



2013 Revised Budget

Denver Water approves mandatory watering restrictions

<http://www.denverwater.org/AboutUs/PressRoom/008735AF-E919-AFC8-A6A3B0F274FA3608/>

March 27, 2013 - March snows have not done enough to improve the current drought conditions. Most of Colorado is in the second year of a severe drought and above-average temperatures, which has led to low snowpack and low reservoir levels across the state. As a result, at its meeting today, the Denver Board of Water Commissioners adopted a resolution declaring a Stage 2 drought, which means customers will have two assigned watering days a week beginning April 1.

“The last time we declared a Stage 2 drought was in 2002,” said Greg Austin, president of the Denver Board of Water Commissioners. “We are facing a more serious drought now than we faced then. Our goal this summer is to ensure the availability of high-quality water to our citizens, given current conditions and an unknowable end to the drought cycle, protecting not only the quality of life of our community but also the long-term security of our city’s system.”

Jim Lochhead, CEO/manager of Denver Water said: “Because of the dry conditions, our reservoirs haven’t been full since July 2011. We would need about 7 feet of additional snow in the mountains by late April to get us close to where we should be. Therefore, we need everyone’s help to save water indoors and outdoors this year. Together, we need to save 50,000 acre-feet of water, or 16 billion gallons, by next spring. We’re asking every person to think before turning on the tap.”

Mandatory watering restrictions begin April 1, meaning Denver Water customers may only water two days a week and must follow this schedule:

- Single-family residential properties with addresses ending in even numbers: Sunday, Thursday
- Single-family residential properties with addresses ending in odd numbers: Saturday, Wednesday
- All other properties (multi-family, HOAs, commercial, industrial, government): Tuesday, Friday

In addition, customers must follow the standard annual watering rules:

- Do not water lawns between 10 a.m. and 6 p.m.
- Do not waste water by allowing it to pool in gutters, streets and alleys.
- Do not waste water by letting it spray on concrete and asphalt.
- Repair leaking sprinkler systems within 10 days.
- Do not water while it is raining or during high winds.

The utility asks customers to be conscientious about water use this spring. While April is a good time to set up and examine irrigation systems, they don’t need to be used yet. Instead, postpone turning on sprinklers and automatic systems and hand-water sloped areas of the lawn or sections that are receiving full sunlight if they are dry. April is typically a cool month with some precipitation, so it may not be necessary to water lawns two days a week, which will help save water.

Snowpack in the South Platte and Colorado River basins from which Denver Water receives water are 59 percent of average and 73 percent of average, respectively. That snow is what serves as Denver's water supply.

As part of the Stage 2 drought declaration, the board also adopted a temporary drought pricing structure to encourage customers to use even less water and help reduce revenue loss to ensure Denver Water's vast water collection, treatment and distribution system stays operable and well-maintained. Customers will see the pricing on bills on or after June 1 of this year. The drought pricing will remain in effect until the mandatory restrictions are lifted. The utility plans to cut operating expenses, defer projects and tap cash reserves to help balance finances through the drought.

As always, customers' bills will vary depending on how much water they use. An average summer bill for a single family residential customer who doesn't use less water would increase about \$6 a month. Most residential customers who significantly reduce their water use will see a reduction in their bill — even with drought pricing — in comparison to normal usage at 2013 rates.

“Because our primary goal is to ensure water is available for health and safety needs, the first 6,000 gallons of monthly water use will not be subject to drought pricing,” said Lochhead.

Average monthly indoor use of water is 6,000 gallons. Approximately 70 percent of single family residential customers use 18,000 gallons per month or less during the peak summer months.

As it does every year, the utility will enforce its rules with a team of employees — this year named the “drought patrol.”

“The purpose of our drought patrol is as much about educating customers as it is about enforcing Denver Water's rules,” said Lochhead. “As we have in previous years, our monitors will have face-to-face interactions with customers to discuss our restrictions.”

Customers who receive repeated watering notices will be subject to Stage 2 drought fines, which start at \$250 for a single-family residential customer who has previously received a written warning.

Citizens who see water leaks or broken sprinklers in Denver's parks should call 3-1-1. To report water waste elsewhere, call Denver Water at 303-893-2444.

For more information on conservation and drought:
<http://www.denverwater.org/Drought/>

Board of Water Commissioners

The mayor of Denver appoints Denver's five-member Board of Water Commissioners to staggered six-year terms. When a commissioner's term expires, he or she continues to serve until the mayor reappoints or replaces him or her.

The Board's purpose is to ensure a continuous supply of water to the people of Denver and its suburban customers. Among other duties, commissioners are responsible for setting water rates and monitoring the cost and maintenance of the system. The Board holds its public meetings generally twice a month. Commissioners are paid \$600 annually (\$25 per meeting) for their service.

For more Board Member information:

<http://www.denverwater.org/AboutUs/BoardAndOrganization/BoardWaterCommissioners/>

Contact Us

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
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| Sally Covington, Director of Public Affairs | 303.628.6656 |
| Christopher R. Dermody, Director of Information Technology | 303.628.6262 |
| Carla Elam Floyd, Director of Human Resources | 303.628.6334 |
| Tom Roode, Director of Operations and Maintenance | 303.628.7033 |
| Angela C. Bricmont, Director of Finance | 303.628.6411 |
| David L. Little, Director of Planning | 303.628.6533 |
| Robert J. Mahoney, Director of Engineering | 303.628.6611 |
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With questions concerning the budget document please contact:

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Controller

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About Denver Water

Denver Water Service Areas and Communities

Denver Water serves more than 1.3 million people in Denver and its surrounding suburbs. The majority of Denver's water comes from rivers and streams fed by mountain snowmelt. The South Platte River, Blue River, Williams Fork River and Fraser River watersheds are Denver Water's primary water sources, but it also uses water from the South Boulder Creek, Ralston Creek and Bear Creek watersheds.

Denver Water produces one-third of the state's treated water supply, which is about 234,000 acre-feet per year. An acre-foot equals 325,851 gallons of water and is enough for about 2 ½ households for one year. Denver Water uses about 265,000 acre-feet of water a year, which is about 2 percent of all water, treated and untreated, in Colorado.

See the map of Denver Water's service area, which shows the communities in the Denver metropolitan area that receive water from Denver Water:

<http://www.denverwater.org/AboutUs/ServiceArea/>

Denver Water's Mission Statement

Denver Water will be a responsible steward of the resources, assets and natural environments entrusted to us in order to provide a high-quality water supply, a resilient and reliable system, and excellent customer service.

Denver Water's Values

Following the announcement of Denver Water's five core values in 2011, nearly 900 employees were introduced to the values and asked to share their thoughts. In August 2012, an employee survey asked for stories and specific words defining what the values mean to each employee. Using both the results of the survey, and the feedback gathered in the numerous sessions with employees, this final list of defining behaviors for each value was created.

Integrity

- Do the right thing, even when no one is watching
- Be honest
- Be accountable for actions
- Stand up for others
- Own up to mistakes
- Keep your word
- Be open to constructive feedback

Vision

- Maintain a long-term perspective
- Be curious and seek creative solutions
- Innovate
- Adapt to change
- Visualize a forward path and take it
- Anticipate future needs

Passion

- Do the job with heart and soul
- Act as an ambassador for Denver Water
- Maintain a positive attitude
- Care about everything we do at Denver Water, from source to tap
- Don't give up, even under difficult conditions
- Display energy and enthusiasm
- Go the extra mile

Excellence

- Take initiative
- Be safe
- Be extraordinary, set and meet high standards
- Get the job done right, not just done
- Focus on the customer
- Learn from mistakes
- Have the courage to lead
- Go out of your way to help others succeed

Respect

- Listen actively and thoughtfully
- Act honorably and courteously
- Assume others have positive intentions
- Treat others as they want to be treated
- Seek common ground
- Act in a fair and inclusive manner
- Work together as a team

Denver Water History

<http://www.denverwater.org/AboutUs/History/>

Historical Timeline:

<http://www.denverwater.org/AboutUs/History/historicaltimeline/>

Historical Records:

<http://www.denverwater.org/AboutUs/History/HistoricalRecords/>

History of the South Platte Collection System:

<http://www.denverwater.org/AboutUs/History/SouthPlatteCollection/>

History of the Northern Collection System:

<http://www.denverwater.org/AboutUs/History/NorthernCollectionSystem/>

History of Treatment and Distribution Plants:

<http://www.denverwater.org/AboutUs/History/TreatmentPlantHistory/>

History of Ditches and Canals:

<http://www.denverwater.org/AboutUs/History/DitchesCanalsHistory/>

Historical Photos: Employees:

<http://www.denverwater.org/AboutUs/History/HistoricalPhotosEmployees/>

Historical Photos: Mountain Facilities:

<http://www.denverwater.org/AboutUs/History/HistoricalPhotosMountains/>

Historical Photos: Metro Area:

<http://www.denverwater.org/AboutUs/History/HistoricalPhotosMetroArea/>

Former Managers:

<http://www.denverwater.org/AboutUs/History/FormerManagers/>

Former Board Members:

<http://www.denverwater.org/AboutUs/History/FormerBoardMembers/>

Key Facts

<http://www.denverwater.org/AboutUs/KeyFacts/>

- Denver Water's Water Use
- The Denver Water Mission
- Leadership
- General
- Customers Served
- Water Rates and Fees
- Finances
- Distribution System
- Collection System
- Water Treatment Plants
- Treatment Plant Capacity
- Recycled Water Treatment Plant

Myths Versus Facts

<http://www.denverwater.org/AboutUs/KeyFacts/MythsFacts/>

Pump Stations

<http://www.denverwater.org/AboutUs/KeyFacts/PumpStations/>

Denver Water's Funding

<http://www.denverwater.org/AboutUs/KeyFacts/Funding/>

Glossary of Terms

<http://www.denverwater.org/AboutUs/GlossaryofTerms/>

Environmental Stewardship

<http://www.denverwater.org/AboutUs/EnvironmentalStewardship/>

Recreation

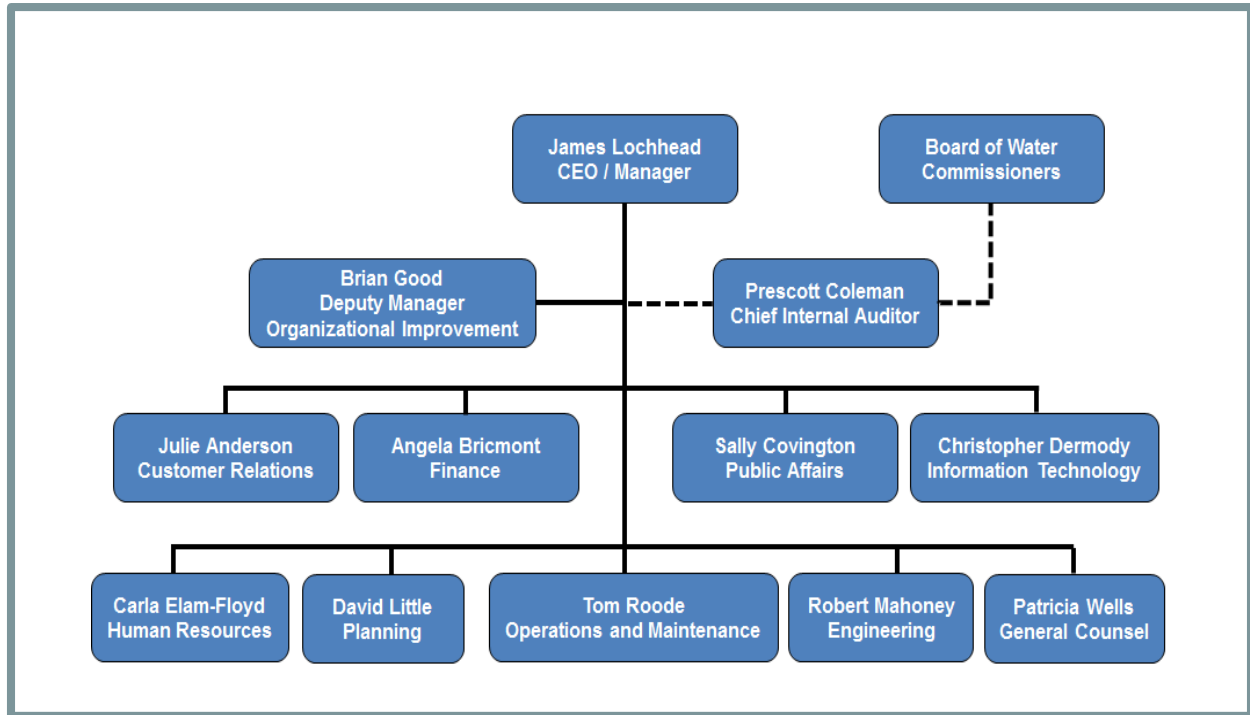
<http://www.denverwater.org/Recreation/>

Denver Community Profile

<http://www.metrodenver.org/demographics-communities/demographics>



Organization



Denver Water

<http://www.denverwater.org/AboutUs/BoardAndOrganization/>

Denver Water is run by a five-member Board of Water Commissioners, which is charged with ensuring a continuous supply of water to the people of Denver and Denver Water's suburban customers. The Board designates a CEO/Manager to execute its policies and orders. Reporting to the CEO/Manager are the directors of eight divisions, including Engineering, Finance, Human Resources, Information Technology, Operations and Maintenance, Planning, Customer Relations and Public Affairs, as well as the general counsel, director of Organizational Improvement and the internal auditor.

Denver Water
Regular & Introductory Employees (At End of Year)

| Section | 2011 | 2012 | 2012 | 2013 | 2013 |
|--------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Revised</u> |
| Manager & Staff | 7.0 | 7.0 | 10.0 | 10.0 | 10.0 |
| Human Resources | 23.8 | 24.8 | 25.8 | 25.8 | 25.8 |
| Public Affairs | 29.6 | 36.6 | 34.2 | 38.6 | 38.6 |
| Customer Relations | 133.0 | 150.0 | 122.8 | 142.1 | 142.1 |
| Engineering | 164.6 | 164.7 | 164.7 | 164.7 | 164.7 |
| Finance | 56.0 | 59.0 | 58.0 | 59.0 | 59.0 |
| IT | 68.5 | 73.5 | 74.5 | 75.6 | 75.6 |
| Planning | 45.6 | 49.6 | 47.6 | 50.6 | 50.6 |
| O&M | 534.0 | 559.0 | 530.0 | 559.0 | 559.0 |
| <u>Legal</u> | <u>13.6</u> | <u>14.6</u> | <u>14.4</u> | <u>14.6</u> | <u>14.6</u> |
| Total | 1,075.8 | 1,138.8 | 1,081.9 | 1,140.0 | 1,140.0 |

Denver Water
Regular & Introductory Employees (At End of Year)

| Section | 2010 | 2011 | 2012 | 2012 | 2013 |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Actual</u> | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> |
| Manager & Staff | 7.0 | 7.0 | 7.0 | 10.0 | 10.0 |
| Human Resources | 23.8 | 23.8 | 23.8 | 22.8 | 25.8 |
| Public Affairs | 30.6 | 29.6 | 36.6 | 34.2 | 38.6 |
| Customer Relations | 142.0 | 133.0 | 150.0 | 126.1 | 142.1 |
| Engineering | 161.0 | 158.7 | 164.6 | 161.7 | 164.7 |
| Finance | 50.0 | 56.0 | 59.0 | 58.0 | 59.0 |
| IT | 68.5 | 68.5 | 73.5 | 73.5 | 75.6 |
| Planning | 46.6 | 45.6 | 49.6 | 47.6 | 50.6 |
| O&M | 546.0 | 534.0 | 562.0 | 534.0 | 559.0 |
| <u>Legal</u> | <u>13.6</u> | <u>13.6</u> | <u>14.6</u> | <u>14.6</u> | <u>14.6</u> |
| Total | 1,089.1 | 1,069.9 | 1,140.7 | 1,082.5 | 1,140.0 |



Jim Lochhead

CEO/Manager

Manager Division

<http://www.denverwater.org/AboutUs/BoardAndOrganization/Manager/>

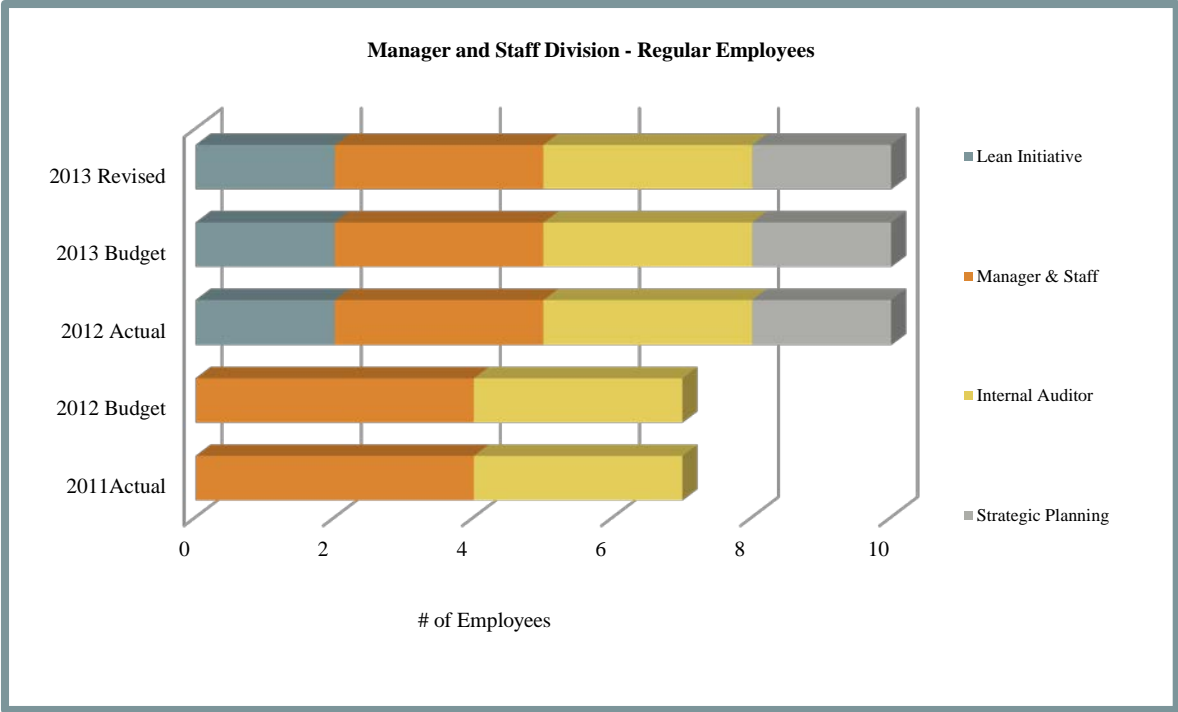
The CEO/Manager is the chief executive officer for Denver Water, secretary to the Board of Water commissioners and custodian of all records. He carries out all other duties and responsibilities as assigned by the Board as it fulfills its charter obligations.

The CEO/Manager executes the policies and decisions of the Board and reviews and recommends to the Board changes in rules and regulations with respect to all matters appropriate for its action.

In addition, the CEO/Manager gives overall direction to employees and oversees the work necessary to provide an adequate supply of water to the residents of the City and County of Denver, and areas economically and socially integrated with the city with whom Denver Water has a water service contract.

The CEO/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.

Eight division directors, the general counsel, the internal auditor and the deputy manager of organization improvement report directly to the CEO/Manager.



*Lean Initiative and Strategic Planning are new sections in the Manager and Staff Division in 2012. Positions have been filled using current employees transferred from other Divisions.





Carla Elam-Floyd

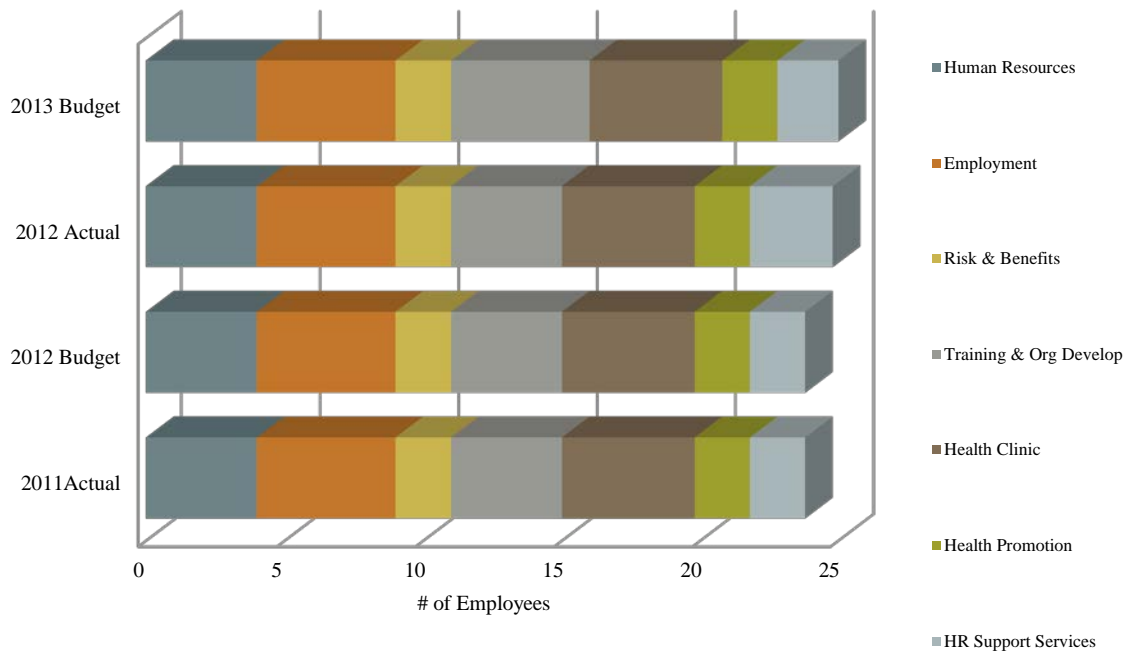
**Director of Human
Resources**

Human Resources Division

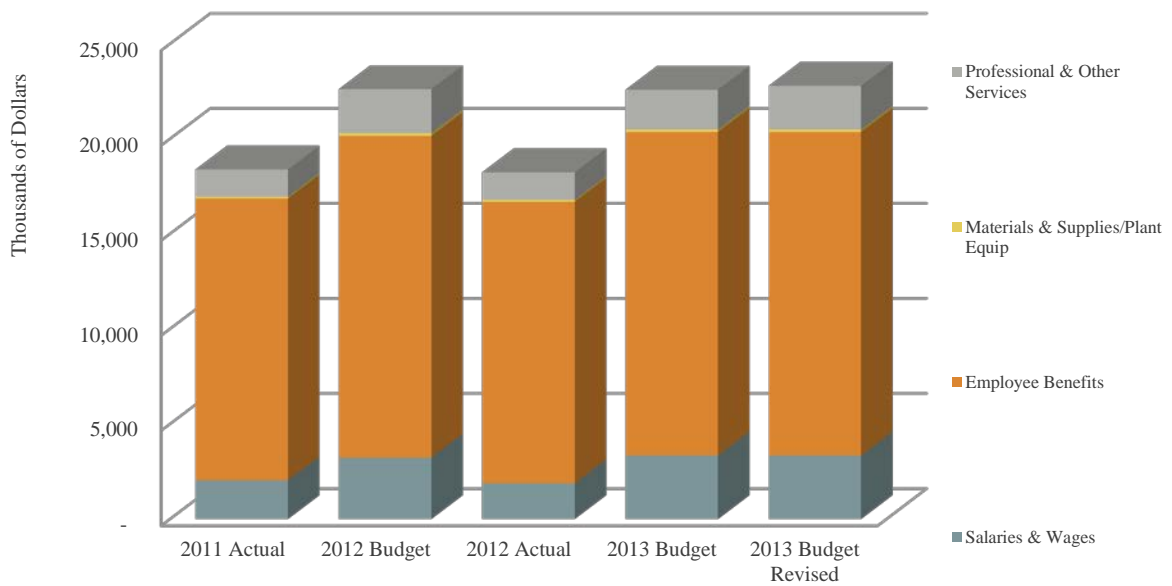
<http://www.denverwater.org/AboutUs/BoardAndOrganization/HR/>

Under the direction of the CEO/Manager, the Human Resources Division is responsible for interpreting, updating and enforcing Denver Water's Personnel Policies; maintaining and revising Denver Water's classification and pay plans; establishing and maintaining employees' personnel records; implementing policies, procedures and programs relative to recruiting, hiring, managing and retaining Denver Water employees; developing programs for training, education, personal, professional and organization development; implementing programs related to health promotion, counseling, support, employee relations and equal opportunity; administering Denver Water's employee benefits and retirement programs; investigating internal and external employee complaints; and developing community outreach efforts with the goal of establishing Denver Water as an employer of choice.

Human Resources Division - Regular Employees



Human Resources Division Expenditure History





Julie Anderson

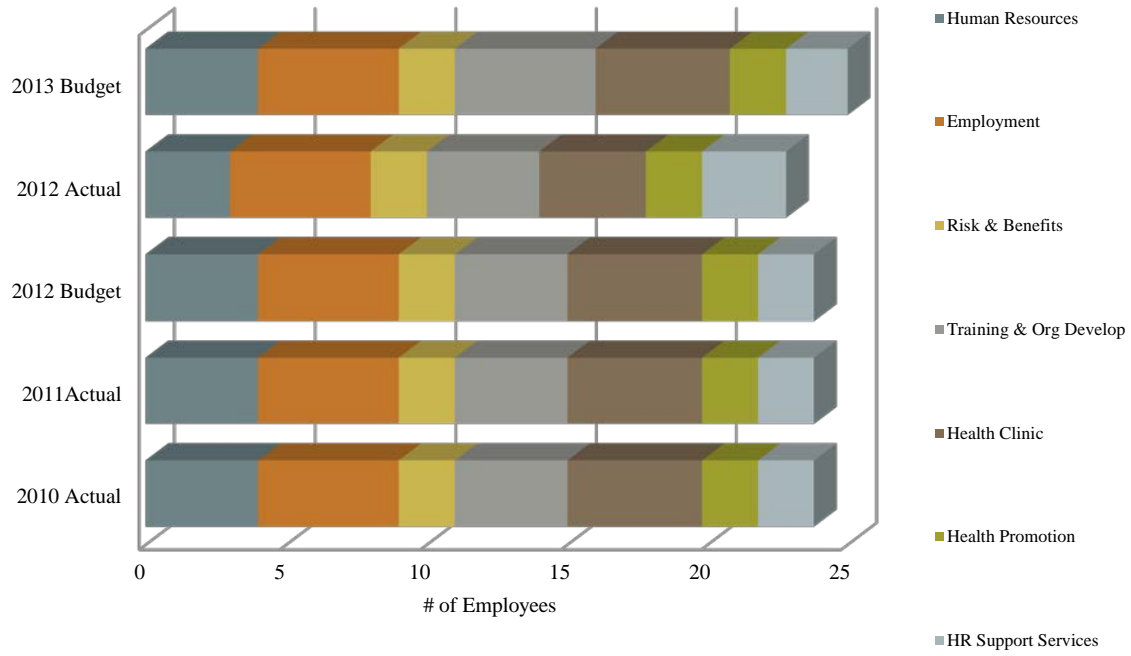
**Director of
Customer
Relations**

Customer Relations Division

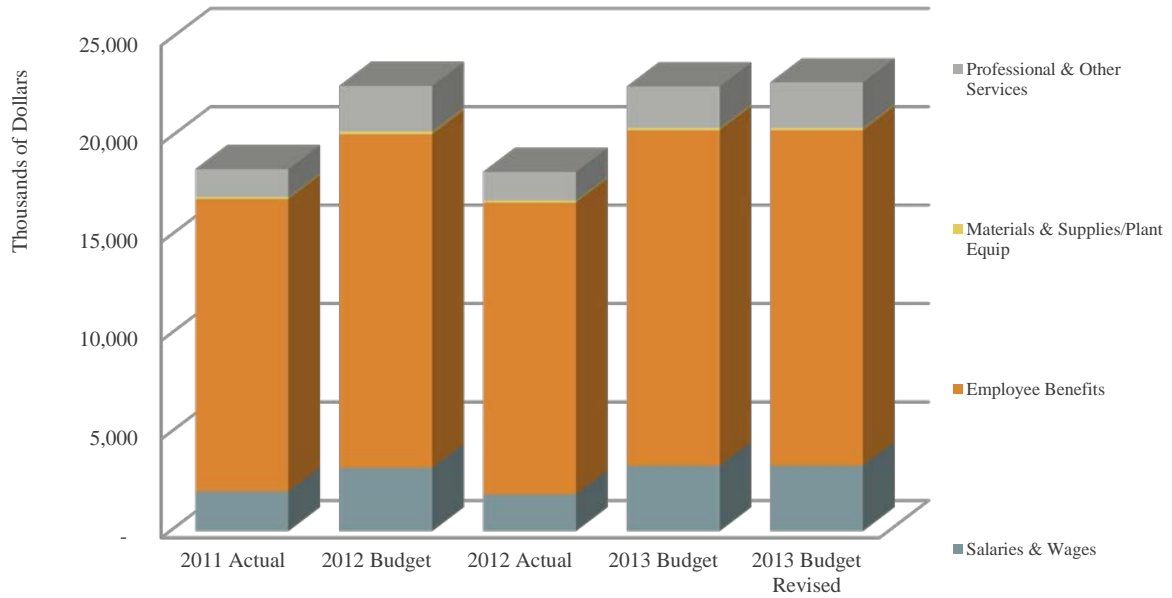
<http://www.denverwater.org/AboutUs/BoardAndOrganization/CustomerRelations/>

Under the direction of the Manager/CEO, the Customer Relations Division promotes a customer-centric approach that spans the customer's lifecycle at Denver Water. Working closely together within the sections, the division plays a significant part in driving continuous process improvement that ensures fiscal responsibility to our ratepayers while building and maintaining open and honest communication that results in positive and productive customer relationships.

Human Resources Division - Regular Employees



Human Resources Division Expenditure History





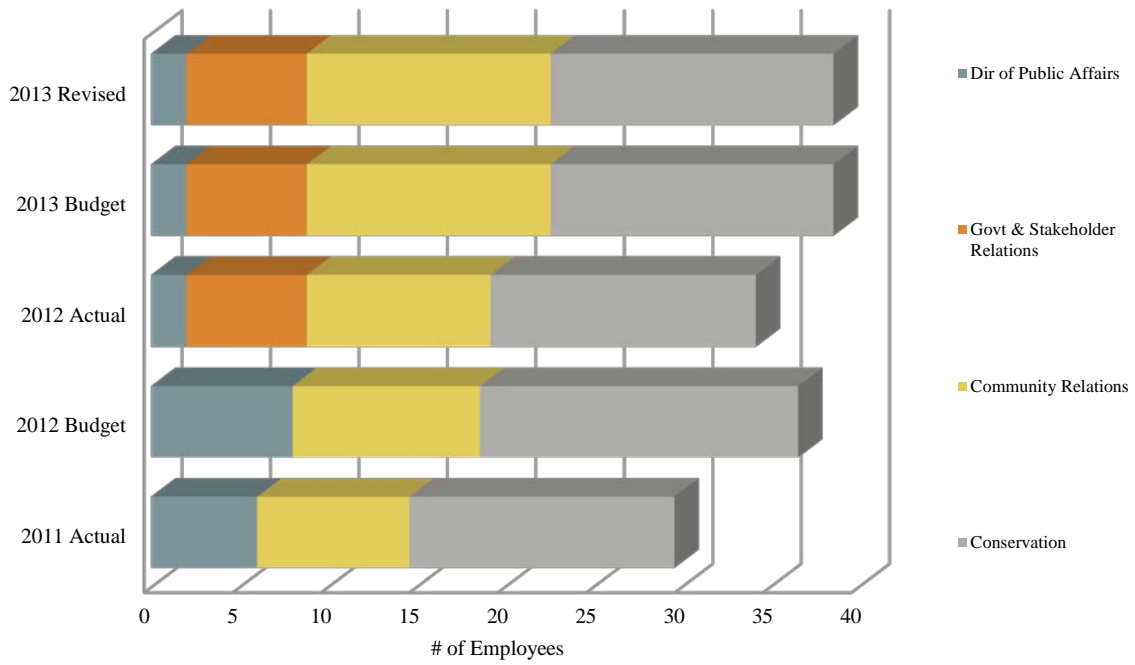
Sally Covington
Director of Public
Affairs

Public Affairs Division

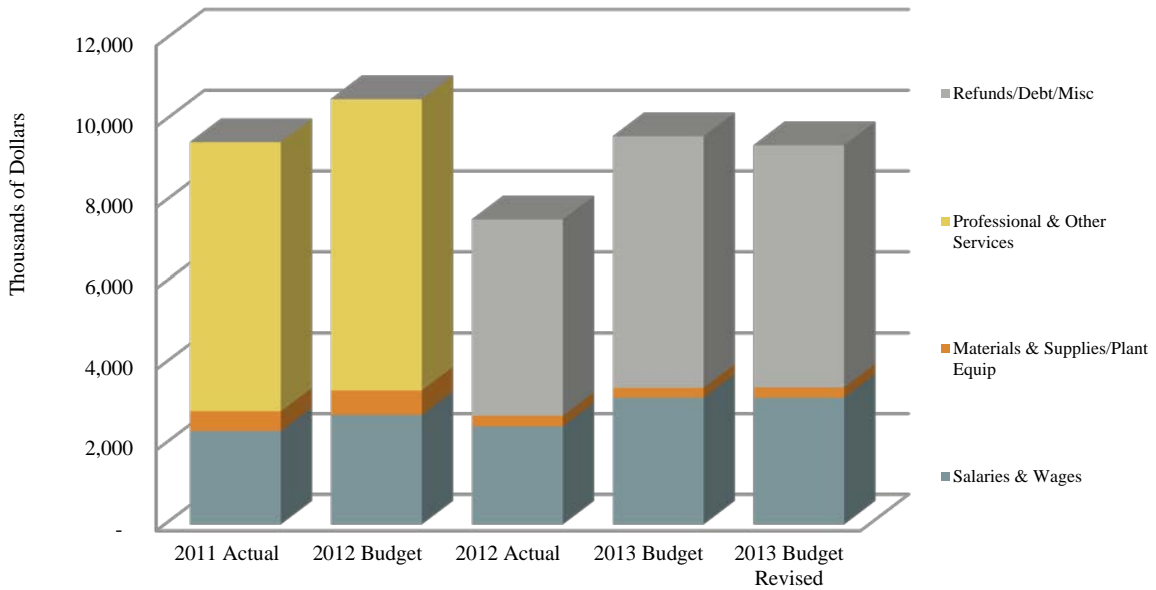
<http://www.denverwater.org/AboutUs/BoardAndOrganization/PublicAffairs/>

Under the direction of the CEO/Manager, the Public Affairs division develops and maintains strategically effective relationships with a broad range of publics including customers, stakeholders, governments, communities, news and social media, related organizations and employees. The division also performs issues management and public outreach functions. The division's responsibilities are maintained by three sections: Communications and Marketing, Government and Stakeholder Relations, and Conservation.

Public Affairs Division - Regular Employees



Public Affairs Division Expenditure History





Patricia L. Wells

General Counsel

Legal Division

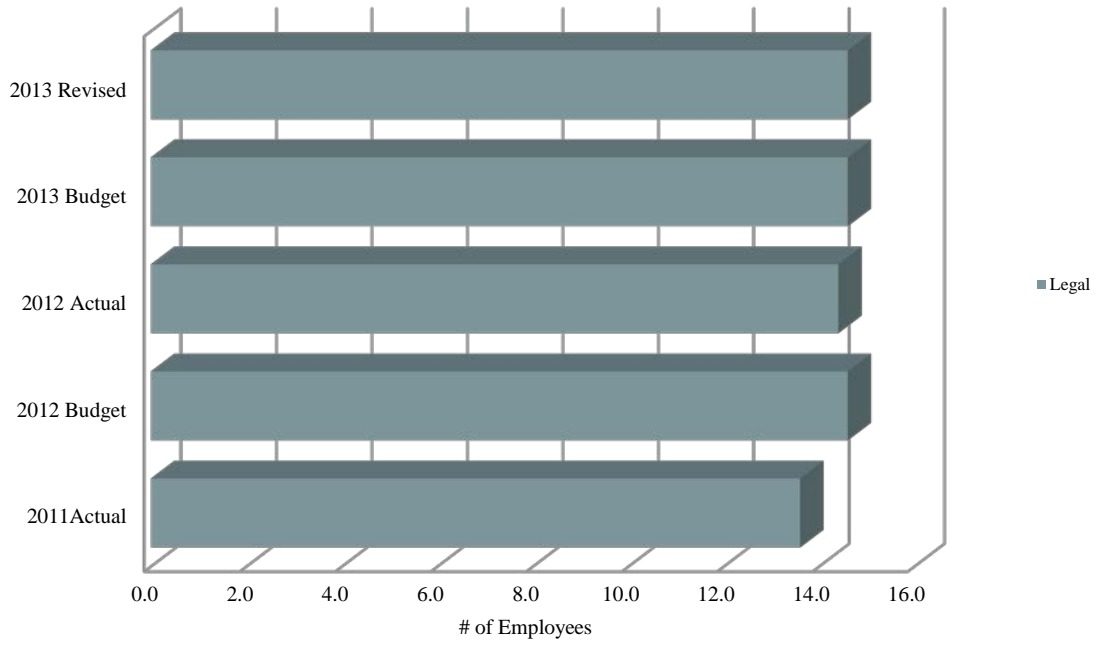
<http://www.denverwater.org/AboutUs/BoardAndOrganization/Legal/>

The Legal Division represents and gives legal advice to Denver's Board of Water Commissioners, the CEO/Manager and the various divisions of Denver Water. It also handles all litigation of the Department.

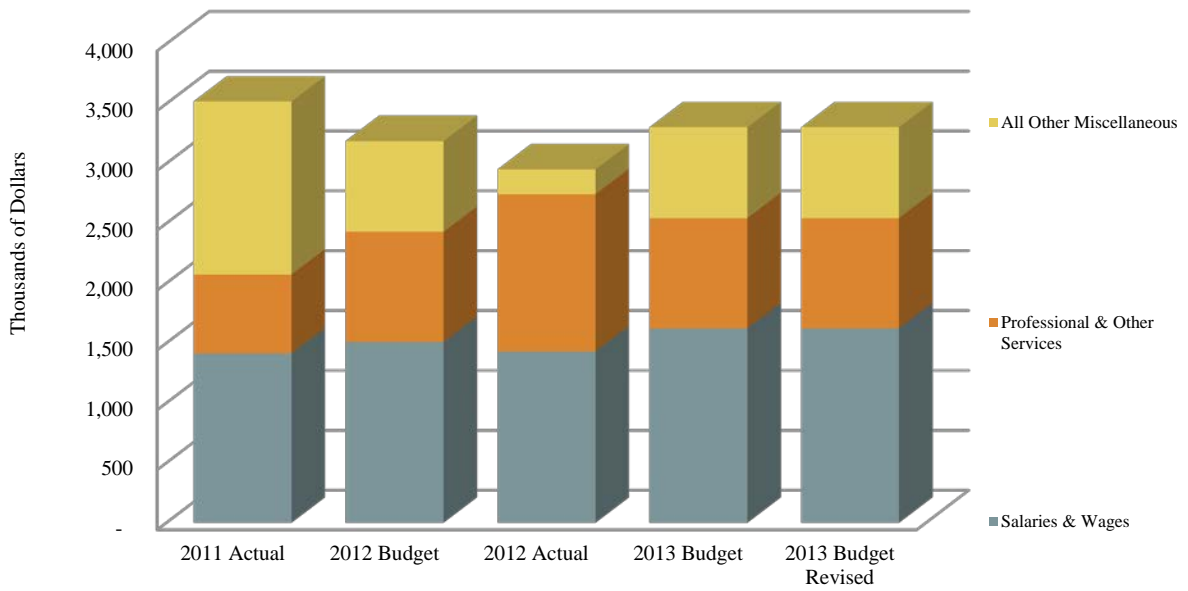
The types of legal representation include water rights and diligence proceedings, administrative proceedings before state and federal agencies, contracts, civil rights, tort claims, real estate and condemnations, and municipal, employment, environmental and regulatory law. When special counsel are hired, the Legal Division collaborates in and supervises their activities.

In addition, the Legal Division represents Board interests in internal administrative appeals relating to personnel problems and customer complaints, reviews and advises upon matters of pending legislation, and prepares and reviews contract documents of all kinds.

Legal Division - Regular Employees



Legal Division Expenditure History





Christopher R. Dermody

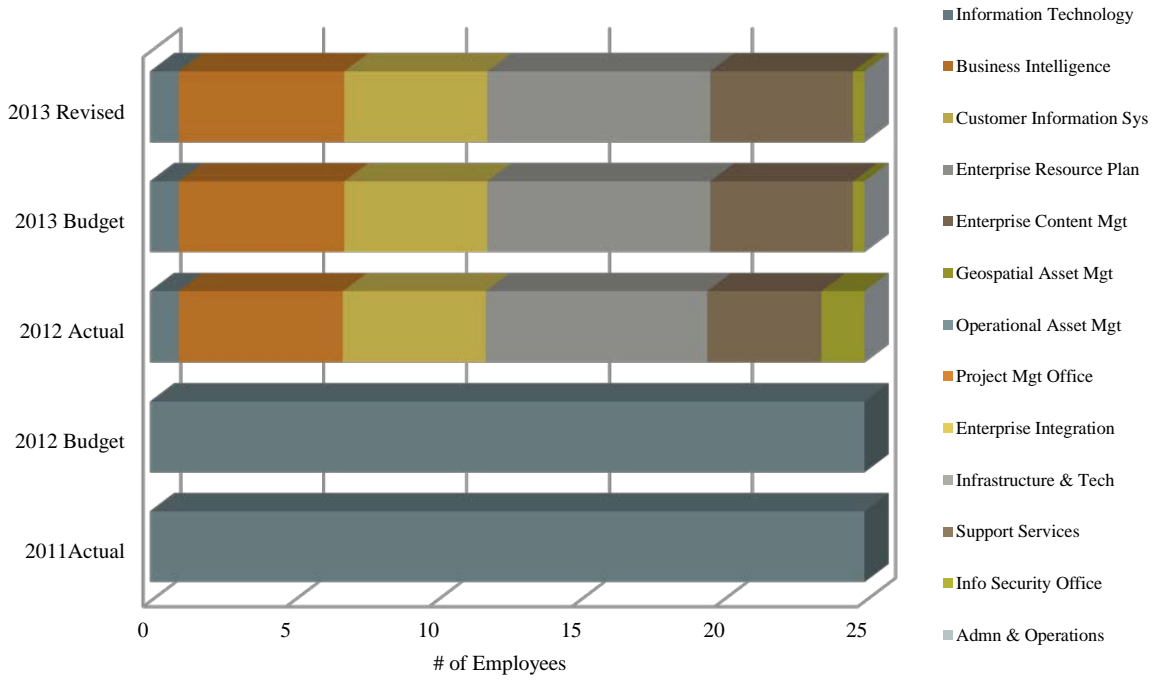
**Director of Information
Technology**

Information Technology Division

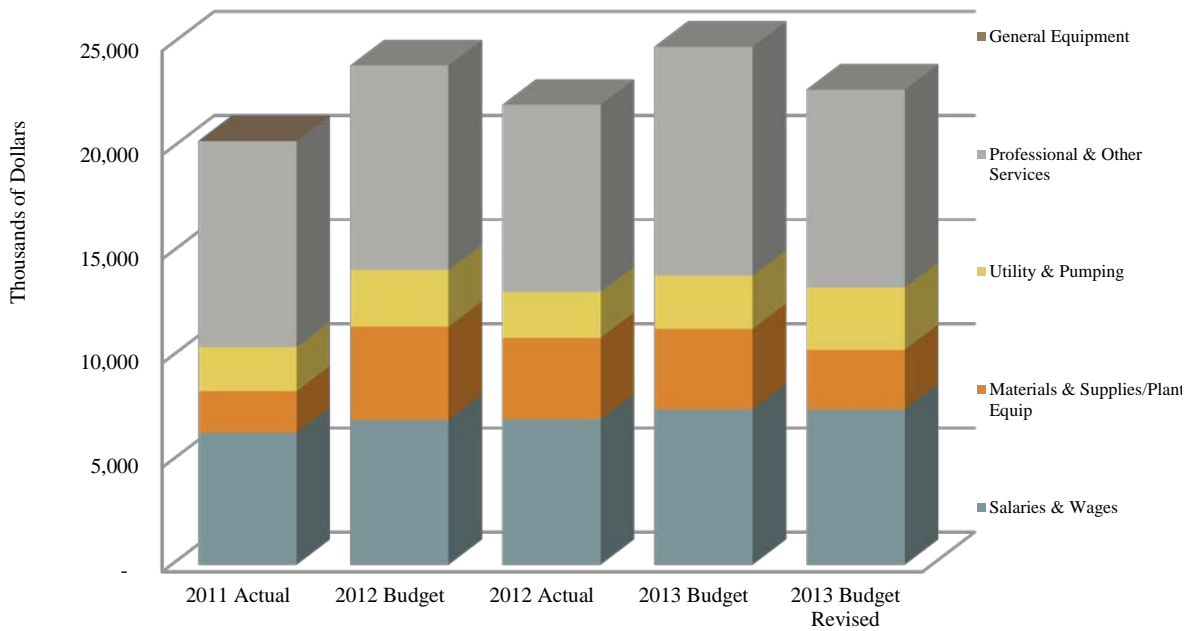
<http://www.denverwater.org/AboutUs/BoardAndOrganization/IT/>

Under the direction of the CEO/Manager, the Information Technology Division develops, implements and supports computer applications, data-center operations and the technology infrastructure for Denver Water. This involves identifying and implementing appropriate technologies to meet the business needs of Denver Water, providing appropriate resources to support technologies that are implemented, providing availability of these technologies 24 hours per day, seven days per week and providing security for information maintained on the various computer systems.

Information Technology - Regular Employees



IT Division Expenditure History





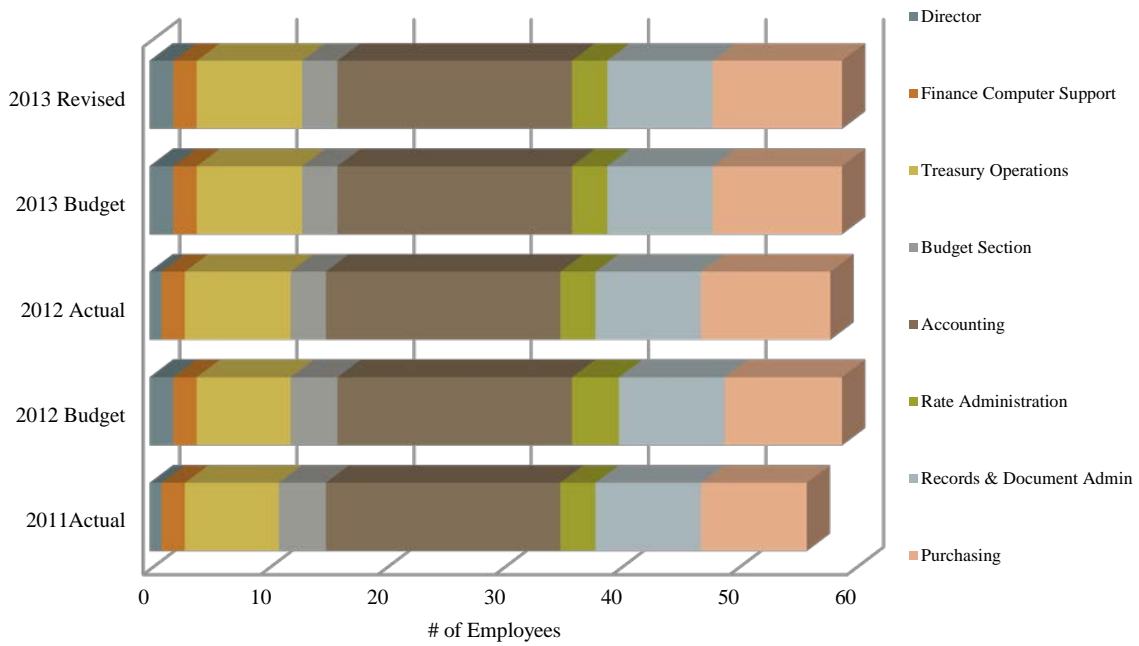
Angela Bricmont
Director of Finance

Finance Division

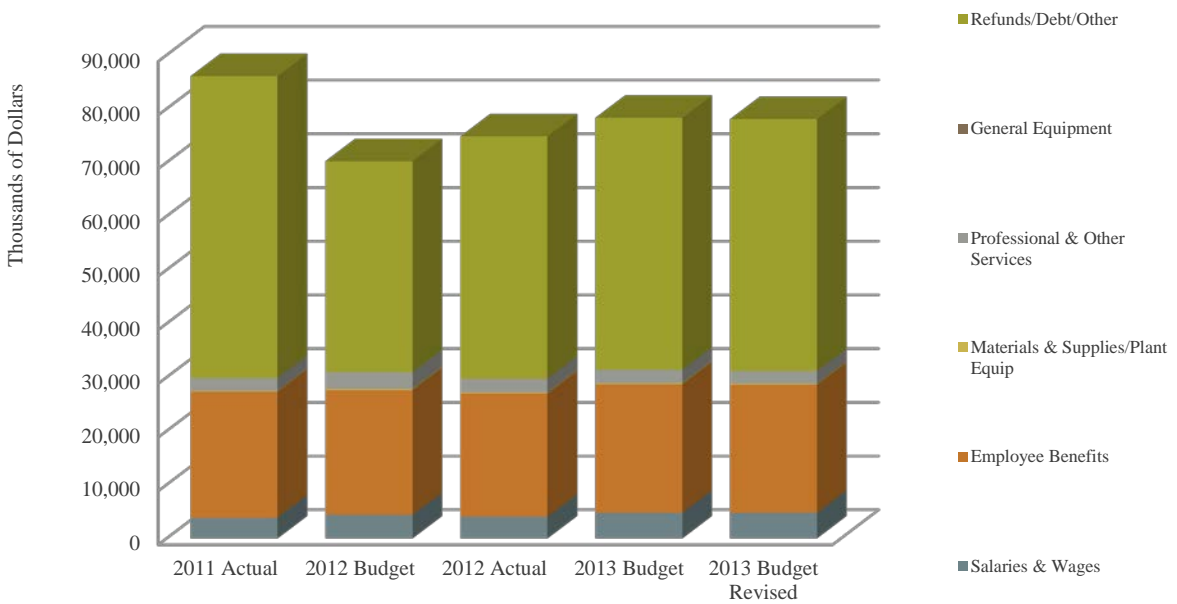
<http://www.denverwater.org/AboutUs/BoardAndOrganization/Finance/>

Under the direction of the CEO/Manager, the Finance Division is responsible for managing financial resources, acting as the disbursing authority for the CEO/Manager and providing electronic record keeping.

Finance Division - Regular Employees



Finance Division Expenditure History





Robert J. Mahoney

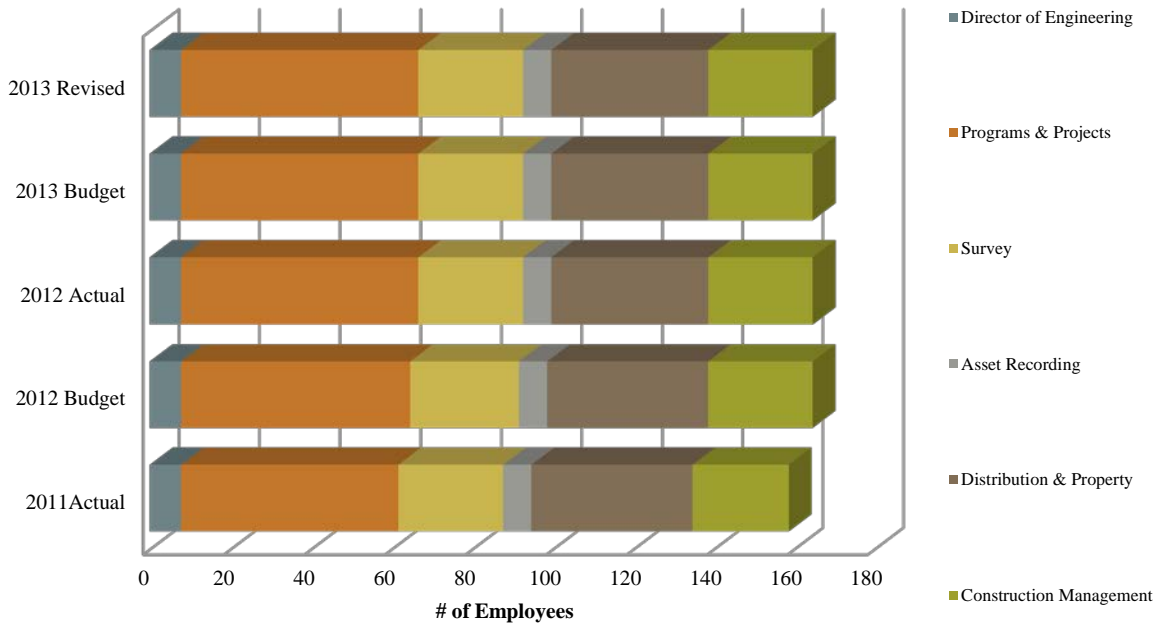
**Director of
Engineering**

Engineering Division

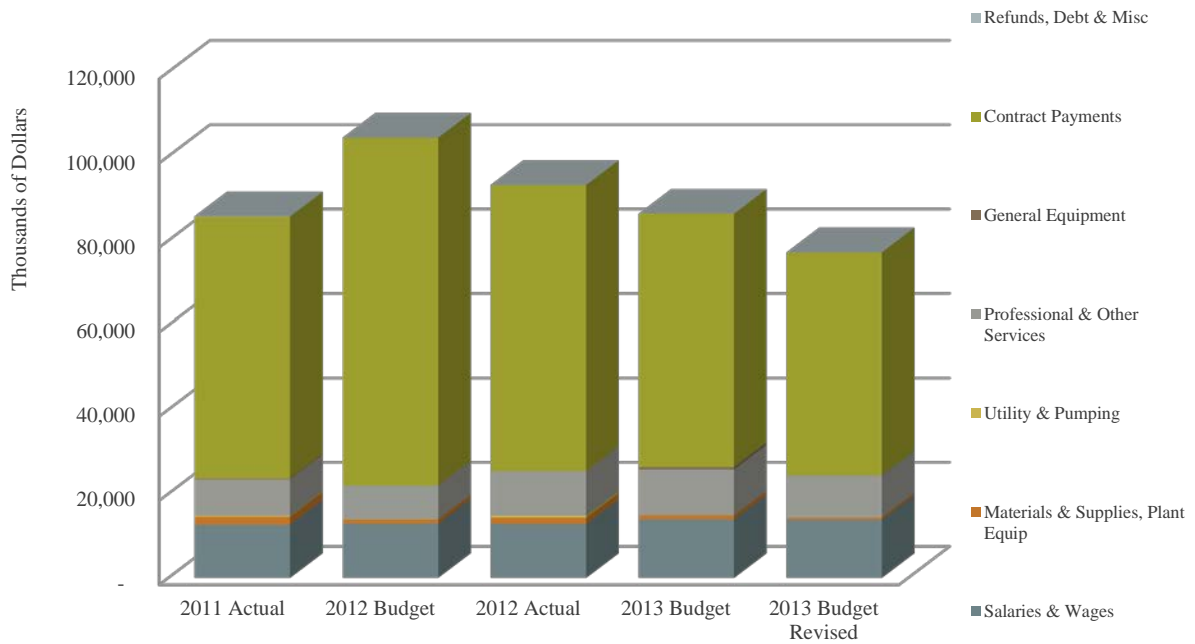
<http://www.denverwater.org/AboutUs/BoardAndOrganization/Engineering/>

Under the direction of the CEO/Manager, the Engineering Division is responsible for the design, construction and related engineering aspects of physical additions or improvements to the water system.

Engineering Division - Regular Employees



Engineering Division Expenditure History





Tom Roode
**Director of Operations
& Maintenance**

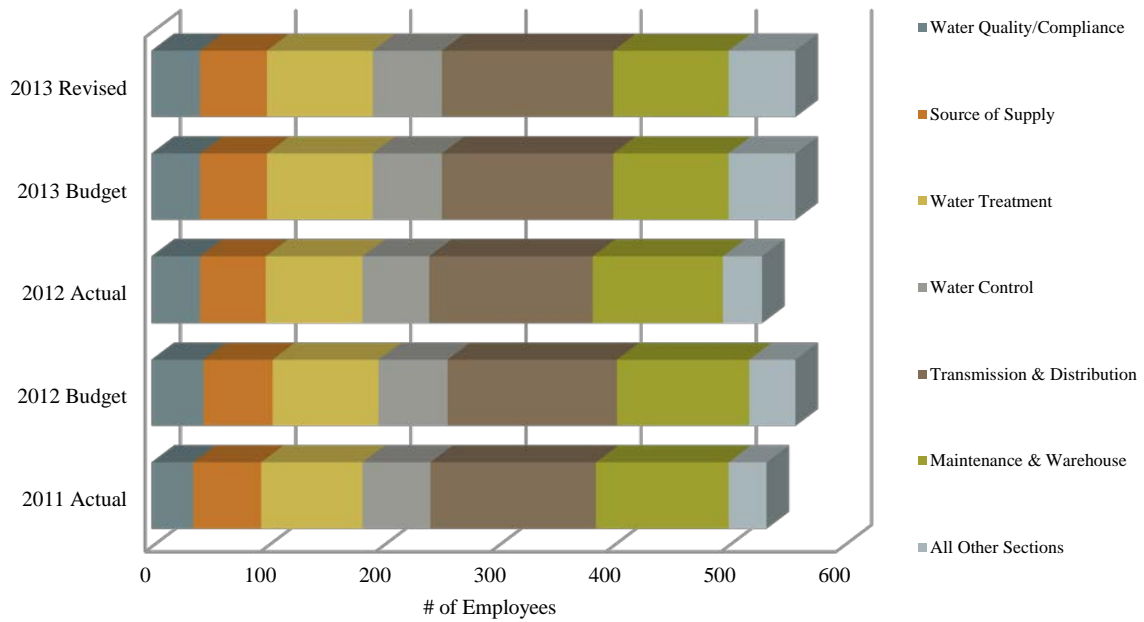
Operations and Maintenance Division

<http://www.denverwater.org/AboutUs/BoardAndOrganization/OperationsMaintenance/>

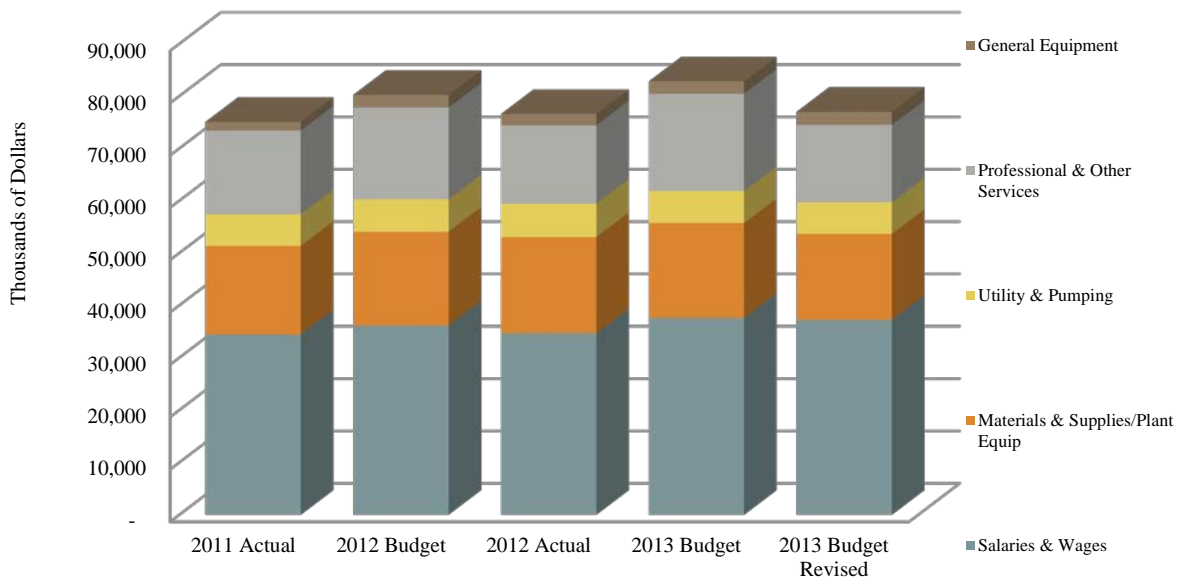
Under the direction of the CEO/Manager, Operations & Maintenance is responsible for operating the physical plant of Denver Water, including ongoing maintenance and facility replacement. This division performs force account installations consistent with needs laid out by the Engineering division and approved programs, and recommends modifications or additions to plant and facilities in cooperation with the Engineering and Planning divisions.

The Operations & Maintenance Division establishes and implements operating criteria for the proper operation of all plant facilities to the satisfaction of outside regulating agencies and Denver Water customers.

Operation & Maintenance Division - Regular Employees



O&M Division Expenditure History





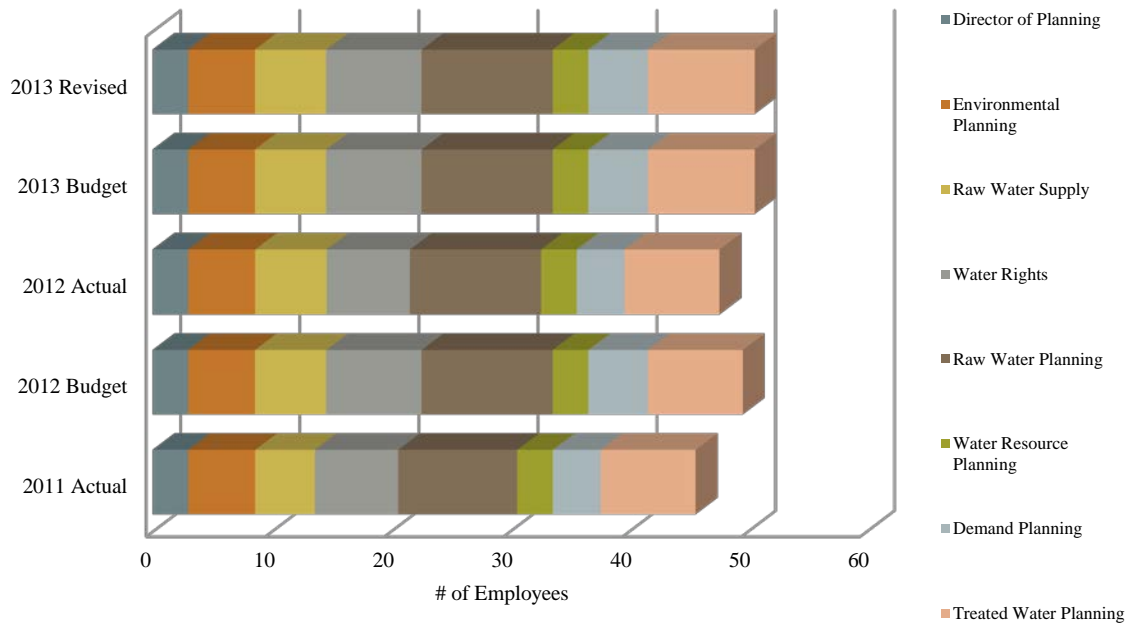
David Little
Director of Planning

Planning Division

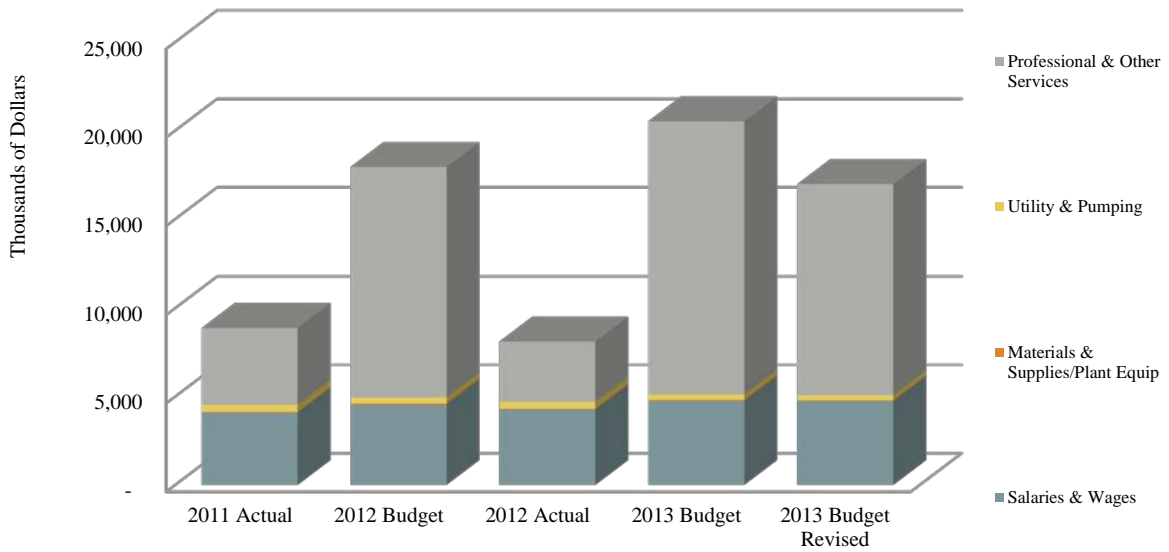
<http://www.denverwater.org/AboutUs/BoardAndOrganization/Planning/>

The Planning Division identifies the future water and facilities needs of Denver Water and develops strategies for meeting those needs. As it plans for the future, Planning must consider how new water rights, infrastructure and resource management alternatives will work with the Board's existing raw water collection and treated water distribution systems

Planning Division - Regular Employees



Planning Division Expenditure History





Strategic Overview

| Comparison of Sources and Uses of Funds | | | | | |
|------------------------------------------------|---------------------|--------------------|---------------------|--------------------|----------------------------|
| (Thousands of Dollars) | | | | | |
| | 2011 Actuals | 2012 Budget | 2012 Actuals | 2013 Budget | 2013 Budget Revised |
| Beginning Investment Balance | \$ 225,410 | \$ 187,296 | \$ 187,296 | \$ 222,299 | \$ 222,299 |
| Sources of Funds: | | | | | |
| Operating Revenue | \$ 238,085 | \$ 261,978 | \$ 271,703 | \$ 268,795 | \$ 233,058 |
| Non-Operating | 6,844 | 6,625 | 6,460 | 6,699 | 6,223 |
| Hydropower | 4,856 | 4,646 | 4,308 | 4,878 | 4,878 |
| System Development Charges | 14,649 | 10,714 | 19,619 | 8,640 | 8,640 |
| Participation, Reimbursements & | 6,160 | 5,367 | 2,518 | 2,911 | 2,911 |
| Interest on Investments | 1,405 | 498 | 735 | 550 | 550 |
| All Other Revenue | 17,726 | 7,014 | 11,648 | 8,851 | 8,851 |
| Subtotal Sources of Funds | \$ 289,725 | \$ 296,842 | \$ 316,991 | \$ 301,324 | \$ 265,111 |
| Bond Proceeds | 0 | 38,000 | 40,358 | 25,600 | 25,600 |
| Total Sources of Funds | \$ 289,725 | \$ 334,842 | \$ 357,349 | \$ 326,924 | \$ 290,711 |
| Uses of Funds: | | | | | |
| Operation & Maintenance Programs: | | | | | |
| Raw Water | \$ 20,674 | \$ 29,920 | \$ 14,488 | \$ 19,607 | \$ 18,696 |
| Recycled Water | 2,634 | 2,443 | 2,551 | 2,777 | 2,525 |
| Water Treatment | 16,468 | 15,938 | 15,244 | 15,929 | 14,533 |
| Delivery | 22,505 | 21,154 | 23,521 | 19,564 | 16,531 |
| Conservation | 7,652 | 8,392 | 5,209 | 6,211 | 6,140 |
| Customer Service | 10,402 | 10,516 | 8,983 | 11,776 | 12,235 |
| General Plant | 10,034 | 15,131 | 10,612 | 14,557 | 13,978 |
| Information Technology | 2,851 | 1,654 | 1,501 | 1,557 | 1,299 |
| Administration | 38,292 | 45,728 | 42,371 | 49,426 | 44,466 |
| Distributed Indirect Costs | 50,668 | 50,986 | 50,735 | 52,526 | 52,526 |
| Total Operation & Maintenance | \$ 182,180 | \$ 201,862 | \$ 175,215 | \$ 193,930 | \$ 182,929 |
| Capital Programs: | | | | | |
| Raw Water | \$ 17,280 | \$ 27,330 | \$ 25,843 | \$ 21,991 | \$ 20,146 |
| Recycled Water | 9,572 | 7,919 | 11,267 | 4,460 | 4,872 |
| Water Treatment | 5,279 | 7,143 | 2,583 | 16,421 | 11,860 |
| Delivery | 42,829 | 43,423 | 45,299 | 47,773 | 43,117 |
| Customer Service | 3,223 | 3,262 | 3,285 | 0 | 0 |
| General Plant | 7,975 | 16,988 | 13,707 | 9,414 | 9,007 |
| Total Capital | \$ 86,158 | \$ 106,065 | \$ 101,984 | \$ 100,059 | \$ 89,002 |
| Debt Service: | | | | | |
| Debt Service | \$ 55,967 | \$ 39,853 | \$ 45,090 | \$ 46,952 | \$ 46,915 |
| Total Uses of Funds | \$ 324,305 | \$ 347,780 | \$ 322,289 | \$ 340,941 | \$ 318,846 |
| Cash Balance Adjustment | \$ (3,534) | | \$ (57) | | |
| Net Cash Flow | \$ (38,114) | \$ (12,938) | \$ 35,003 | | |
| Ending Investment Balance | \$ 187,296 | \$ 174,358 | \$ 222,299 | \$ 208,282 | \$ 194,164 |

The above table shows a comparison of Denver Water's 2013 Revised Budget to the 2013 Budget, 2012 Budget and actual expenditures from 2011-2012.

Denver Water Long-Range Planning Activities

Long-Range Planning

The Denver Water Board engages in a number of long-range planning efforts, all of which have a direct impact on the budget. Denver Water engaged in several significant planning efforts in 2012 that will guide our future operations and impact our budget for years to come. Each of the planning efforts and its impact on our budget is outlined below. All have the same goal, to make Denver Water the best water utility in the nation.

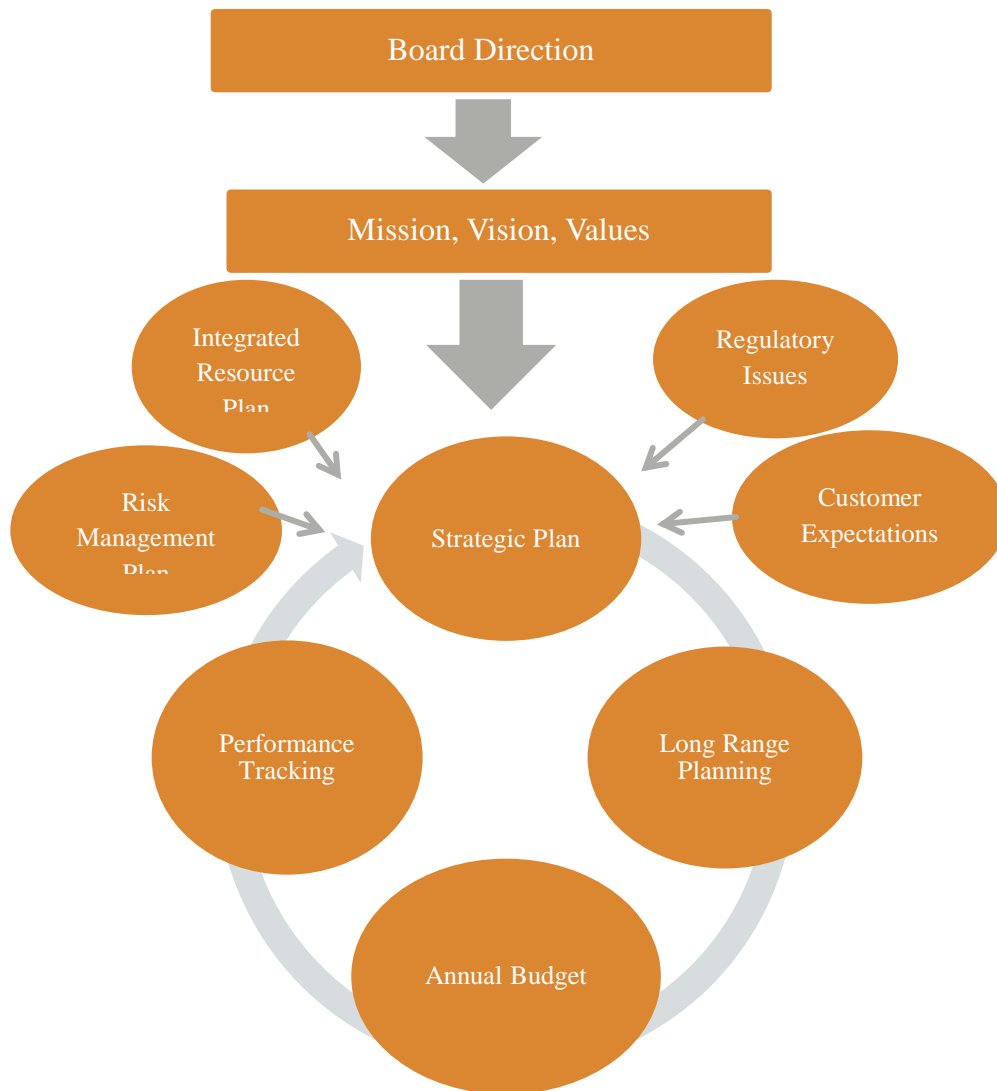
Strategic Planning

Denver Water continues to face growing challenges in water service. As infrastructure resource requirements become evident due to the age of our system, the need for project prioritization and sound financial planning become increasingly important.



Denver Water understands that to be more responsive to its customers in a rapidly changing economy, Denver water must increase its flexibility throughout the organization. The Strategic Plan describes how we will leverage our people and technology, not only to meet and exceed expectations but also excel as the state's largest water utility.

The strategic plan encompasses important statements from the Board and CEO/Manager, a mission statement and is accompanied by definition of our organizational values. The mission, vision and values serve as the foundation of the planning process. The following graphic illustrates the strategic planning process.



The mission, vision, and values create direction for the organization and the method used to get us there. The plan foundation is solidified by four foundational perspectives – customer, financial, organizational and external – that create the foundation for everything we do. These perspectives are fundamental to our daily operation and sustained success.

The Board and Executive Team also identified the major desired outcomes to be achieved from each perspective.

They are as follows:

- Customer: Satisfied and supportive customers
- Financial: A financially strong and stable organization
- Organizational: An effective, efficient and strategically driven organization
- External: Strategically effective relationships and reputation

The details of the plan identify the goals and supporting key priorities necessary to achieve these outcomes.

Integrated Resource Planning

In 1997, Denver Water was one of the first water utilities in the country to prepare an Integrated Resource Plan (IRP) to address changes in the water service industry that could impact our service area. The IRP is narrower in scope, but more detailed than the Strategic Plan and specifically addresses the level of system reliability we want to provide to customers, new facility needs, water quality issues, and operations and maintenance direction for our treatment and distribution systems. The 1997 plan resulted in the Board issuing a Resource Statement that identified a near-term strategy of conservation, non-potable reuse, system refinements, cooperative resource projects and supply projects. These projects are currently under development.

Efforts are currently underway to update the IRP. It has become apparent that the future for which the organization is planning is uncertain. New developments that could influence the Board's future actions include the severe drought, catastrophic wildfires, terrorist attacks, climate change, the pine beetle impact on our watersheds, and new risks of regulatory changes. The new IRP process addresses the need for an expanded, more fully integrated long-range planning process that will:

1. Incorporate new demand planning and conservation opportunities.
2. Address emerging water quality challenges.
3. Integrate planning across the raw water, treatment, distribution, and recycling water systems in a more complete manner.
4. Redefine the appropriate levels for system reliability and water service goals.

5. Develop planning strategies for addressing new uncertainties from climate changes, regulatory risks, demand pattern changes, system failure risks and rehabilitation requirements, and others.
6. Reassess the Board's role in regional and statewide water activities.
7. Integrate the results of the new IRP into future Capital Plans.

The projects that were identified in the 1997 IRP and subsequent 2002 update are underway and are included in our 10-Year Capital Plan and 2013 Budget.

10-Year Financial Planning

Each year Denver Water engages in a 10-Year Financial planning process that looks at capital and operating priorities over the next ten years. Finance Division staff then conduct an analysis to determine the appropriate combination of rate revenue, debt, and cash reserves needed to finance the plan.

The 2013-2022 Financial Plan reflects Denver Water's focus on planning for the water needs of our customers and our neighbors in the coming years. Our organizational commitment to meeting these needs through a combination of new water supply, water conservation, and water reuse is apparent in these documents.

The single largest project in the 10-Year Capital Plan is the Moffat Collection System project. Currently, over 80% of Denver Water's system relies on the unimpeded operation of just one of our reservoirs (Strontia Springs).

For more information on the Moffat Collection System see:
<http://www.denverwater.org/SupplyPlanning/WaterSupplyProjects/Moffat/FAQs/>

The 10-Year Capital Plan also outlines funding for our Downstream Reservoir Storage Projects. These projects, which are being developed cooperatively with other Denver Metro area water users, reclaim mined gravel pits and convert them into water storage which can be used for river exchanges or to supplement water available to the non-potable reuse plant

The Denver Water commitment to non-potable reuse is also reflected in the 10-Year Capital Plan. The Board of Water Commissioners has expressed a desire to accelerate the build out of the recycled water system to 2022.

For more information on the recycled water system see:
<http://www.denverwater.org/WaterQuality/RecycledWater/FAQs/>

As is the case with most water utilities, Denver Water is faced with an aging infrastructure, with some parts of the collection, treatment, and delivery system nearing the end of their useful life. In order to meet our strategic objective and charter requirement to deliver high quality water at the lowest possible cost, we must step up our efforts to replace aging pipes, valves, fire hydrants and vaults.

Denver Water's operating expenses, including debt service, are projected to remain the same as 2012 for 2013. These costs are projected to increase by the year 2022. The majority of the increase over that time is related to inflation, employee pay and benefits, and debt service.

The 2013-2022 Operating Plan also reflects Denver Water's continued efforts to encourage our customers to use water wisely in all situations. In 2006, the Denver Water Board set a goal of 29,000 acre-feet of water savings from conservation programs. In 2013 conservation programs include: education and outreach, rebates and incentives, monitoring and evaluation of each program. Once we have achieved our stated goal, the conservation program will taper down into maintenance mode and by 2022.

For more information Conservation see:
<http://www.denverwater.org/Conservation/>

As with most public sector enterprises, Denver Water is also anticipating significant future cost increases for chemicals, maintenance, security, and employee benefits. These increases are reflected in the 10-Year Plan and the 2013 Annual Budget, however, 2013 budget for employee health care has remained flat from 2011. The budget amount for employee health care reflects plan changes and the diligent efforts made by employees.

Once the 10-Year capital and operating priorities have been finalized and incorporated into the Financial Plan, the Finance Division works to develop the strategy to finance the plan. The draft 10-Year Financial Plan is presented to the Board in July. After Board approval, the water rates are developed for the following year.

Summary of 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. Where applicable, copies of the financial policies are included in the appendix at the end of this document. A summary of these policies is presented below:

Balanced Budget: The Denver Board of Water Commissioners has not adopted an official policy on a balanced budget. Our practice is to balance the budget by the planned use or contribution to investment balances.

Cash Reserves: The Charter of the City and County of Denver specifically allows the accumulation of reserves —sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, and betterments, including those reasonably required for anticipated growth of the Denver Metropolitan area and to provide for Denver's general welfare. The Board's practice is to maintain reserves that are sufficient to provide:

- 25 percent of the next year's operating costs.
- The greater of average annual amortization cost and 2 percent of current total capital assets (before depreciation) for replacement capital and equipment purchases.
- 50 percent of expected annual debt service for next year.
- \$10 million in exposure reserve.

Basis of Accounting: The Charter of the City and County of Denver specifically allows the accumulation of reserves “sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, and betterments, including those reasonably required for anticipated growth of the Denver Metropolitan area and to provide for Denver's general welfare.”

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- The greater of average annual amortization cost and 2 percent of current total capital assets (before depreciation) for replacement capital and equipment purchases.
- 50 percent of expected annual debt service for next year.
- \$10 million in exposure reserve.

Accounting Standards: The Board's financial statements are prepared in accordance with principles generally accepted in the United States of America (GAAP). Additionally, the Board applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Chart of Accounts: The Chart of Accounts utilized by Denver Water generally follows the structure presented by the National Association of Regulatory Utility Commissioners for Class A Water Utilities (NARUC).

Capital Policy: Initial acquisition costs of assets are capitalized if they have a service life of more than one year and a cost of \$5,000 or more. Costs not meeting these criteria are expensed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective asset classes.

Revenues: Denver Water 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 practice this means that Denver Water will properly maintain its facilities and continuously seek ways to operate more efficiently.

Risk Management: The Board is exposed to various risks of loss, including general liability, (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence) property damage, employee life, medical, dental and accident benefits. The Board has a risk-management program that includes self-insurance for liability, employee medical, dental and vision. The Board carries commercial property insurance for catastrophic losses, including floods, fires, earthquakes and terrorism for identified major facilities.

Investments: The Board has protection of principal as its primary investment policy objective. The Board designates its authority to invest money deposited in the water works fund to the manager and the director of finance. According to the current investment policy, U.S. government obligations and government sponsored federal agency securities, commercial paper, corporate fixed income securities, money market funds and repurchase agreements are permissible investments. The official policy outlines allowable credit risk and maximum maturities for each investment type.

Debt Guidelines: Denver Water has no legal debt limits. However, the Board has adopted Debt Guidelines to guide the timing and use of debt in the future. The guidelines set forth a policy that prevents debt proceeds from being used to pay operating and maintenance expenditures. The guidelines instruct that debt proceeds be used only for current refunding, advanced refunding and payment for non-recurring capital projects that expand the system or are otherwise unusual in nature or amount.

Fund Structure

Denver Water is an “enterprise” of the City within the meaning of Article X, Section 20 of the Colorado Constitution. The Board maintains a single fund as mandated by the City Charter which states:

“There is hereby created a Water Works Fund into which shall be placed all revenues received from the operation of the Water Works system and plant together with all monies received by the Board from other sources...”

Although the Board approves the rates and the annual budget, no funds are appropriated.

Fund Balance: Denver Water defines fund balance for the Water Works Fund as the balance at the beginning of the period, plus the total sources of funds, less total uses of funds for the period. Within the Water Works Fund there are legally restricted funds and Board designated funds. As outlined above, the Board targets reserves to pay for operating, capital, self-insurance and debt service in an emergency, in addition to the restricted and designated funds. Any excess funds above these target amounts are considered available for future operating and capital projects.

| 2012 Investment Balance Summary | |
|--------------------------------------------------------------------------------------------------------|--------------------|
| (\$000) | |
| | 2012 Actual |
| Beginning Balance 01/01 | \$ 187,296 |
| Total Sources | \$ 357,261 |
| Total Uses | \$ 319,379 |
| | \$ (2,879) |
| Ending Investment Balance 12/31 | \$ 222,299 |
| | |
| Less: Board Designated Cash | |
| Blue River Decree Litigation | \$ 4,351 |
| Total Board Designated Cash | \$ 4,351 |
| | |
| Less: Legally Restricted Cash: | |
| Total Legally Restricted Cash | \$ 12,411 |
| | |
| Available Investment Balance | \$ 205,537 |
| | |
| Less: Operating/Insurance Reserve (25% of Operating + \$10,000,000) | \$ 53,173 |
| Less: Part II/III Capital Reserve (Greater of Average Amortization or 2% of Capital less Depreciation) | \$ 50,640 |
| | |
| Available for Future Operating & Capital | \$ 101,724 |

Debt Information

As set forth in the debt guidelines adopted in May, 2003, Denver Water issues debt only for refunding current maturities of existing debt (current refunding), refunding future maturities of existing debt (advance refunding), and for non-recurring capital expenditures. Operating expenses and capital improvements of a normal recurring nature are included in the calculation of the revenue requirement from rates and are, therefore, financed on a “pay-as-you-go” basis.

The Treasury section monitors the marketplace and evaluates the appropriateness of various financing sources for specific capital projects. The expected life of the asset, the nature of the covenants, and the impact on the organization’s future financial flexibility and whether Denver Water will be able to support the projected level of debt are analyzed.

Denver Water’s policy is to structure current refunding so that the final maturity of the debt does not exceed the useful life of the asset. Advance refunding is considered when the net present value savings on the bonds being refunded are greater than 3% and the refunding is permitted by statutory regulations.

Denver Water’s debt guidelines state the organization’s desire to maintain the stand-alone revenue bond rating at a level of AA or better. In order to maintain or exceed this rating Denver Water uses the following, guidelines in financial planning activities:

- a. The Debt Ratio (Total Debt divided by the sum of net fixed assets plus net working capital) should not exceed 40%.
- b. Interest Coverage (Net Revenues divided by Interest Requirements-excluding System Development Charges) should be equal to or greater than 2.5x.
- c. Debt Service Coverage, as defined in the Master Bond Resolution should be equal to or greater than 2.2x.
- d. The year-end balance in the Water Works Fund, net of Principal and Interest Requirements for the next 12 months should be equal to or greater than \$5 million.

Debt Principal and Interest Obligations

(in Millions of dollars)

| Year | Principal | Interest | Total |
|------|-----------|----------|-------|
| 2013 | 26.8 | 19.4 | 46.2 |
| 2014 | 28.1 | 18.2 | 46.3 |
| 2015 | 29.1 | 17.0 | 46.1 |
| 2016 | 21.6 | 15.7 | 37.3 |
| 2017 | 15.8 | 14.6 | 30.4 |
| 2017 | 15.4 | 13.9 | 29.3 |

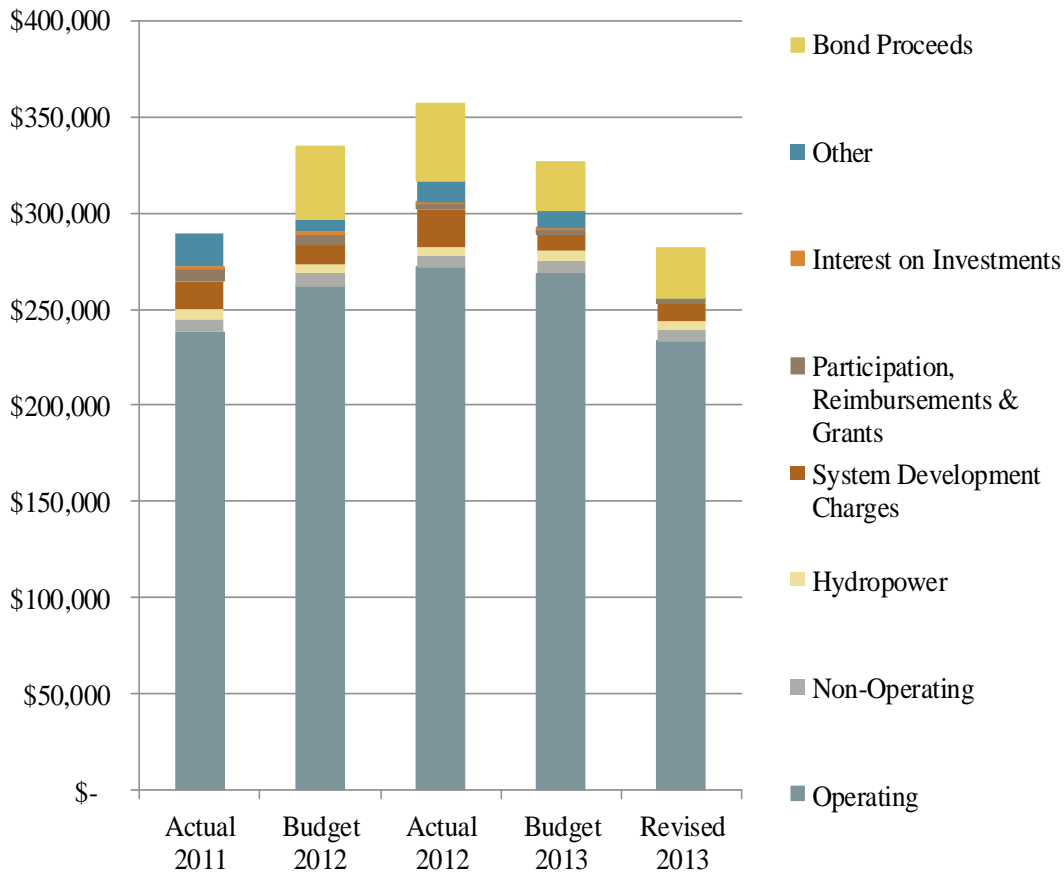


Source of Funds

2011-2013 COMPARISON OF SOURCES OF FUNDS
(In Thousands of Dollars)

| | 2011 Actual | 2012 Budget | 2012 Actual | 2013 Budget | 2013 Revised |
|----------------------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|
| Operating | \$ 238,085 | \$ 261,978 | \$ 271,703 | \$ 268,795 | \$ 233,058 |
| Non-Operating | 6,844 | 6,625 | 6,460 | 6,699 | \$ 6,223 |
| Hydropower | 4,856 | 4,646 | 4,308 | 4,878 | \$ 4,878 |
| System Development Charges | 14,649 | 10,714 | 19,619 | 8,640 | \$ 8,640 |
| Participation, Reimbursements & Grants | 6,160 | 5,367 | 2,519 | 2,911 | \$ 2,911 |
| Interest on Investments | 1,405 | 498 | 735 | 550 | \$ - |
| Other | 17,726 | 7,014 | 11,648 | 8,851 | \$ 550 |
| Subtotal Sources | \$ 289,725 | \$ 296,842 | \$ 316,990 | \$ 301,324 | \$ 256,261 |
| Bond Proceeds | - | 38,000 | 40,358 | 25,600 | 25,600 |
| Total Sources | \$ 289,725 | \$ 334,842 | \$ 357,348 | \$ 326,924 | \$ 281,861 |

The projected sources of funds in the 2013 Revised Budget are \$281,861 thousand.



Types of Water Service

Water rates are based on four types of retail metered service: Inside City, Outside City Read and Bill, Outside City Total Service and Master Meter Distributors. 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, and billing customers, as well as operation and maintenance of the distribution system.



55% of our Customers live in the City and generate 43% of water sales revenue.

45% of our Customers live outside the City and generate 57% of water sales revenue. (Includes Master Meter Distributors)



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. Denver Water will bill the Distributor through master meters at a rate that reflects the cost of providing this additional service. Wholesale water distributors account for approximately 21% of our revenue from water sales.

Water Rates – Additional Information

<http://www.denverwater.org/BillingRates/RatesCharges/>

Inside City

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/InsideCity/>

Outside City: Read and Bill

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/OutsideCitReadBill/>

Outside City: Total Service

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/OutsideCityTotalService/>

Outside City: Master Meter

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/OutsideCityMasterMeter/>

Raw and Recycled Water Service

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/RawRecycled/>

Outside Combined Service Area

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/OutsideCombinedServiceArea/>

Residential Multiplex (Inside City Only)

<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/ResidentialMultiplex/>

Front Range Water Bill Comparison

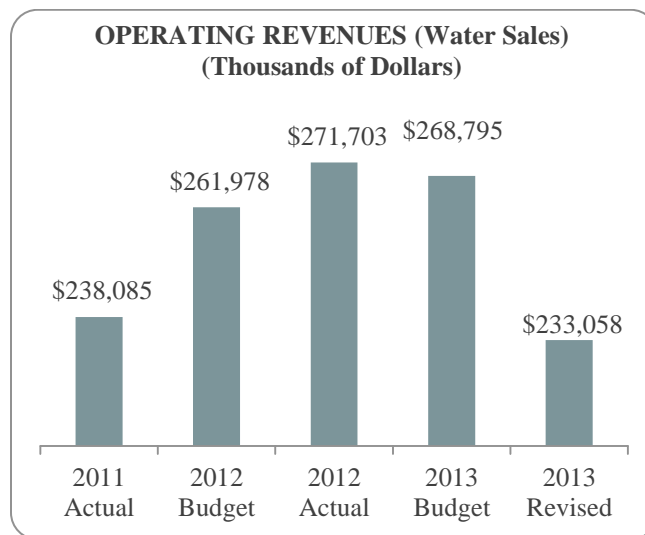
<http://www.denverwater.org/BillingRates/RatesCharges/2013Rates/>

Scroll down and click on Front Range Water Bill Comparison

Operating (Water Sales)

Operating Revenues are generated from the sale of water to customers. In 2013, we anticipate that 91% of our revenue (not including debt) will result from water sales. The funds are used to pay normal operation and maintenance costs, replacement of facilities, and plant additions, as well as debt service.

Operating projections are based on an assumption of total demand for water compared to historic normal demand. Historically, Denver Water has been able to predict our consumer's water consumption patterns with a fair degree of accuracy. However, the recent drought and resulting change in our customers' water use has added a degree of uncertainty to our forecasting.

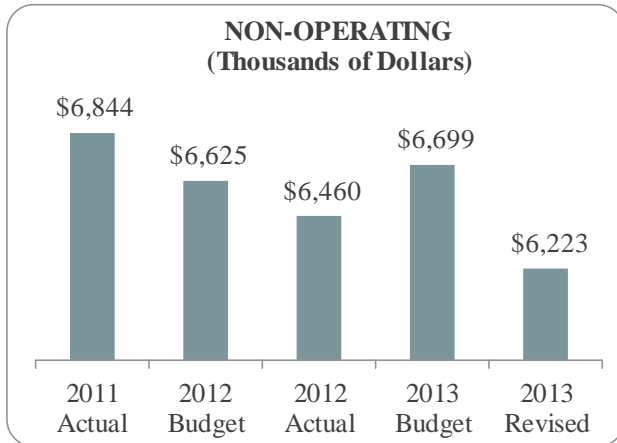


2013 Revised Budget for Operating (Water Sales)

Metered Water Sales \$144,270 thousand
Private Fire Protection \$1,065 thousand
Government Water Sales \$7,327 thousand
Master Meter \$57,206 thousand
Non-Potable Water \$6,736 thousand
Non-Potable for Resale \$1,626 thousand
Drought Surcharge \$14,828 thousand

Non-Operating

These funds are obtained from payments for services that Denver Water renders such as ditch assessments, irrigation, main inspections, installation of taps, calculating and mailing sewer bills, rents on Denver Water facilities and other such services. Non-Operating cash receipts are estimated based on historical trends.



2013 Budget for Non-Operating

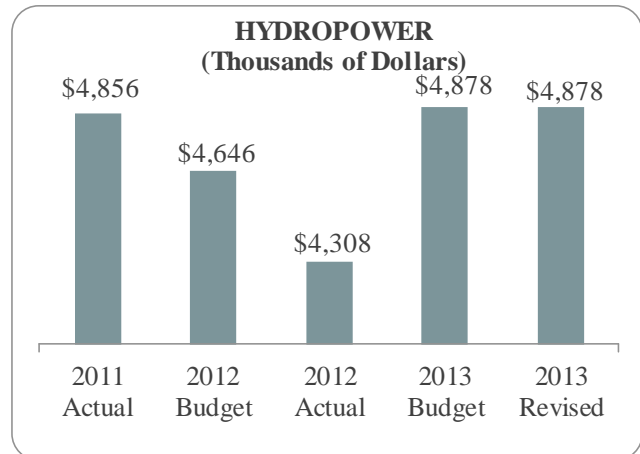
| | |
|-------------------------------|------------------|
| Contract Work | \$1,255 thousand |
| Non-Utility Operating Income | \$416 thousand |
| Other Non-Operating Income | \$2,412 thousand |
| Non-Operating Interest Income | \$2,140 thousand |

Hydropower

Denver Water generates hydroelectric power from our facilities at Dillon, Strontia Springs, Williams Fork and Gross Reservoirs as well as generation facilities at the Roberts Tunnel, Foothills Treatment Plant and Hillcrest Reservoir. Denver Water enters into agreements with electric utilities that purchase the generated power. Projections are based on assumptions of normal weather, and hydrological conditions. Actual revenues vary depending on precipitation and reservoir levels.

2013 Budget for Hydropower

| | |
|---------------------------|------------------|
| Gross Reservoir | \$1,459 thousand |
| Foothills Treatment Plant | \$447 thousand |
| Strontia Springs | \$348 thousand |
| Dillon | \$547 thousand |
| Roberts Tunnel | \$1,091 thousand |
| Hillcrest | \$486 thousand |
| Williams Fork | \$500 thousand |



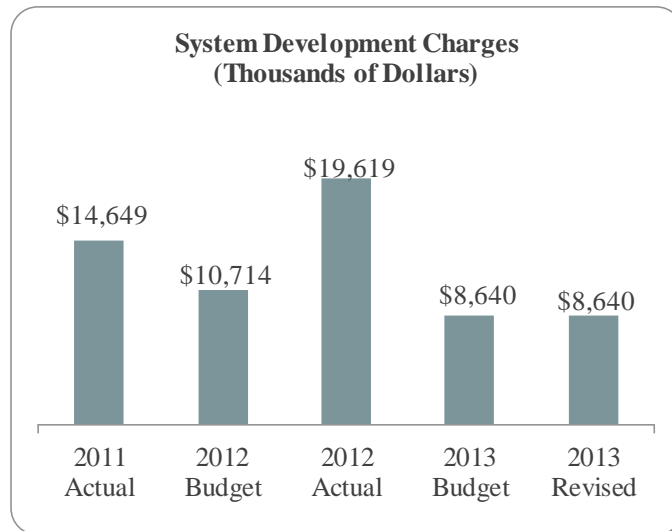
System Development Charges

The System Development Charge (SDC) is a fee received for new connections to Denver Water's system. This charge applies to any applicant who is granted a license to take water through Denver Water's system or a system deriving its supply from Denver Water. The SDC, first implemented in 1973, provides a source of funds for expansion capital.

The charge is based upon the gross square footage of the single family residential lot or the number of units in a multi-family building, the size of the connection required, or estimated volume of water needed.

System Development Charge receipt projections are based on an estimate of the blended average cost for new taps, the anticipated growth rate for the number of new taps, and any anticipated rate increases.

Projected revenue from system development charges total \$8.6 million for 2013. The level of system development charge revenue received in a year is influenced by many factors, including changes in the local economy, new real estate development and credit markets.



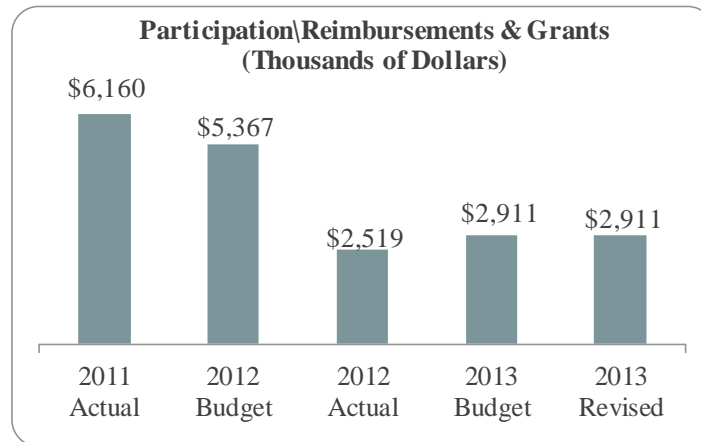
2013 Budget for System Development Charges

System Development Charges \$8,640 thousand

Participation\Reimbursements & Grants

A participation agreement is one in which a Distributor or Developer pays for a portion of the costs of the Denver Water distribution facilities such as conduits, treated water reservoirs, or pump stations required to provide service to that district. Estimates are based on the existence of contractual obligations.

Reimbursements are compensation received from another entity for money already spent on collaborative projects. Grants are an award of financial assistance given by the government or some other organization.



2013 Budget for Participation Reimbursements & Grants

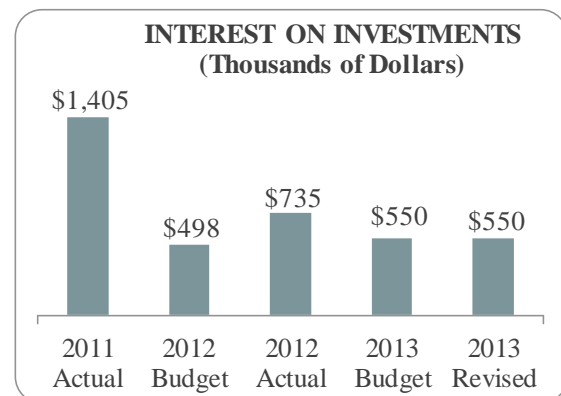
Participation/Reimbursements & Grants \$2,911 thousand

Interest on Investments

The projection for interest on investments is based on estimates of month-by-month investment balances and assumptions about prevailing interest rates on authorized investments.

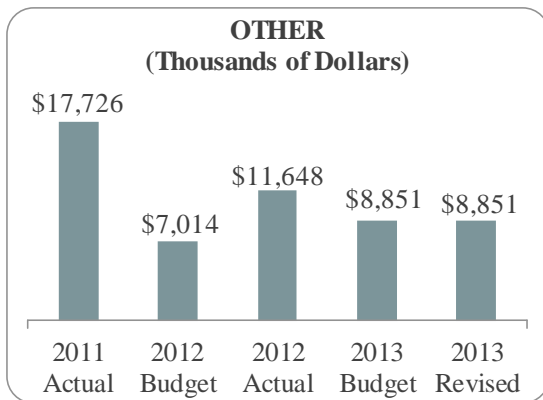
2013 Budget Interest on Investments

Interest Income \$550 thousand



Other

Other sources of funds consist of reimbursements for the relocation of mains and hydrants, proceeds from the sale of surplus assets, employee payments for health and dental insurance, and minor items not included elsewhere. Projections are based on historical experience and knowledge of upcoming changes.



2013 Budget for Other

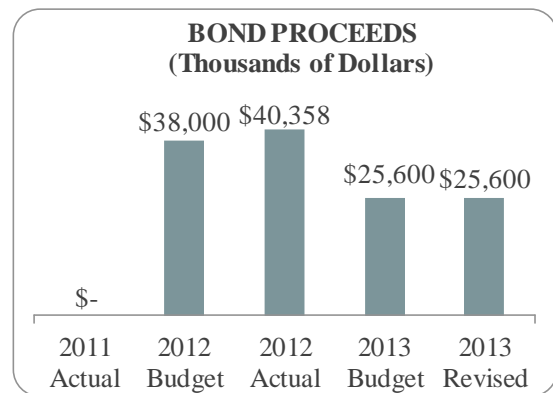
| | |
|------------------------------|------------------|
| Employee Insurance Collected | \$1,567 thousand |
| Special Assessments | \$5,019 thousand |
| Reimbursements Received | \$1,543 thousand |
| Other | \$722 thousand |

Debt Proceeds

Bonds are issued in order to build facilities or make improvements to a public property. Denver Water Board practice is to use debt proceeds to finance expansion capital projects.

2013 Budget for Debt Proceeds

| | |
|---------------|-------------------|
| Debt Proceeds | \$25,600 thousand |
|---------------|-------------------|





Use of Funds

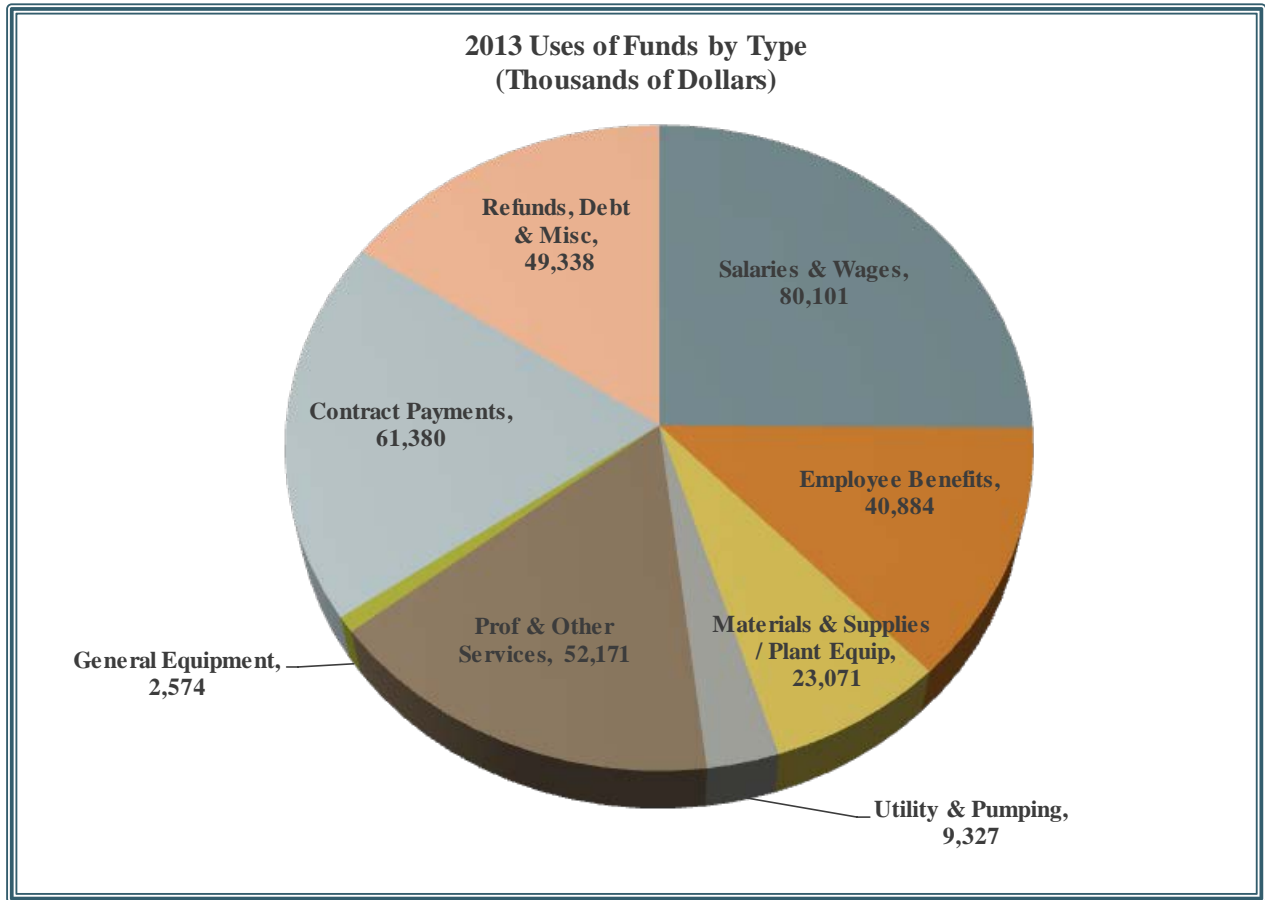
It's a drought.



2013 Uses of Funds by Type

The projected Uses of Funds budget for Denver Water in 2013 is \$318,846 thousand. Costs are displayed in categories by type, regardless of whether the cost is operating or capital.

Categorizing data this way is useful for trend analysis and for highlighting the impact different costs have on the budget.



2013 Uses of Funds (In Thousands of Dollars)

| 2011 | 2012 | 2012 | 2013 | 2013 |
|---------------|---------------|---------------|---------------|-----------------------|
| <u>Actual</u> | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Budget Revised</u> |
| \$324,305 | \$347,780 | \$322,289 | \$340,941 | \$318,846 |

Salaries and Wages
(Thousands of Dollars)



| 2011 Actual | 2012 Budget | 2012 Actual | 2013 Budget | 2013 Revised |
|-------------|-------------|-------------|-------------|--------------|
| \$ 75,377 | \$ 78,466 | \$ 76,862 | \$ 82,319 | \$ 80,101 |

Salaries and Wages

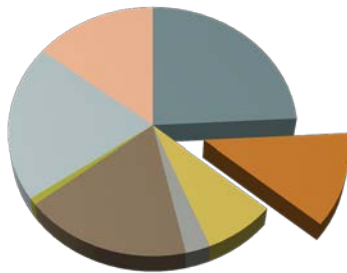
The 2013 Revised Budget is a decrease of \$2,218 thousand from the 2013 Budget, and an increase of \$1,635 thousand from the 2012 Budget.

Total payroll for 2013 will support 1,140 regular employees as well as 85.5 temporary positions.

2013 BUDGET:

*Regular Wages \$67,585 thousand
Overtime Pay \$1,989 thousand
Holiday, Vacation, Sick \$8,554 thousand
Other Pay \$1,973 thousand*

Employee Benefits
(Thousands of Dollars)



| 2011 Actual | 2012 Budget | 2012 Actual | 2013 Budget | 2013 Revised |
|-------------|-------------|-------------|-------------|--------------|
| \$ 38,290 | \$ 40,182 | \$ 37,756 | \$ 40,984 | \$ 40,884 |

Employee Benefits

The 2013 Revised Budget is a decrease of \$100 thousand from the 2013 Budget, and an increase of \$702 thousand from the 2012 Budget.

This category of costs covers employee medical, dental, vision and life insurance, as well as the defined benefit and defined contribution retirement programs. FICA, Medicare, Long Term Disability, and Worker's Compensation are also included in this category.

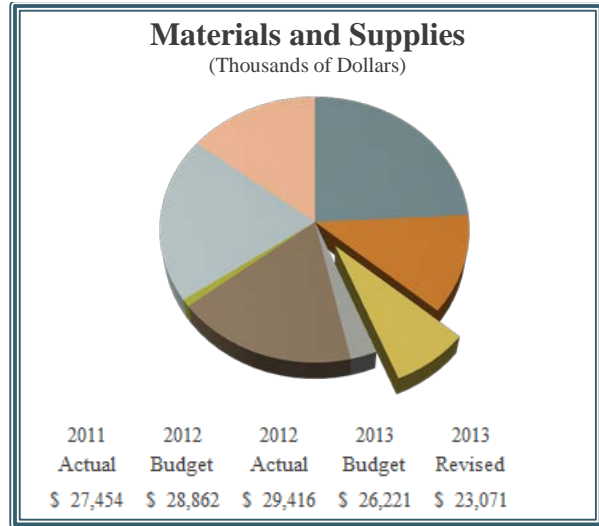
2013 BUDGET:

*Retirement Plan Contribution \$15,000 thousand
Health and other Benefits \$25,884 thousand*

Materials & Supplies

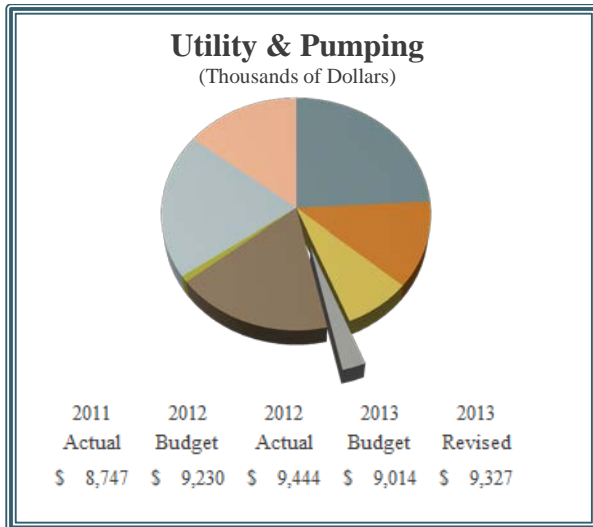
The 2013 Revised Budget is a decrease of \$3,151 thousand from the 2013 Budget, and a decrease of \$5,791 thousand from the 2012 Budget.

This area includes materials and supplies purchased for direct use and for warehouse stock. Office supplies, pipe, sand, and chemicals fall into this category, as do fuel and employee safety equipment.



2013 BUDGET:

*Materials and Supplies for Direct Use \$9,376 thousand
Chemicals Purchased for Direct Use \$4,390 thousand
Store Issues \$9,176 thousand*



Utility & Pumping

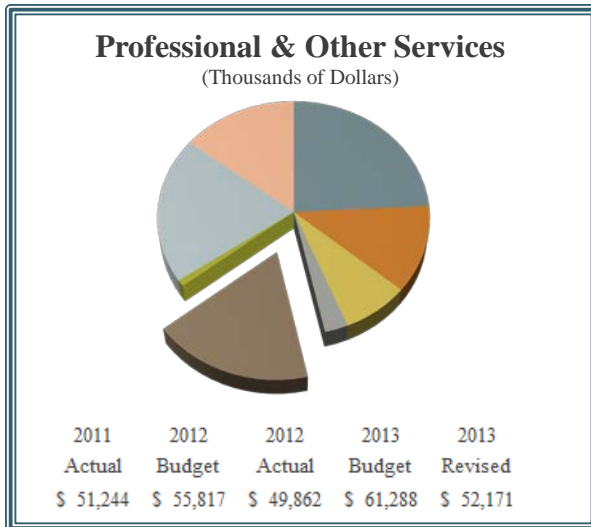
The 2013 Revised Budget is an increase of \$313 thousand from the 2013 Budget, and a decrease of \$117 thousand from the 2012 Budget.

This category includes power and diesel fuel for pumping water and our utility bills. Electricity, gas, water, sewer, telephone and cellular service are included in this group.

2013 BUDGET:

*Electricity, Gas, Water & Sewer \$3,282 thousand
Communications \$2,993 thousand
Power Purchased for Pumping Water \$3,052 thousand*

Professional & Other



The 2013 Revised Budget is an increase of \$9,116 thousand from the 2013 Budget, and an increase of \$3,646 thousand from the 2012 Budget.

This category includes funds for consultants with expertise in IT, Engineering, Finance, Planning and other areas. Labor services such as those for landscaping, paving, equipment rentals and temporary employment are also included in other services. Employee costs such as travel, training, conferences and meeting related costs budgeted are also under other services.

2013 BUDGET:

Professional Services \$22,082 thousand

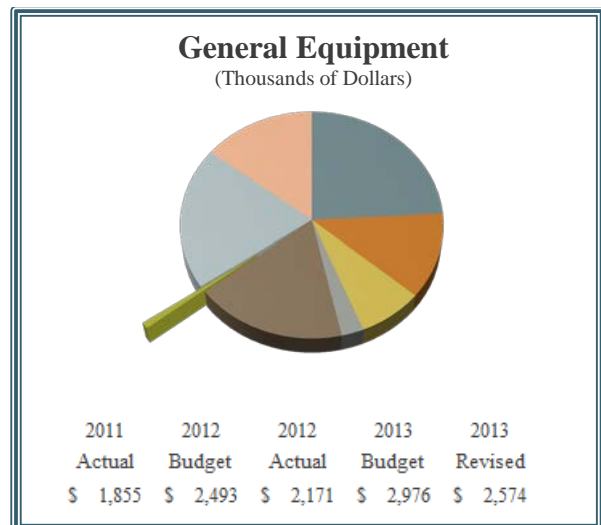
Other Services \$26,388 thousand

Conservation Related \$3,701 thousand

General Equipment

The 2013 Revised Budget is a decrease of \$401 thousand from the 2013 Budget, and an increase of \$81 thousand from the 2012 Budget.

General equipment includes communication equipment, personal computers, hardware and software, office furniture, laboratory instruments, garage and shop machines, and vehicles.



2013 BUDGET:

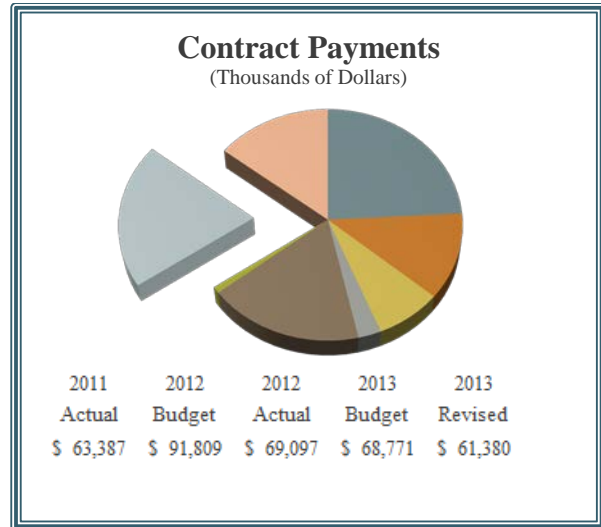
Vehicles \$1,695 thousand

All Other General Equipment \$880 thousand

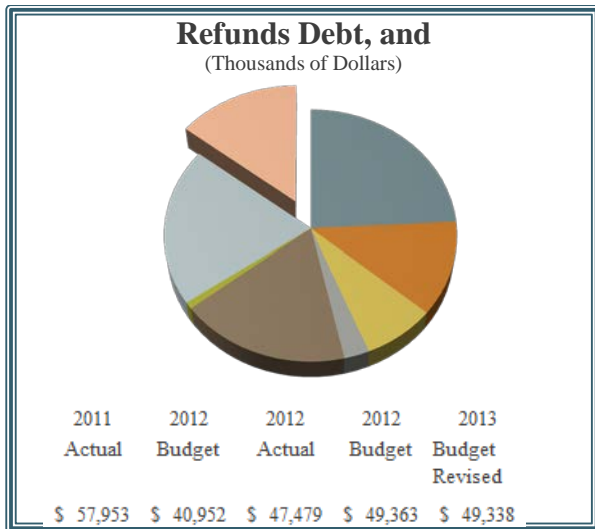
Contract Payments

The 2013 Revised Budget is a decrease of \$7,391 thousand from the 2013 Budget, and a decrease of \$30,429 thousand from the 2012 Budget.

This grouping includes construction contract payments for capital projects, land and land rights, contract materials and supplies, land, land rights and water rights purchases, and construction materials purchased by contractors.



2013 BUDGET:
Contract Payments and Construction Materials \$61,380 thousand



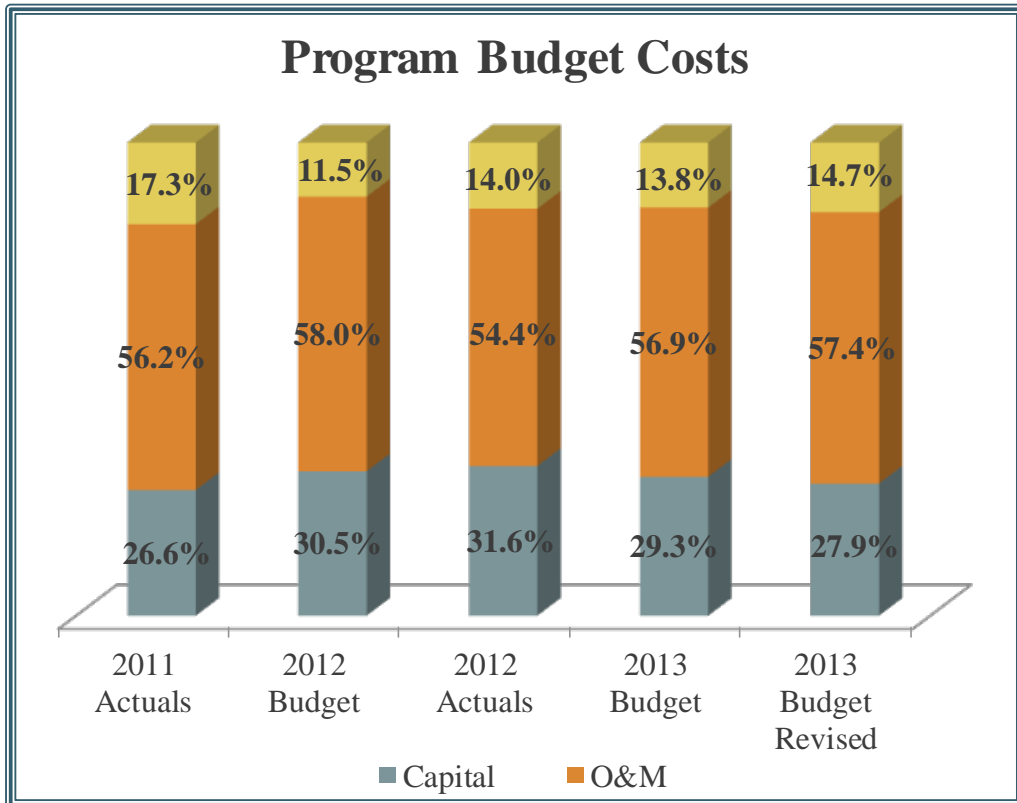
Refunds, Debt and Misc.

The 2013 Revised Budget is a decrease of \$25 thousand from the 2013 Budget, and an increase of \$8,386 thousand from the 2012 Budget.

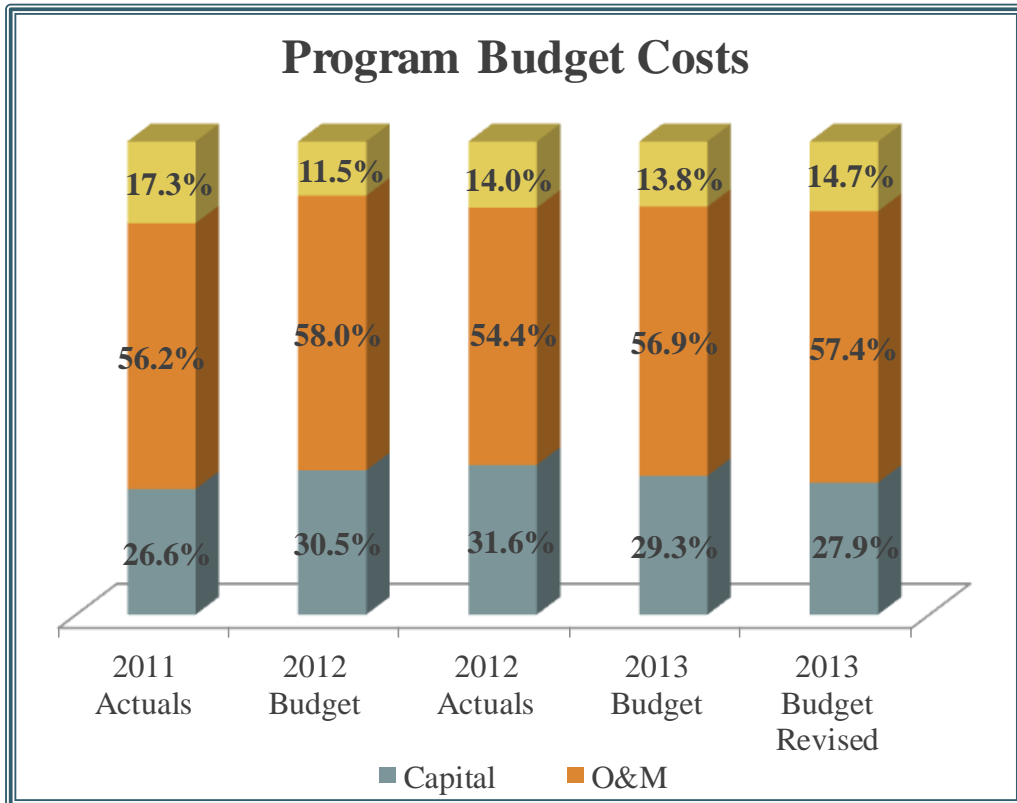
Debt service comprises 95% of the costs budgeted in this category. The remaining 5% is made up of refunds, unemployment insurance and insurance/legal claims.

2013 BUDGET:
Refunds \$1,593 thousand
Debt Service \$46,752 thousand
All Other Miscellaneous \$993 thousand

Uses of Funds by Program

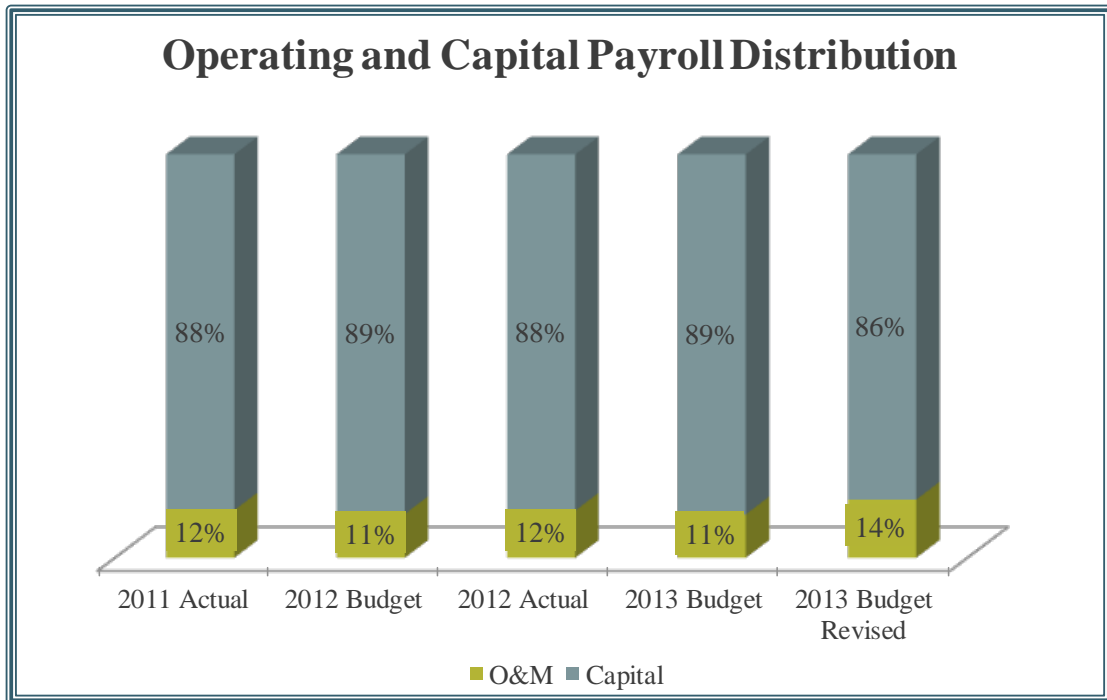


Uses of Funds by Program



Uses of Funds by Program Summary
(Thousands of Dollars)

| | 2011 Actuals | 2012 Budget | 2012 Actuals | 2013 Budget | 2013 Budget Revised |
|----------------------------------------------|-------------------------|------------------------|-------------------------|------------------------|------------------------------------|
| Operation and Maintenance | | | | | |
| Raw Water | \$ 20,674 | \$ 29,920 | \$ 14,488 | \$ 19,607 | \$ 18,696 |
| Recycled Water | 2,634 | 2,443 | 2,551 | 2,777 | 2,525 |
| Water Treatment | 16,468 | 15,938 | 15,244 | 15,929 | 14,533 |
| Delivery | 22,505 | 21,154 | 23,521 | 19,564 | 16,531 |
| Conservation | 7,652 | 8,392 | 5,209 | 6,211 | 6,140 |
| Customer Service | 10,402 | 10,516 | 8,983 | 11,776 | 12,235 |
| General Plant | 10,034 | 15,131 | 10,612 | 14,557 | 13,978 |
| Information Technology | 2,851 | 1,654 | 1,501 | 1,557 | 1,299 |
| Administration | 38,292 | 45,728 | 42,371 | 49,426 | 44,466 |
| Distributed Indirect Costs | 50,668 | 50,986 | 50,735 | 52,526 | 52,526 |
| Total Operation & Maintenance | \$ 182,180 | \$ 201,862 | \$ 175,215 | \$ 193,930 | \$ 182,929 |
| Capital | | | | | |
| Raw Water | 17,280 | 27,330 | 25,843 | 21,991 | 20,146 |
| Recycled Water | 9,572 | 7,919 | 11,267 | 4,460 | 4,872 |
| Water Treatment | 5,279 | 7,143 | 2,583 | 16,421 | 11,860 |
| Delivery | 42,829 | 43,423 | 45,299 | 47,773 | 43,117 |
| Customer Service | 3,223 | 3,262 | 3,285 | 0 | 0 |
| General Plant | 7,975 | 16,988 | 13,707 | 9,414 | 9,007 |
| Total Capital | \$ 86,158 | \$ 106,065 | \$ 101,984 | \$ 100,059 | \$ 89,002 |
| Debt Service | | | | | |
| Debt Service | \$ 55,967 | \$ 39,853 | \$ 45,090 | \$ 46,952 | \$ 46,915 |
| Total Uses of Funds | \$ 324,305 | \$ 347,780 | \$ 322,289 | \$ 340,941 | \$ 318,846 |



Payroll Costs

Payroll costs are distributed between capital projects and operating activities. The cost of payroll for employees directly related to the completion of capital projects may be capitalized. The chart above shows the percentage of payroll allocated between capital and operations.

Of the total amount budgeted for payroll expenditures, 14% will be assigned to staff working with capital projects and 89% will be allocated to employees engaged in other utility activities.

Operations & Maintenance

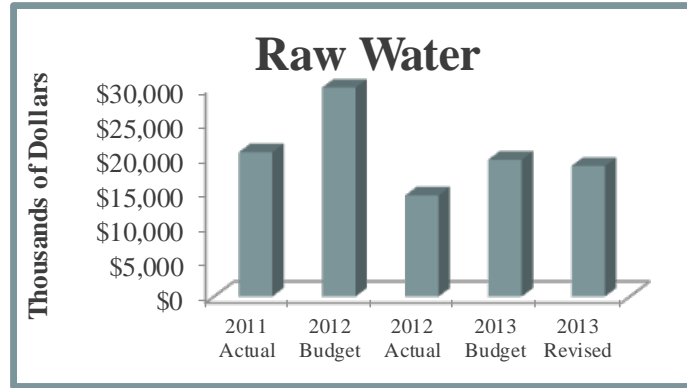
| Operations & Maintenance <i>(In Thousands of Dollars)</i> | | | | | |
|-------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | 2012 | 2013 | 2013 |
| | Actual | Budget | Actual | Budget | Revised |
| Raw Water | \$ 20,674 | \$ 29,920 | \$ 14,488 | \$ 19,607 | \$ 18,696 |
| Recycled Water | 2,634 | 2,443 | 2,551 | 2,777 | 2,525 |
| Water Treatment | 16,468 | 15,938 | 15,244 | 15,929 | 14,533 |
| Delivery | 22,505 | 21,154 | 23,521 | 19,564 | 16,531 |
| Conservation | 7,652 | 8,392 | 5,209 | 6,211 | 6,140 |
| Customer Service | 10,402 | 10,516 | 8,983 | 11,776 | 12,235 |
| General Plant | 10,034 | 15,131 | 10,612 | 14,557 | 13,978 |
| Information Technology | 2,851 | 1,654 | 1,501 | 1,557 | 1,299 |
| Administration | 38,292 | 45,728 | 42,371 | 49,426 | 44,466 |
| Distributed Indirect Costs | 50,668 | 50,986 | 50,735 | 52,526 | 52,526 |
| Total Operation & Maintenance | \$ 182,180 | \$ 201,862 | \$ 175,215 | \$ 193,930 | \$ 182,929 |

Operations & Maintenance

Operations & Maintenance (O&M) costs are budgeted at \$182,929 thousand for the 2013 revised budget, 6% less than the 2013 Budget and 10% lower than the 2012 Budget.

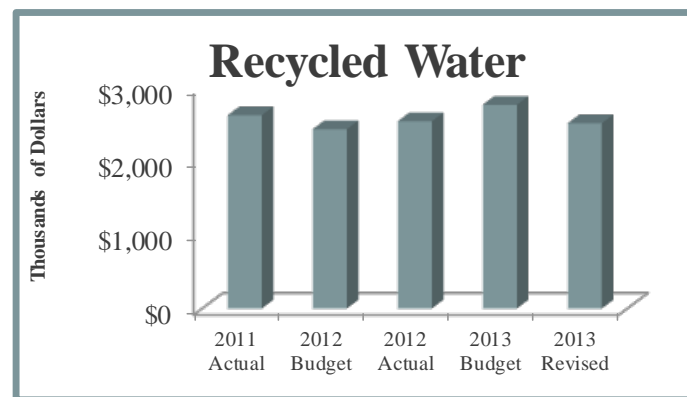
Raw Water

The Raw Water Program ensures the supply of an adequate raw water supply. The 2013 Operating and Maintenance Budget for the Raw Water Program is \$18,696 thousand. The 2013 Revised Budget is a decrease of 5% from the 2013 Budget, and a decrease of 60% from the 2012 Budget.



Recycled Water

The Recycled Water Plant receives wastewater from the Metro Wastewater facility after its treatment process, treats it and delivers the water to our industrial and irrigation customers. The 2013 Operating and Maintenance Budget for the Recycled Water Program is \$2,525 thousand. The 2013 Revised Budget is a decrease of 10% from the 2013 Budget, and an increase of 3% from the 2012 Budget.

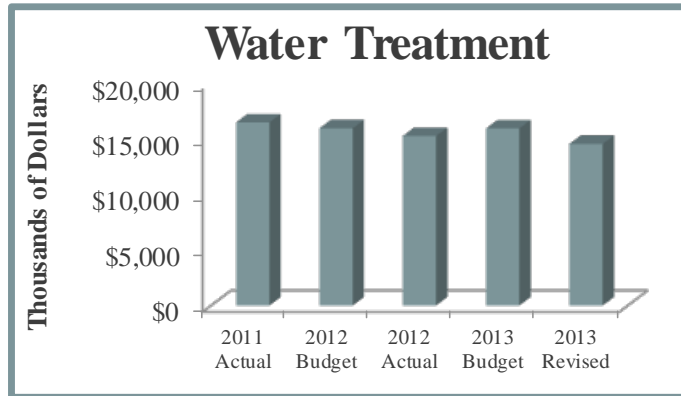


Recycled Water

is a precious resource here in the West, much too precious to use just once. That's why Denver Water started a program to treat and recycle wastewater from the Robert W. Hite Treatment Plant. Once build-out is complete, the project will supply more than five billion gallons of recycled water every year — water for irrigation, for industrial use, for lakes in our parks and for golf courses — water we don't have to take from a reservoir.

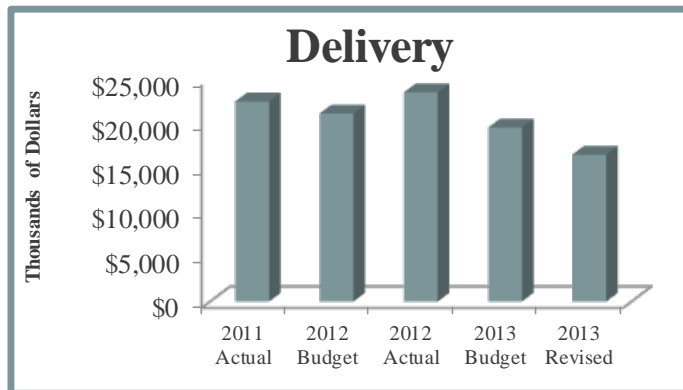
Water Treatment

Costs related to the treatment of water prior to delivery to customers. The 2013 Operating and Maintenance Budget for Water Treatment is \$14,533 thousand. The 2013 Revised Budget is a decrease of 10% from the 2013 Budget, and a decrease of 10% from the 2012 Budget.



Delivery

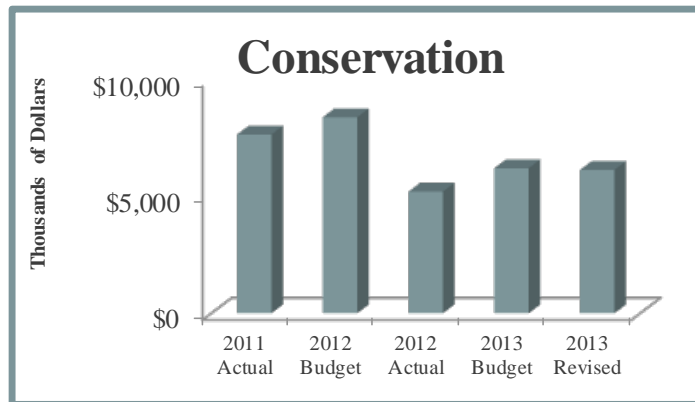
Delivery costs are related to maintaining our pumping and clear water storage facilities, as well as those for operating our distribution system. Maintaining our system includes emergency leak repairs and leak detection in the system. The 2013 Operating and Maintenance Budget for the Delivery Program is \$16,531 thousand. The 2013 Revised Budget is a decrease of 18% from the 2013 Budget, and a decrease of 28% from the 2012 Budget.



Conservation

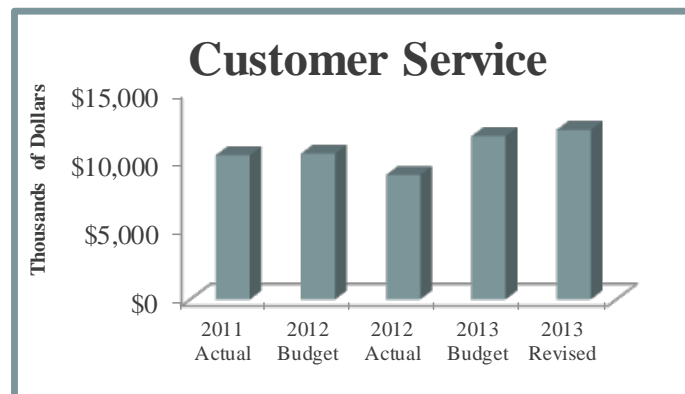
Denver Water's conservation plan involves accelerating the pace of water conservation in its service area and to reduce overall water use from the 2001 pre-drought usage by 22% before 2016. The reduction in costs for 2013 is a reflection of the progress that has been made towards this goal. This plan is a primary part of Denver Water's future water supply planning. In order to provide long-term, reliable supplies for its customers, Denver water utilizes three strategies: conservation, recycled water and developing new supplies.

The 2013 Operating and Maintenance Budget for the Conservation Program is \$6,140 thousand. The 2013 Revised Budget is a decrease of 1% from the 2013 Budget, and a decrease of 37% from the 2012 Budget.



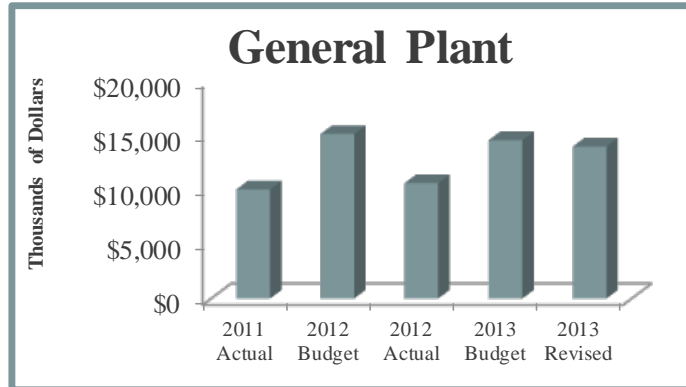
Customer Service

The Customer Service program includes meter reading, customer billing, call center, meter testing and repair and other customer related services. The 2013 Operating and Maintenance Budget for the Customer Service Program is \$12,235 thousand. The 2013 Revised Budget is an increase of 4% from the 2013 Budget, and a decrease of 14% from the 2012 Budget.



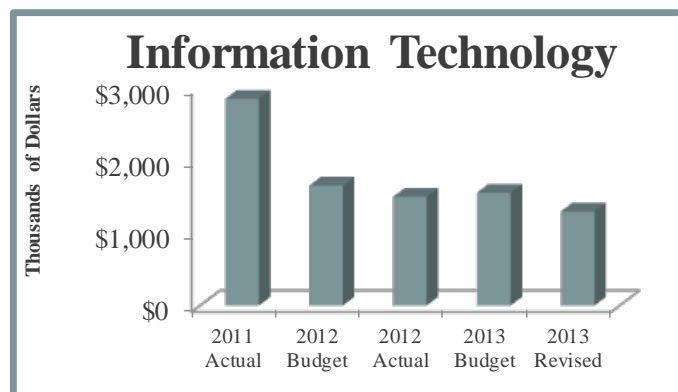
General Plant

The General Plant program encompasses activities related to the operation and maintenance of our vehicles, equipment and administrative facilities as well safety, security and small tools. The 2013 Operating and Maintenance Budget for the General Plant Program is \$13,978 thousand. The 2013 Revised Budget is a decrease of 4% from the 2013 Budget, and a decrease of 8% from the 2012 Budget.



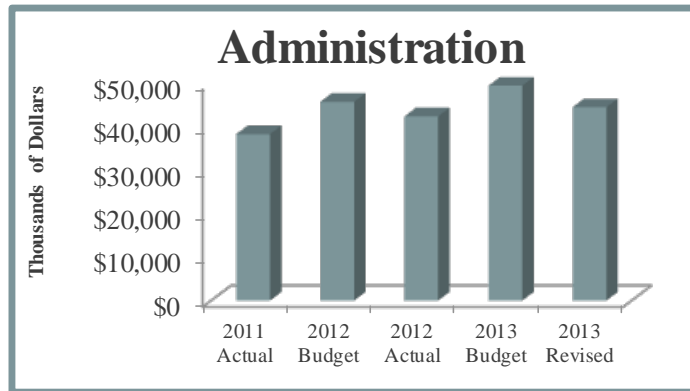
Information Technology

The Information Technology Program encompasses activities related to the development, implementation and support of computer applications, data-center operations and the technology infrastructure. The 2013 Operating and Maintenance Budget for the Information Technology Program is \$1,299 thousand. The 2013 Revised Budget is a decrease of 20% from the 2013 Budget, and a decrease of 27% from the 2012 Budget.



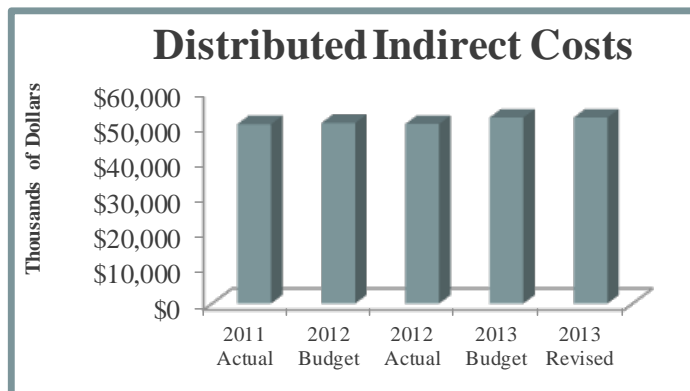
Administration

The Administration program comprises our overhead costs for administrative activities, maintenance shops, computer related operation and maintenance, and other related activities. The 2013 Operating and Maintenance Budget for the Administration Program is \$44,466 thousand. The 2013 Revised Budget is a decrease of 11% from the 2013 Budget, and a decrease of 3% from the 2012 Budget.



Distributed Indirect Costs

The Distributed Indirect Costs Program comprises employee benefits, general liability and other insurances. The 2013 Operating and Maintenance Budget for the Distributed Indirect Costs Program is \$52,526 thousand. The 2013 Revised Budget is comparable to the 2013 Budget, and an increase of 3% from the 2012 Budget.



Capital Projects

| Capital <i>(In Thousands of Dollars)</i> | | | | | |
|----------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| | 2011 Actual | 2012 Budget | 2012 Actual | 2013 Budget | 2013 Revised |
| Raw Water | \$21,991 | \$ 27,330 | \$ 25,843 | \$ 21,991 | \$ 20,146 |
| Recycled Water | 9,572 | 7,919 | 11,267 | 4,460 | 4,872 |
| Water Treatment | 5,279 | 7,143 | 2,583 | 16,421 | 11,860 |
| Delivery | 42,829 | 43,423 | 45,299 | 47,773 | 43,117 |
| Customer Service | 3,223 | 3,262 | 3,285 | - | - |
| General Plant | 7,975 | 16,988 | 13,707 | 9,414 | 9,007 |
| Total Capital | \$86,158 | \$106,065 | \$ 101,984 | \$100,059 | \$ 89,002 |

Capital costs are budgeted at \$89,002 thousand for the 2013 revised budget, 12% less than the 2013 Budget and 19% lower than the 2012 Budget.

Raw Water

The Raw Water Program ensures the supply of an adequate raw water supply. This includes collection systems, storage reservoirs, ditches and canals and raw water supply mains.

The 2013 Revised Capital Budget for the Raw Water Program is \$20,146 thousand, 9% less than the 2013 Budget and 36% lower than the 2012 Budget.

Moffat Tunnel – Bury Siphon 1

To replace existing above ground aged pipe with new buried pipe for reduced operating costs.

- **\$2,130 Thousand**

Conduit 16 & 22 Replacement

Replace the two conduits between Ralston Reservoir and Moffat Treatment Plant.

- **\$2,067 Thousand**

Platte Canyon Dam – Modify Spillway

Construct new spillway for Platte Canyon Reservoir.

- **\$1,370 Thousand**

WISE Project with Aurora

The Water Infrastructure and Supply Efficiency Project will provide new supply by combining unused water supplies from Denver and Aurora. Any water we don't need, the South Metro Water Supply Authority will be able to buy to reduce its reliance on nonrenewable groundwater.

- **\$1,185 Thousand**

Gravel Pit – Hazeltine Bank Stabilization

This project will complete the side slopes of the Hazeltine Gravel Pit. The re-grade will put the slopes in a stable configuration acceptable for storing water.

- **\$1,370 Thousand**

Recycled Water

Recycled water is treated wastewater used for irrigation, commercial and industrial use. Once build-out is complete, expected in the next decade, Denver Water's recycled water system will free up enough drinking water to serve almost 43,000 homes.

The 2013 Revised Capital Budget for the Recycled Water Program is \$4,872 thousand, 8% higher than the 2013 Budget and 63% lower than the 2012 Budget.

Distribution Pipe Montbello - Area off Conduit 308

Provide recycled water to new customers in Montbello area.

- **\$2,325 Thousand**

Conduit 302 – Rocky Mountain Arsenal to Green Valley Ranch

Provide recycled water to new customers in Gateway and continues to Tower Road for future expansion.

- **\$1,325 Thousand**

Water Treatment

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

The 2013 Revised Capital Budget for the Water Treatment Program is \$11,860 thousand, 38% lower than the 2013 Budget and 40% higher than the 2012 Budget.

Foothills Treatment Plant

- Replace Electrical Equipment & Main Switch Gear -
\$3,429 Thousand
- HVAC Improvements-Electric to gas conversion -
\$2,893 Thousand
- Repave entry road ways & parking lots on site -
\$109 Thousand

Marston Treatment Plant

- Headworks HVAC -
\$969 Thousand
- Washwater Recovery Tank and Pump Station -
\$688 Thousand

Delivery

The Delivery Program provides treated water to customers and distributors. Projects include pumping stations, treated water reservoirs, transmission and distribution mains, fire hydrants, and decentralization stations.

The 2013 Revised Capital Budget for the Delivery Program is \$43,117 thousand, 11% lower than the 2013 Budget and 1% lower than the 2012 Budget.

Main Replacements

This program will replace mains that are corroding.

\$7,595 Thousand

Storage reservoirs at Ashland

This program will replace existing tanks at Ashland.

\$6,837 Thousand

Highlands Pump Station – Reservoir Modifications

Replace existing storage basins.

\$2,653 Thousand

Vault Modifications

Project to address age and condition problems with the vaults as well as other deficiencies.

\$2,624 Thousand

Conduit 152 Replacement

Hydraulic improvement, upsize existing conduit from 18-inch to 24-inch diameter.

\$2,202 Thousand

General Plant

The General Plant Program provides operation and maintenance of our administrative facilities, security, computer support and administration.

The 2013 Revised Capital Budget for the General Plant Program is \$9,007 thousand, 5% lower than the 2013 Budget and 89% lower than the 2012 Budget.

IT Disaster Recovery

Ensure capabilities of restoration to core infrastructure components in the event of IT system interruptions.

\$2,061 Thousand

Vehicles

Replacement of deteriorated vehicles.

\$1,695 Thousand



Glossary

It's a drought.



Acronyms A-E

ACP

Accelerated Conservation Plan

AF

Acre Foot

AMWA

Association of Metropolitan Water Agencies

BABS

Build American Bonds

BPPI

Budget and Planning Process Improvement

CAFR

Comprehensive Annual Financial Report

CBSM

Community Based Social Marketing

COP

Certification of Participation

CIP

Capital Improvement Plan

CIS

Customer Information System

CPR

Capital Program Review

CWA

Clean Water Act

DIA

Denver International Airport

DW

Denver Water

ECMS

Enterprise Content Management System

EIS

Environmental Impact Statement

EPA

Environmental Protection Agency

EMS

Environmental Management System

ERT

Encoder Receiver Transmitter

ETMS

Enterprise Time Management System

Acronyms F-Z

FERC

Federal Energy Regulatory Commission

FRICO

Farmers Reservoir & Irrigation Company

GAAP

Generally Accepted Accounting Principles

GAD

Gallons Per Account Per Day

GASB

Governmental Accounting Standards Board

GIS

Geographic Information System

G.O. Bonds

General Obligation Bonds

IRP

Integrated Resource Planning

MGD

Millions of Gallons Per Day

NARUC

National Association of Regulatory Utility
Commissioners

NEPA

National Environmental Policy Act

NRCS

Natural Resource Conservation Service

NWRS

National Water Resource Association

OPEB

Other Post-Employment Benefits

RCRA

Resource Conservation and Recovery Act

PACSM

Platte and Colorado Simulation Model

POS

Point of Service

SDBE

Small Disadvantaged Business Enterprise

SMWBE

Small Minority Women Business Enterprise

WISE

Water Infrastructure Supply Efficiency
Partnership

WUWC

Western Urban Water Coalition

Glossary

Accounting Standards

The Board's financial statements are prepared in accordance with principles generally accepted in the United States of America (GAAP). Additionally, the Board applies all applicable pronouncements of the GASB.

Acre Foot

Volume of water equal to one foot in depth covering an area of one acre, or 43,560 cubic feet; approximately 325,851 gallons. Roughly two-thirds of an acre foot serves the needs of a typical family of four for a year.

Annual Yield

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

Average Winter Consumption

The amount of water used on average by a customer during the winter; provides a good indication of indoor water use.

Balanced Budget

The Denver Board of Water Commissioners has not adopted an official policy on a balanced budget. Our practice is to balance the budget by the planned use of contribution to investment balances.

Basis of Accounting

The Board's financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. This is different from the basis of budgeting. Denver Water's budget is prepared using the modified accrual basis in which revenues are recorded when they become available and expenditures are recorded at the time liabilities are incurred.

Block

A volume of water used in setting water rates; a quantity or volume of water sold at a particular rate.

Bonds

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

Projects and equipment purchases and provides prioritization, scheduling and financing options.

Capital Leases

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

Capital Policy

Initial acquisition costs of assets are capitalized if they have a service life of more than one year and a cost of \$5,000 or more. Costs not meeting these criteria are expensed. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective asset classes.

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.

Cash Reserves

The Charter of the City and County of Denver specifically allows the accumulation of reserves “sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, and betterments, including those reasonably required for anticipated growth of the Denver Metropolitan area and to provide for Denver’s general welfare.” The Board’s practice is to maintain reserves that are sufficient to provide, 25 percent of the next year’s operating costs, the greater of average annual amortization cost and 2 percent of current total capital assets (before depreciation) for replacement capital and equipment purchases, 50 percent of expected annual debt service for next year, \$10 million in exposure reserve.

Certificate of Participation

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

Chart of Accounts

The Chart of Accounts used by Denver Water generally follows the structure presented by the National Association of Regulatory Utility Commissioners for Class A Water Utilities (NARUC).

Clean Water Act

The federal law that establishes how the United States will restore and maintain the chemical, physical and biological integrity of the country’s waters (oceans, lakes, streams and rivers, ground water and wetlands.) The law provides protection for the country’s waters from both point and non-point sources of pollution.

Conduit

A 24-inch (or larger) diameter pipe carrying raw or potable water from or to treatment facilities, reservoirs and delivery points feeding a distribution system.

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

The multifaceted, multimillion-dollar project to modernize our aging Customer Information System (CIS) and enhance the system's capabilities, performance and security. Among numerous other objectives, an up-to-date CIS has boosted our ability to track customer account information, analyze water savings and administer more sophisticated rate designs aimed at achieving our demand-management and revenue goals. A more contemporary CIS also accommodates the switch from bimonthly to monthly billing.

Debt Guidelines

Denver Water has no legal debt limits. However, the Board has adopted debt guidelines to guide the timing and use of debt in the future. The guidelines set forth a policy that prevents debt proceeds from being used to pay operating and maintenance expenditures. The guidelines instruct that debt proceeds will be used only for current refunding, advanced refunding and payment for non-recurring capital projects that expand the system or are otherwise unusual in nature or amount.

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 percent of all people employed, and shall serve solely at the pleasure of the Board.

Division

Largest organizational unit reporting to the CEO/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.

EPA Section 319

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

Encoder Receiver Transmitter

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.

Expenditures

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

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 known as the water works fund.

Fund Balance

The balance in the water works fund. Fund balance is calculated each year by adding total sources of funds to the balance at the beginning of the year and then subtracting total expenditures

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

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

Geographic Information System

A component of our enterprise asset management system. This system is used in large part to record the geographic location and many other attributes of distribution and collection system assets. From the GIS, we produce many types of maps, as well as analysis related to our assets, and the world around them.

Goals

Overall end toward which effort is directed.

Governmental Accounting Standards Board

A board that 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 revenues legally restricted to capital expenditures.

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

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.

Investment Balance

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

Introductory Employee

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

Investments

The Board has protection of principal as its primary investment policy objective. The Board designates its authority to invest money deposited in the water works fund to the CEO/manager and the director of Finance. According to the current investment policy, U.S. government obligations, government-sponsored federal agency securities, commercial paper, corporate fixed income securities, money market funds and repurchase agreements are permissible investments. The official policy outlines allowable credit risk and maximum maturities for each investment type.

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 Denver Water'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.

Maximo

Maximo (work and maintenance management system) is a component of our enterprise asset management system, and is used to manage work activities and programs related to operational assets.

Mobile Workforce

Mobile workforce (the service suite system) is a component of our enterprise asset management system that enables scheduling, dispatching, sharing of work order information and work completion reporting for our field workers.

Modified Accrual Basis

Accounting method in which revenues 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.

Nonpotable

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.

Raw Water

Untreated water.

Recycled Water

Application of appropriately treated effluent to a constructive purpose. In Colorado, the source of recycled water must be another basin. Also, to intercept – either directly or by exchange – water that would otherwise return to the stream system for subsequent beneficial use. Sometimes recycled water is called reclaimed, gray or reuse water.

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.

Reservoir

An impoundment to collect and store water. Raw water reservoirs impound water in a watershed; terminal reservoirs collect water where it leaves a watershed to enter the treatment process; and treated-water reservoirs are tanks or cisterns used to store potable water.

Revenues

Denver Water's 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.

Risk Management

The Board is exposed to various risks of losses, including general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence); property damage; and employee life, medical, dental and accident benefits. The Board has a risk-management program that includes self-insurance for liability, employee medical, dental and vision. The Board carries commercial property insurance for catastrophic losses including floods, fires, earthquakes and terrorism for scheduled major facilities.

Safe Drinking Water Act

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, as well as fuel and oil for vehicles and equipment

Strategic Plan

Process that is a practical method used by organizations to identify goals and resources that are important to the long-term wellbeing 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.

Tap

A physical connection made to a public water distribution system that provides service to an individual customer.

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 money coming into the 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 revenues 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.

For additional Glossary Terms:
<http://www.denverwater.org/AboutUs/GlossaryofTerms/>