4.0	4.0	4.0	4.0
Accounting	19.0	18.0	19.0	17.0	18.0
Rate Administration	2.0	2.0	2.0	2.0	2.0
Records & Document Admin	6.0	6.0	8.0	8.0	8.0
Purchasing	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>
Total	54.0	54.0	58.0	57.0	58.0

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 3,152	3,213	3,446	3,362	3,538
Employee Benefits	14,483	14,725	15,236	14,328	14,929
Materials & Supplies / Plant Equip	390	419	695	684	261
Prof & Other Services	1,174	1,018	1,292	907	1,811
General Equipment	-	-	-	5	335
Refunds	176	642	102	37	102
Debt Service	38,146	44,486	47,137	46,237	53,689
All Other	<u>29</u>	<u>41</u>	<u>(219)</u>	<u>49</u>	<u>24</u>
Total	\$ 57,550	64,544	67,689	65,609	74,689

Information Technology Highlights

Division Summary

The Information Technology Division partners with all other divisions within Denver Water to develop, implement and support IT based business solutions and tools aimed at improving customer service, operations and organizational efficiencies. This involves identifying and implementing appropriate technologies to meet the business needs of Denver Water, providing appropriate resources to support the use of the technologies that are implemented, providing availability of these technologies on a 24/7 basis and providing appropriate network and data security measures.

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006 Actual	2006 TO	2007 TO	Change in TOs
Information Technology Division	588	660	680	20
Total Information Technology Division	588	660	680	20

Accomplishments During 2006

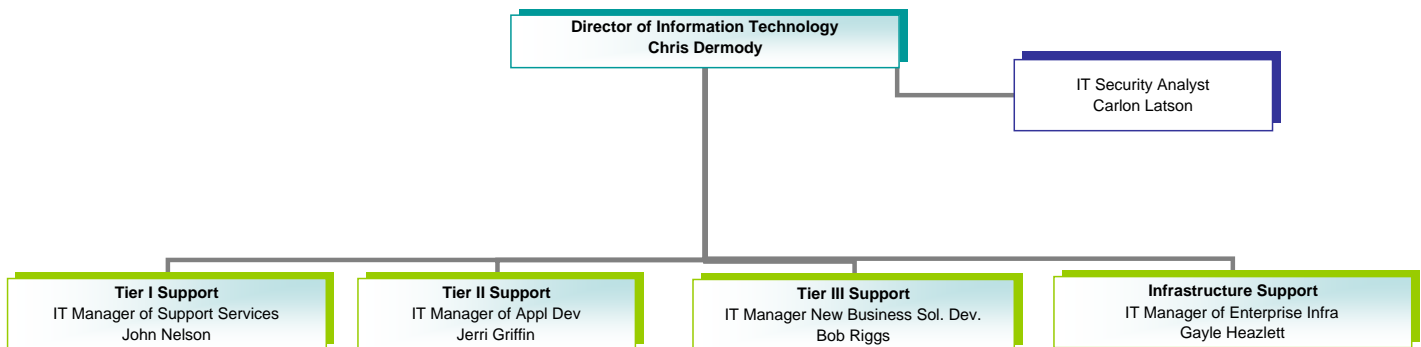
1. Developed & implemented monthly meter reading and consumption reporting for a subset of residential customers.
2. Developed and implemented automated email notifications to delinquent customers.
3. Developed and implemented a new Annual Budget & Ten Year Planning system.

Goals for 2007

1. Implement a secured web portal for customers and business partners to interact with Denver Water over the Internet.
2. Develop a strategy for implementing improved enterprise content management capabilities.
3. Implement short-term disaster recovery capabilities.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Implement a secured web portal for customers and business partners to interact with Denver Water over the Internet.				•			•		
Develop a strategy for implementing improved enterprise content management capabilities.									•
Implement short-term disaster recovery capabilities.									•

INFORMATION TECHNOLOGY DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Information Technology	<u>59.8</u>	<u>57.8</u>	<u>66.0</u>	<u>58.8</u>	<u>68.0</u>
Total	59.8	57.8	66.0	58.8	68.0

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 4,936	5,152	5,645	5,179	5,702
Materials & Supplies / Plant Equip	814	977	709	789	1,818
Utility & Pumping	1,246	1,146	1,205	1,375	1,205
Prof & Other Services	5,190	6,497	11,424	5,134	12,719
General Equipment	<u>476</u>	<u>441</u>	<u>1,064</u>	<u>628</u>	<u>457</u>
Total	\$ 12,662	14,213	20,047	13,105	21,901

Engineering Highlights

Division Summary

The Engineering Division is responsible for the engineering, construction, and property related support activities for Denver Water’s infrastructure, in addition to oversight of geospatial information and technology. Specific engineering disciplines include: Engineering, Drafting, Survey, Real Estate, Easements, Property

2007 Budget Table of Organization (Comparison with 2006)				
	12/31/2006	2006	2007	Change in
	Actual	T.O.	T.O.	T.O.s
Administration	8.0	9.0	9.0	-
Programs & Projects	36.0	37.0	39.0	2.0
Survey	26.0	26.0	26.0	-
Distribution	37.0	39.0	41.0	2.0
Construction Management	19.0	21.0	22.0	1.0
Total Engineering Division	126.0	132.0	137.0	5.0

License Agreements, Contract Administration, Plan Review, Inspection, Material Testing, Corrosion, Geologic Evaluation, Recreation, and Dam Safety.

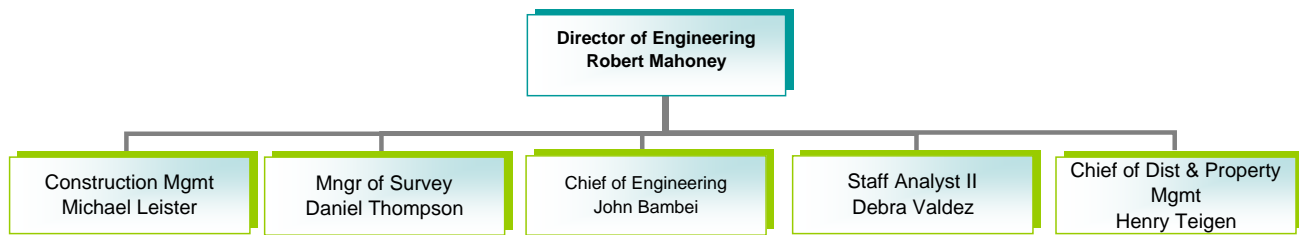
Accomplishments During 2006

1. Design was completed on many potable conduit projects including Conduit Numbers 129, 154, 158, and 159. These same conduit projects should be under construction by the end of 2006.
2. The Dam Safety Program completed the renovation of the Eleven Mile Outlet Works, preliminary design of Williams Fork Outlet Works, and finished the (FERC) required Part 12 Dam Safety Inspections at Strontia Springs and Dillon Dams.
3. The Property Section managed to secure a large gravel pit land purchase insuring possible future storage as we continued construction on our existing gravel pits.

Goals for 2007

1. Effectively manage budgeted design project workload while balancing requests for emergency and unanticipated projects.
2. Develop a focused approach to completing as-built drawings and posting (GIS) information.
3. Develop ultimate visions for Denver Water’s Vault, Recycle, Gravel Pit, and Treatment Plant Programs.

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Effectively manage budgeted design project workload while balancing requests for emergency and unanticipated projects.				•		•		•	•
Develop a focused approach to completing as-built drawings and posting (GIS) information.								•	•
Develop ultimate visions for Denver Water's Vault, Recycle, Gravel Pit, and Treatment Plant Programs.									•

ENGINEERING DIVISION**Regular & Introductory Employees (At End of Year)**

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Director of Engineering	9.0	9.0	9.0	8.0	9.0
Programs & Projects	37.0	35.0	37.0	36.0	39.0
Survey	24.0	25.0	26.0	26.0	26.0
Asset Recording	N/A	N/A	N/A	N/A	6.0
Distribution	38.0	38.0	39.0	37.0	41.0
Construction Management	<u>22.0</u>	<u>20.0</u>	<u>21.0</u>	<u>19.0</u>	<u>22.0</u>
Total	130.0	127.0	132.0	126.0	143.0

Expenditure History (Thousands of Dollars)

		2004	2005	2006	2006	2007
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$	8,255	8,406	8,720	8,542	9,222
Materials & Supplies / Plant Equip		437	744	590	661	3,062
Utility & Pumping		141	54	24	90	24
Prof & Other Services		4,091	2,881	3,868	5,395	4,835
General Equipment		6	-	85	132	210
Contract Payments		27,517	29,211	49,225	54,005	60,069
Refunds		22	3	-	28	-
Other		<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Total	\$	40,468	41,299	62,512	68,850	77,422

Planning Highlights

Division Summary

The Planning Division is responsible for identifying and integrating the future water and facility needs and resources of Denver Water and determining and protecting options to meet those needs and resources. The division administers and coordinates outside consulting services and pertinent activities with local, state, and federal agencies. In implementing this change, the major sections of the Planning Division are General Planning and Water Resources.

	12/31/2006	2006	2007	Change in
	Actual	T.O.	T.O.	T.O.s
Director of Planning	2.0	2.0	2.0	-
Environmental Planning	5.6	5.6	5.6	-
Raw Water Supply	6.0	6.0	6.0	-
Water Rights	7.0	8.5	8.5	-
Water Resource Analysis	10.7	11.0	11.0	-
General Planning	4.0	5.0	5.0	-
Hydraulics	7.0	7.0	7.0	-
Total Planning Division	42.3	45.1	45.1	-

Accomplishments During 2006

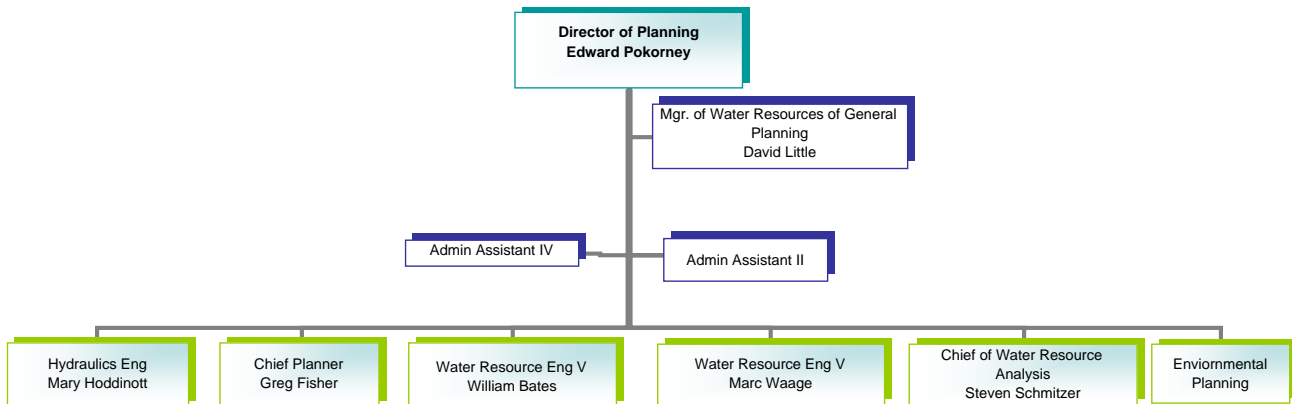
1. Continued efforts to resolve the reliability and vulnerability concerns on the north-end of Denver Water’s system through the combined efforts of Denver Water and the U.S. Army Corps of Engineers on the Moffat Collection System Project Environmental Impact Statement (EIS).
2. Preserved Denver Water’s ability to use its water resources by successfully addressing water rights issues, endangered species studies, and other environmental concerns.
3. Coordinated pertinent activities with local, state, and federal agencies, including the Federal Regulatory Energy Commission (FERC), the Environmental Protection Agency, Denver Water distributors, west slope interests, and various other outside entities.

Goals for 2007

1. Complete the draft EIS for the Moffat Collection System Project.
2. Acquire an exemption for the Williams Fork Dam Hydroelectric Project from FERC.
3. Complete the 2007 update of Denver Water’s Integrated Resource Plan (IRP).

DENVER WATER OBJECTIVES	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Complete the draft EIS for the Moffat Collection Project.		•				•			
Acquire an exemption for the Williams Fork Dam Hydroelectric Project from FERC.				•					
Complete the 2007 update of Denver Water's Integrated Resource Plan (IRP).				•		•			

PLANNING DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Director of Planning	2.0	2.0	2.0	2.0	2.0
Environmental Planning	5.6	5.6	5.6	5.6	5.6
Raw Water Supply	6.0	6.0	6.0	6.0	6.0
Water Rights	7.0	7.0	8.5	7.0	8.5
Raw Water Planning	10.8	10.8	11.0	10.7	11.0
General Planning	3.0	4.0	5.0	4.0	5.0
Hydraulics	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>	<u>7.0</u>
Total	41.4	42.4	45.1	42.3	45.1

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 3,111	3,108	3,322	3,317	3,585
Materials & Supplies / Plant Equip	72	33	54	29	54
Utility & Pumping	130	70	57	80	213
Prof & Other Services	2,286	2,619	4,060	3,294	3,708
Contract Payments	18	17	24	-	16
General Equipment	-	5	-	-	-
Total	\$ 5,617	5,852	7,517	6,720	7,576

Operations and Maintenance Highlights

Division Summary

The Operations and Maintenance Division is responsible for the collection, treatment, and distribution of potable and recycled water. The Division operates and maintains nine major dams and reservoirs, six hydro power generating facilities, multiple raw water tunnels and canals, four treatment plants, 34 finished water reservoirs with 18 pump stations, and nearly 2,700 miles of water mains throughout Denver and its Total Service area. Water Quality, Environmental Compliance, Safety, Fleet, Warehousing, and Maintenance are also performed within the Operations and Maintenance Division.

	12/31/2006 Actual	2006 T.O.	2007 T.O.	Change in T.O.s
Plant Office	3.0	4.0	3.0	(1.0)
Water Quality & Compliance	31.8	32.8	33.0	0.2
Safety & Loss Control	13.0	15.0	15.0	-
Source of Supply	56.0	63.0	62.0	(1.0)
Water Treatment	86.0	95.0	94.0	(1.0)
Transmission & Distribution	154.0	167.0	167.0	-
Water Control	55.0	61.0	61.0	-
Instrumentation & Ctrl Sys.	6.0	8.0	8.0	-
Maintenance & Warehouse	124.0	134.0	125.0	(9.0)
Total Operations & Maintenance Division	528.8	579.8	568.0	(11.8)

Accomplishments During 2006

1. Submitted an Initial Distribution System Evaluation (IDSE) Plan to the US Environmental Protection Agency (EPA) in accordance with EPA's new Stage 2 Disinfectants and Disinfection Byproducts Rule. This required extensive work with Denver Water Distributors and the Colorado Department of Public Health and Environment to petition EPA to allow one comprehensive evaluation of the entire service area (as opposed to 72 evaluations, as originally required).
2. Met or exceeded all water quality goals, and continued critical maintenance activities including hydrant flushing and inspection, main rehabilitation and replacement, canal repair and replacement, dam safety improvements, and leak detection (though a little short of our quantity target).
3. Continued emergency planning activities including alternative water delivery, pandemic preparedness, review of the 2003 Vulnerability Assessment, and collaboration with outside emergency and security agencies.

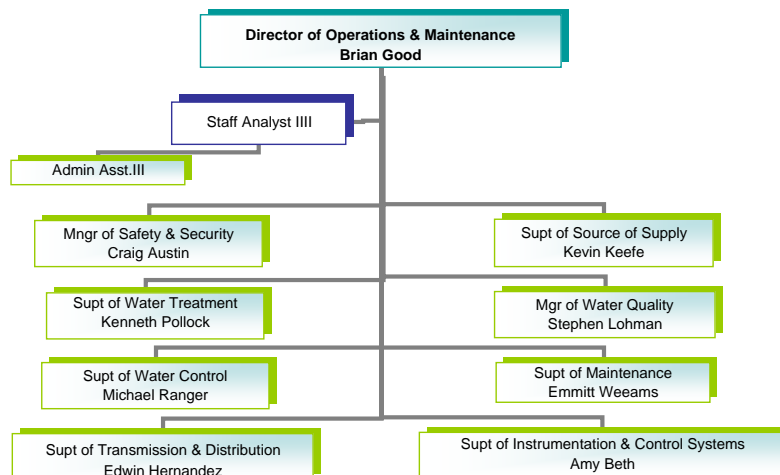
Goals for 2007

1. Develop a new asset management program, in conjunction with other Denver Water Divisions, which will allow for methodical evaluation and assessment of major assets and better integration of asset replacement into the new budgeting process.
2. Evaluate existing training programs and standard operating procedures. Revise as needed to update for current materials and construction methods, ensure employee training on skills needed to safely complete their jobs, and provide adequate preparation for employees preparing to take certification exams.
3. Continue implementation of physical and cyber security hardware and procedures.

Section 5- Organization

	CUSTOMER			FINANCIAL	PUBLIC RESPONSIBILITY		ORGANIZATION		
	Provide Reliable Service	Provide High Quality Water	Provide Excellent Service	Exercise Responsible Financial Stewardship	Promote Water Efficiency & Wise Water Use	Develop Additional Supplies for the Future	Communication	Promote Accountability	Improve Efficiencies
DIVISION GOALS									
Develop a new asset management program, in conjunction with other Denver Water Divisions, which will allow for methodical evaluation and assessment of major assets and better integration of asset replacement into the new budgeting process.							•	•	•
Evaluate existing training programs and standard operating procedures. Revise as needed to update for current materials and construction methods, ensure employee training on skills needed to safely complete their jobs, and provide adequate preparation for employees preparing to take certification exams.								•	
Continue implementation of physical and cyber security hardware procedures.									•

OPERATIONS & MAINTENANCE DIVISION



Regular & Introductory Employees (At End of Year)

Section	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Plant Office	4.0	4.0	4.0	3.0	3.0
Water Quality & Compliance	31.8	31.8	32.8	31.8	33.0
Safety & Loss Control	15.0	14.0	15.0	13.0	15.0
Source of Supply	56.0	59.0	63.0	56.0	62.0
Water Treatment	83.0	88.0	95.0	86.0	94.0
Water Control	57.0	57.0	61.0	55.0	61.0
Transmission & Distribution	157.0	156.0	167.0	154.0	167.0
Instrumentation & Control	19.0	7.0	8.0	6.0	8.0
Maintenance and Warehouse	<u>131.0</u>	<u>123.0</u>	<u>134.0</u>	<u>124.0</u>	<u>125.0</u>
Total	553.8	539.8	579.8	528.8	568.0

Expenditure History (Thousands of Dollars)

	2004	2005	2006	2006	2007
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Payroll	\$ 30,063	30,030	31,121	29,938	31,964
Materials & Supplies / Plant Equip	11,499	13,256	13,539	13,629	12,544
Utility & Pumping	4,972	6,669	4,810	5,966	6,154
Prof & Other Services	10,434	9,765	9,190	10,804	11,413
General Equipment	2,706	1,532	1,906	1,576	2,752
Contract Payments	1	2	8	2	-
Refunds	1	3	-	-	-
Other	(2)	(6)	-	-	-
Total	\$ 59,674	61,251	60,574	61,915	64,827

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**Budgeted Table of Organization Changes
2006-2007**

Division	Positions	Net Change
Manager & Staff	Human Resources Specialist IV	(1.0)
	Administrative Assistant	(2.0)
Information Technology	Application Developer	2.0
Public Affairs	Meter Readers	4.0
	Community Affairs Specialist III	1.0
	Conservation Tech I	3.0
	Conservation Specialist III	1.0
	Conservation Specialist I	1.0
	Administrative Assistant	1.5
	Meter Inspector	1.0
Engineering	Construction Specialist III	1.0
	Administrative Assistant	1.0
	Engineer V	1.0
	Engineer I	2.0
Operations & Maintenance	Water Quality Tech (PT to FT)	0.2
	Janitors	(9.0)
	Administrative Assistant	(1.0)
	Equipment Operator	(1.0)
	Water Treatment Operator	(1.0)

Section 6 – Debt Service and Obligations under Capital Leases

Debt Policy

During March 2007 the Board closed the senior revenue bond lien and adopted a master resolution for bonds to be sold in and after 2007. It also plans to complete a review of the debt guidelines that was begun in 2006. As a part of the review, the Board is examining its prior practice of issuing only fixed rate obligations, and is evaluating its capital structure.

Current debt guidelines include the Board's long-standing policy of using debt financing for system expansion and improvements and prohibiting its use for payment of operating and maintenance expenses. This underlying philosophy is not expected to change. Reliance on revenue bonds as a financing mechanism is not expected to change, but alternatives such as capital leases will continue to be examined for specific projects when appropriate.

From time to time, the Board has entered into capital leases to finance capital improvements. For example, certain improvements at the Marston and Moffat Treatment plants were financed with capital leases, as was capacity in the Wolford Mountain Reservoir. The treatment plant leases were securitized using a certificate of participation structure.

Outstanding Bonds and Obligations under Capital Leases

The table below summarizes information about the outstanding amounts as of December 31, 2006. A schedule of outstanding bonds and obligations under capital leases appears in this section.

Type of Obligation	Par Value Outstanding (in millions)	Coupon Range	Weighted Average Coupon	Weighted Average YTM ^(a)
<u>Bonds</u>				
General Obligation Bonds	\$ 86.3	2.75 - 6.00%	4.821%	4.323%
Revenue Bonds	<u>182.8</u>	2.50 - 5.50%	4.656%	3.734%
Sub-total bonds	\$269.1		4.709%	3.923%
<u>Capital Leases</u>				
Marston & Moffat	\$ 44.8 ^(b)	4.00 – 5.50%	4.715%	4.362%
Wolford Mountain	<u>26.3^(b)</u>	6.75% ^(c)	6.750% ^(c)	6.750% ^(c)
Sub-total leases	\$ 71.1	5.468%	5.246%	
Total outstanding bonds and capital lease obligations	\$ 340.2		4.867%	4.199%

^(a)Yield to Maturity at time of sale

^(b)Present value of future obligation for financial reporting purposes

^(c)Contractual rate

Payment Schedule

The Board's debt guidelines provide that the year-end balance in the water works fund should exceed the amount needed to service its outstanding debt and meet all obligations under capital leases during the following year by at least \$5 million. The Board has been in compliance with this guideline each year since it was first adopted in 1995.

Both the resolution under which the revenue bonds outstanding at year end were issued and the 2007 Master Resolution, require debt service coverage of 1.1 times. The Board has never failed to meet that rate maintenance test.

The total principal and interest payment obligations for the years 2007-2011 on bonds outstanding at year end are as follows:

2007	\$48.59 million
2008	45.40 million
2009	45.15 million
2010	44.56 million
2011	34.81 million

With the current payment schedule, 44% of the principal amount of outstanding bonds and capital lease obligations will be retired by the end of 2011; approximately 74% will be retired by the end of 2016 and 88% will be retired by the end of 2021. All marketable securities mature or may be called prior to December 31, 2015. The final stated maturity of all outstanding bonds and capital lease obligations occurs on October 1, 2029.

BONDS

Par amount of outstanding bonds		Coupon Rate	Par amount of outstanding bonds		Coupon Rate
General Obligation Bonds			Revenue Bonds		
<u>Series 1997 - Callable on 10/1/07 @ 100.0</u>			<u>Series 2003A - Callable on 6/1/13 @ 100.0</u>		
10/1/07	1,550,000.00	5.500%	12/1/07	100,000.00	4.000%
10/1/08	275,000.00	4.800%	12/1/08	100,000.00	4.000%
10/1/09	325,000.00	4.900%	12/1/09	100,000.00	2.500%
10/1/10	405,000.00	5.050%	12/1/10	100,000.00	2.750%
10/1/11	460,000.00	5.100%	12/1/11	200,000.00	3.000%
10/1/12	475,000.00	5.150%	12/1/12	1,000,000.00	5.000%
<u>Series 1999 - Callable on 10/1/13 @ 100.0</u>			12/1/13	1,145,000.00	5.000%
10/1/10	1,820,000.00	6.000%	12/1/14	1,540,000.00	3.500%
10/1/11	660,000.00	5.500%	12/1/15	1,550,000.00	3.500%
10/1/13	500,000.00	5.500%	12/1/16	2,110,000.00	4.000%
10/1/29	11,550,000.00	5.600%	12/1/17	3,570,000.00	4.750%
<u>Series 2000 - Callable on 10/1/11 @ 100.0</u>			12/1/18	3,885,000.00	4.750%
10/1/11	2,290,000.00	5.500%	12/1/19	4,110,000.00	4.750%
10/1/12	225,000.00	4.800%	12/1/20	6,160,000.00	4.750%
10/1/13	230,000.00	4.875%	12/1/21	7,355,000.00	4.750%
10/1/14	245,000.00	5.000%	12/1/22	7,720,000.00	4.750%
10/1/15	255,000.00	5.000%	12/1/23	8,955,000.00	4.250%
<u>Series 2001A - Callable on 9/1/11 @ 100.0</u>			<u>Series 2003B - Callable on 6/1/13 @ 100.0</u>		
9/1/07	670,000.00	4.000%	12/1/07	100,000.00	2.500%
9/1/08	700,000.00	4.000%	12/1/08	100,000.00	5.000%
9/1/09	730,000.00	4.000%	12/1/09	7,830,000.00	5.000%
9/1/10	760,000.00	4.125%	12/1/10	10,725,000.00	5.000%
9/1/11	795,000.00	4.200%	12/1/11	400,000.00	3.750%
9/1/12	830,000.00	4.300%	12/1/12	5,150,000.00	4.000%
9/1/13	700,000.00	4.400%	12/1/13	8,025,000.00	4.000%
9/1/14	900,000.00	4.500%	12/1/14	8,400,000.00	5.000%
9/1/15	980,000.00	4.600%	12/1/15	8,825,000.00	5.000%
9/1/16	900,000.00	4.700%	12/1/16	11,860,000.00	5.000%
<u>Series 2001B - Not subject to optional redemption prior to maturity</u>			<u>Series 2004 - Callable on 12/01/2014 @100.0</u>		
9/1/07	20,145,000.00	5.000%	12/1/07	1,540,000.00	3.000%
9/1/08	17,655,000.00	5.000%	12/1/08	3,015,000.00	5.000%
9/1/09	10,340,000.00	4.000%	12/1/09	3,320,000.00	5.000%
			12/1/10	9,285,000.00	5.500%

Section 6- Debt Services

BONDS

	Par amount of outstanding bonds	Coupon Rate		Par amount of outstanding bonds	Coupon Rate	
General Obligation Bonds			Revenue Bonds			
<u>Series 2002 - Callable on 10/1/12 @ 100.0</u>						
	10/1/07	450,000.00	2.750%	12/1/11	4,215,000.00	5.500%
	10/1/08	465,000.00	3.000%	12/1/12	5,045,000.00	5.000%
	10/1/09	485,000.00	3.125%	12/1/13	2,755,000.00	5.000%
	10/1/10	500,000.00	3.250%	12/1/14	2,900,000.00	5.000%
	10/1/11	520,000.00	3.500%	12/1/15	3,050,000.00	5.000%
	10/1/12	540,000.00	3.500%	12/1/16	705,000.00	4.250%
	10/1/13	565,000.00	3.500%	12/1/17	735,000.00	4.500%
	10/1/14	590,000.00	3.700%	12/1/18	770,000.00	4.500%
	10/1/15	615,000.00	3.875%	12/1/19	805,000.00	4.500%
	10/1/16	640,000.00	4.000%	12/1/20	840,000.00	4.500%
	10/1/17	670,000.00	4.000%	12/1/21	875,000.00	4.125%
	10/1/18	525,000.00	4.100%	12/1/22	915,000.00	4.125%
	10/1/19	515,000.00	4.200%	12/1/23	950,000.00	4.250%
	10/1/20	190,000.00	4.300%	12/1/24	990,000.00	4.300%
	10/1/21	810,000.00	4.400%			
	10/1/22	850,000.00	4.500%	<u>Series 2005 - Callable on 12/01/2015@100.0</u>		
				12/1/07	1,020,000.00	3.250%
				12/1/08	1,055,000.00	3.250%
				12/1/09	1,095,000.00	3.250%
				12/1/10	1,130,000.00	3.250%
				12/1/11	1,170,000.00	3.500%
				12/1/12	1,215,000.00	3.500%
				12/1/13	1,260,000.00	3.625%
				12/1/14	1,325,000.00	3.750%
				12/1/15	1,390,000.00	4.000%
				12/1/16	1,460,000.00	5.000%
				12/1/17	1,530,000.00	5.250%
				12/1/18	1,610,000.00	4.000%
				12/1/19	1,690,000.00	4.250%
				12/1/20	1,775,000.00	4.250%
				12/1/21	1,860,000.00	4.000%
				12/1/22	1,955,000.00	5.000%
				12/1/23	2,055,000.00	5.000%
				12/1/24	2,155,000.00	4.250%
				12/1/25	2,265,000.00	4.250%
GO Bonds	86,300,000.00			Revenue Bonds	182,840,000.00	

CAPITAL LEASES

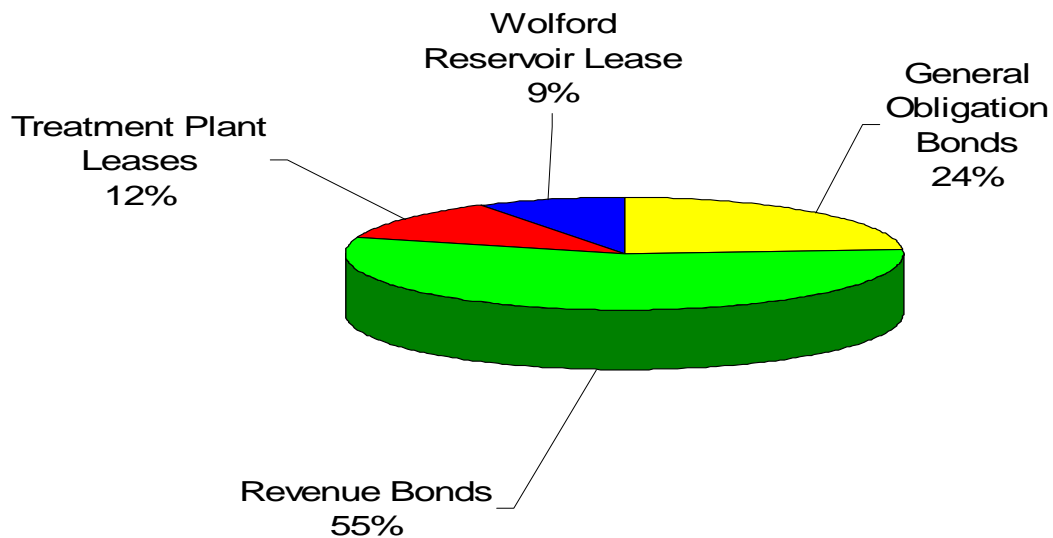
	Par amount outstanding of outstanding certificates	Coupon Rate		Annual principal portion of lease payment	Discount rate	
Marston & Moffat Treatment Plant Leases			Wolford Mountain Lease			
<u>1998 Lease - certificates non callable</u>			<u>Lease not subject to prepayment</u>			
	11/15/07	2,450,000.00	4.200%	2007	1,245,001.10	6.750%
	11/15/08	4,230,000.00	4.250%	2008	1,330,456.61	6.750%
	11/15/09	4,430,000.00	4.300%	2009	1,421,778.11	6.750%
	11/15/10	4,605,000.00	4.400%	2010	1,519,367.63	6.750%
	11/15/11	750,000.00	5.000%	2011	1,623,655.60	6.750%
				2012	1,735,101.80	6.750%
				2013	1,854,197.56	6.750%
				2014	1,981,467.94	6.750%
				2015	2,117,474.04	6.750%
				2016	2,262,815.48	6.750%
				2017	2,418,133.02	6.750%
				2018	2,584,111.40	6.750%
				2019	2,761,482.39	6.750%
				2020	1,451,025.90	6.750%
2001 Lease - certificates callable on 11/15/11 at par				Wolford	26,306,068.58	
	11/15/07	2,785,000.00	5.000%			
	11/15/08	1,480,000.00	4.000%			
	11/15/09	1,540,000.00	4.000%			
	11/15/10	1,600,000.00	4.125%			
	11/15/11	11,255,000.00	5.500%			
	11/15/12	1,760,000.00	4.375%			
	11/15/13	1,835,000.00	4.500%			
	11/15/14	1,920,000.00	4.500%			
	11/15/15	2,005,000.00	5.000%			
	11/15/16	2,105,000.00	5.000%			
Certificates	44,750,000.00					

Section 6- Debt Services

Schedule of Payments Due on Outstanding Bonds and Obligations Under Capital Leases
(Thousands of Dollars)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012-2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>2027-2029</u>	<u>Total</u>
Principal										
<u>Bonds</u>										
General Obligation	22,815	19,095	11,880	3,485	4,725	9,190	2,710	850	11,550	86,300
Revenue	2,760	4,270	12,345	21,240	5,985	70,710	37,570	27,960	-	182,840
Sub-total bonds	<u>25,575</u>	<u>23,365</u>	<u>24,225</u>	<u>24,725</u>	<u>10,710</u>	<u>79,900</u>	<u>40,280</u>	<u>28,810</u>	<u>11,550</u>	<u>269,140</u>
<u>Capital Leases</u>										
Treatment Plants	5,235	5,710	5,970	6,205	12,005	9,625	-	-	-	44,750
Wolford Mountain	1,245	1,330	1,422	1,519	1,624	9,951	9,215	-	-	26,306
Sub-total leases	<u>6,480</u>	<u>7,040</u>	<u>7,392</u>	<u>7,724</u>	<u>13,629</u>	<u>19,576</u>	<u>9,215</u>	<u>-</u>	<u>-</u>	<u>71,056</u>
Total Principal	32,055	30,405	31,617	32,449	24,339	99,476	49,495	28,810	11,550	340,196
as Percentage of total	9.4%	8.9%	9.3%	9.5%	7.2%	29.2%	14.5%	8.5%	3.4%	100.0%
Cumulative %	9.4%	18.4%	27.7%	37.2%	44.3%	73.6%	88.1%	96.6%	100.0%	
Interest										
<u>Bonds</u>										
General Obligation	4,160	3,028	2,091	1,617	1,439	5,152	3,774	3,272	1,938	26,471
Revenue	8,513	8,427	8,233	7,637	6,551	25,355	11,964	2,336	-	79,016
Sub-total bonds	<u>12,673</u>	<u>11,455</u>	<u>10,324</u>	<u>9,254</u>	<u>7,990</u>	<u>30,507</u>	<u>15,738</u>	<u>5,608</u>	<u>1,938</u>	<u>105,487</u>
<u>Capital Leases</u>										
Treatment Plants	2,110	1,868	1,629	1,376	1,108	1,428	-	-	-	9,519
Wolford Mountain	1,755	1,670	1,578	1,481	1,376	5,049	1,285	-	-	14,194
Sub-total leases	<u>3,865</u>	<u>3,538</u>	<u>3,207</u>	<u>2,857</u>	<u>2,484</u>	<u>6,477</u>	<u>1,285</u>	<u>-</u>	<u>-</u>	<u>23,713</u>
Total Interest	16,538	14,993	13,531	12,111	10,474	36,984	17,023	5,608	1,938	129,200
Total Scheduled Payments										
<u>Bonds</u>										
General Obligation	26,975	22,123	13,971	5,102	6,164	14,342	6,484	4,122	13,488	112,771
Revenue	11,273	12,697	20,578	28,877	12,536	96,065	49,534	30,296	-	261,856
Sub-total bonds	<u>38,248</u>	<u>34,820</u>	<u>34,549</u>	<u>33,979</u>	<u>18,700</u>	<u>110,407</u>	<u>56,018</u>	<u>34,418</u>	<u>13,488</u>	<u>374,627</u>
<u>Capital Leases</u>										
Treatment Plants	7,345	7,578	7,599	7,581	13,113	11,053	-	-	-	54,269
Wolford Mountain	3,000	3,000	3,000	3,000	3,000	15,000	10,500	-	-	40,500
Sub-total leases	<u>10,345</u>	<u>10,578</u>	<u>10,599</u>	<u>10,581</u>	<u>16,113</u>	<u>26,053</u>	<u>10,500</u>	<u>-</u>	<u>-</u>	<u>94,769</u>
Total Payments	48,593	45,398	45,148	44,560	34,813	136,460	66,518	34,418	13,488	469,396

Total Payments due on Bonds and Leases
as of December 31, 2006



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Section 7 - Investment Balance**Investment Balance Summary**

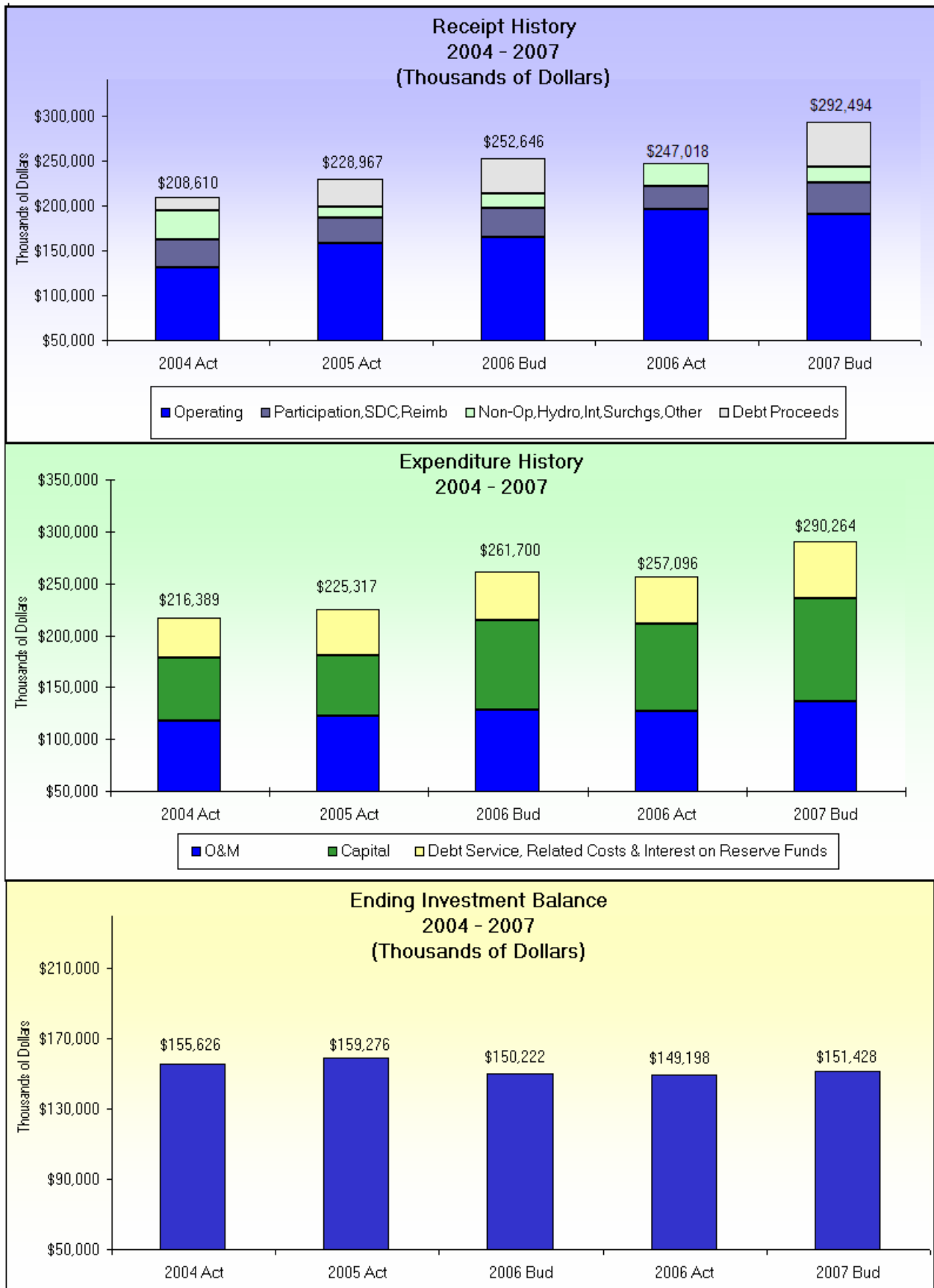
Denver Water began 2007 with an actual Investment Balance of \$ 149.2. The 2007 budget projects this balance to increase by receipts of \$292.5 million and decrease by expenditures of \$290.3 million, resulting in a total 2007 Ending Balance of \$151.4 million. Historically Denver Water has allocated the Investment Balance as shown in the chart below. However, the optimal capital structure and reserve allocation is currently under review and will likely be altered in 2007. Currently the investment balance is allocated as follows:

1. Three months of the next year's operation and maintenance.
2. 50% of the next year's non-expansion capital (normal replacements and improvements).
3. One year of debt service.
4. Self-Insurance at 5% of the next year's operating receipts.
5. Temporary drought and tap surcharges to encourage water conservation during drought conditions. This allocation does not occur in years when drought and tap surcharges are not assessed.
6. The remainder to Future Capital.

**Investment Balance
2004-2007
(Thousands of dollars)**

	2004 Actual	2005 Actual	2006 Budget	2006 Actual	2007 Budget
Operations & Maintenance (3 Months)*	\$ 29,669	\$ 32,190	\$ 33,272	\$ 34,202	\$ 34,617
Non-expansion Capital (50% of normal replacements and improvements)*	16,976	2,899	18,236	19,025	20,525
Debt Service (1 year)*	44,428	47,398	62,020	53,689	48,534
Self Insurance (5% of Operating Receipts)*	8,475	8,217	9,120	9,491	10,074
Drought & Fire Related	13,620	68	0	0	0
Future Capital:					
Supply	14,330	25,879	7,224	12,879	12,566
Water Treatment	3,450	4,060	188	425	3,046
Transmission & Distribution	8,757	20,805	1,970	849	3,428
Other	15,921	17,760	18,192	18,638	18,638
Total Investment Balance	\$ 155,626	\$ 159,276	\$ 150,222	\$ 149,198	\$ 151,428

Section 7- Investment Balances



Section 8 - Glossary of Terms

Acronyms

ACP

Accelerated Conservation Program

AF

Acre Foot

AMWA

Association of Metropolitan Water Agencies

AWWA

American Water Works Association

CAFR

Comprehensive Annual Financial Report

CBSM

Community Based Social Marketing

COP

Certificate of Participation

CIP

Capital Improvement Plan

CIS

Customer Information System

CWA

Clean Water Act

DIA

Denver International Airport

DW

Denver Water

EIS

Environmental Impact Statement

EPA

Environmental Protection Agency

ERT

Encoder Receiver Transmitter

FERC

Federal Regulatory Energy Commission

GAAP

Generally Accepted Accounting Principles

GAD

Gallons Per Account Per Day

GIS

Geographic Information System

G.O. Bonds

General Obligation Bonds

IRP

Integrated Resource Planning

MGD

Millions of Gallons Per Day

NRCS

Natural Resources Conservation Services

NWRS

National Water Resource Association

RCRA

Resource Conservation and Recovery Act

PACSM

Platte and Colorado Simulation Model

POS

Point of Service

WUWC

Western Urban Water Coalition

Definitions

Annual Yield

Maximum basic demand the water supply could meet throughout a period of historical or synthesized hydrological conditions.

Bonds

Debt instruments. According to the Charter, the Board may issue revenue bonds which are secured solely by it's revenue. In the past it was able to issue general obligation bonds that were secured by the full faith and credit of the City of Denver.

Budget

A financial plan for a specified period of time (fiscal year) that assigns resources to each activity in sufficient amounts so as to reasonably expect accomplishment of the objectives in the most cost effective manner.

Capital Expenditure

Expenditures having a depreciable life of over one year and a cost of over \$5,000.

Capital Work Plan

A category of Master Plan items that are considered to be of a capital nature. Includes projects having a depreciation life of over one year and tends to benefit future periods, or has the effect of increasing the capacity, efficiency span of life or economy of an existing fixed asset. Example: the construction of a new conduit.

Capital Leases

A lease having essentially the same economic consequences as if the lessee had secured a loan and purchased the leased asset.

Cash Flow Adjustment

The cash flow adjustment is the difference between expenditures as booked and disbursed. Expenditures are budgeted and reported on a modified accrual basis (as booked). Total expenditures are then converted to a cash basis (disbursed) for purposes of determining year-end designated balances.

Certificate of Participation

Evidence of assignment of proportionate interests in rights to receive certain revenues pursuant to a lease purchase agreement.

Chart of Accounts

Listing of account numbers and their descriptions.

Contract Payments

Consists of contract payments for construction, materials purchased for contractor installation, acquisition of land and land rights and water rights.

Corporate Culture

Values that set a pattern for a company's activities, opinions and actions.

Cost Control Center

A term used to denote a responsibility center. It is an organizational unit that has been placed in charge of accomplishing certain specified tasks. Example: Water Control Section.

Customer Information System

A computer system that tracks and bills customer's water consumption

Customer Taps

A physical connection to a distribution main that, together with appropriate license affects water service to a licensed premise.

Debt Guidelines

A statement from the Board with respect to appropriate uses of external financing.

Debt Service

Principal and interest on debt and payments under capital leases.

Demand Side Management

Term used to describe policies aimed at increasing long-term supply by decreasing customer demand for water, typically through conservation programs.

Direct Materials

Includes materials and supplies purchased for direct use and fuel and oil for vehicles and equipment (non-stores issues only).

Disbursements

Money paid out for expenses, liabilities or assets.

Discretionary Employee

The charter of the City and County of Denver allows the Board to establish a classification of employees who have "executive discretion", who shall number no more than 2% of all persons employed, and shall serve solely at the pleasure of the Board.

Diversity Training

Objective of providing skills for managing and working with people of all races, genders and cultures.

Division

Largest organizational unit reporting to the Manager.

Employee Benefits

Employee Benefits are expenditures paid by Denver Water for Worker's Compensation, Social Security, Retirement, Employee Assistance Program, Health and other insurances. It does not include employee withholdings or unemployment insurance.

Endangered Species Act

The federal law that sets forth how the United States will protect and recover animal and plant species whose populations are in dangerous decline or close to extinction. The law protects not only threatened and endangered species but also the habitat upon which species depend.

Enterprise Fund

A type of propriety fund or a governmental unit that carries on activities in a manner similar to a private business.

EPA Section 319

Environmental Protection Agency Program to provide funds to agencies to assist in clean water protection.

Encoder Receiver Transmitter (ERT)

An electronic device that receives a signal from a water meter, encodes the current reading into a digital signal, and transmits it to a meter reader

Federal Statutes

Statutes enacted by Congress relating to matters within authority delegated to federal government by the U.S. Constitution.

Fund

An accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities or government functions. By Charter, Denver Water is reflected in the City's financial statement in a single fund-The Water Works Fund.

General Equipment

Computer equipment, office furniture and equipment, transportation equipment, storehouse equipment, construction and maintenance tools and equipment, chemical laboratory equipment, power operated equipment, communication equipment, garage and shops equipment and miscellaneous equipment.

General Obligation Bonds (GO Bonds)

A security representing the promise to repay borrowed money secured by the full faith and credit of the governmental borrower.

Goals

Overall end toward which effort is directed.

Governmental Accounting Standards Board (GASB)

A board which establishes the generally accepted accounting principles for state and local governmental units.

Gross Revenue

All income and revenues, from whatever source, including system development charges and participation payments, excluding only money borrowed and used for providing capital improvements or other receipts legally restricted to capital expenditures.

Historical Timing Adjustment

Estimate of budget variances primarily due to changes in capital construction schedules and the timing of obtaining permits and acquiring rights-of-way.

Hydropower

Hydroelectric power of/or relating to production of electricity by water power.

Infill

Undeveloped areas within the combined service area that Denver Water would be expected to serve in the future.

Integrated Resource Planning (IRP)

A method for looking ahead using environmental, engineering, social, financial and economic considerations; includes using the same criteria to evaluate both supply and demand options while involving customers and other stakeholders in the process.

Interest Requirements

As used in the debt guidelines, scheduled interest payments during the 12 month period following the date of calculation.

Introductory Employee

An employee who is newly appointed to a position and is serving an introductory period, generally of six month's duration.

Investment Balance

The total sum held in cash and investments net of uncleared warrants.

Lease Payments

Periodic payments made in order to obtain use of a facility or piece of equipment.

Long-Term Debt

Debt with a maturity of more than one year from date reported.

Master Plan

Expenditures identified by projects and activities that are necessary to accomplish the Department's overall operating goals and objectives. The Master Plan, or Program Budget, is divided into a Capital Work Plan and an O&M Work Plan.

Master Plan Item

A specific activity or project that is identified in the Master Plan.

Modified Accrual Basis

Accounting method in which basis in which receipts are budgeted and recorded when received and expenditures are recorded when incurred, regardless of when payment is made.

Municipal Water Utilities

Public entities whose responsibility is to deliver water to the customers.

Net Revenues

Gross Revenue less Operating and Maintenance Expenses.

Non-Operating Revenue

As used in this document, revenue received from payments for services such as main inspections, installation of taps, calculating and mailing of sewer bills and other such services.

Non-Potable

Water not suitable for drinking. (See also Potable)

Objectives

Something toward which effort is directed - an aim, goal or end of action.

Operating Reserves and Restricted Funds

The amount of cash and invested funds available at any point in time. The balance is the Water Works Fund as defined in this glossary.

Operating Revenue

Revenue obtained from the sale of water.

Operation and Maintenance (O&M) Work Plan

A category of Master Plan items not capital in nature, that are normally ongoing activities and pertain to the general operations of Denver Water.

Other

Expenditures for items such as payroll deductions, sales tax, insurance claims, cash over and short, and budget adjustments.

Other Services

Expenditures for items such as training, employee expenses, rents and leases, ditch assessments, convention and conference expenses, subscriptions, maintenance and repair agreements and memberships.

Participation Agreement

An agreement in which a distributor or developer pays for the cost of the distribution facilities such as conduits, treated water reservoirs or pump stations required to provide service within that district from the nearest existing available source.

Potable

Water that does not contain pollution, contamination, objectionable minerals or infective agents and is considered safe for domestic consumption; drinkable. (See also Nonpotable)

Principal and Interest Requirements

As used in the debt guidelines, interest requirements plus the current portion of long-term debt. *(Includes general obligation bonds, certificates of participation, and capital leases.)*

Professional Services

Consists of consultant payments for consultants to provide services such as facility design, legal work and auditors.

Program

An organized group of activities and the resources to carry them out, aimed at achieving related goals.

Program Budget

A method of budgeting in which the focus is on the project and activities that are required to accomplish Denver Water's mission, goals and objectives. It provides for consideration of alternative means to accomplish these criteria. It also provides a control device for higher level management and cuts across organizational lines. Resources are allocated along program lines and across organizational

lines.

Program Element

Series of smaller categories of activities contained in the program such as raw water, water treatment, etc.

Project Employee

A contract worker assigned to a project of more than one year's duration and receiving a limited benefits package.

Refunds

Includes System Development Charge Refunds and Customer Refunds.

Regular Employee

An employee who has satisfactorily completed an introductory period and has been approved by the Board to receive the rights and privileges of a tenured employee.

Regular Pay

Includes all straight-time salaries and wages earned, leaves, tuition refunds, suggestion awards, swing and graveyard shift payrolls, and safety equipment allowances. Regular pay consists of all payroll items except for overtime pay.

Safe Drinking Water Act (SDWA)

Federal legislation passed in 1974 that regulates the treatment of water for human consumption and requires testing for and elimination of contaminants that might be present in the water.

Stores Issues

Includes materials and supplies issued from inventory and fuel and oil for vehicles and equipment .

Strategic Plan

Process that is a practical method used by organizations identifying goals and resources that are important to the long-term well being of its future.

System Development Charges

A one-time connection charge that provides a means for financing a portion of the source of supply, raw water transmission facilities, treatment plants and backbone treated water transmission facilities required to provide service to a new customer. Sometimes called a tap fee.

Temporary Employee

An employee hired as an interim replacement or temporary supplement of the work force. Assignments in this category can be of limited duration or indefinite duration, but generally do not exceed one year.

Type of Expenditure

A classification of resources or commodities that will be budgeted and charged to projects and activities by Cost Control Centers.

Utilities & Pumping

Consists of gas, electric and telephone, electricity wheeling charges, replacement power purchased and power purchased for pumping.

Warehouse Purchases

Adjustments related to the timing of purchases and issues of warehouse stock. Denver Water maintains a warehousing operation that purchases materials and supplies into stock. These items are then issued and charged to jobs as needed. The warehouse purchases and issues adjustment is required to insure that the total of materials as issued balances to the amount of purchases made for the warehouse stock.

Water Conservation

Obtaining the benefits of water more efficiently, resulting in reduced demand for water. Sometimes called “end-use efficiency” or “demand management.”

Water Revenues

Revenues generated through billing process from the sale of water.

Water Works Fund

A fund into which are placed all revenues received for the operation of the water works system and plant together with all monies coming into said fund from other sources. The City Charter creates, the Water Works Fund, in which all activities of Denver Water are reported in the City’s financial statements. All receipts and expenditures of Denver Water flow through the Water Works Fund. The balance of the Water Works Fund is referred to in this budget document as the Designated Balances, Capital and Land Sales Account.

Budget Staff, Divisional Budget Coordinators and Others

Budget Staff:

Grace Wilcox
Antoinette Chavez
Tim Lowe
Tatum Kaul
Isa Rueda

Divisional Budget Coordinators:

Edith Carlson	Manager and Staff
Alice Montez	Human Resources
Susan Zimmerman	Public Affairs/Finance
Kris Bates	Legal
Marilyn Hampton	Information Technology
Gregg Moore	Engineering
Tom Clark	Planning
Charlene Gregg	Operations and Maintenance

Budget Information Services Support:

Jim Roper – TM1 (non value Issues)
James Hite - Business Intelligence