



2014 BUDGET



Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award of Distinguished Budget Presentation to Denver Water, Colorado for its annual budget for the fiscal year beginning January 1, 2013. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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INTRODUCTION

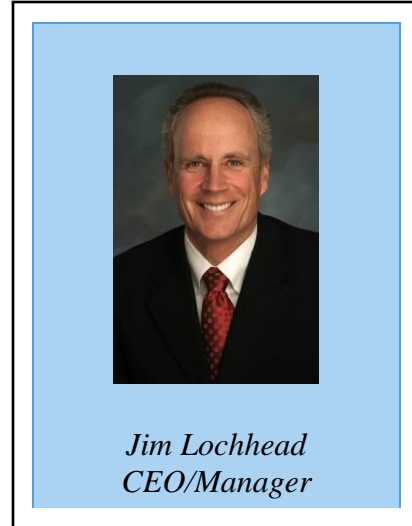
Manager/CEO Letter

Board of Directors

Contact Information

To our customers and other interested readers:

Everything we do at Denver Water ties back to our Vision and Mission Statement. Our vision is to be the best water utility in the nation. Our mission statement calls for us to 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. While these concepts seem modest when written, they are much more difficult to execute and achieve. But our people who work at Denver Water are up to the task, just as they have been every year since we were founded in 1918. Of course, a lot has changed since then.



Managing our challenges:

The ancient Greek philosopher Heraclitus told us “the only constant in life is change.” That is certainly the case with the way water utilities do business as well. And as Denver Water deals with change, we must do so at an ever-increasing pace, as was clearly illustrated in 2013. This impacts our planning for 2014 and beyond, as we manage the following challenges:

- *A changing climate:*

We started 2013 in the grips of a drought. A second straight year of lower-than-average snowfall left our reservoirs depleted. In fact, we entered the spring facing one of the worst droughts in recorded history. We began proactively planning for a significant drought in 2012 and took actions to safeguard our supplies and prepare for a long, dry irrigation season in 2013. We prepared our customers for the same with mandatory drought restrictions. While an extremely wet spring and late mountain snowfall helped replenish our water supplies, the moisture could not undo the damage from the prolonged drought. As a result, we saw many destructive wildfires that impacted watersheds in our state during the summer. As the wildfires subsided, we faced another natural disaster in September with historic flooding. Denver Water’s facilities sustained approximately \$12 million in damages during the floods, but that was truly minimal compared to the devastation other communities in our state endured.

Drought, fires and flood; we have seen them all before, but never in such a short period of time. Yet we continue to experience these kinds of extreme swings in weather patterns, and they only increase the risk and uncertainty we face. Each year, we see that our climate patterns are changing, and as the climate changes, so does our water supply. Climate change means water change, and managing those changes is one of Denver Water’s greatest challenges. We are actively working on future planning based on a changing climate.

- *A changing population:*
 We also face challenges with regard to growth. The population in our South Platte and Metro basins is predicted to grow from 3 million to 5 million people by 2050, and Denver Water must be prepared to serve these new customers. But we can't do it alone. Water providers must be part of the planning process with community and developers from the beginning of any project. We must plan our cities for growth in a way that supports economic development and optimizes our use of resources, particularly water. Denver Water is engaged with stakeholders on multiple fronts at the city and state levels in Colorado to promote smart, sustainable growth from a water resource perspective.

- *A changing Colorado River:*
 Denver Water also is heavily invested in the challenges playing out in the Colorado River system, which has been impacted by a significant drought for more than 10 years. It is clear we must have contingency plans to mitigate the potential impacts to our utility and our customers. Denver Water receives nearly 50 percent of its water supply from the Colorado River, and we continue to work collaboratively with others in both the upper and lower basins of the Colorado River to create long-term solutions to protect the river and meet our future water needs.

Changing the way we plan

As Denver Water addresses these challenges, we must be more flexible and nimble than ever before. We see that the past does not always predict the future, so we have moved to scenario-based planning. As a water provider, we can face any number of challenging future scenarios, and they can constantly change. We must anticipate the range of possibilities and be prepared for them. Scenario planning gives us the flexibility we need to plan for decades in advance, while facing an uncertain future. In 2014, we will continue to use scenario planning as powerful tool to plan our future.

Setting a course for the future – The Strategic Plan

We also need to be a strategically driven organization, continually balancing the changing needs and values of our customers and communities with the resources available to us at any given time. Our Strategic Plan is where all of these elements come together. The Strategic Plan is a road map for our future path to becoming the best utility in the nation. It identifies the relevant perspectives that we must prioritize and matches them with goals and key priorities to do the right work at the right time. In 2013, we made progress on key initiatives within the Strategic Plan. Those include:

- *Employer of the Future:*
 Denver Water has an aging workforce and may see more than half of our employees retiring in the next eight years. In anticipation, we began an intensive effort that involved more than 200 employees to develop processes and programs that will enable us to become an employer where the best people want to work. Areas of focus for 2014 include developing a new system of total rewards for our employees, creating more proactive leadership development, using alumni to further our reach to various communities, continuing pay for performance, and improving our new employee orientation process.

- *Budget accountability:*
We focused on improvements in reporting, including improved variance reports, expanded controller approvals, a new Capital Program and revised monthly and quarterly financial reports for the Board.

- *Lean:*
Lean is the tool we are using to drive a culture of continuous improvement. More than 50 percent of our organization has now participated in at least one multiple-day Lean event. We also have implemented a structured problem solving and continuous improvement approach called A3 in areas such as safety and drought response. We have realized more than \$3.4 million in hard dollar savings as of the end of 2013. We have also expanded the Lean Team to increase our capacity to deliver Lean training.

In 2014, we will focus on the following areas of our Strategic Plan:

- Customer experience
- Culture of safety
- Asset management
- Risk management
- Building our brand

Capital improvements

Denver Water must account for the risk associated with our aging infrastructure. We will commit \$1.6 billion to capital improvements in the next 10 years to ensure we have a safe, reliable system with which to deliver water to our customers. In 2014, we are budgeting \$125 million to capital programs, with a large majority of those funds going to main replacement and improvements, a major conduit replacement and continued rehabilitation work on Antero Dam.

Collaboration

While investing in our own organization is critical, we know we do not operate in a vacuum. Denver Water is committed to working collaboratively with entities across the Front Range, the state of Colorado and the Colorado River Basin to collectively develop solutions to our short- and long-term water challenges. Examples of collaboration in 2013 included the Water, Infrastructure and Supply Efficiency (WISE) initiative with the South Metro Water Authority and Aurora Water, as well as the execution of the Colorado River Cooperative Agreement (CRCA) with 17 West Slope entities. We will continue to work on specific requirements of the CRCA in 2014, while proactively seeking new opportunities to collaborate with those that share an interest in managing our natural resources.

Conclusion

We supply a resource essential to human life, a resource that is necessary for economic development, and a resource that creates beauty and recreational opportunities. It is our responsibility to sustain a world-class metropolitan area by strategically planning our future and conquering the many challenges that loom before us. We are building a system and an organization that can handle that monumental responsibility, and we look forward to another successful year at Denver Water in 2014.

Sincerely,

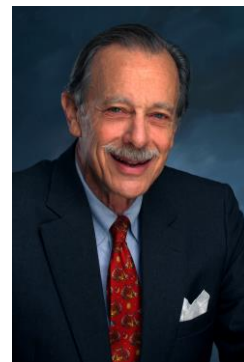
A handwritten signature in black ink, appearing to read "Jim Lochhead". The signature is written in a cursive style with a large, looping initial "J".

Jim Lochhead
CEO/Manager

Board of Water Commissioners

Greg Austin, President, Appointed: July 2009

Greg Austin is a former partner in the Denver law firm Holland & Hart LLP. He retired from the partnership in 2001 but continued serving as counsel to the firm until July 2009. Austin left Holland & Hart from 1973 to 1977 to serve as general counsel to the U.S. Small Business Administration, and later as solicitor (general counsel) of the U.S. Department of the Interior. Austin serves on the board of directors of Craig Hospital, Rocky Mountain Public Broadcasting System, the Denver Police Foundation and the Holland & Hart Foundation. He also is a member of the Secretary of State's Advisory Committee and has served on the Colorado State Treasurer's Advisory Commission.



John Lucero, First Vice President, Appointed: July 2007

John Lucero is the deputy director of the mayor's office of economic development. He served as a broker associate at Lucero Real Estate, Inc., a local real estate company that offers residential, commercial, development and investment real estate expertise. Lucero also is a former director of the Denver Board of Realtors, where he received the 2007 President's Distinguished Service Award, and has been a member of numerous committees. He also has served on several committees for the Colorado Association of Realtors and the Colorado Association of Hispanic Real Estate Professionals. Lucero currently serves as a member of the Denver Zoning Code Task Force and was a member of the mayor's transition team for Community Planning and Development in 2003.



Penfield Tate III, Vice President, Appointed: October 2005

Penfield Tate III is a former state legislator and a shareholder in the Public Finance Group at the law firm of Greenberg Traurig. He is a graduate of Colorado State University and Antioch School of Law. He has served on the boards for the Colorado Bar Association, State of Colorado Banking Board, Cerebral Palsy of Colorado, Colorado Housing and Finance Authority, Five Points Community Center and Metropolitan State College of Denver Foundation. He has been the executive director of the Colorado Department of Administration, an aide to former Denver Mayor Federico Peña and a trade regulation attorney for the Federal Trade Commission.



Thomas A. Gougeon, Vice President, Appointed August: 2004

Tom Gougeon is president of the Gates Family Foundation. He was a principal in Continuum Partners LLC, a Colorado-based development company known for mixed use and transit oriented “green” building projects. Gougeon served as chief executive officer of the Stapleton Redevelopment Foundation, assistant to the mayor of Denver, executive director of a charitable foundation and was a research associate at the Denver Research Institute in community planning and natural resource economics.



Gougeon also worked at the U.S. Environmental Protection Agency, where he worked on the Clean Air Act, western energy development and public lands issues. He is a former chair of the Nature Conservancy of Colorado and Volunteers for Outdoor Colorado, and he has served on the board of the Denver Urban Renewal Authority and many other community organizations. He holds a bachelor’s degree in economics from the University of Denver and a master’s degree in city and regional planning from Harvard University.

Paula Herzmark, Vice President, Appointed April: 2009

Paula Herzmark is the executive director of the Denver Health Foundation, a nonprofit organization that supports Denver Health. She previously worked as the chief executive officer of the Robert E. Loup Jewish Community Center, as well as the president and chief executive officer of Prime Time Cable Corp., a private cable television company. She also served in Gov. Richard Lamm’s cabinet as the executive director of the Colorado Department of Local Affairs for five years, after having served as the governor’s legislative liaison.



Herzmark has been active in several boards in the community, including Opera Colorado, Stapleton Foundation, Denver Judicial Nominating Commission, Rocky Mountain Planned Parenthood, National Jewish Hospital, the Denver Health and Hospitals and the Downtown Denver Partnership.

Previous 20 Commissioners

Charles G. Jordan	1983 to 1985	Ronald L. Lehr	1993 to 1999
D. Dale Shaffer	1978 to 1985	Joe Shoemaker	1995 to 2001
John A. Yelenick	1969 to 1987	Andrew D. Wallach	2001 to 2003
Marguerite S. Pugsley	1978 to 1987	Daniel E. Muse	2000 to 2003
Elizabeth Hennessey	1985 to 1989	Richard A. Kirk	1993 to 2005
Malcolm M. Murray	1987 to 1993	William R. Roberts	1997 to 2005
Donald L. Kortz	1987 to 1993	Denise S. Maes	1995 to 2007
Monte Pascoe	1983 to 1995	Harris D. Sherman	2005 to 2007
Romaine Pacheco	1989 to 1995	Susan Daggett	2007 to 2009
Hubert A. Farbes, Jr.	1985 to 1997	George Beardsley	2004 to 2009

Contact Us

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Julie Anderson, Director of Customer Relations	303.628.6143
Sally Covington, Director of Public Affairs	303.628.6656
Christopher R. Dermody, Director of Information Technology	303.628.6262
Gail Cagle, 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
Patricia L. Wells, General Counsel	303.628.6464

With questions concerning the budget document please contact:

Terri Bryant, Controller	303.628.6024 terri.bryant@denverwater.org
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ABOUT DENVER WATER

Denver Water Service Area

Mission and Values

History of Denver Water

Conservation

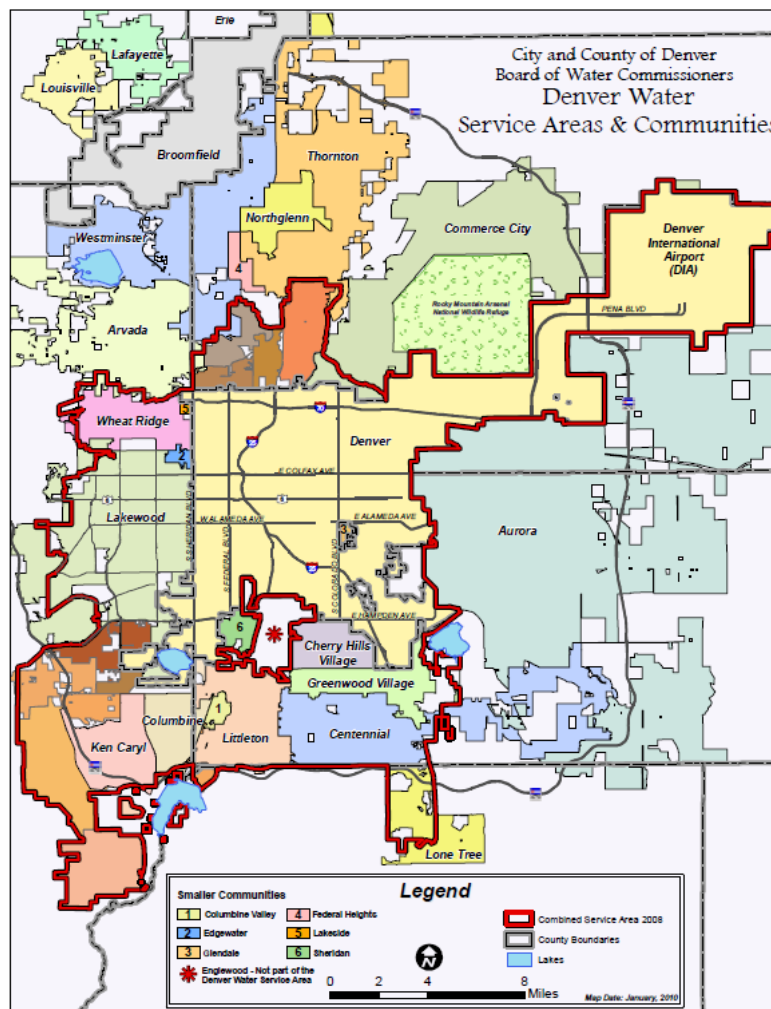
Denver Community Profile

About Us

Denver Water proudly serves high-quality water and promotes its efficient use to 1.3 million people in the city of Denver and many surrounding suburbs. Established in 1918, the utility is a public agency funded by water rates and new tap fees, not taxes. It is Colorado's oldest and largest water utility.

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.

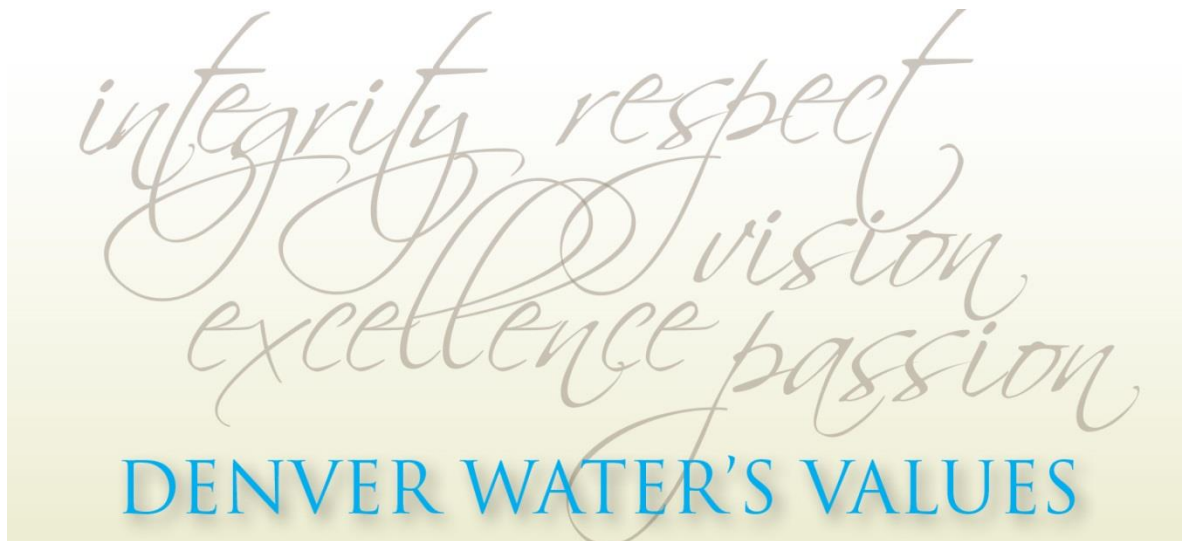
Denver Water uses about 250,000 acre-feet of water a year, which is less than 2 percent of all water, treated and untreated, in Colorado. An acre-foot equals 325,851 gallons of water and is enough for about 2 ½ households for one year.



Mission and Values

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.



History of Denver Water

Early settlers

Long before the city of Denver was established, the South Platte River and Cherry Creek were oases for people who traveled the semi-arid Great Plains. These early travelers could do without many things, but not water. That's why pioneers, and the American Indians before them, camped along the banks of Cherry Creek and the South Platte River. The first residents of the area drank water directly from the creek and river. Surface wells and buckets of water sufficed for a while as a delivery system, but they soon proved inadequate. Irrigation ditches were the next step forward.

In 1867, City Ditch was completed, connecting the South Platte in the Littleton area to Capitol Hill. Inevitably, people started questioning water quality in open systems, and in this case it was with good cause. Shortly after City Ditch was completed, the city became alarmed that loose pigs were contaminating the ditch, raising the threat of cholera. The solution? City Council banished the pigs. In 1870, when the rapidly growing community had a population of almost 5,000, the Denver City Water Company was formed.

In 1872, with a large well, a steam pump and four miles of mains, Denver City Water Company began to provide water to homes. Contracts and companies came and went, with concerns about hydrant pressure turning up in the editorial pages of the papers.

Battle to provide water

Over the next two decades, 10 water companies fought, collapsed or merged. In 1892, the battle between two water companies became so fierce that the Citizens Water Company, hoping to drive the American Water Works Company of New Jersey out of business, culminated a price-cutting war by offering water for nothing. The Citizens Water Company eventually drove its competitor under.



Workers build a wood-stave pipe in this undated photo. In the early 1900s, many of Denver Water's conduits and large pipes were made of wood.

Finally, the Denver City Water Company was merged into the Denver Union Water Company in October 1894, along with several smaller companies serving various parts of growing Denver. Headed by Walter S. Cheesman and David Moffat, the Denver Union Water Company — predecessor of Denver Water — emerged to establish a stable system.

In 1886, the first infiltration (water treatment) system was installed on Cherry Creek, and in 1889 the Platte Canyon Filtration Plant was added to the system. This facility, high in the foothills, was renamed the Kassler Treatment Plant. By 1906, Denver water was being chlorinated to prevent cholera and typhoid.

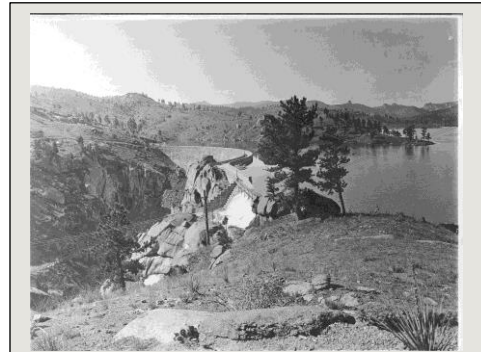
Perhaps the most important engineering feat of the early years was the construction of Cheesman Dam and Reservoir on the South Platte River. When Cheesman was completed in 1905, it was hailed as the solution to Denver's water storage problems.

In the coming years, the system would expand to meet new demand, but Cheesman remains a major accomplishment and keystone for Denver's water needs.

It provides nearly 80,000 acre-feet of water to Denver and remains an important water storage facility in the system.

Denver Water is born

In 1918, Denver residents voted to create a five-member Board of Water Commissioners and buy the Denver Union Water Company's water system for about \$14 million, creating Denver Water.



This 1914 photo shows Cheesman Dam with water going over the spillway. This was a common sight until drought and growth of Denver made inroads on the



Workers pose for a photo in the Moffat Tunnel in this 1930 photo.

From that time on, Denver Water planned and developed a system to meet the needs of the people of Denver and the surrounding areas. Before World War II, Moffat Tunnel and Eleven Mile Canyon Reservoir were added to the system. Gross, Dillon and Williams Fork reservoirs were added in midcentury. The 23-mile Harold D. Roberts Tunnel was completed in 1962, bringing water to Denver from the other side of the Continental Divide.

Today, Denver Water's service area covers more than 335 square miles, including the City and County of Denver and several suburban distributors.

A system of reservoirs networked by tunnels and canals provides water to more than a million people.

Three major treatment plants — Marston, Moffat and Foothills — maintain water quality under the watchful eye of the Denver Water Quality Control Laboratory.

For historical timeline, records, photos and more:
www.denverwater.org/AboutUs/History

Conservation



Creating a culture of conservation in Denver dates back to 1936 when Denver Water advertised on street trolleys asking customers to help save water. The modes of transportation have changed, but the message remains the same as does our commitment to helping customers use this precious resource wisely.



For more information on conservation:
www.denverwater.org/Conservation

**Thank you for Using Even Less
You've helped us through one strange summer**

If we learned anything from 2013, it's that Colorado has some wacky weather. We started the year with reservoirs well below normal, and geared up for one of the worst droughts on record by pleading with customers to Use Even Less. In April, snowstorm after snowstorm boosted the snowpack levels in both of Denver Water's watersheds to above 90 percent of the average peak.

Then, as part of our typical water cycle, reservoir levels decreased throughout the summer as customers used water during the irrigation season. Still, customers responded to our calls to Use Even Less by reducing water use throughout the summer.



Then historic amounts of rain and flooding in September caused us to reach our peak storage for 2013 in September, something that typically happens in July — and has never occurred in September.



We never know how long the droughts will last or when the snow and rain will come. It's important to keep up the momentum established this year using even less water, because drought or no drought, using water efficiently must be a way of life in our dry climate.

Thank you for using even less during this tumultuous weather year. Without your efforts, providing a secure water future is an exercise in futility.

City and County of Denver, Colorado Community Profile

Population 634,619
Households 289,185

Source: Colorado Division of Local Government, State Demography Office. (2012)

156 Square Miles

Source: Colorado Department of Local Affairs.

6.2% Unemployment Rate

Source: Colorado Department of Labor and Employment, Labor Market Information. (2013)

\$252,400 Median Home Price

Source: Colorado Department of Labor and Employment, Labor Market Information. (2012)

Ten Largest Employers in the City and County of Denver (Private Non-Retail)

Company	Industry	Local Employees
United Airlines	Airline	4,900
University of Denver	University	3,850
Frontier Airlines	Airline	3,300
CenturyLink	Telecommunications	3,020
Exempla St. Joseph Hospital	Healthcare	2,540
Kaiser Permanente	Healthcare	2,430
Wells Fargo Bank	Financial Services	2,000
TIAA-CREF	Financial Services	2,000
HealthONE: Presbyterian/St. Luke's Medical Center	Healthcare	1,810
HSS, Inc	Staffing Service	1,800

Source: Metro Denver Economic Development Corp., 2013

For more information see document downloads at:
www.metrodenver.org/demographics-communities/communities/profiles/metro-denver/denver



ORGANIZATION

Denver Water

Manager

Human Resources

Customer Relations

Public Affairs

Legal

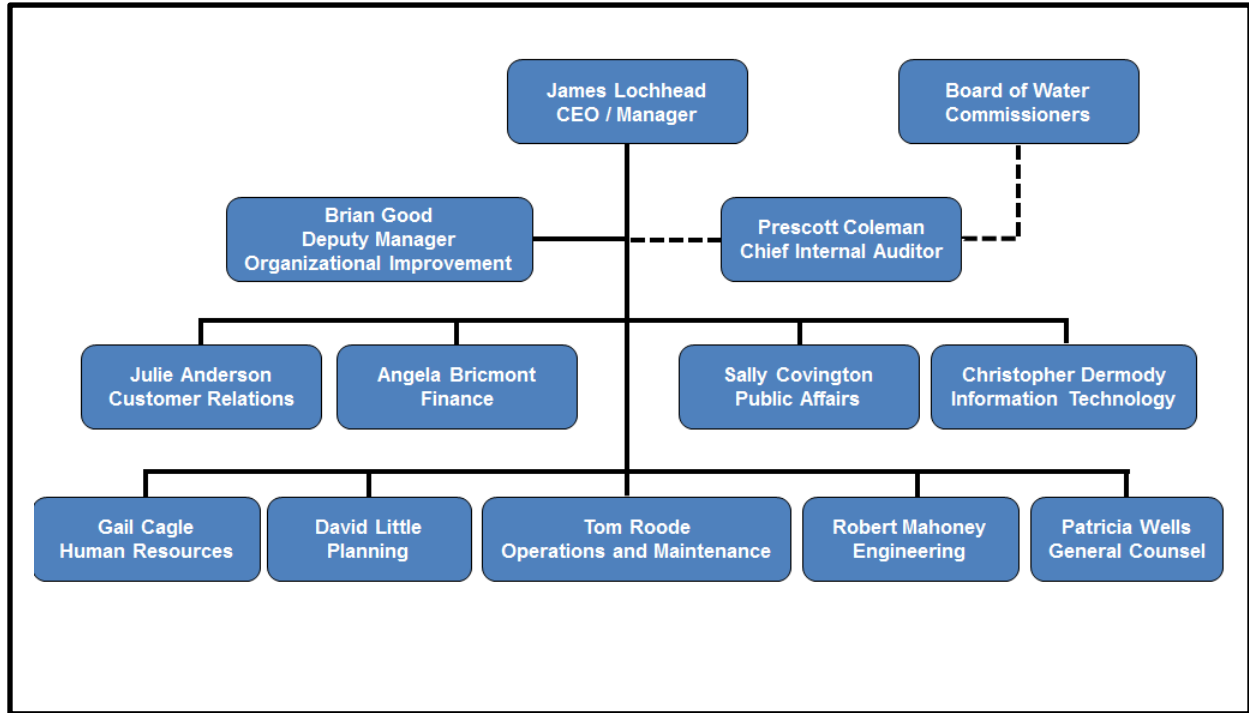
Information Technology

Finance

Engineering

Operations & Maintenance

Planning



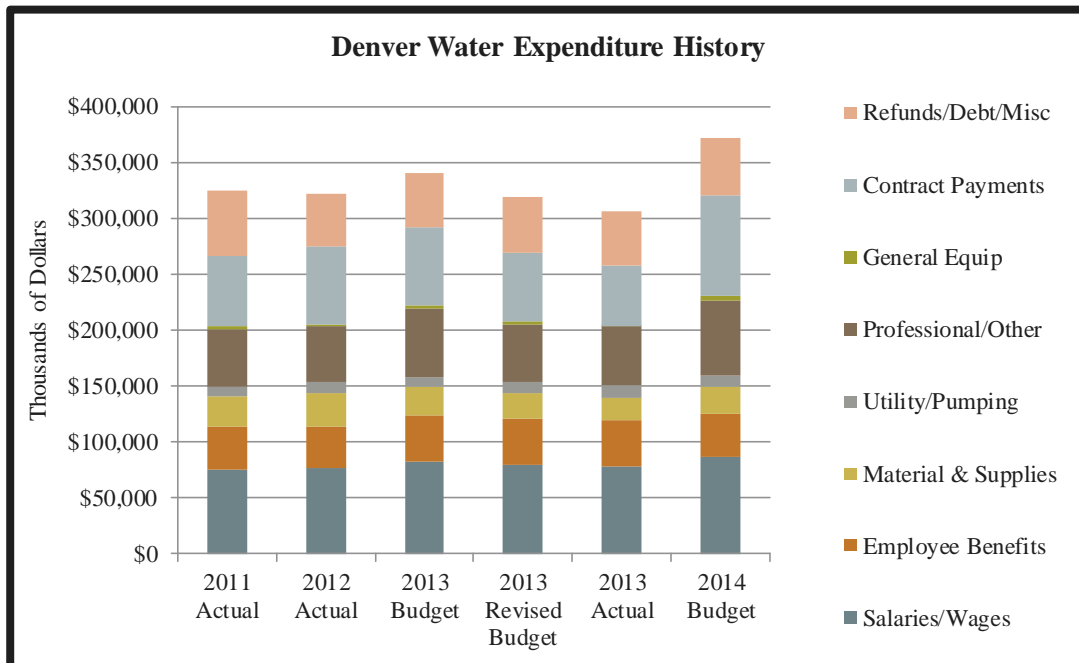
Denver Water

Denver Water is run by a five-member Board of Water Commissioners 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, the deputy manager of Organizational Improvement and the chief internal auditor.

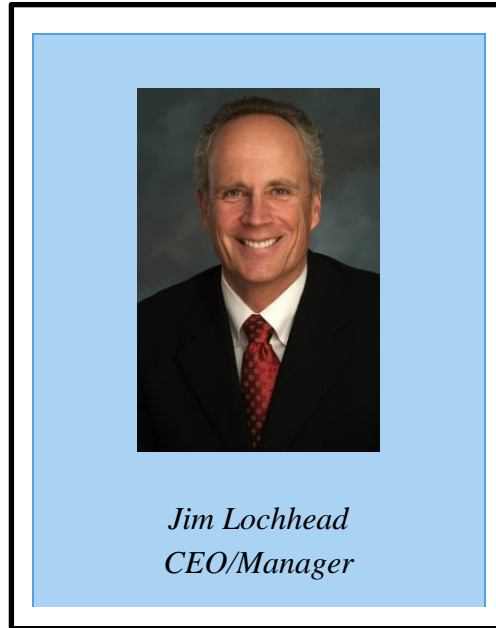
**Denver Water
Regular Employees (At End of Year)**

Section	2011 Actual	2012 Actual	2013 Actual	2013 Budget	2014 Budget
Manager & Staff	7.0	10.0	11.0	10.0	12.0
Human Resources	23.8	24.8	25.0	25.8	26.8
Public Affairs	29.6	34.2	38.6	38.6	38.6
Customer Relations	133.0	122.8	103.9	142.1	114.9
Engineering	158.7	161.7	165.8	164.7	173.8
Finance	56.0	58.0	57.8	59.0	58.7
IT	68.5	74.5	80.8	75.6	85.4
Planning	45.6	48.6	49.6	50.6	51.6
O&M	534.0	530.0	518.0	559.0	552.5
Legal	13.6	14.6	14.4	14.6	14.4
Total	1069.9	1079.2	1064.9	1140.0	1128.7

*Employee count was not changed for 2013 revised budget



Manager Division



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.

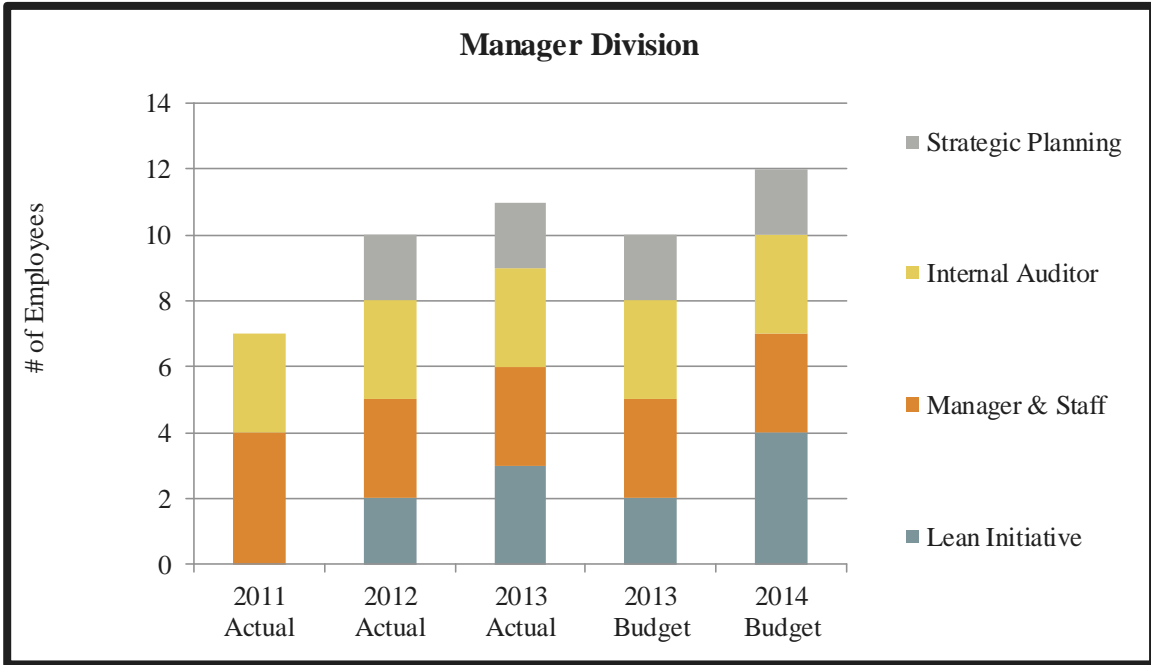
The CEO/Manager executes the policies and decisions of the Board. He reviews and recommends to the Board changes in rules and regulations with respect to all matters appropriate for its action.

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 which Denver Water has a water service contract.

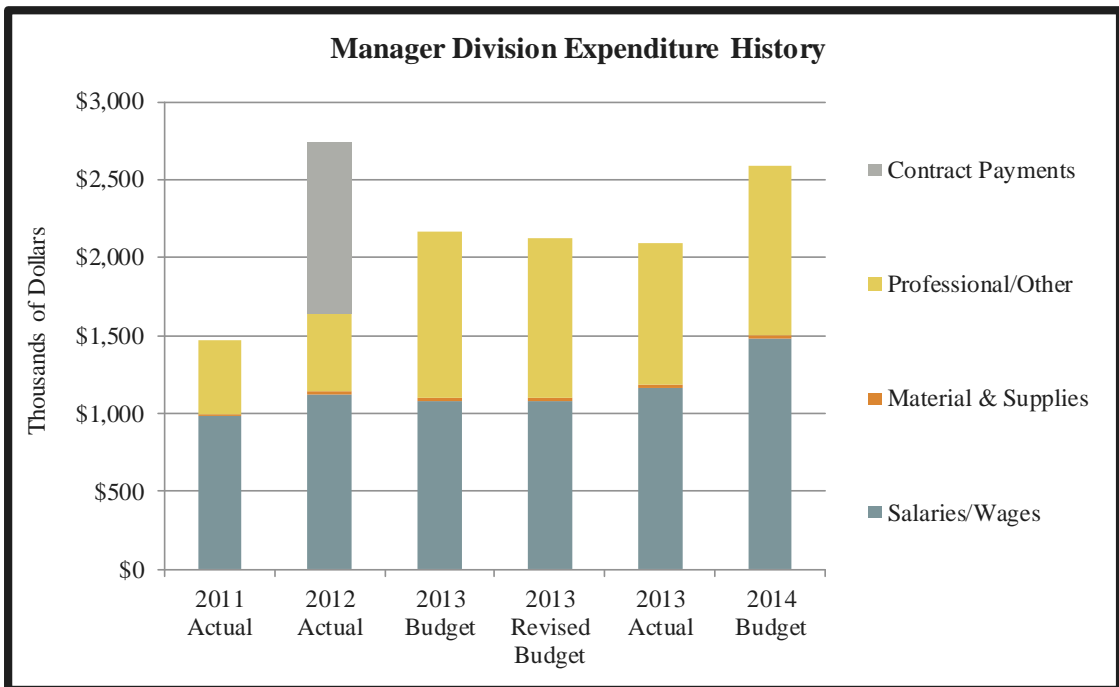
The CEO/Manager represents the Board in ongoing relationships with all levels of government, community organizations and the public served. He recommends to the Board a rate structure and other income producing procedures that will assure adequate revenues to meet operating and maintenance costs, finance of ongoing capital improvement programs, and the principal and interest payments on long-term debts.

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

For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/Manager



*Employee count was not changed for 2013 revised budget

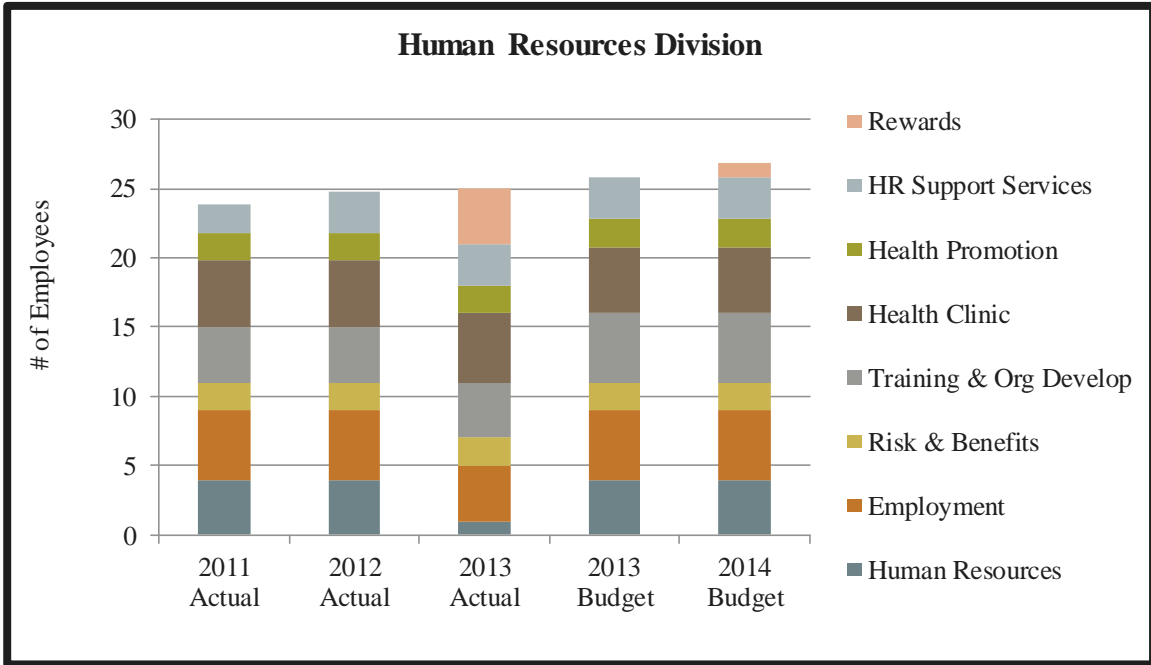


Human Resources Division

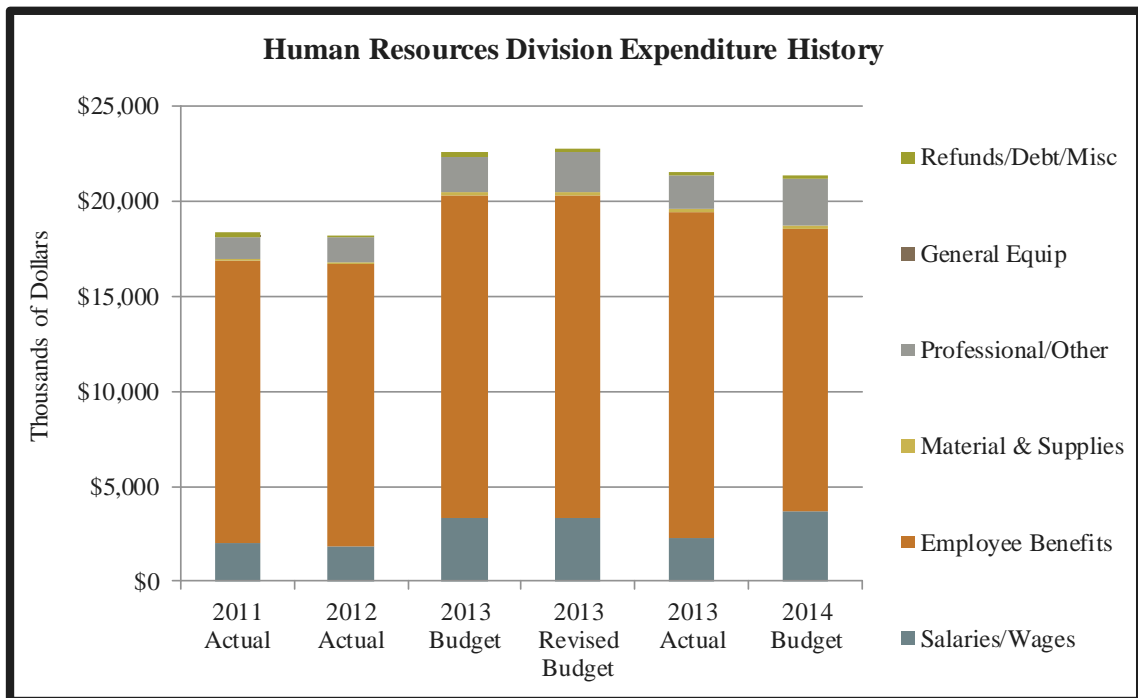


Under the direction of the CEO/Manager, the Human Resources division is responsible for interpreting, updating and enforcing Denver Water's Personnel Policies; maintaining and revising Denver Water's classification and pay plans; establishing and maintaining employees' personnel records; implementing policies, procedures and programs relative to recruiting, hiring, managing and retaining Denver Water employees; developing programs for training, education and 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.

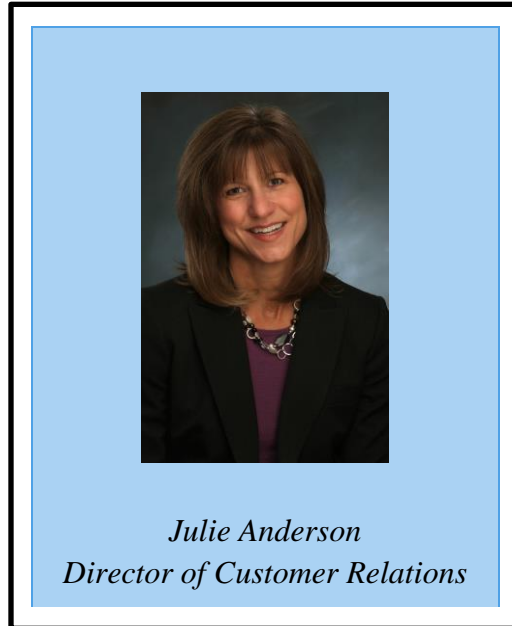
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/HR



*Employee count was not changed for 2013 revised budget

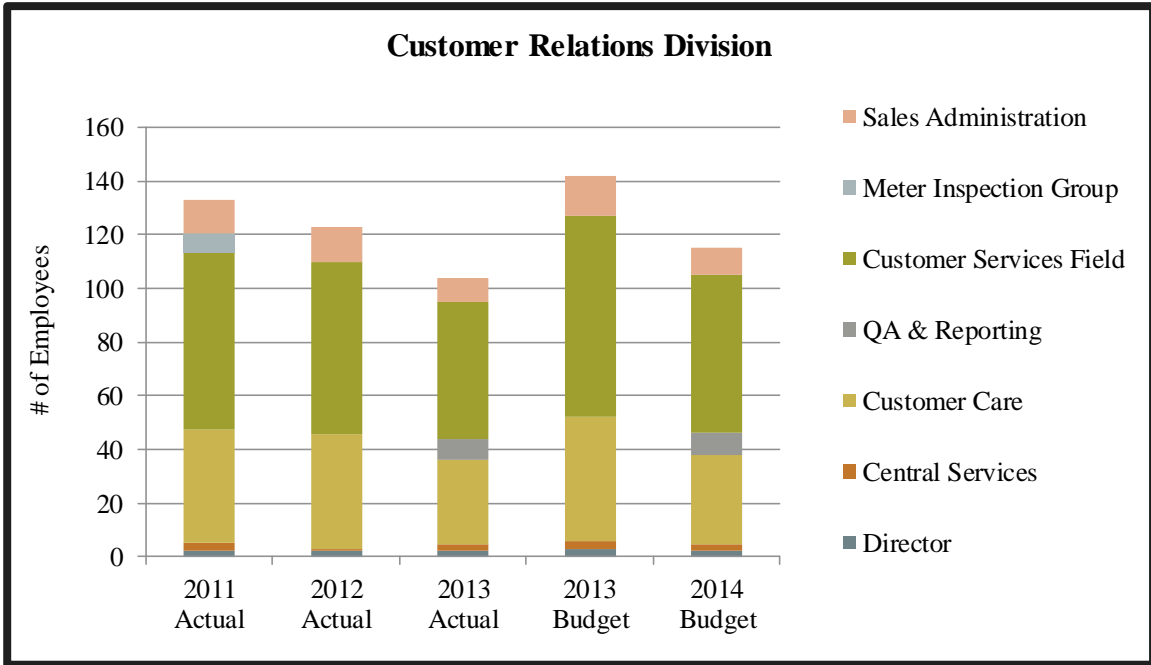


Customer Relations Division

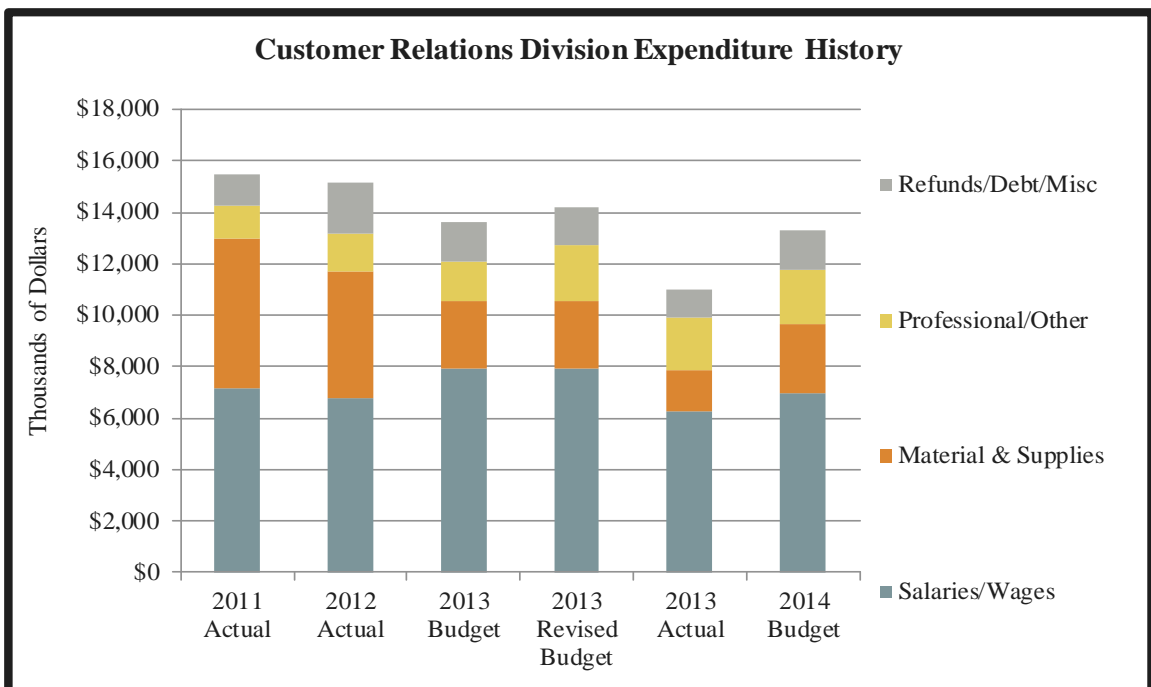


Under the direction of the Manager/CEO, the Customer Relations division promotes a customer-centric approach that spans the customer's lifecycle at Denver Water. Working closely together within the sections, the division plays a significant part in driving continuous process improvement that ensures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

For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/CustomerRelations



*Employee count was not changed for 2013 revised budget

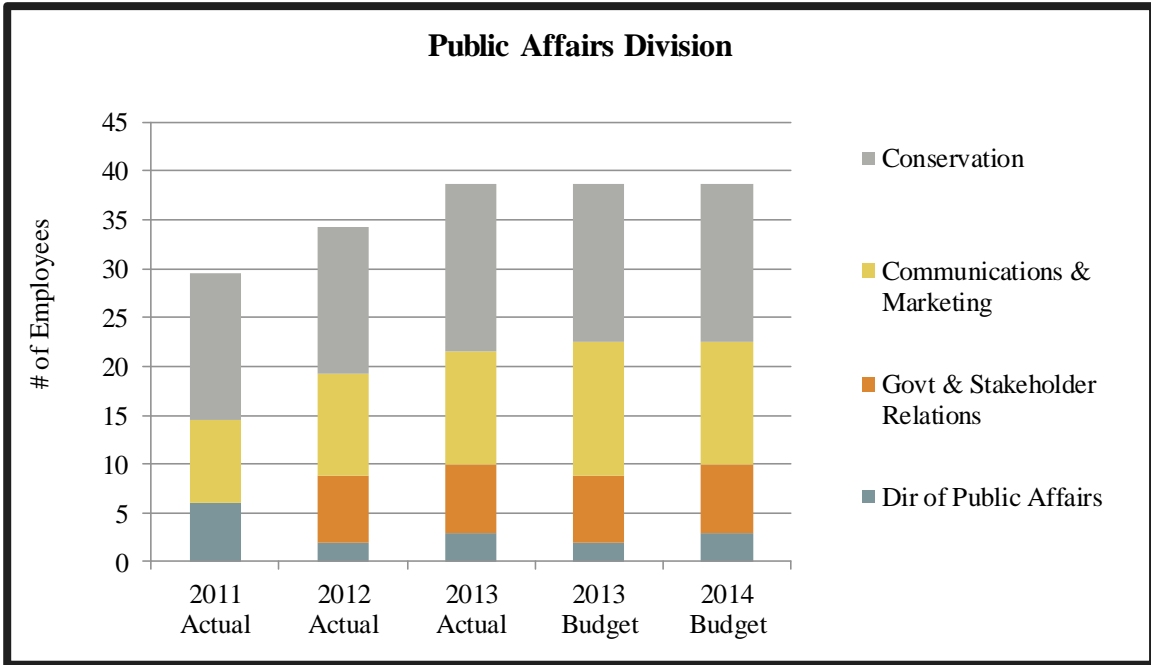


Public Affairs Division

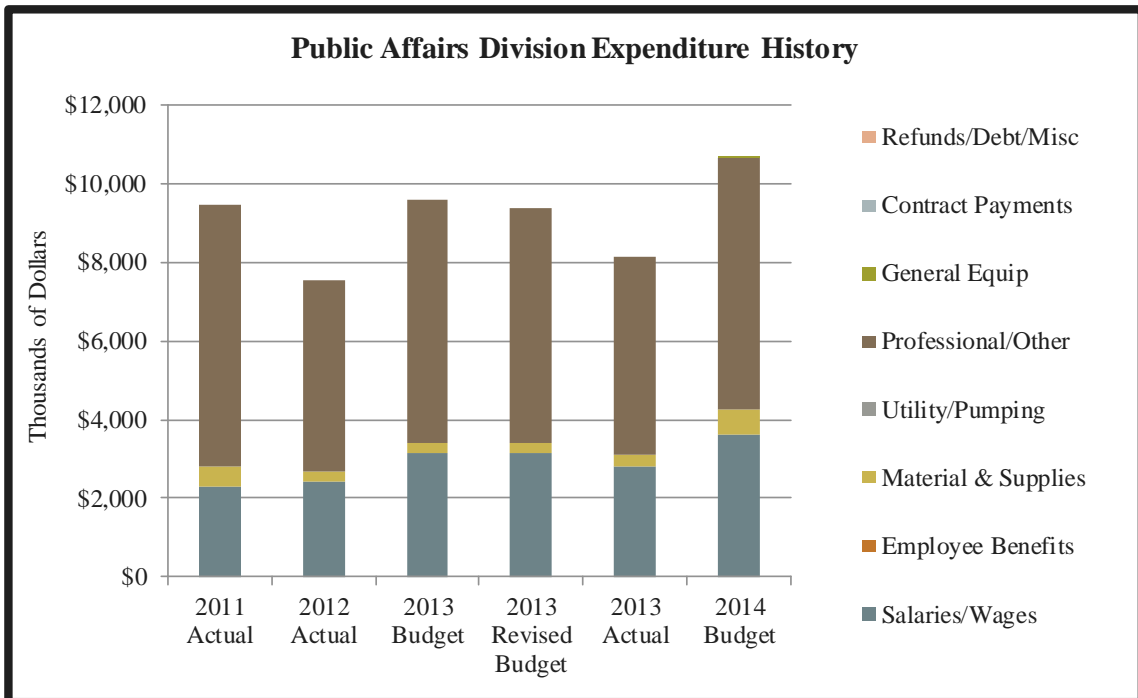


Under the direction of the CEO/Manager, the Public Affairs division develops and maintains strategically effective relationships with a broad range of publics including customers, stakeholders, governments, communities, news and social media, related organizations and employees. The division also performs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

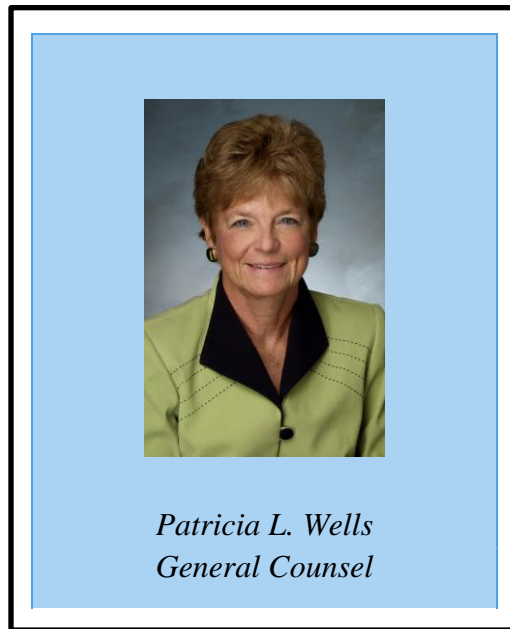
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/PublicAffairs



*Employee count was not changed for 2013 revised budget



Legal Division

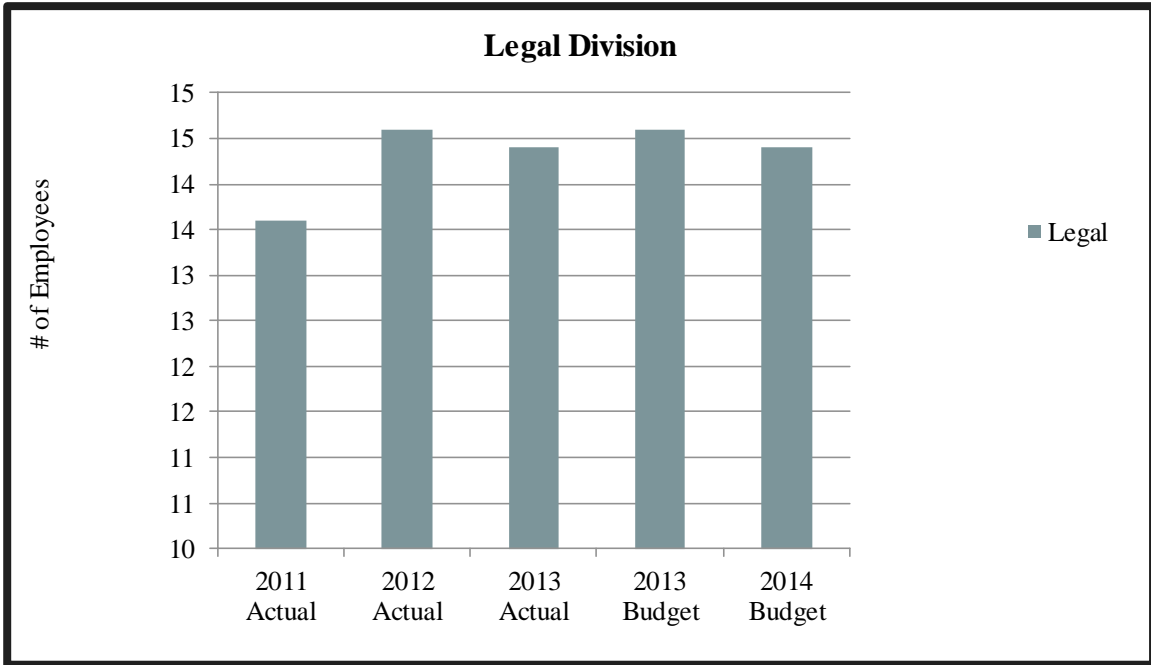


The Legal division represents and gives legal advice to Denver’s Board of Water Commissioners, the CEO/Manager and the various divisions of Denver Water. It also handles all litigation of Denver Water.

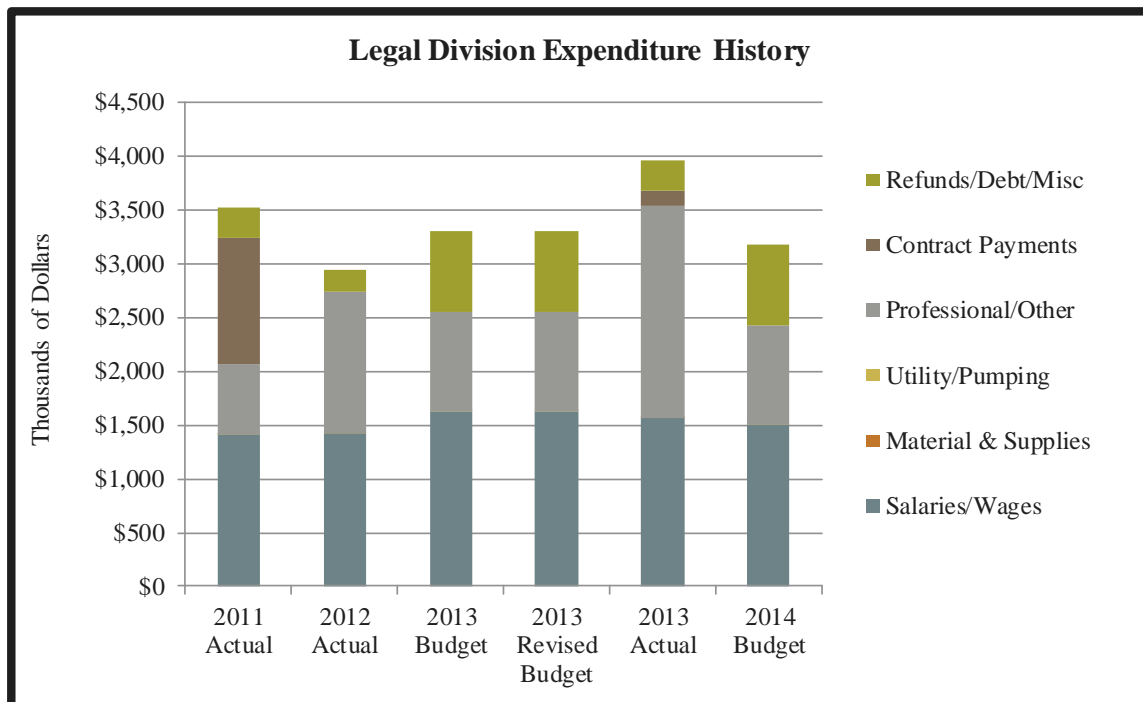
The types of legal representation include water rights and diligence proceedings, administrative proceedings before state and federal agencies, contracts, civil rights, tort claims, real estate and condemnations, and municipal, employment, environmental and regulatory law. When special counsel are hired, 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, it reviews and advises upon matters of pending legislation, and it prepares and reviews contract documents of all kinds.

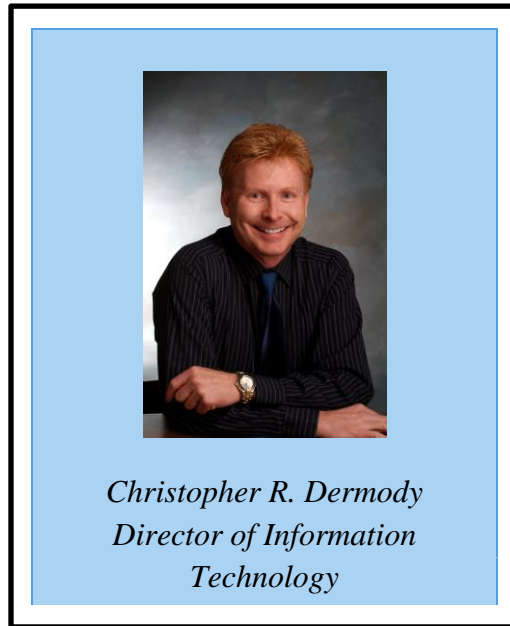
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/Legal



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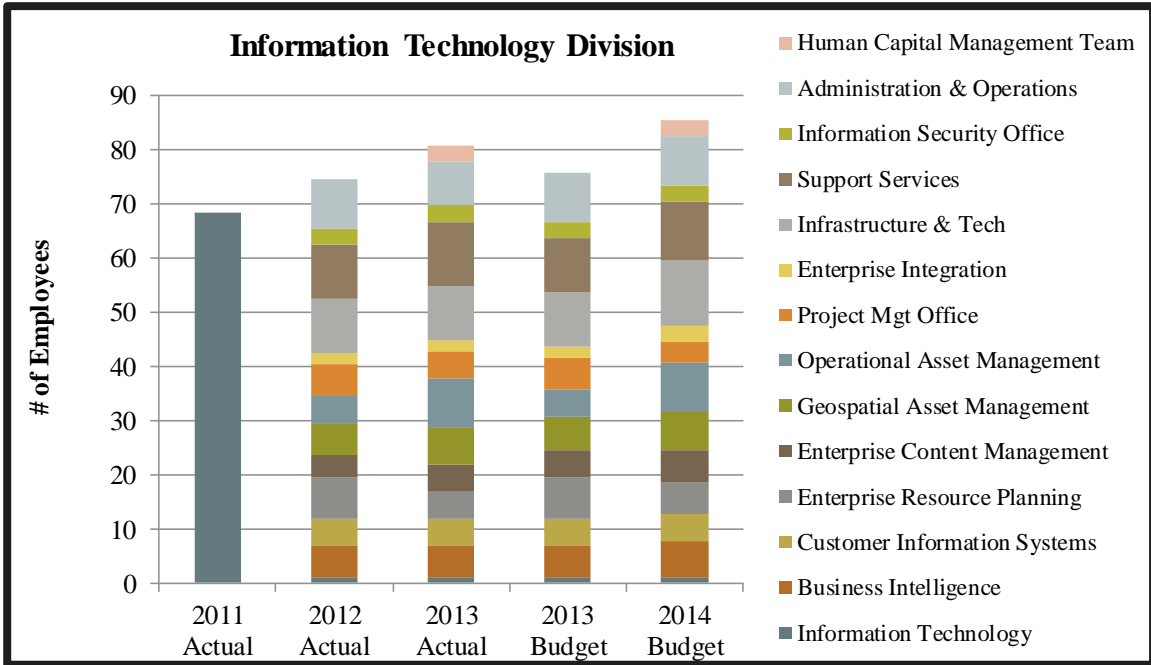


Information Technology Division

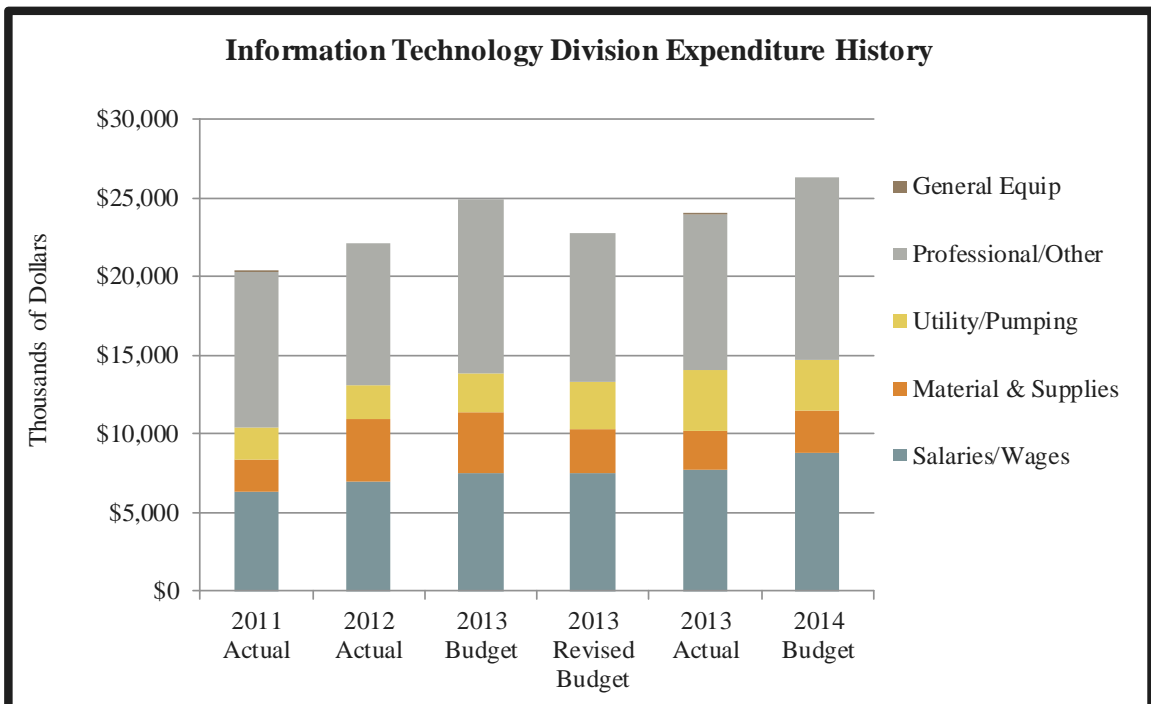


Under the direction of the CEO/Manager, the Information Technology division develops, implements and supports computer applications, data-center operations and the technology infrastructure for Denver Water. This involves identifying and implementing appropriate technologies to meet the business needs 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.

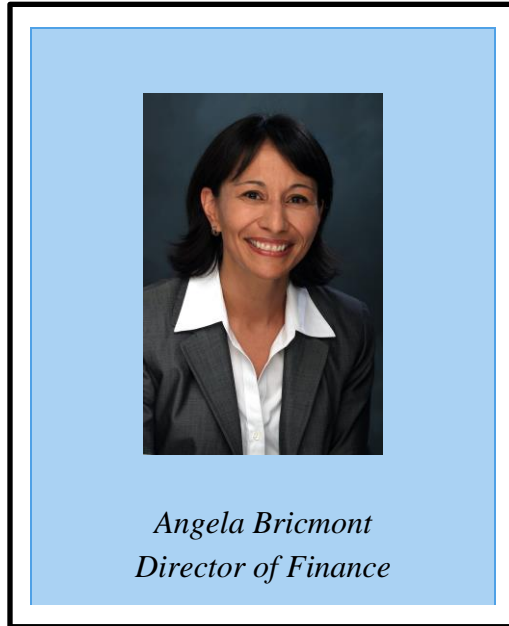
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/IT



*In 2012 the IT Division was reorganized into multiple sections.
 *Employee count was not changed for 2013 revised budget

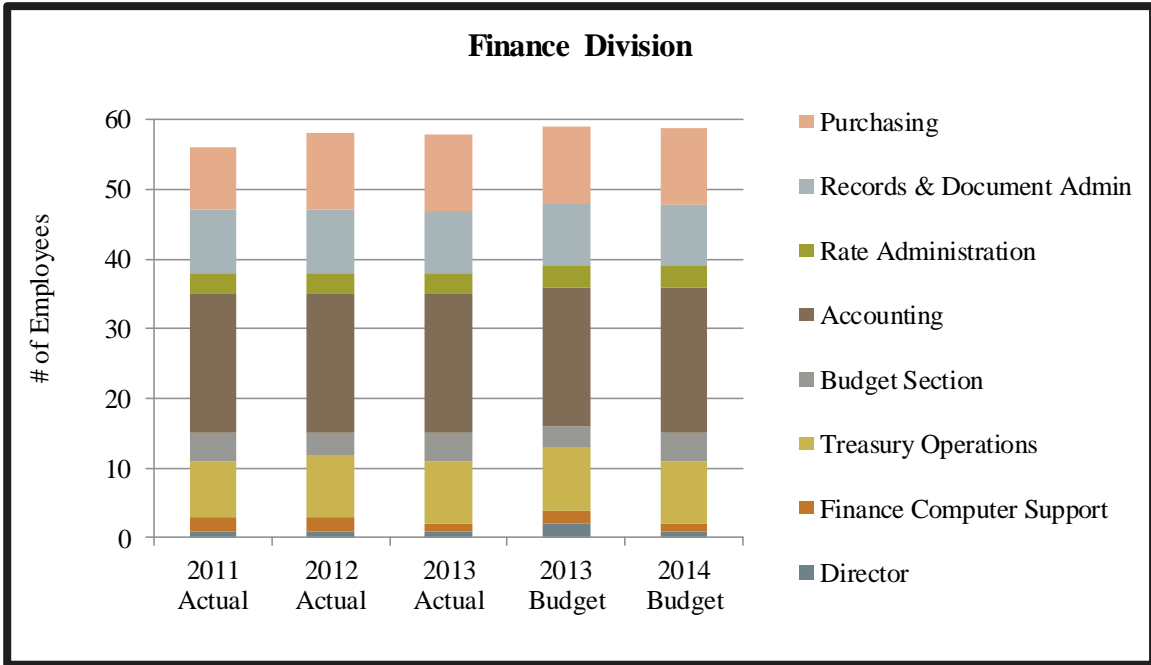


Finance Division

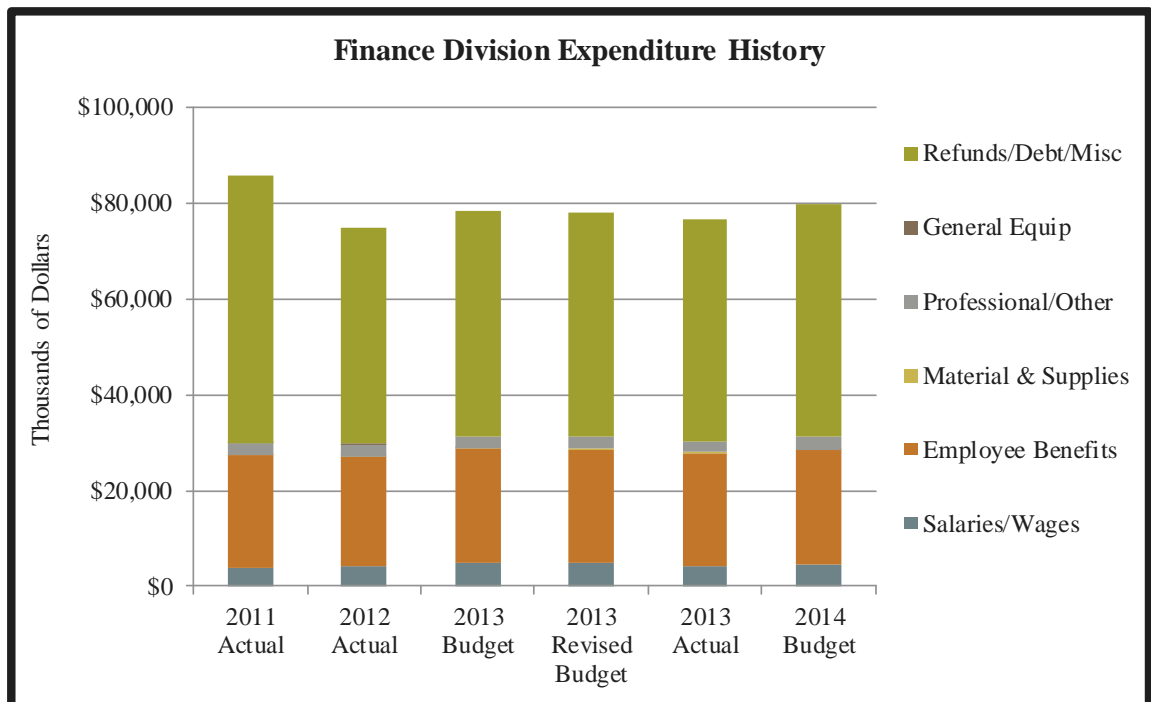


Under the direction of the CEO/Manager, the Finance division is responsible for managing financial resources, acting as the disbursing authority for the CEO/Manager and providing electronic record keeping.

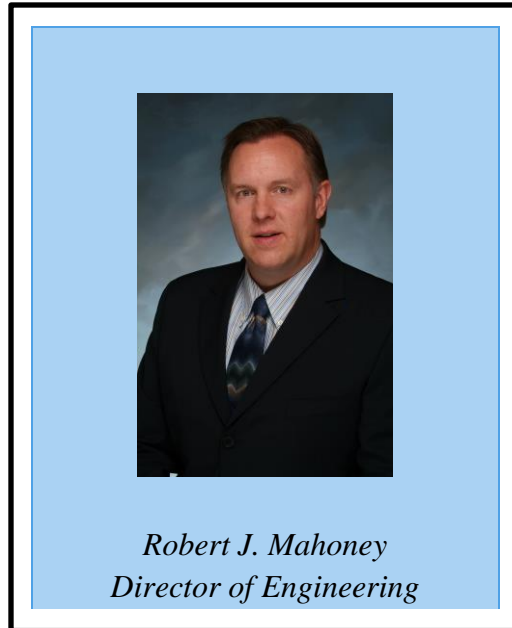
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/Finance



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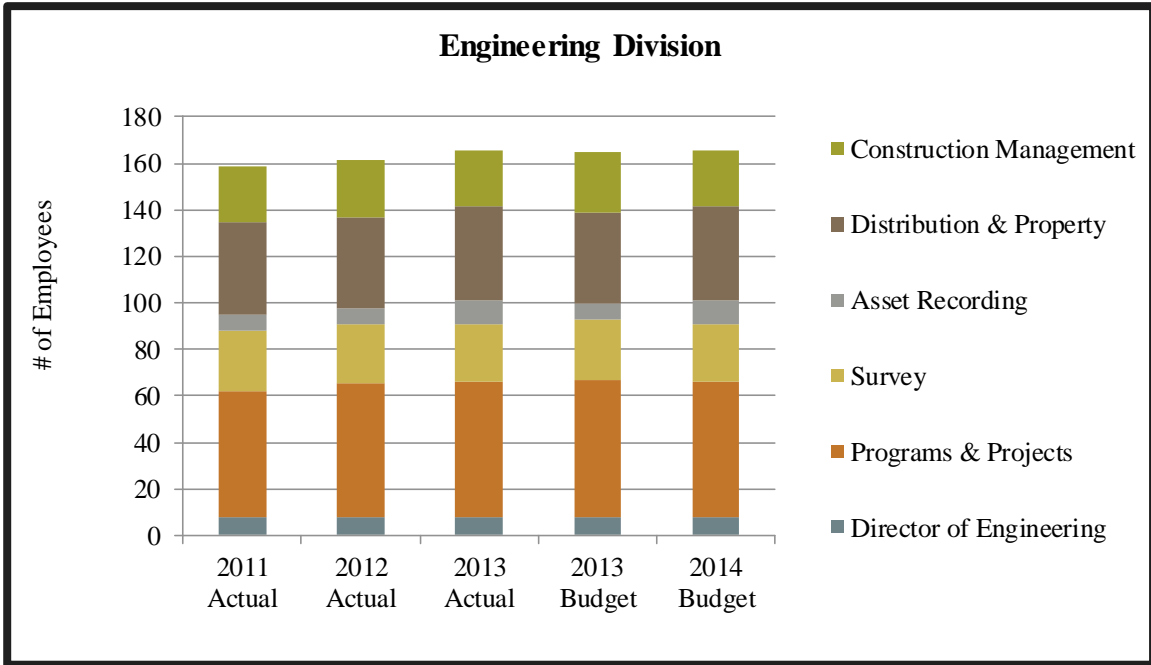


Engineering Division

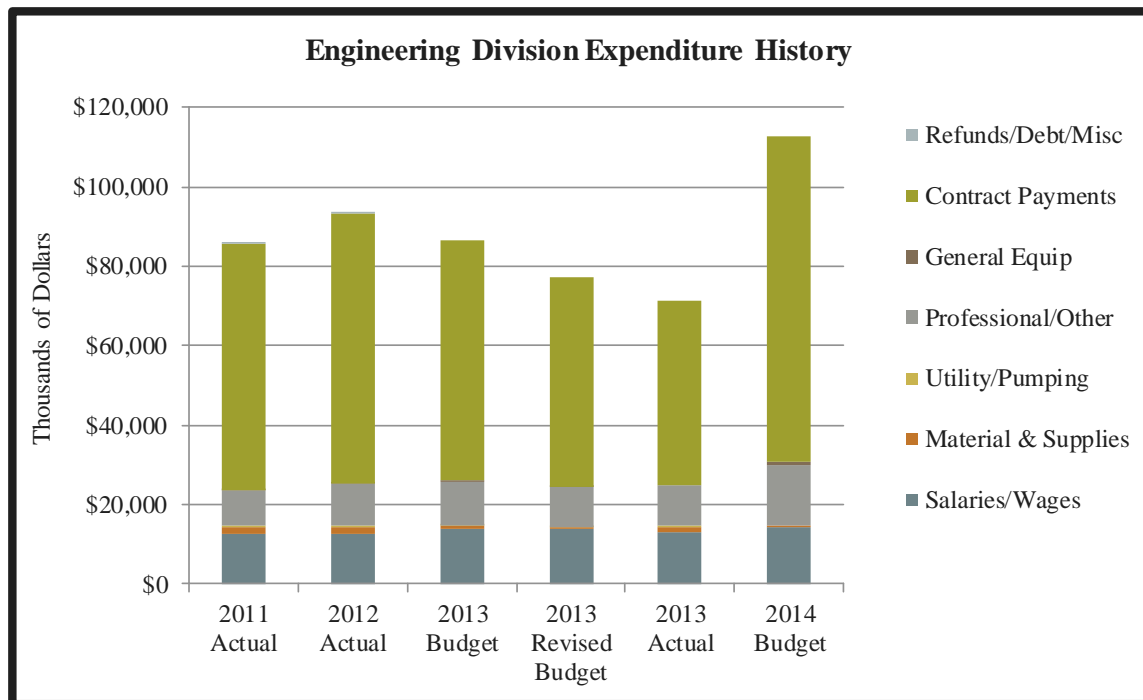


Under the direction of the CEO/Manager, the Engineering division is responsible for the design, construction and related engineering aspects of physical additions or improvements to the water system.

For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/Engineering



*Employee count was not changed for 2013 revised budget



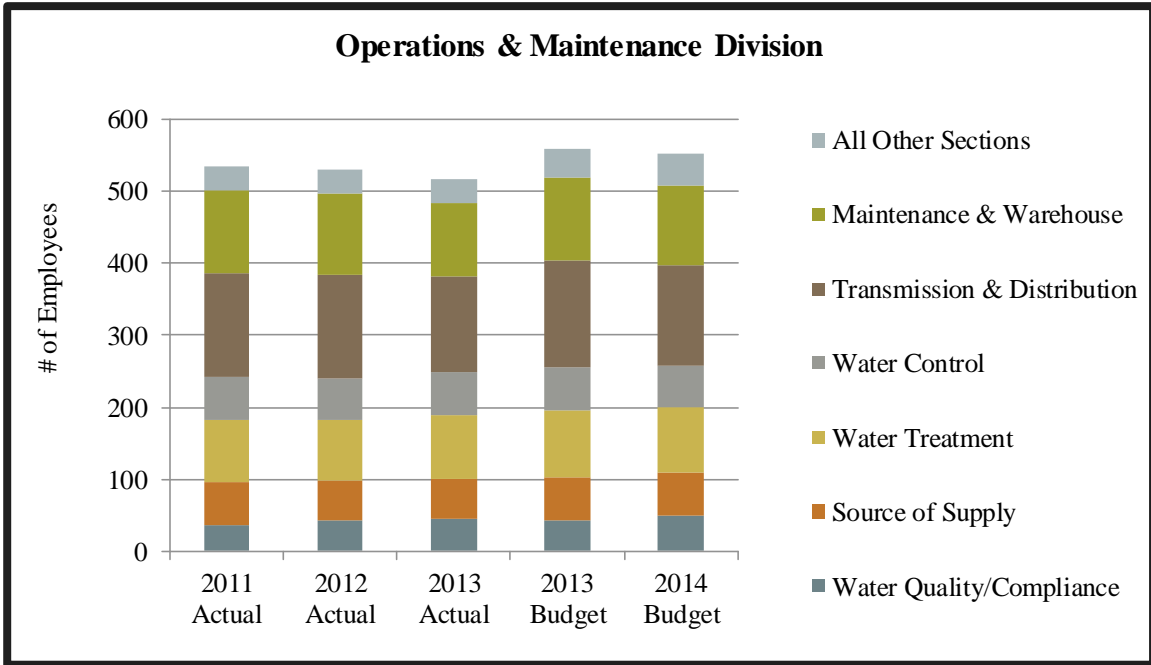
Operations & Maintenance Division



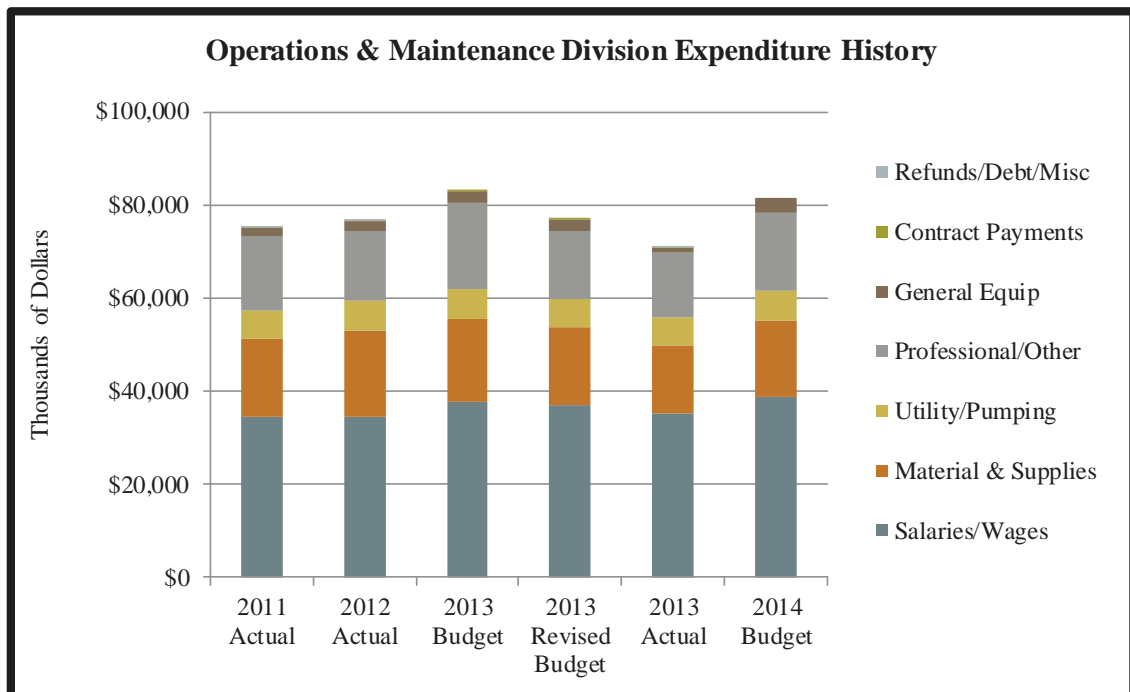
Under the direction of the CEO/Manager, Operations & Maintenance is responsible for operating the physical plant of Denver Water, including ongoing maintenance and facility replacement. This division performs force account installations consistent with needs laid out by the Engineering division and approved programs, and it 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.

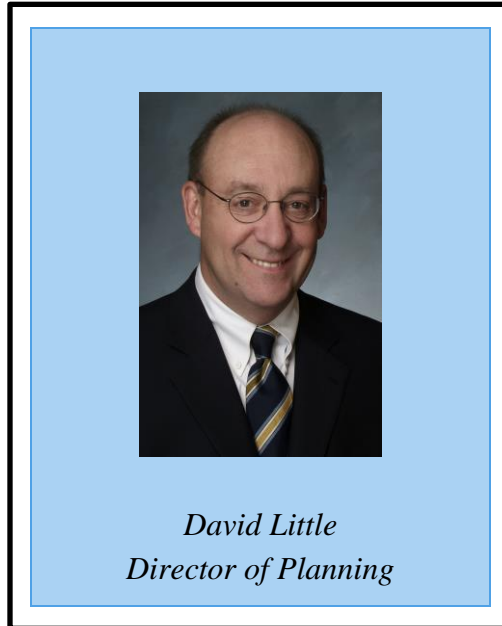
For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/OperationsMaintenance



*Employee count was not changed for 2013 revised budget

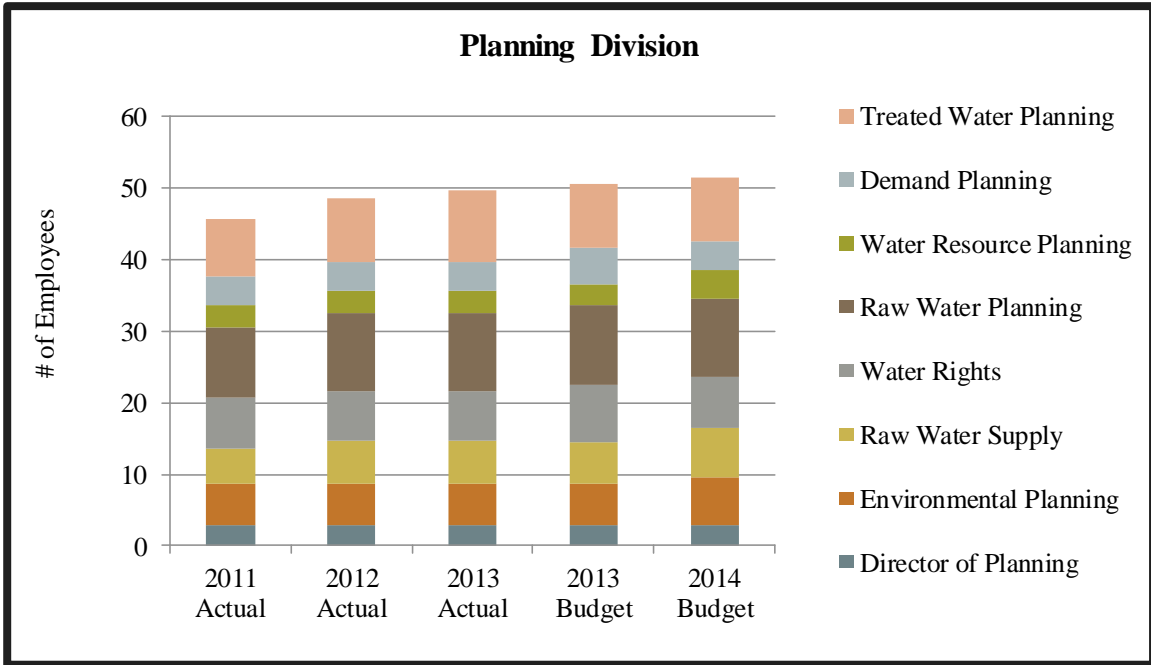


Planning Division

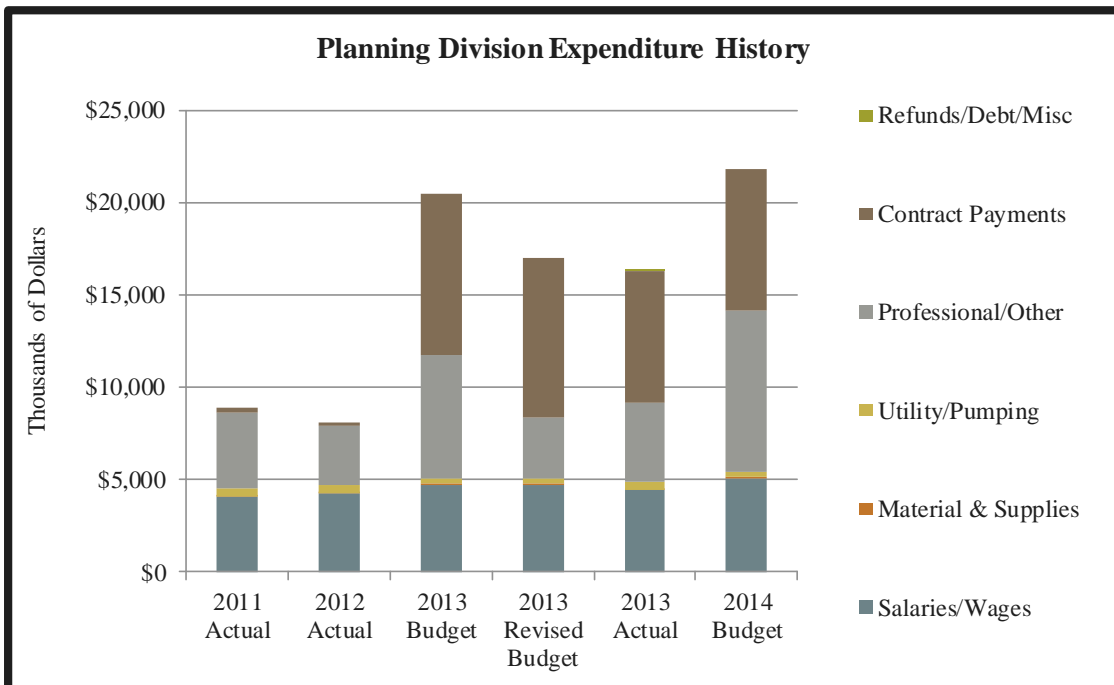


Under the direction of the CEO/Manager, the Planning division identifies the future water and facilities needs of Denver Water and develops strategies for meeting those needs. As it plans for the future, Planning must consider how new water rights, infrastructure and resource management alternatives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

For more information visit:
www.denverwater.org/AboutUs/BoardAndOrganization/Planning



*Employee count was not changed for 2013 revised budget





BUDGET SUMMARY

Comparison of Sources and Uses of Funds

Annual Budget Process

Amending the Budget

Summary of Financial Policies

Fund Structure

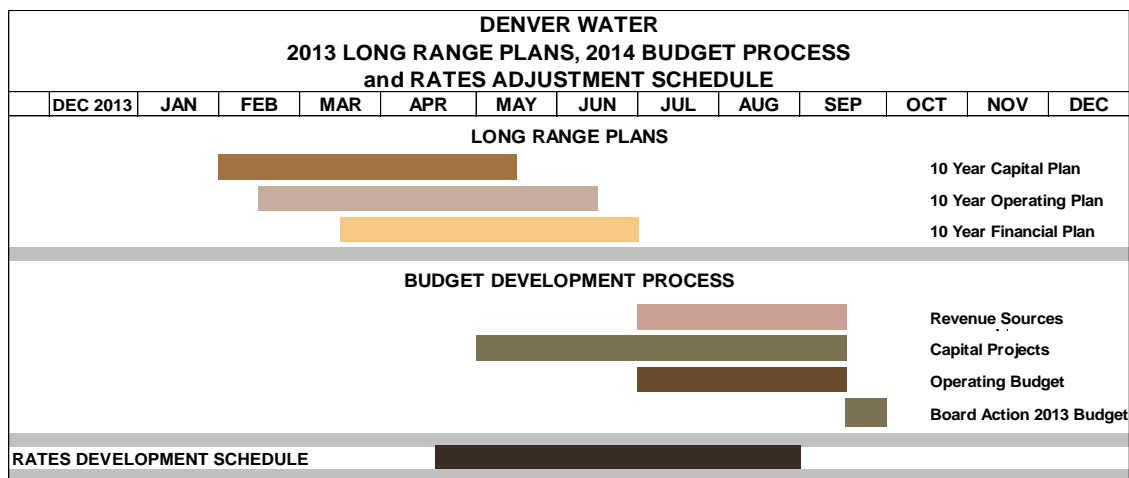
Debt Information

Comparison of Sources and Uses of Funds (Thousands of Dollars)						
	2011 Actual	2012 Actual	2013 Budget	2013 Revised Budget	2013 Actual	2014 Budget
Beginning Investment Balance	\$ 225,410	\$ 187,296	\$ 222,299	\$ 222,299	\$ 222,299	\$ 219,744
Sources of Funds:						
Operating Revenue	\$238,124	\$ 271,703	\$ 268,795	\$ 233,058	\$ 230,908	\$250,376
Non-Operating	6,847	6,460	6,699	6,223	7,322	4,673
Hydropower	4,856	4,308	4,878	4,878	4,263	4,680
System Development Charges	14,649	19,619	8,640	8,640	34,616	15,294
Participation, Reimbursements & Grants	8,088	3,452	2,911	2,911	7,425	2,163
Interest on Investments	1,405	735	550	550	588	1,413
All Other Revenue	18,326	12,048	8,851	8,851	12,594	8,570
Subtotal Sources of Funds	\$292,295	\$ 318,325	\$ 301,324	\$ 265,111	\$ 297,716	\$287,169
Bond Proceeds	0	40,358	25,600	25,600	10,000	36,000
Total Sources of Funds	\$292,295	\$ 358,683	\$ 326,924	\$ 290,711	\$ 307,716	\$323,169
Uses of Funds						
Operating Expenses						
CEO	480	1,614	1,083	1,038	923	1,108
Human Resources	16,346	16,359	19,246	19,453	19,248	17,697
Public Affairs	7,142	5,113	6,452	6,228	5,355	7,039
Legal	2,056	1,203	1,669	1,669	1,141	1,669
Finance	26,214	25,720	26,790	26,548	26,171	26,739
Information Technology	10,340	10,669	12,490	11,929	13,177	14,957
Engineering	13,774	8,594	4,520	3,717	4,554	4,221
Planning	2,714	2,520	9,679	9,813	9,911	7,196
Operations & Maintenance	30,380	29,783	33,041	27,865	28,667	31,327
Customer Relations	5,428	5,432	5,690	6,281	4,731	6,315
Operating Expenses Less Salaries	\$114,874	\$ 107,007	\$ 120,660	\$ 114,541	\$ 113,878	\$118,268
Operating Salaries	66,490	67,871	73,465	68,551	72,049	79,394
Total Operation & Maintenance	\$181,364	\$ 174,878	\$ 194,125	\$ 183,092	\$ 185,927	\$197,662
Capital Programs						
Building and Facilities						\$ 3,499
Collection System						12,331
Conduits						11,582
Dams and Reservoirs						6,209
Downstream Reservoirs						8,192
General Projects						6,432
Information Technology						2,650
Mains						11,378
Pumping						6,491
Recycled Water						3,275
Treated Water Storage						15,800
Treatment						16,422
Vaults						3,718
Water Supply Development						9,778
Capital Less Salaries	\$ 78,251	\$ 93,110	\$ 91,202	\$ 77,452	\$ 67,029	\$117,757
Capital Salaries	\$ 8,971	\$ 8,992	\$ 8,855	\$ 11,550	\$ 6,851	\$ 7,715
Total Capital	\$ 87,222	\$ 102,102	\$ 100,057	\$ 89,002	\$ 73,880	\$125,472
Debt Service						
Debt Service	55,958	45,089	46,755	46,752	46,218	48,364
Total Uses of Funds	\$324,544	\$ 322,069	\$ 340,937	\$ 318,846	\$ 306,025	\$371,498
Cash Balance Adjustment	\$ (5,865)	\$ (1,611)			\$ (4,246)	
Net Cash Flow	\$ (32,249)	\$ 36,614	\$ (14,013)	\$ (28,135)	\$ 1,691	\$ (48,329)
Ending Investment Balance	\$ 187,296	\$ 222,299	\$ 208,286	\$ 194,164	\$ 219,744	\$ 171,415

The above table shows a comparison of Denver Water's 2014 budget to the 2013 budget, and actual expenditures from 2011-2012.

Annual Budget Process

The annual budget process begins in June once the 10-Year Financial Plan has been finalized. The first year of the completed financial plan is presumed to be the following year's annual budget. Measurable changes are made to the annual capital and operating budgets as estimates for revenues, staffing levels, salaries, benefits and project schedules are refined. Throughout the summer, meetings are held with the Board's budget subcommittee to discuss budget assumptions or changes that have occurred since the rates were adopted. At the public Board workshop in August, the full Board is presented with a draft of the annual budget. Feedback is incorporated into the budget, and the final budget is presented to the Board for adoption at a public meeting in late September.



Amending the Budget

Budgets for projects or activities may be added or revised during the year. Changes must be requested via an official variance notification to the controller and signed by the appropriate division director. Division directors can authorize expenditures up to \$20,000 without further approval. Expenditures up to \$100,000 can be authorized by the CEO/Manager, but all contracts and purchases over \$100,000, whether budgeted or unbudgeted, must be authorized by the Board of Water Commissioners. The Board agenda item form provides transparent information as to whether a particular item was budgeted in the current year.

The Budget section provides a variance report and updated forecast monthly to the Executive Team and the Board. These reports provide information about year-to-date budget performance and changes that occurred during the previous month and their impact on reserve balances.

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 depreciation 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 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.

Accounting Standards:

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

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.

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, 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. This means Denver Water will properly maintain its facilities and continue to 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 \$350,000 per person and \$990,000 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 established an Investment Policy for funds not needed for current operations and delegated its authority to invest these funds to the Director of Finance. The Investment Policy establishes the investment objectives, the standards of care, broker and dealer requirements, custody and safekeeping requirements, permitted investments and investment parameters. The primary objectives, in order of priority, are safety of principal, liquidity and yield.

Debt Policy:

The Board adopted a debt policy in 2013 establishing the philosophy, objectives and practices to issue debt. In accordance with the Debt Policy, debt may be issued to fund capital improvements that expand the system or are otherwise unusual in nature or amount and to refund existing debt. Denver Water is not subject to legal debt limits.

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.

2013 Investment Balance Summary	
(Thousands of Dollars)	
	2013 Actual
Beginning Balance 01/01	\$ 222,299
Total Sources	\$ 307,716
Total Uses	\$ 306,025
Cash Balance Adjustment	\$ (4,226)
Ending Investment Balance 12/31	\$ 219,764
Less: Board Designated Cash	
Blue River Decree Litigation	\$ 4,351
Total Board Designated Cash	\$ 4,351
Less: Legally Restricted Cash:	
Total Legally Restricted Cash	\$ 12,327
Available Investment Balance	\$ 203,086
Less: Operating/Insurance Reserve (25% of Operating + \$10,000,000)	\$ 56,451
Less: Part II/III Capital Reserve (Greater of Average Amortization or 2% of Capital less Depreciation)	\$ 51,509
Available for Future Operating & Capital	\$ 95,126

Debt Information

Denver Water generally issues debt to fund capital improvements and to refund existing debt. Denver Water has the discretion to issue debt for purposes other than capital improvements if deemed necessary by the Board. Operating expenses and capital improvements of a normal recurring nature are included in the calculation of the revenue requirement from rates and are financed on a “pay-as-you-go” basis.

The Treasury section of the Finance division monitors the marketplace and evaluates the appropriateness of various financing sources for specific capital projects. The evaluation considers the expected life of the asset, the nature of any covenant requirements, the impact on Denver Water’s financial flexibility and organization’s capacity to support the projected level of debt.

Existing debt may be refunded depending on market conditions and liquidity requirements. Debt is generally refunded for periods not to exceed the useful life of the assets purchased by the debt. Advance refunding of debt is considered when the net present value of savings is greater than 3% and the refunding conforms to statutory regulations.

One of the objectives of Denver Water’s Debt Policy is to maintain a revenue bond rating at Aa/AA or better by the major rating agencies. In order to maintain or exceed this rating, Denver Water uses the following guidelines in its 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. Water rates are established to provide Net Revenues sufficient to produce Annual Debt Service Coverage 1.8x to 2.00x.

Debt Principal and Interest Obligations (in Millions of dollars)

Year	Principal	Interest	Total
2014	\$ 28.1	\$ 18.3	\$ 46.4
2015	\$ 29.1	\$ 17.1	\$ 46.2
2016	\$ 31.6	\$ 15.8	\$ 47.4
2017	\$ 15.8	\$ 14.6	\$ 30.4
2018	\$ 15.4	\$ 13.9	\$ 29.3
2019	\$ 13.7	\$ 13.1	\$ 26.8



SOURCES OF FUNDS

Comparison of Sources of Funds

Types of Water Service

Water Bill Comparison

Operating

Nonoperating

Hydropower

System Development Charges

Participation

Interest on Investments

Other

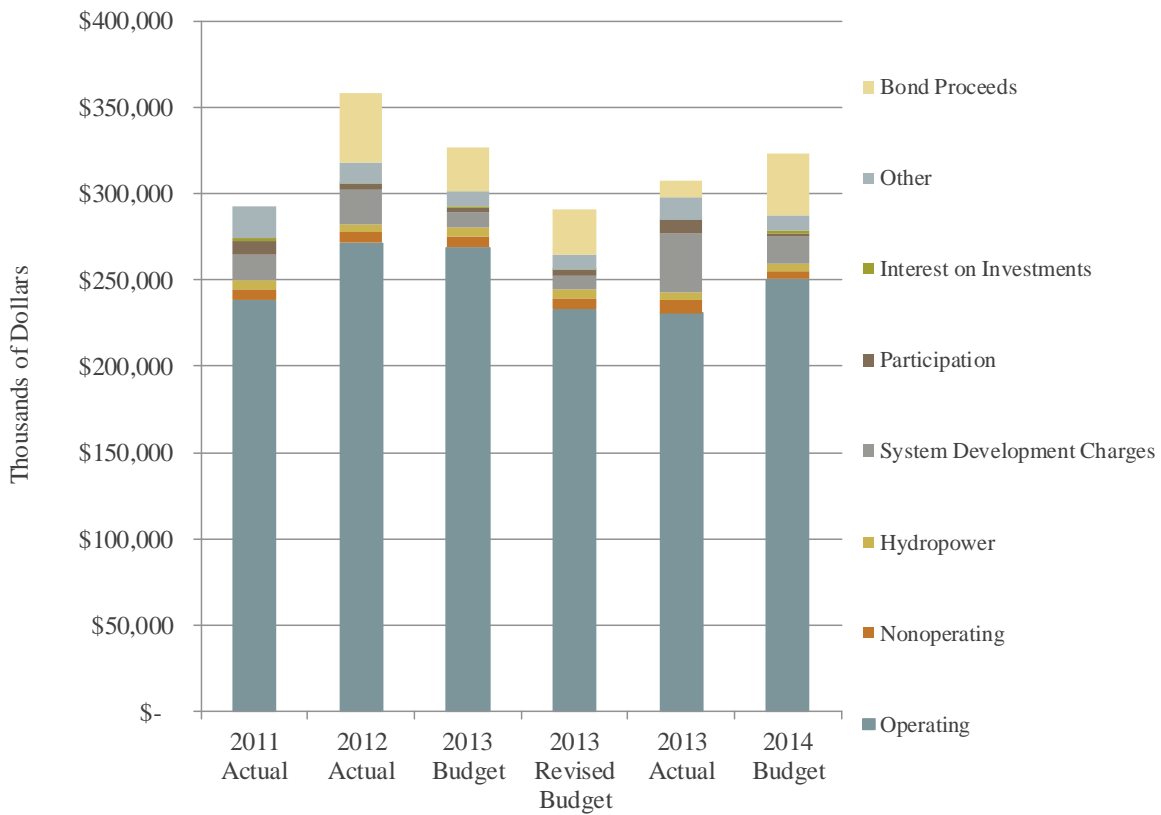
Bond Proceeds

2011-2014 COMPARISON OF SOURCES OF FUNDS

(In Thousands of Dollars)

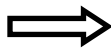
	2011 Actual	2012 Actual	2013 Budget	2013 Revised Budget	2013 Actual	2014 Budget
Operating	\$ 238,124	\$ 271,703	\$ 268,795	\$ 233,058	\$ 230,908	\$ 250,376
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Bond Proceeds	-	40,358	25,600	25,600	10,000	36,000
Total Sources	\$ 292,295	\$ 358,683	\$ 326,924	\$ 290,711	\$ 307,716	\$ 323,169

The projected sources of funds in the 2014 budget are \$323,169 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 delivering water to a distributor and for reading meters and billing customers, while the distributor is responsible for operating and maintaining the distribution system. Outside City Total Service refers to areas outside the city where Denver Water is responsible for delivering water, reading meters and billing customers, as well as operating and maintaining the distribution system.



55 percent of our customers live in the city of Denver and generate 43 percent of water sales revenue.

45 percent of our customers live outside the city and generate 57 percent 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.

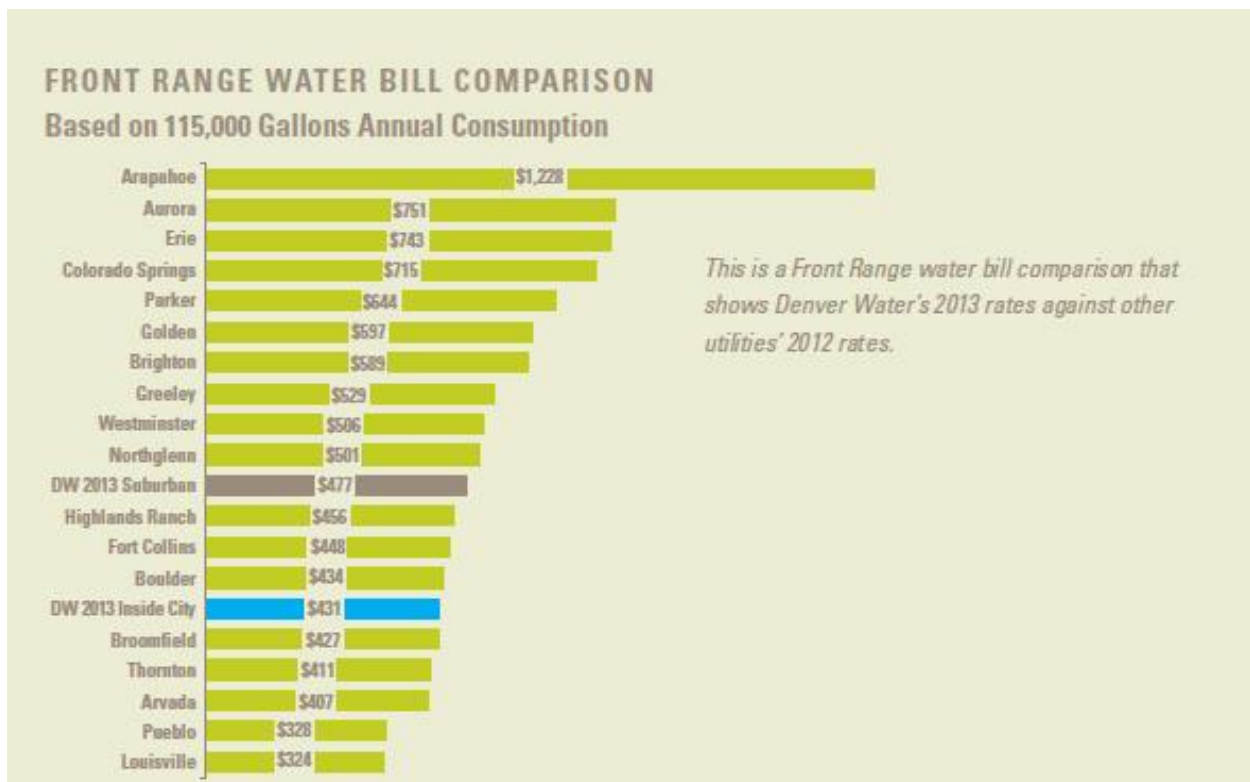
Denver Water also provides wholesale water service to Master Meter distributors (water districts outside the city) that own and operate their own water system, perform their own meter reading and customer billing, and purchase water on a wholesale basis for distribution to their respective retail customers. 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 25 percent of our revenue from water sales.

Comparative Water Bills

The 2014 rates for Denver Water customers living inside the city remain among the lowest in the metro area, while rates for Denver Water residential customers in the suburbs still fall at or below the median among area water providers.

This Front Range water bill comparison shows Denver Water's approved 2014 rates against other utilities' 2013 rates. The comparison is based on 115,000 gallons of annual consumption — the average of all single-family residential customers in Denver Water's service area. (Customers in Denver tend to use less than 115,000 gallons per year; suburban customers tend to use more.)

Front Range water bill comparison

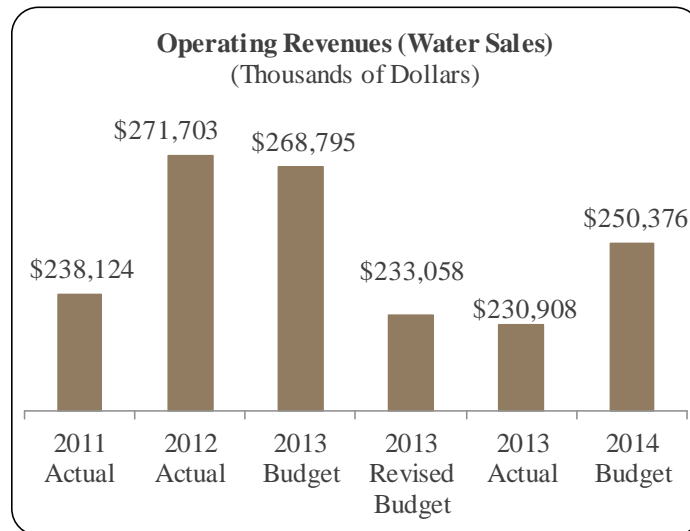


For more information visit:
www.denverwater.org/BillingRates/RatesCharges/2014Rates

Operating (Water Sales)

Operating revenues are generated from the sale of water to customers. In 2014, we anticipate that 87 percent of our revenue (not including bond proceeds) 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 with historic normal demand.

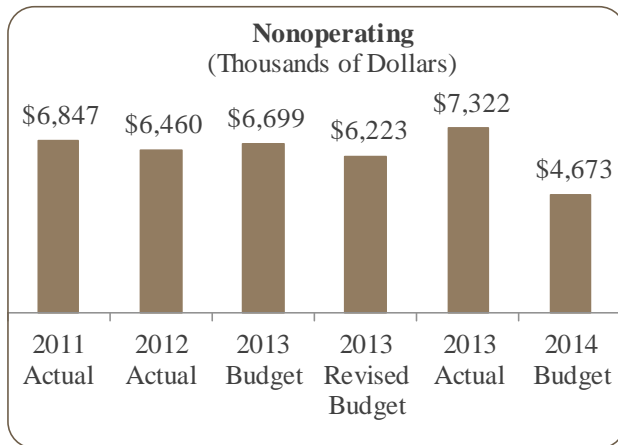


2014 Budget for Operating (Water Sales)

Metered water sales \$166,723 thousand
Private fire protection \$1,038 thousand
Government water sales \$8,369 thousand
Master Meter \$65,886 thousand
Nonpotable water \$6,980 thousand
Nonpotable for resale \$1,380 thousand

Nonoperating

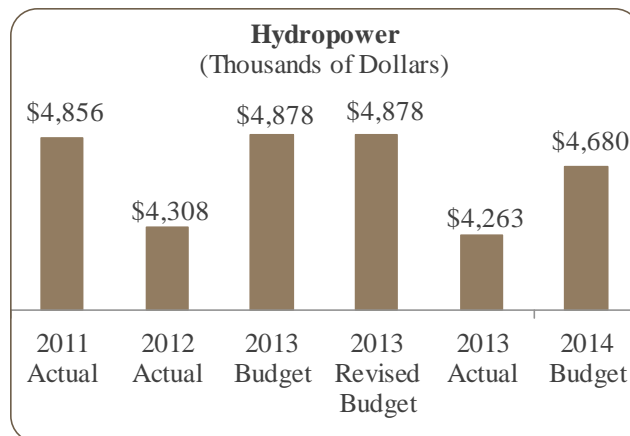
Nonoperating revenues are obtained from payments for services that Denver Water renders, such as right of way licenses, meter services, main inspections, installation of taps, sewer billing, and rents on Denver Water facilities. In addition, grants and Build American Bond interest subsidies are also included. Nonoperating cash receipts are budgeted based on historical trends.



2014 Budget for Nonoperating	
Non-Utility Operating Income	\$320 thousand
Other Nonoperating Income	\$2,128 thousand
Nonoperating Interest Income	\$2,225 thousand

Hydropower

Denver Water generates hydroelectric power from our facilities at Dillon, Strontia Springs, Williams Fork and Gross reservoirs, as well as at generation facilities at 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.



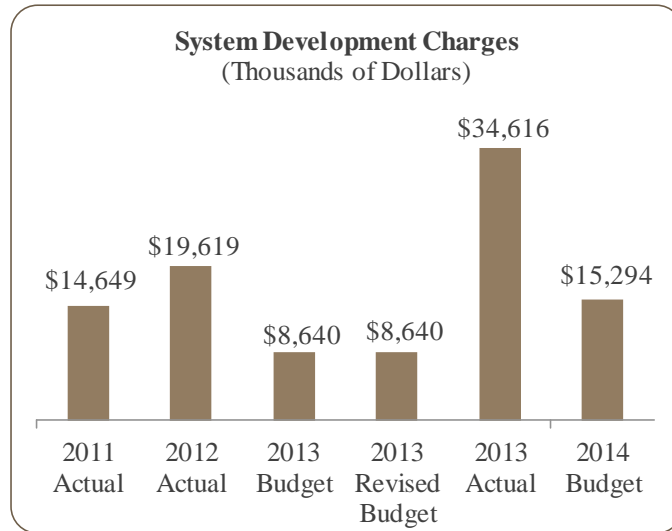
System Development Charges

The system development charge is a fee imposed on 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 through a system deriving its supply from Denver Water. These charges, first implemented in 1973, provide 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.

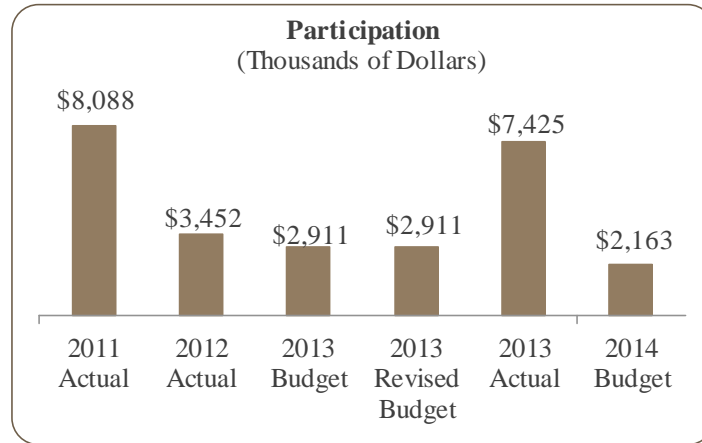
System development charge receipt projections are based on an estimate of the blended average cost for new taps, the anticipated growth rate for the number of new taps, and any anticipated rate increases.

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.



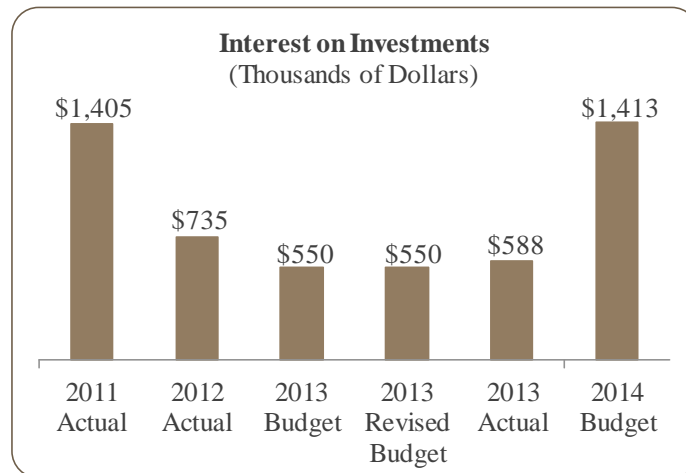
Participation

A participation agreement is one in which a distributor or developer pays for a portion of the costs of Denver Water's 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. Also included is compensation received from other entities for money already spent on collaborative projects.



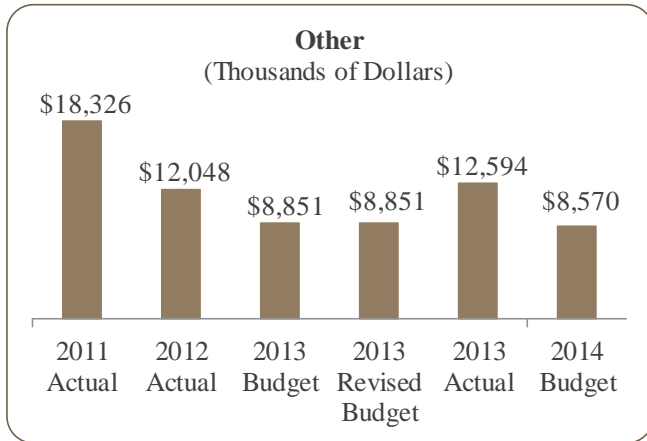
Interest on Investments

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.



Other

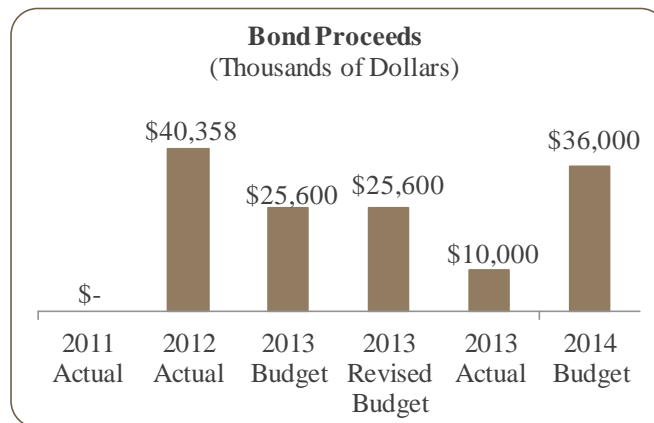
Other sources of funds consist of reimbursements for the relocation of mains and hydrants, proceeds from the sale of surplus assets, employee payments for health and dental insurance, fees and assessments, insurance recovery for damages, and minor items not included elsewhere. Projections are based on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



2014 Budget for Other
 Special Assessments \$5,750 thousand
 Reimbursements Received \$2,360 thousand
 Other \$460 thousand

Bond Proceeds

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





USE OF FUNDS BY TYPE

Uses of Funds by Type

Salaries and Wages

Employee Benefits

Materials and Supplies

Utility and Pumping

Professional and Other

General Equipment

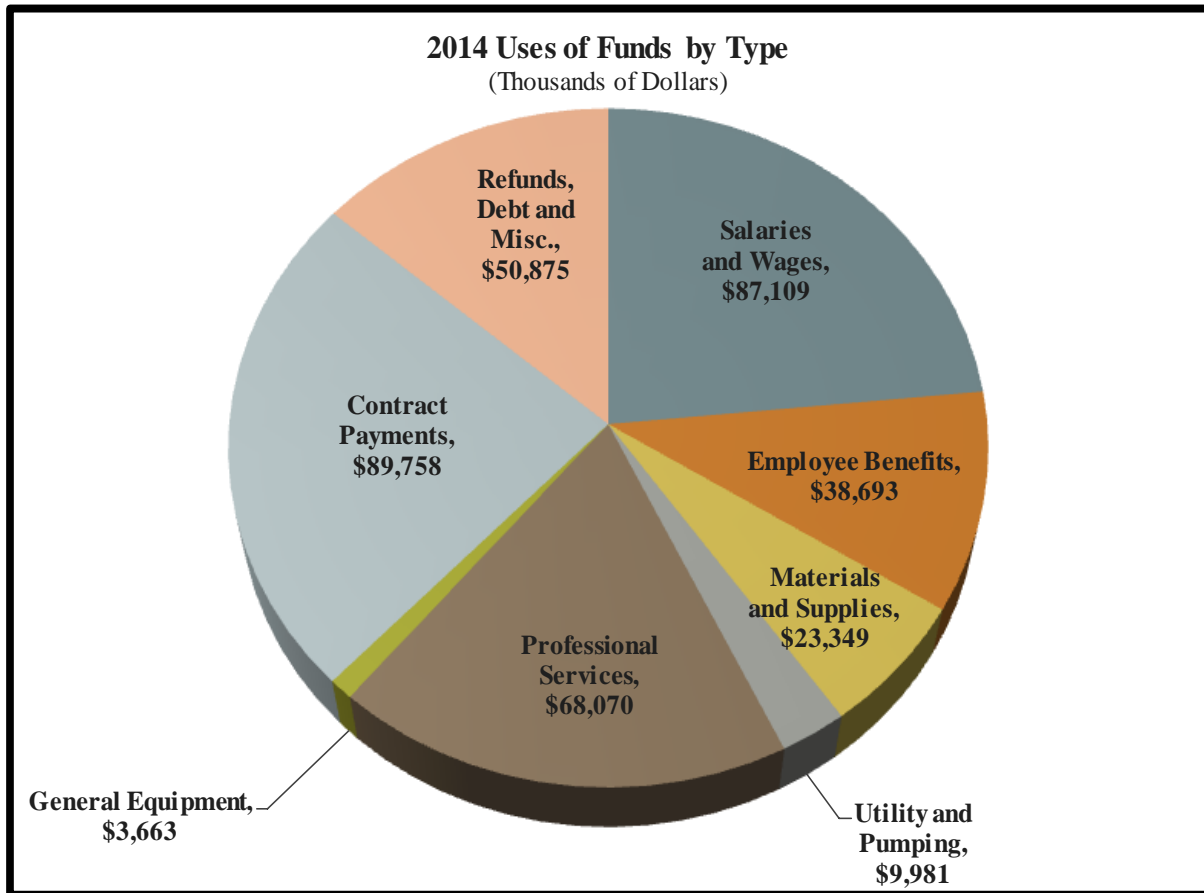
Contract Payments

Refunds, Debt and Misc.

2014 Uses of Funds by Type

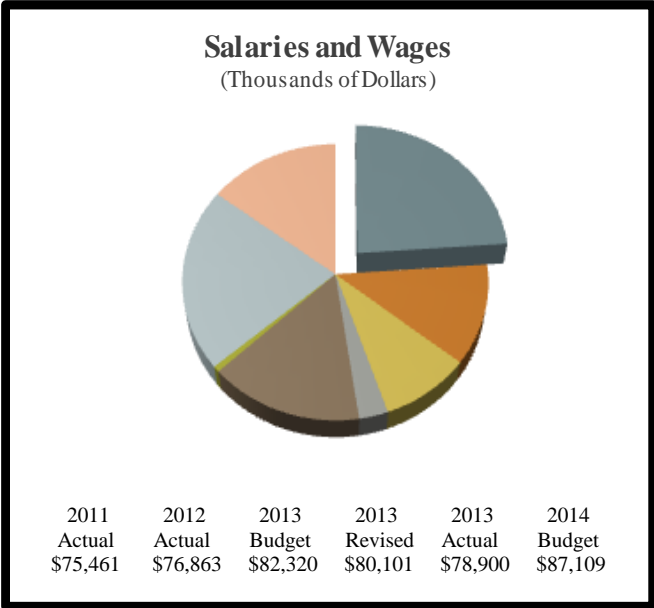
The projected Uses of Funds budget for Denver Water in 2014 is \$371,498 thousand. Costs are displayed in categories by type, regardless of whether the cost is operating or capital.

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



2014 Uses of Funds (In Thousands of Dollars)

2011	2012	2013	2013	2013	2014
Actual	Actual	Budget	Revised Budget	Actual	Budget
\$324,544	\$322,069	\$340,937	\$318,846	\$306,025	\$371,498



Salaries and Wages

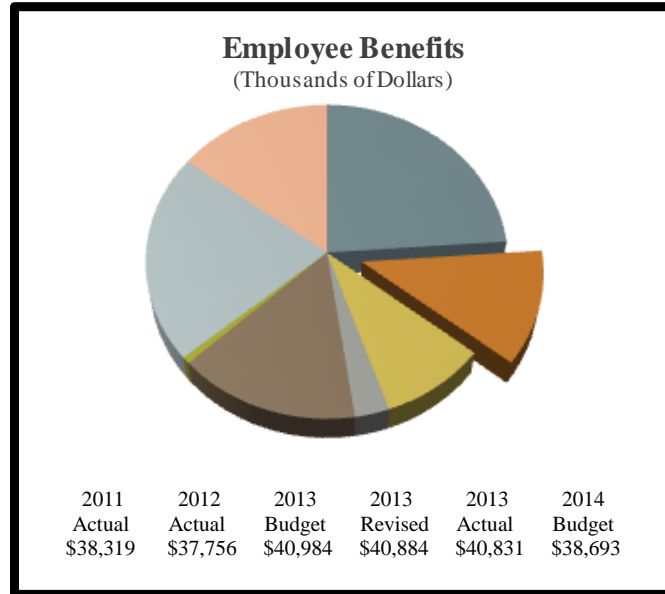
The 2014 budget for salaries and wages is \$87,109 thousand. Total payroll for 2014 will support 1,127.7 regular employees, as well as 11.8 temporary positions.

Performance-based pay:

Performance-based pay is a standards-based system of evaluating an employee’s performance for the purpose of adjusting pay. In addition to financially motivating and rewarding job related behaviors, standards-based methods make expectations clear and provide a level of standardization in employee evaluations.

Denver Water has created a performance-based culture within the organization, where top-level performance is encouraged and rewarded, and continuous learning and performance improvement is promoted. Our benefits and compensation system attract capable, talented, and enthusiastic employees from the public and private sectors, and retain experienced and knowledgeable employees in areas where this knowledge and experience is crucial to Denver Water’s mission.

2014 Budget
Regular wages \$82,871 thousand
Overtime pay \$1,986 thousand
Holiday, vacation, sick \$350 thousand
Other Pay \$1,902 thousand



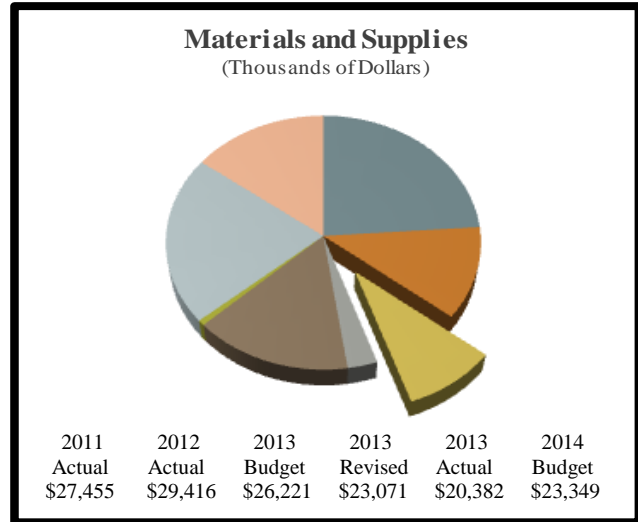
Employee Benefits

The 2014 budget for Employee Benefits is \$38,693 thousand. 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.

<p>2014 Budget Retirement plan contribution \$14,500 thousand Health and other benefits \$24,193 thousand</p>
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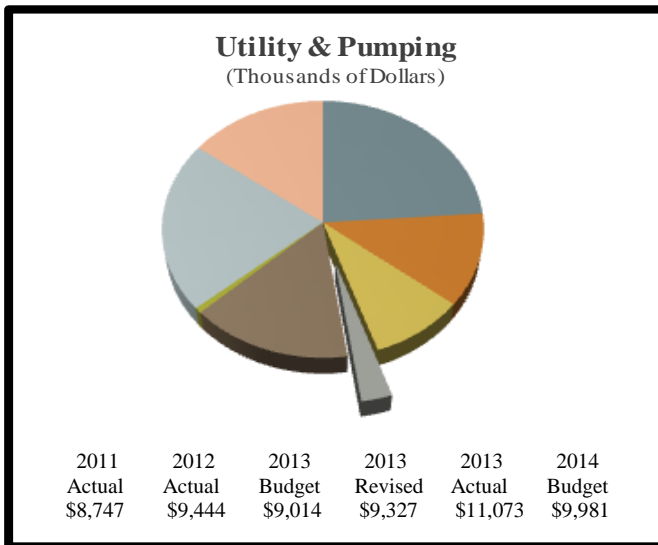
Materials and Supplies

The 2014 budget for materials and supplies is \$23,349 thousand. This 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.



2014 Budget

Materials and supplies for direct use \$9,189 thousand
 Chemicals purchased for direct use \$4,964 thousand
 Warehouse inventory \$9,196 thousand

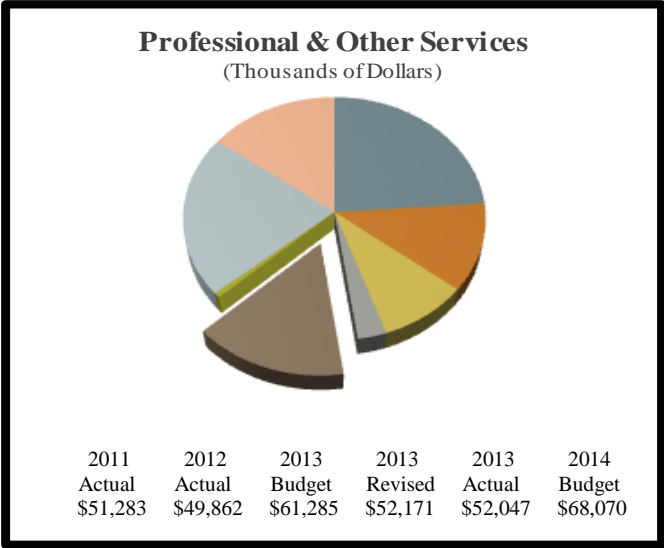


Utility and Pumping

The 2014 budget for utility and pumping is \$9,981 thousand. This category includes power and diesel fuel for pumping water and utility bills. Electricity, gas, water, sewer, telephone and cellular service are included in this group.

2014 Budget

Electricity, gas, water and sewer \$3,623 thousand
 Communications \$3,302 thousand
 Power purchased for pumping water \$3,056 thousand



Professional and Other

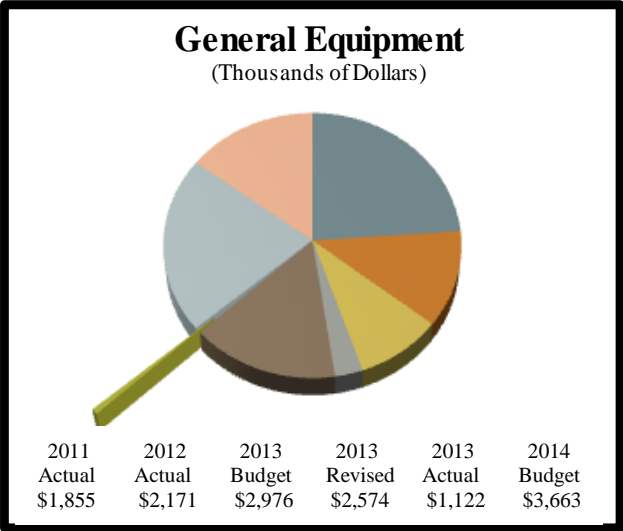
The 2014 budget for professional and other services is \$68,070 thousand. This category includes funds for consultants with expertise in IT, engineering, finance, planning and other areas. Labor services, such as those for landscaping, paving, equipment rentals and temporary employment, are included in other services. Employee costs, such as travel, training, conferences and meeting-related costs budgeted, are also under other services.

2014 Budget

Professional services \$34,456 thousand
Other services \$29,511 thousand
Conservation related \$4,103 thousand

General Equipment

The 2014 budget for general equipment is \$3,663 thousand. General equipment includes communication equipment, personal computers, hardware and software, office furniture, laboratory instruments, garage and shop machines, and vehicles.

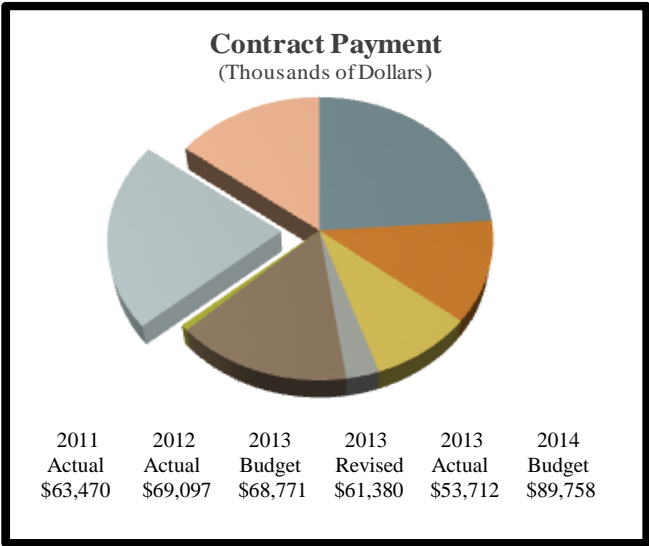


2014 Budget

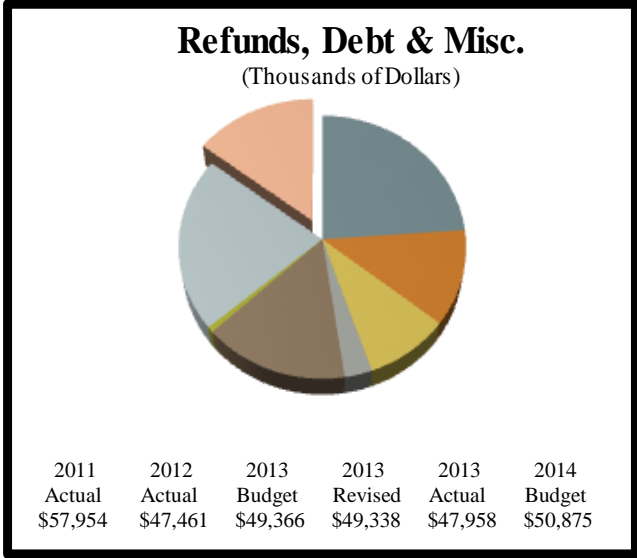
Vehicles \$1,859 thousand
Heavy equipment \$800 thousand
All Other equipment \$1,004 thousand

Contract Payments

The 2014 budget for contract payments is \$89,758 thousand. This group 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.



2014 Budget
Contract payments and construction materials \$89,758 thousand



Refunds, Debt and Misc.

The 2014 budget for refunds, debt and misc., is \$50,875 thousand. Debt service comprises 95 percent of the costs budgeted in this category. The remaining 5 percent is made up of refunds, unemployment insurance and insurance/legal claims.

2014 Budget
Refunds \$1,593 thousand
Debt service \$48,364 thousand
All other miscellaneous \$918 thousand



CAPITAL PROGRAMS

Capital Programs

Distribution System

Treatment System

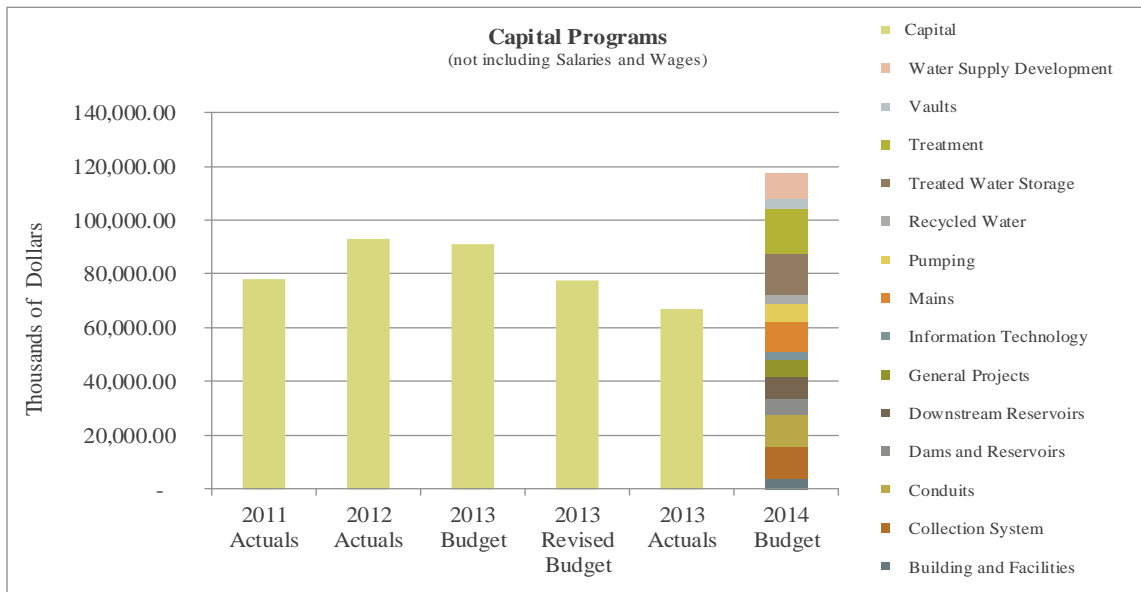
Collection System

Expansion System

Support System

Capital Programs

New capital programs have been introduced in 2014. Capital programs are a group of interrelated projects moving toward a common goal. Capital programs allow for management of all aspects of the program, and ensure that each component is coordinated, sequenced, and completed in a timely fashion. The program manager coordinates the actions of several project managers working on various projects that constitute the overall program. The program manager will work across organizational boundaries to assure the program is accomplished on time and within budget. Program managers and project managers working within a program provide performance review input. In 2015, each program will have a variety of operational, safety and capacity objectives as well as key performance indicators.



Distribution System
2014 Approved Budget \$48,969 thousand dollars

Treated Water Storage

Denver Water's 33 treated water storage reservoirs have a combined capacity of 350 million gallons. They help store treated water throughout the service area and act as a buffer between treatment rate and system demands.

\$15,800 thousand dollars

Mains

Water mains are pipes that are less than 24 inches in diameter in the distribution system. Approximately 2,400 miles of water mains carry water from conduits to individual services in Denver Water's service area.

\$11,378 thousand dollars

Conduits

Conduits are pipes 24 inches in diameter or larger that move large quantities of water to and from treatment plants through the distribution system. There are approximately 500 miles of conduits in the service area.

\$11,582 thousand dollars

Vaults

Vaults are generally defined as a buried structure that houses valves that are remotely operated. There are mechanical, structural and electrical maintenance needs for the more than 350 vaults in the system.

\$3,718 thousand dollars

Pump Stations

Pump stations move water throughout the distribution system and provide adequate pressure for customers. There are 19 pump stations in the system.

\$6,491 thousand dollars

Treatment System
2014 Approved Budget \$16,422 thousand dollars

Treatment

Denver Water's four treatment plants take raw water from the collection system, treat it and deliver it to the distribution system.

\$16,422 thousand dollars

Collection System
2014 Approved Budget \$18,540 thousand dollars

Collection System

Denver Water's raw water transmission facilities include canals, siphons, and other above-ground systems that are used to convey water to and from reservoirs. The system has ongoing maintenance, rehabilitation and replacement needs.

\$12,331 thousand dollars

Dams and Reservoirs

Denver Water's 20 reservoirs have 400,000 acre feet of usable storage. Dams and reservoirs are used to store water and manage supplies throughout the entire Denver Water system. Some are used for exchange purposes, some are used as terminal reservoirs or settling basins before water goes to treatment plants. The system has ongoing maintenance needs.

\$6,209 thousand dollars

Expansion System
2014 Approved Budget \$21,245 thousand dollars

Downstream Reservoirs

Three downstream reservoir complexes have been designed to provide Denver Water with 30,000 acre feet of new raw water storage to support upstream exchanges and maximize use of transbasin diversions, including the recycled water system

\$8,192 thousand dollars

Recycled

Build-out of recycled water distribution system will ultimately serve 17,500 acre feet of water to customers annually.

\$3,275 thousand dollars

Water Supply

The Integrated Resource Plan is the tool to identify possible hydrologic and economic futures and supply gaps to provide needed supplies in the future.

\$9,778 thousand dollars

Support System
2014 Approved Budget \$12,581 thousand dollars

Buildings and Facilities

Denver Water owns and maintains more than 300 buildings and facilities that can be segregated into five categories: general, administration, decentralization stations, headquarters and caretakers' houses. This program does not include buildings associated with water-moving structures (i.e., pump stations, treatment plants and valve houses).

\$3,499 thousand dollars

General Projects

General projects include miscellaneous projects and equipment such as vehicles, heavy equipment, specialized equipment, recreation improvements, hydropower and security projects.

\$6,432 thousand dollars

Information Technology

This program focuses on providing IT services and solutions for all aspects of Denver Water. IT supports 1,500 computers, 280 servers and 150 different applications throughout the organization.

\$2,650 thousand dollars



GLOSSARY

Acronyms

Definitions

Acronyms A-E

ACP

Accelerated Conservation Plan

AF

Acre-Foot

AMWA

Association of Metropolitan Water Agencies

BABS

Build America 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

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

RIE

Rapid Improvement Event

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

VSA

Value Stream Assessment

WISE

Water Infrastructure Supply Efficiency
Partnership

WUWC

Western Urban Water Coalition

Glossary

A3

This rapid-deployment tool complements organizational strategy by displaying the connections between overall priorities and tactical Lean efforts. Individuals or small teams diagram a process or problem using only what they are able to fit on a standard A3-sized (approx. 11-by-17-inch) piece of paper. This method requires that the team communicate well to depict the process simply, and results in a high-level view of the current steps in the process.

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.

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. One acre-foot is roughly the amount needed to serve 2.5 families each 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.

Blue Belt

A person who has received Lean training and is responsible for identifying areas of waste and taking actions for improving those identified areas.

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

Details 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; 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 .

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 nonpoint 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.

just-do-its

Lean changes that can be made on-the-spot to improve processes and don't require team participation.

Lean

A collection of principles and methods that focus on the identification and elimination of nonvalue added activity (waste) in any activity

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.

Managing for Daily Improvement

A condensed, small-scope improvement effort on a single project that can be completed in a very short time-frame, often a matter of a few days or even hours. Managing for Daily Improvement events focus on a small part of a process or work cell. Improvements are implemented rapidly in order to realize short-term results.

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 operations and maintenance 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.

nonoperating 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 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

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.

rapid improvement event

Five-day activity that focuses on eliminating waste in a targeted system or process, improving productivity, and achieving sustained improvement.

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 workforce. 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 and pumping

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

value stream assessment

The act of developing a high-level visual representation, from start to finish, of the process flow involved in delivering a desired outcome, service or product to customers.

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:
www.denverwater.org/AboutUs/GlossaryofTerms