

Chessman Reservoir

# **2015 BUDGET**

[www.denverwater.org](http://www.denverwater.org)

## **Distinguished Budget Presentation Award**

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Denver Water, Colorado for its annual budget for the fiscal year beginning January 1, 2014. 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.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Denver Water  
Colorado**

For the Fiscal Year Beginning

**January 1, 2014**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

Executive Director

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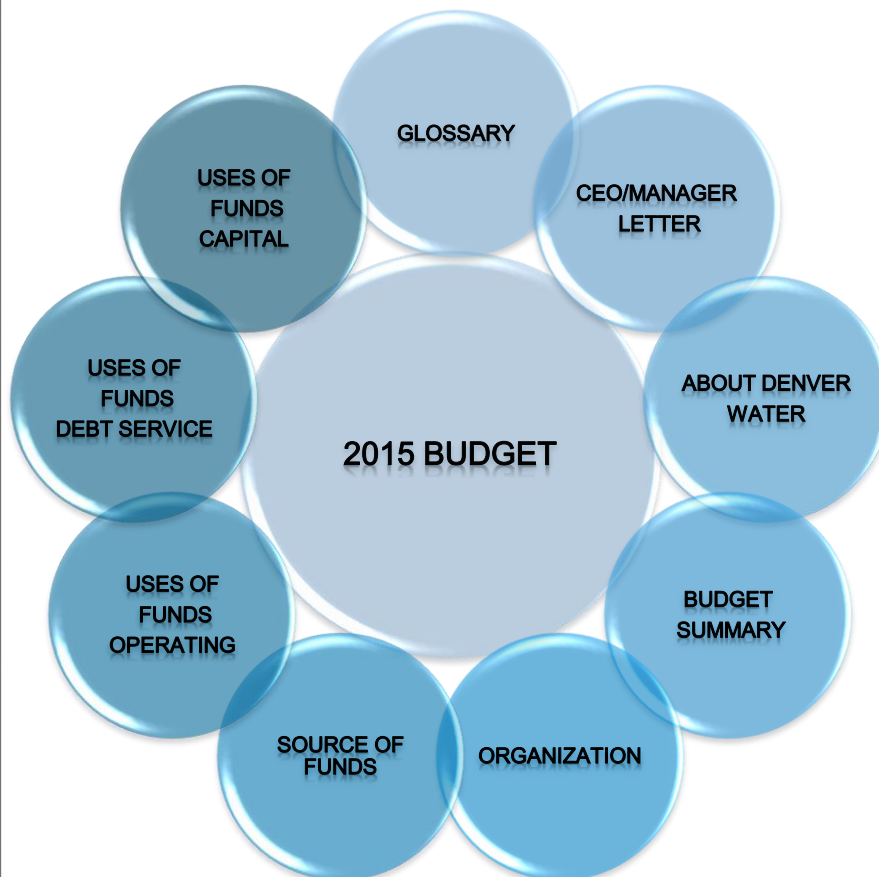
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# INTRODUCTION LETTER

**2014 REVIEW**

**2015 YEAR AHEAD**

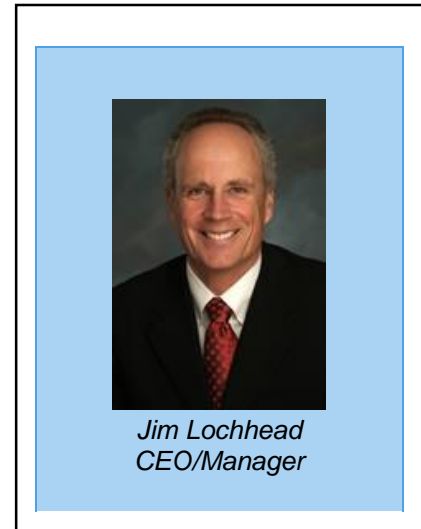


**To our customers and other interested readers:**

Denver Water was founded in 1918, making us the oldest utility in the State of Colorado. We have a nearly 100-year-old track record of operating a robust and reliable system, while delivering high-quality water to our customers. When you have that type of sustained success, it would be easy to simply continue with the status-quo.

**Always moving forward:**

At Denver Water, we realize that in order to be successful in the next 100 years, we must constantly evolve and adapt to meet our ever-changing challenges. 2014 was a prime example of taking a hard look at where we were and what we were doing, in order to improve as an organization. Those focus areas included:



- **Operations Complex Master Plan:** *Over the next five years, our operations complex will undergo a complete redevelopment, the Operations Complex Redevelopment (OCR). This transformation of our campus will include new consolidated trade shops, fleet maintenance and operations, a warehouse, a meter shop and materials lab and a new administration building. The goal is to build a modern site that improves the efficiency, functionality, security and safety of all our operations. Many of our current buildings are more than 50 years old and are no longer adequate for today's demands. The new layout will improve traffic and work flow, while taking advantage of matching functions with building adjacencies. In 2014, we used Lean tools to improve efficiencies and reduce the space required in the new facilities, while planning future workspaces to be comfortable and energizing. We also established initial policy goals for sustainability, security and a public presence. We presented a final site layout to our Board in December. The first phase of work will start in the fall of 2015.*
- **Budget Value Stream:** *We developed and implemented a new budget process that includes establishment of revenue requirements in late summer, followed by construction of a budget that meets strategic objectives, performance metrics and organizational capacity. System managers, those who truly run our system, developed the capital budget. This required coordination and prioritization of projects to ensure limited resources were allocated to the right projects at the right time.*
- **Customer Experience Value Stream:** *We worked to improve customer interactions across Denver Water. We focused events on paving processes, landscape restoration, landlord-tenant rules, and on streamlining conservation contacts and emergency customer notification. We also centralized our dispatch process.*
- **Ratings upgrade:** *Denver Water was upgraded by Moody's to "Aaa", one of only 10 water utilities in the nation receiving this rating. High ratings benefit our customers by keeping our borrowing costs low.*
- **Rate Structure Study:** *We started the first study in 20 years to review our rate structure and address pricing objectives, including revenue volatility, conservation and new-development-related concerns. We completed a detailed rate-perception survey of our customers, an affordability study and a customer demand analysis to share with stakeholders. The study is on track for completion in the second quarter of 2015.*
- **Safety culture:** *We reconstituted our Safety Committee and completed a strategic A3 to reduce the total number of injuries and total lost work days by 25 percent.*

- **Branding:** We conducted internal and external focus groups to finalize the Denver Water brand promise, drivers and creative identity. We also developed a strategy for internal and external rolling socialization of the brand. Externally, we introduced the brand on most established communication platforms with the full transition coming in 2015.
- **Colorado River:** The upper Colorado River supplies about one-half of Denver Water's supply. The long-term security of this source in the face of extended drought and climate change is of critical importance to our continued ability to meet the needs of our customers. With that in mind, we have been leading interstate and federal efforts to develop strategies to secure Colorado River supplies for all water users.

*Working with Southern Nevada Water Authority, Central Arizona Water Conservation District, the Metropolitan Water District of Southern California and the Bureau of Reclamation, we drafted and began implementation of the Colorado River System Conservation Program. The program provides up to \$11 million in funding for the next two years to test data on short-term, water saving pilot programs that could benefit water levels in Lake Powell and Lake Mead through temporary, voluntary, fully-compensated mechanisms. \$2.75 million may be available for funding pilot programs in the Upper Basin of the Colorado River in Colorado, New Mexico, Utah and Wyoming.*

*Critical to this process, The U.S. Congress included a provision in the final spending bill language specific to the System Conservation Program by authorizing Reclamation to spend money in the upper basin for pilot projects. This reflects significant work by the funding partners to ensure the authorization was in place. The lower basin is currently in the process of reviewing pilot project proposals. We are finalizing an agreement with the Upper Colorado River Commission to administer the program in the upper basin. We anticipate selecting proposals for upper basin projects by the spring of 2015.*

## **The year ahead**

2015 will also see a focus on continuous, daily improvement. After extensive review of the organizational performance related to our Strategic Plan, the Board of Water Commissioners and Denver Water Executive Team identified six key three-year breakthrough strategies that will help us realize our vision of becoming the best water utility in the nation:

1. Achieve full alignment of budget development and execution with strategic priorities and True North metrics. Incorporate these processes to control spending.
2. Become the *Employer of the Future*, retaining and attracting top talent through integrated policies, benefits and philosophies to create a unique, diverse and energizing culture.
3. Improve top-box customer satisfaction scores by 10 percent.
4. Reduce lost-time accidents to zero.
5. Strive for efficient, effective, customer-driven processes in everything we do. Validate that Denver Water is meeting standards of excellence.
6. Redevelop the Operations Complex in a way that is fiscally responsible, integrates field and administrative staff, creates a public presence and celebrates water and the history of Denver Water. The project will also be safe, efficient, and sustainable, allow for future flexibility and promote retention and recruitment. It will be complete by 2020.

We also identified nine breakthrough objectives for 2015 to help us achieve the three-year breakthrough strategies:

- Create a process for budget development with standard work, fewer employee hours, less rework and greater detail. Connect the budget to the Strategic Plan. The budget will control spending moving forward.

- Implement organizational metrics through systems and programs that are visible, tracked and drive decisions in spending, staffing, project selection, timing and scope.
- Transform Human Resources into a strategic business partner for the organization.
- Finish, design and continue implementation of *Employer of the Future* initiatives. Begin to expand focus on areas beyond Human Resources.
- Increase the percentage of employees who are "very satisfied" with Denver Water as an employer from 36 to 40 percent on the 2015 employee survey.
- Improve top-box customer satisfaction scores five percent on the 2015 customer survey.
- Reduce lost-time accidents to no more than seven.
- Use Lean tools to streamline and optimize processes and workspace for all areas of the Operations Complex affected by design and construction.
- Grow Lean into more parts of Denver Water. Understand criteria for Lean and process improvement recognition. Perform gap analysis and develop plans for recognition.

### **Conclusion**

We are proud of the rich heritage our passionate employees have worked hard to create over the last century, and much of the work we do at Denver Water is truly timeless. But we also know we must be nimble and flexible and adapt to a change-driven world. Only by daring to do things differently from the past will we be able to achieve our future vision of being the best water utility in the nation. We will move forward toward that vision in 2015.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lochhead". The signature is stylized and cursive.

Jim Lochhead  
CEO/Manager

## Contact Us

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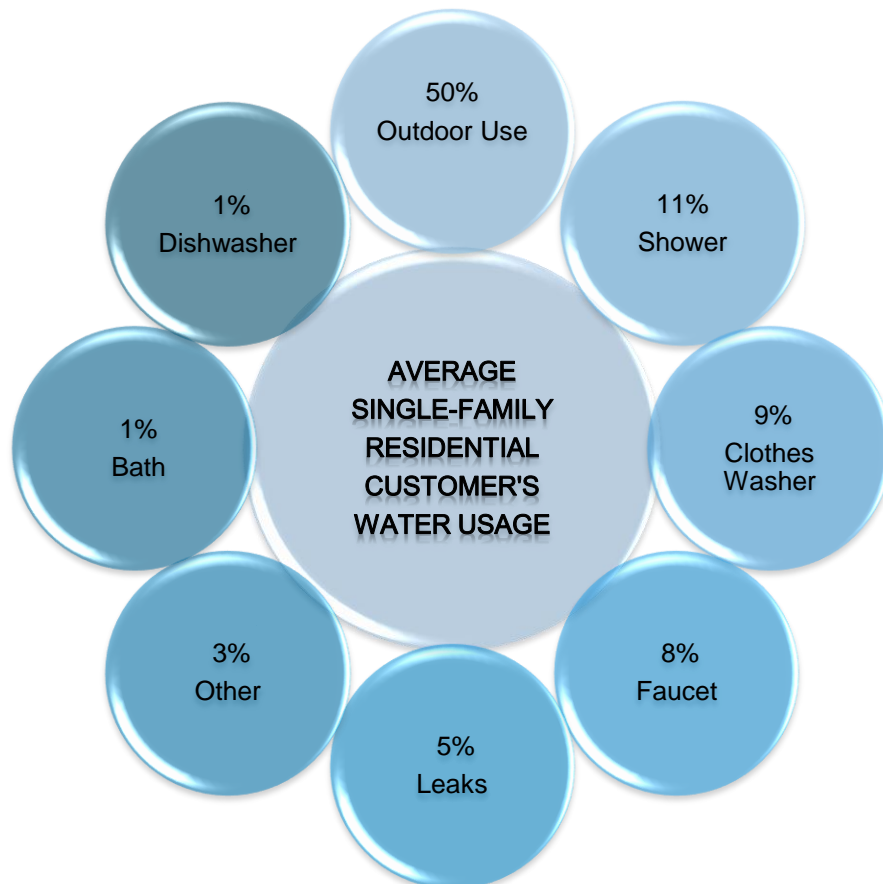
With questions concerning the budget document please contact:

Terri Bryant, Controller	303.628.6024 <a href="mailto:terri.bryant@denverwater.org">terri.bryant@denverwater.org</a>
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# ABOUT DENVER WATER

Denver Water uses about 250,000 acre-feet of water a year.

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.



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## ABOUT DENVER WATER

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.

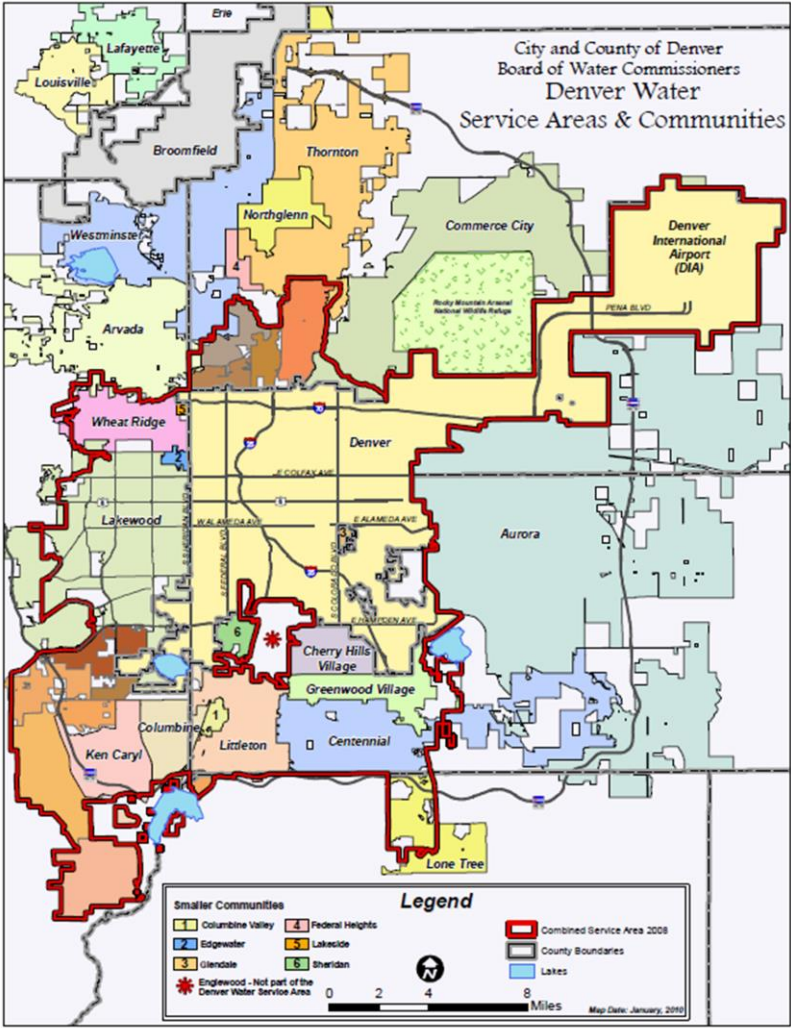


For historical timeline, records, photos and more:

[www.denverwater.org/aboutus](http://www.denverwater.org/aboutus)



# SERVICE AREA MAP



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## 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.



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# HISTORY

## 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.

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## HISTORY CONTINUED

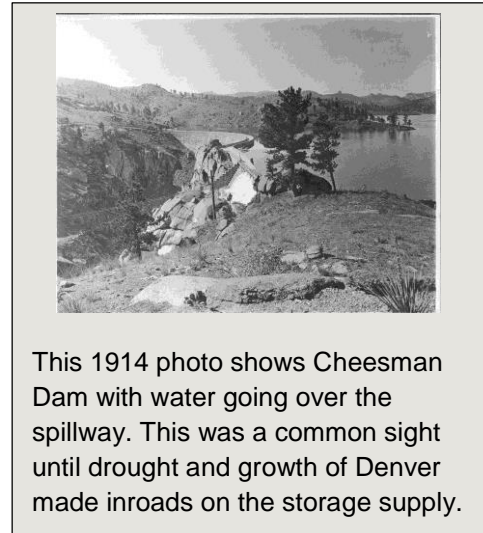
Perhaps the most important engineering feat of the early years was the construction of Cheesman Dam and Reservoir on the South Platte River. When Cheesman was completed in 1905, it was hailed as the solution to Denver's water storage problems.

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.

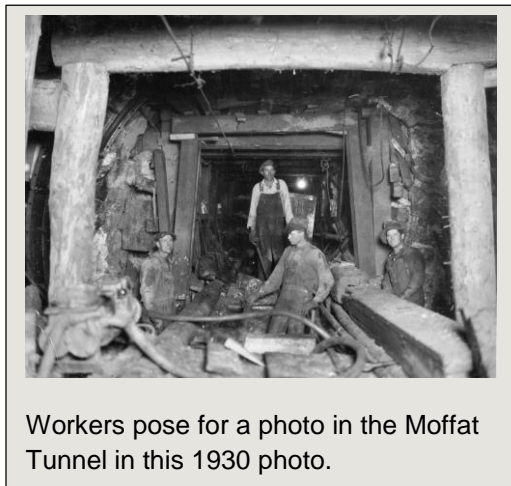
It provides nearly 80,000 acre-feet of water to Denver and remains an important water storage facility in the system.

### 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 storage supply.



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.

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# CITY AND COUNTY OF DENVER, COLOADO COMMUNITY PROFILE

## DEMOGRAPHICS, 2013

Population	648,937
Households	290,496

Source: Colorado Division of Local  
Government, State Demography Office

## GEOGRAPHY

Square Miles	156
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Source: Colorado Department of Local

## HOME PRICE, 2014

Median Home Price	\$315.5
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Source: National Association of Realtors

## LABOR, 2014

Denver Unemployment Rate	4.2%
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Source: U.S. Bureau of Labor Statistics



For more information see:

<http://www.metrodenver.org/do-business/communities/denver/>

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## COMMUNITY PROFILE CONTINUED

### WORKFORCE, 2013

Labor Force	334,243
Employment	310,758

Source: Colorado Department of Labor and  
Employment, Labor Market Information

### TEN LARGEST EMPLOYERS IN THE CITY AND COUNTY OF DENVER, 2013

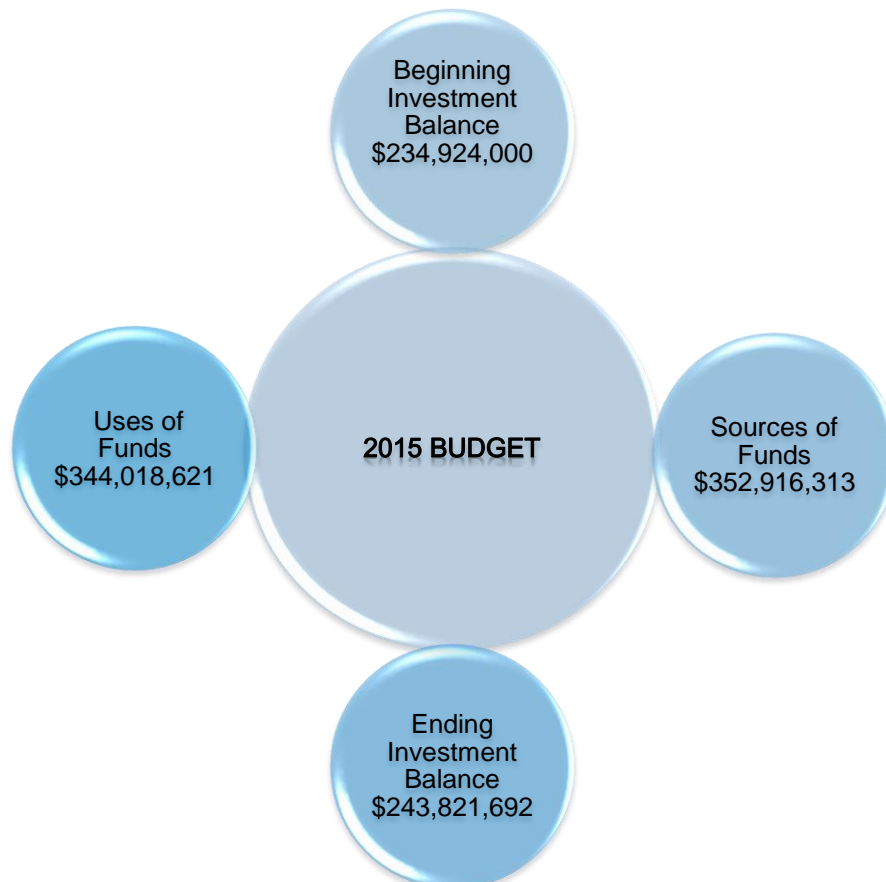
<u>Company</u>	<u>Employees</u>
United Airlines	4,900
University of Denver	4,180
Frontier Airlines	3,350
CenturyLink	2,890
Exempla Saint Joseph Hospital	2,510
Kaiser Permanente	2,370
HealthONE: Presbyterian/St Luke's Medical Center	2,220
Southwest Airlines	2,020
HSS, Inc	2,000
TIAA-CREF	2,000

Source: Development Research Partners, May

# BUDGET SUMMARY

**2015 BUDGET  
USES OF FUNDS  
\$344.0 MILLION**

**2015 BUDGET  
SOURCES OF FUNDS  
\$353.0 MILLION**





## 2015 BUDGET COMPARISON

Comparison of Sources and Uses of Funds					
	2012	2013	2014	2014	2015
	Actual	Actual	Actual	Budget	Budget
<b>Beginning Investment Balance</b>	<b>\$ 187,296,000</b>	<b>\$ 222,299,000</b>	<b>\$ 219,744,000</b>	<b>\$ 219,744,000</b>	<b>\$ 234,924,000</b>
<b>SOURCES OF FUNDS:</b>					
Operating	\$ 271,646,875	\$ 230,856,506	\$ 238,776,870	\$ 250,376,175	\$ 269,255,927
HydroPower	4,308,332	4,263,477	4,390,393	4,680,000	4,422,000
Participation and Reimbursements	3,451,775	7,425,659	6,384,325	2,163,000	4,415,001
SDC	19,618,511	34,615,849	32,735,962	15,294,000	17,294,000
Interest	734,624	641,105	720,786	1,413,000	1,235,000
All Other Revenue	12,103,991	12,697,492	12,782,736	8,570,000	6,640,001
Non-Operating	6,459,855	7,344,735	6,131,638	4,673,000	7,654,384
<b>Subtotal Sources of Funds</b>	<b>\$ 318,323,963</b>	<b>\$ 297,844,823</b>	<b>\$ 301,922,709</b>	<b>\$ 287,169,175</b>	<b>\$ 310,916,313</b>
Bond Proceeds	40,357,624	10,000,000	40,102,457	36,000,000	42,000,000
<b>Total Sources of Funds</b>	<b>\$ 358,681,587</b>	<b>\$ 307,844,823</b>	<b>\$ 342,025,166</b>	<b>\$ 323,169,175</b>	<b>\$ 352,916,313</b>
<b>USES OF FUNDS:</b>					
<b>SALARIES &amp; BENEFITS</b>					
Salaries	76,862,728	78,899,862	80,499,615	87,109,099	79,485,838
Benefits	37,756,286	40,830,648	38,572,122	38,693,160	38,966,801
<b>Total Salaries &amp; Benefits</b>	<b>\$ 114,619,014</b>	<b>\$ 119,730,510</b>	<b>\$ 119,071,737</b>	<b>\$ 125,802,259</b>	<b>118,452,639</b>
<b>OPERATING EXPENSES (EXCLUDING SALARIES AND BENEFITS)</b>					
Materials and Supplies	17,810,328	15,857,857	18,026,216	18,864,333	18,342,469
Utilities	9,068,421	10,624,906	10,870,345	9,981,179	10,403,662
Professional and Other Services	33,071,550	36,637,446	38,752,584	45,119,186	39,500,429
Contract Payments	6,879,018	8,151,553	3,944,266	3,058,433	2,871,102
Refunds and Other	2,421,171	1,717,445	2,537,431	2,550,666	7,411,679
<b>Subtotal Operating</b>	<b>\$ 69,250,488</b>	<b>\$ 72,989,207</b>	<b>\$ 74,130,842</b>	<b>\$ 79,573,797</b>	<b>\$ 78,529,340</b>
Debt Service	45,089,396	46,218,295	46,741,865	48,364,078	48,822,316
<b>Total Operating</b>	<b>\$ 114,339,884</b>	<b>\$ 119,207,502</b>	<b>\$ 120,872,707</b>	<b>\$ 127,937,875</b>	<b>\$ 127,351,656</b>
<b>CAPITAL SYSTEMS (EXCLUDING SALARIES AND BENEFITS)</b>					
Distribution			\$ 45,988,463	\$ 53,001,825	\$ 49,944,602
Treatment			17,041,914	18,238,639	6,920,910
Collection			15,632,338	17,560,487	14,668,412
Expansion			19,012,293	19,188,841	10,419,697
Operations Support			2,199,025	7,117,270	7,297,075
<b>Subtotal Prioritized Capital Systems</b>			<b>\$ 99,874,033</b>	<b>\$ 115,107,061</b>	<b>\$ 89,250,695</b>
Information Technology			1,855,179	2,650,307	8,963,631
<b>Total Capital</b>	<b>\$ 93,110,389</b>	<b>\$ 67,046,744</b>	<b>\$ 101,729,212</b>	<b>\$ 117,757,368</b>	<b>\$ 98,214,326</b>
<b>Total Uses of Funds</b>	<b>\$ 322,069,286</b>	<b>\$ 305,984,756</b>	<b>\$ 341,673,655</b>	<b>\$ 371,497,502</b>	<b>\$ 344,018,621</b>
<b>Cash Balance Adjustment</b>	<b>\$ (1,609,302)</b>	<b>\$ (4,415,067)</b>	<b>\$ 14,828,489</b>		
<b>Ending Investment Balance</b>	<b>\$ 222,299,000</b>	<b>\$ 219,744,000</b>	<b>\$ 234,924,000</b>	<b>\$ 171,415,673</b>	<b>\$ 243,821,692</b>

\*Report may have slight differences due to rounding.

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## 2015 BUDGET PROCESS

In 2015 the annual budget process was redeveloped in order to make the budget more accountable, transparent, and efficient. The changes in the budget process delivered benefits including:

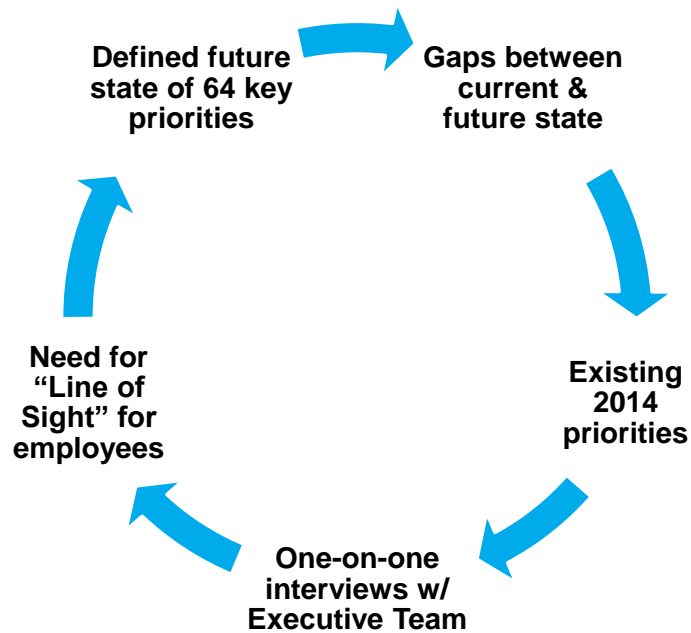
1. Setting revenue requirements and managing our budget to those requirements, versus setting rates to meet our projected budget needs;
2. Prioritizing the capital budget through the new System and Program Managers' process and,
3. Incorporating organizational priorities that tie directly to the Strategic Plan.

The budget process was initiated by a review by the CEO's office of the financial condition and projections provided by the Finance Division. This mid-year review provided the basis for the CEO to set targets and goals that would govern the budgeting process. These goals included:

1. Setting the total baseline for the Capital projects budget. The system and program managers will prioritize capital projects based on documented business cases, numeric scoring and professional judgment.
2. Budgeting based on historic spend. 2013 actual operating and capital spend was used as the baseline for the 2015 budget. Any budget excess over the 2013 budget required justification.
3. New process changes to reduce salary budget:
  - a. All vacant positions were removed from 2015 salary budget, and justified positions were re-approved by the Division Director before inclusion in the final budget.
  - b. All new positions must be approved by the CEO.
  - c. Before hiring, all positions will go through the employee requisition process.
4. Strategic Plan alignment. The 2015 budget shall be developed in support of Strategic Plan priorities and system and program metrics as developed through the strategic deployment process. The 2015 priorities will cascade into division priorities and be used to align operating expenses. These breakthrough strategies are:
  - a. Budgeting and Spending: Achieve full alignment of budget development and execution with strategic priorities and True North metrics.
  - b. Employer of the Future: Denver Water will be an employer that retains and attracts top talent through integrated procedures, policies, benefits and philosophies that create a unique, diverse and energizing culture.
  - c. Customer Satisfaction
  - d. Safety
  - e. Operations Complex Redevelopment: redevelop the Operations Complex in a way that is fiscally responsible, integrates field and administrative staff, creates a public presence and celebrates water and the history of Denver Water.
  - f. Lean/process improvement: Strive for efficient, effective, customer-driven processes in everything we do.

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## 2015 BUDGET PROCESS



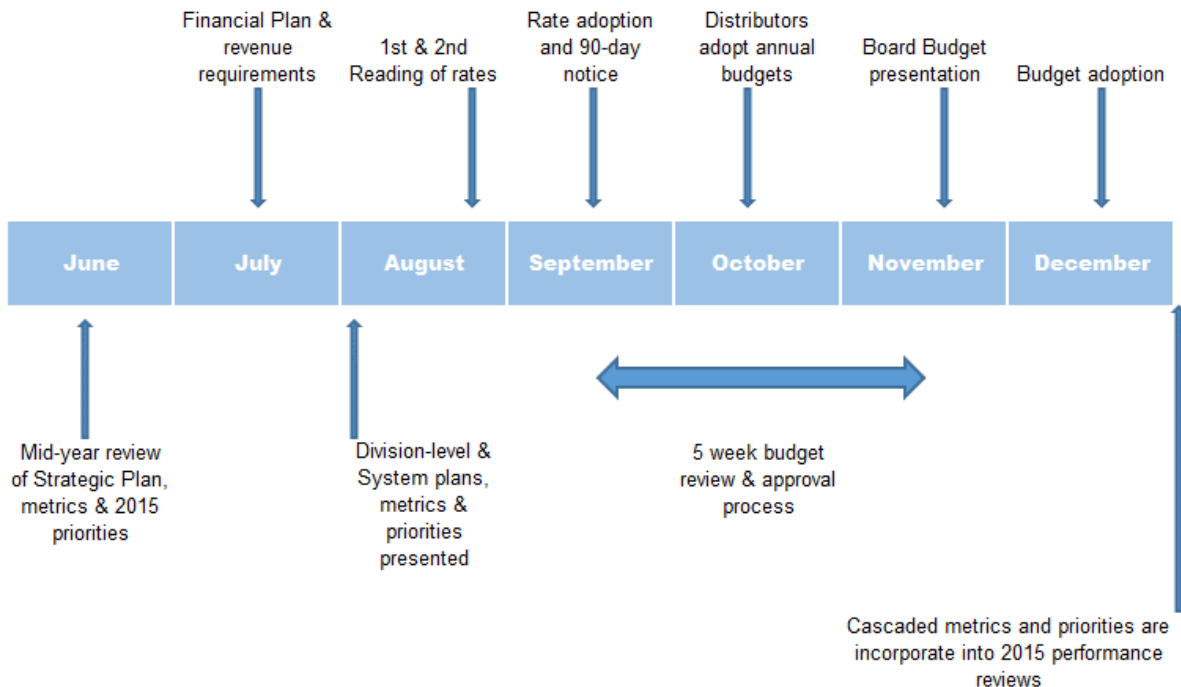
After the strategic priorities are set the system and program managers begin the capital planning and prioritization process. The prioritization process is a collaborative process that consists of each system and program manager participating in prioritizing the projects for their system or program, and then collaborating to optimize these projects with other systems. The process culminates when system and program managers come together and prioritize capital projects based on documented business cases, numeric scoring, and professional judgment.

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## 2015 BUDGET PROCESS

The annual operating budget was determined using 2013 as a baseline for preparing budgets. Any spend over and above the 2013 baseline is required to be approved by the Division Director. Each Division was provided with a “Budget Template” in which to prepare and submit their final budgets.

Throughout the summer, meetings are held with the Executive Team to discuss budget assumptions or changes that have occurred during the process. Rates are adopted during the early fall. At the public Board workshop in November, 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 December.



## 2015 BUDGET PROCESS

Dates	Deliverable or Milestone	Primary Responsibility
June	Board reviews Strategic Plan gaps, mid-year progress report, and proposed top organizational priorities	Executive Team/Board
August	Board reviews financial plan and proposed annual revenue adjustment	Finance/Board
September	Draft budgets completed using budget templates and salary projection worksheets provided by budget office	Budget Coordinators
October	Executive team reviews operating budget	Executive Team
November	Executive team reviews entire budget including capital priorities by System	E-Team/System Managers
December	Board budget workshop	Executive Team
December	Board review and approval of annual budget	Board

### 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 reports monthly to the Executive Team and the Board. These reports provide information about year-to-date budget performance, changes and their impact on reserve balances.

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## 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.

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## SUMMARY OF FINANCIAL POLICES CONTINUED

### *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:*

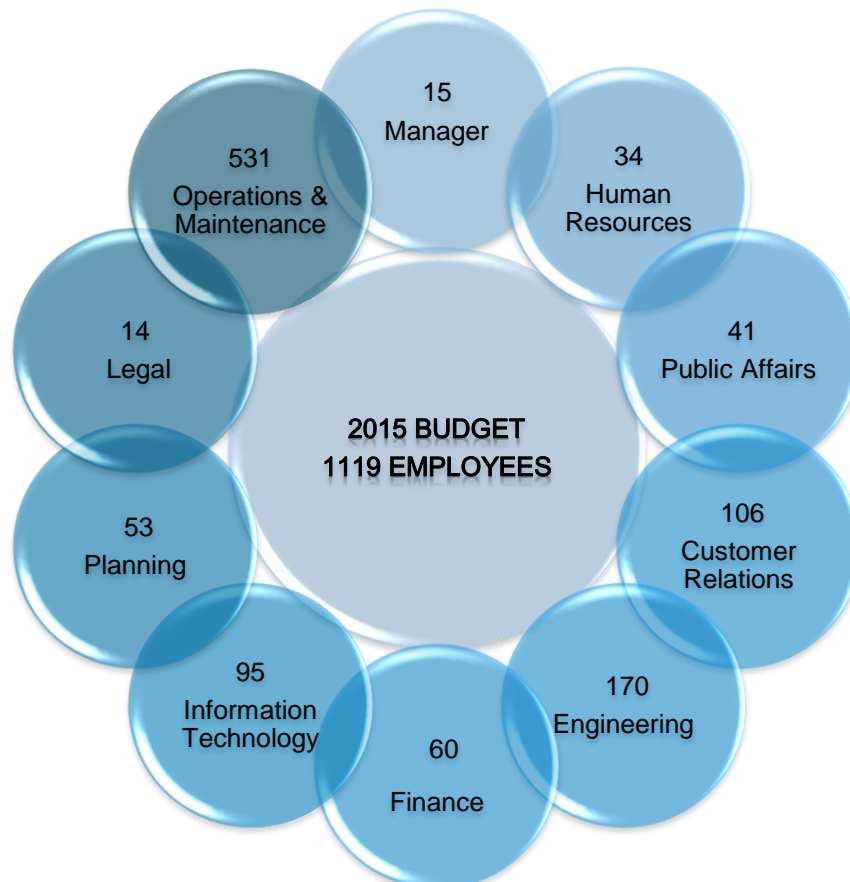
The Board adopted a debt policy in 2013 establishing the philosophy, objectives and practices to issue debt. In accordance with the Debt Policy, debt may be issued to fund capital improvements that expand the system or are otherwise unusual in nature or amount and to refund existing debt. Denver Water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



# ORGANIZATION

**EMPLOYEE BENEFITS**  
**\$39.0 MILLION**  
**11% OF TOTAL USES OF FUNDS**

**SALARIES AND WAGES**  
**\$79.5 MILLION**  
**23% OF TOTAL USES OF FUNDS**



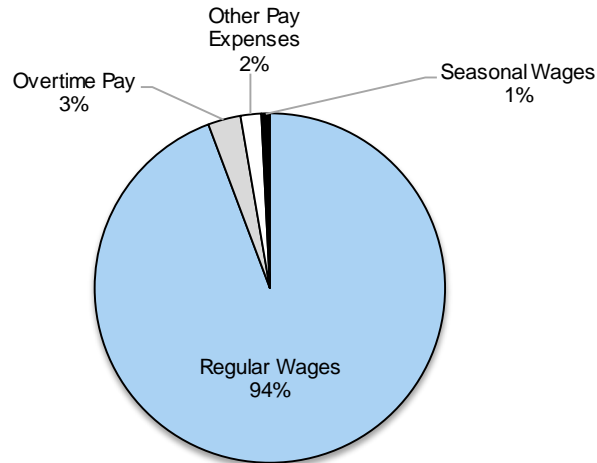
## 2015 BUDGET 1119 REGULAR EMPLOYEES

<b>Section</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2014 Budget</b>	<b>2015 Budget</b>
Manager & Staff	7	11	15	12	15
Human Resources	24	25	32	27	34
Public Affairs	30	39	37	39	41
Customer Relations	133	104	100	115	106
Engineering	159	166	164	174	170
Finance	56	58	57	59	60
Information Technology	69	81	91	85	95
Planning	46	50	49	52	53
Legal	14	14	13	14	14
Operations & Maintenance	534	518	505	553	531
<b>Total</b>	<b>1072</b>	<b>1066</b>	<b>1063</b>	<b>1130</b>	<b>1119</b>

# SALARIES AND WAGES

## \$79.5 MILLION

### 23% OF TOTAL USES OF FUNDS



**Regular Wages:**

- ✓ Includes salaries and leave for regular employees.
- ✓ 2014 Budget includes additional pay period.

**Overtime Pay:**

- ✓ Time and one half.

**Other Pay Expenses:**

- ✓ Tuition refund, safety equipment allowance, travel allowance, housing allowance, suggestion awards, disability payments, standby and fill in pay, swing shift differential, sick leave buy back pay, sick leave termination pay, spot awards.

**Seasonal Wages:**

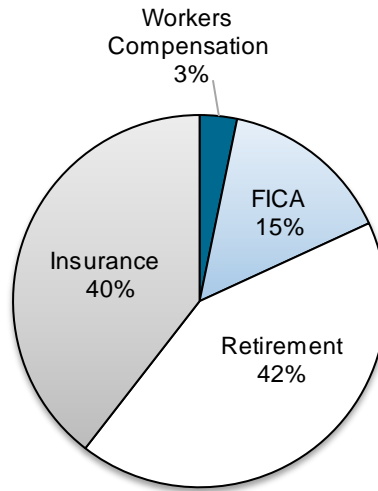
- ✓ Salaries for temporary employees for a time period of four months or less.

	2012	2013	2014	2014	2015	2015-2014
	Actual	Actual	Actual	Budget	Budget	Budget Change
Regular Wages	72,787,550	73,972,476	74,958,456	79,964,469	74,948,440	-6%
Overtime Pay	2,338,658	2,667,042	3,306,471	1,986,572	2,400,748	21%
Other Pay Expenses	1,736,520	2,260,344	1,970,715	1,901,045	1,516,836	-20%
Seasonal Wages	-	-	263,973	3,257,012	619,813	-81%
<b>Salaries and Wages</b>	<b>76,862,728</b>	<b>78,899,862</b>	<b>80,499,615</b>	<b>87,109,099</b>	<b>79,485,838</b>	<b>-9%</b>

# EMPLOYEE BENEFITS

## \$39.0 MILLION

### 11% OF TOTAL USES OF FUNDS



**Employee Benefits:**

- ✓ Includes workers compensation, FICA, retirement, supplemental retirement, life insurance, long-term disability insurance, health insurance, stop loss insurance, employee assistance program, and dental insurance

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Workers Compensation	1,010,749	1,017,449	1,244,620	1,354,500	1,260,881	-7%
FICA	5,831,006	5,791,105	5,850,396	6,115,160	5,802,120	-5%
Retirement	16,111,080	16,858,881	16,444,213	16,309,500	16,509,800	1%
Insurance	14,803,451	17,163,213	15,032,894	14,914,000	15,394,000	3%
<b>Employee Benefits</b>	<b>37,756,286</b>	<b>40,830,648</b>	<b>38,572,122</b>	<b>38,693,160</b>	<b>38,966,801</b>	<b>1%</b>

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## Board of Water Commissioners

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

The Board's purpose is to ensure a continuous supply of water to the people of Denver and its suburban customers. Among other duties, commissioners are responsible for setting water rates and monitoring the cost and maintenance of the system. The Board holds its public meetings generally twice a month. Commissioners are paid \$600 annually (\$25 per meeting) for their service — the same amount of money they have been paid since the current Denver Charter was adopted in 1959.

Greg Austin, President

John Lucero, First Vice President

Penfield Tate III, Vice President

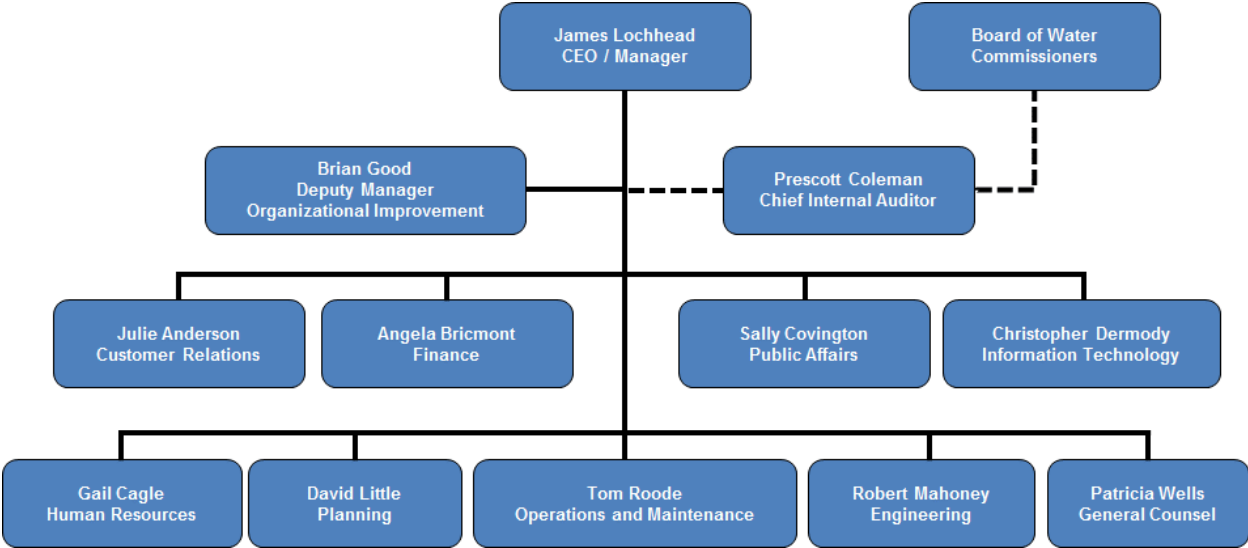
Thomas A Gougeon, Vice President

Paula Herzmark, Vice President

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# Denver Water Organization

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



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# 2014 YEAR IN REVIEW

## Organization-wide Initiatives

### 2014 Highlights:

- **New Operations Complex Master Plan:** We continued on schedule with the preliminary design for the Operations Complex Redevelopment Project (OCR). We conducted employee interviews to determine current and future needs. We also deployed Lean tools to begin analyzing processes and workflows with goals of improving efficiency and reducing the amount of space required, while making workspaces comfortable and energizing. We researched and established initial policy goals for sustainability, security and a public presence. This work culminated in a final site layout presented to the Board in December.
- **Budget Value Stream:** We developed and implemented a new budget process that includes establishment of revenue requirements in late summer, then construction of a budget that meets strategic objectives, performance metrics and organizational capacity. System managers, those responsible for running the water system, developed the capital budget. This required coordination and prioritization of projects across the organization to ensure limited resources were allocated to the right projects at the right time.
- **Customer Experience Value Stream:** We worked to improve customer interactions across Denver Water. We focused events on centralizing dispatch, paving processes, landscape restoration and landlord-tenant rules, as well as on streamlining conservation contacts and emergency customer notification. We exceeded the hard-dollar savings goal of \$500,000 by \$60,000, increased top-box customer satisfaction from 64 percent to 73 percent for the contact center and from 53 percent to 58 percent for street work. We also exceeded the human-development goal of 200 employees trained in Customer Service by 48 employees. We missed the safety goal by 14 incidents (33 vs. 47).
- **Safety culture:** We reconstituted the Safety Committee and completed a strategic A3 to reduce both the total number of injuries and total lost work days by 25 percent. We did not reach our goal of decreasing the number of lost work days due to major injuries, as some of those occurred in 2013. We also missed our goal of reducing injuries by 25 percent during 2014, reducing them by only 20 percent. However, that reduction is in addition to a 13.5 percent reduction in total injuries between 2012 and 2013.
- **Rate structure study:** We completed a number of milestones in 2014, and the study is on track for completion in the second quarter of 2015. Those milestones included:
  - A rate perception survey to gauge satisfaction and understanding of our rates
  - An affordability study to establish baseline metrics for addressing this issue in the new rate structure
  - A “lessons learned” workshop co-sponsored with the Water Research Foundation and four Western utilities highlighting successes and challenges of implementing new rate structures. Approximately 20 Front Range utilities attended.
  - Identification of 15 community leaders to participate in a stakeholder group in 2015 to evaluate rate alternatives and make recommendations to the Board



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## 2014 YEAR IN REVIEW (CONTINUED)

- **Environmental stewardship:** A full Environmental Stewardship Value Stream was planned for 2014 but was redirected into the sustainability aspects of the Operations Complex Redevelopment Project. In addition, the Green Team championed key, environmental stewardship initiatives including:
  - Completing a greenhouse gas inventory for the last six years
  - Holding two e-waste recycling days and collecting 12,000 pounds of electronic equipment that might have otherwise ended up in a landfill
  - Putting green tips into every Conduit employee newsletter
  - Holding fresh-produce exchanges for employees to trade food from their gardens
  - Working with Denver Water's Purchasing team to implement a new recycling program for the Operations Complex with single-stream collection of recyclables and small waste receptacles to collect non-recyclable waste
- **Branding:** We conducted internal and external focus groups to finalize the Denver Water brand promise, drivers and creative identity. We also developed a strategy for internal and external rolling socialization of the brand. Internally, we introduced the brand and a new logo to employee groups and updated logo guidelines and templates on our intranet. Externally, we introduced the brand on most established platforms with the full transition across all touch points coming in 2015.
- **Colorado River –** Working with Southern Nevada Water Authority, central Arizona Water Conservation District, the Metropolitan Water District of Southern California and the Bureau of Reclamation, we drafted and began implementation of the Colorado River System Conservation Program. The program provides up to \$11 million in funding for the next two years to gather and test data on short-term, water saving pilot programs that could benefit water levels in lakes Powell and Mead through temporary, voluntary, fully-compensated mechanisms. At least \$2.75 million may be available for funding pilot programs in the Upper Basin of the Colorado River in Colorado, New Mexico, Utah and Wyoming.

Critical to this process, The United States Congress included a provision in the final spending bill language specific to the System Conservation Program by authorizing Reclamation to spend money in the upper basin for pilot projects. This was a very important action to the success of our program and reflects significant work by the funding partners to ensure the authorization was in place. The lower basin is currently in the process of reviewing pilot project proposals. We are finalizing an agreement with the Upper Colorado River Commission to administer the program in the upper basin. We anticipate selecting proposals for upper basin projects by the spring of 2015.

- **True North Metrics:** Progress on our True North Metrics as of December 2014 are shown on the graph on the following page:

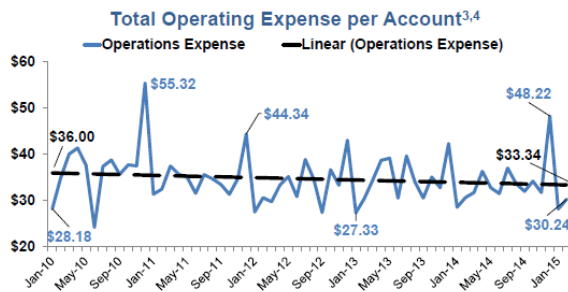
# DENVER WATER TRUE NORTH METRICS

True North Metrics: Progress on our True North Metrics as of December 2014 are shown on the graph:



True North Metrics through December 2014

✓ Doing well       Year-to-date actual  
! Needs improvement       Year-to-date target



<sup>1</sup>Full time equivalent savings are counted on a monthly basis.

<sup>2</sup>Soft savings are an indicator of organizational efficiency and not of specific future hard dollar savings.

<sup>3</sup>Contract, retirement, debt and miscellaneous expenses not part of normal operations and overhead allocations were excluded.

<sup>4</sup>Adjusted for inflation

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## 2015 GOALS

- After extensive review of organizational performance related to the Strategic Plan, the Board and Executive Team identified six, three-year breakthrough objectives:
  - Achieve full alignment of budget development and execution with strategic priorities and True North metrics. Incorporate processes to control spending.
  - Become the "Employer of the Future," one that retains and attracts top talent through integrated procedures, policies, benefits and philosophies that create a unique, diverse and energizing culture.
  - Improve top-box customer satisfaction scores by 10 percent.
  - Reduce lost-time accidents to zero.
  - Redevelop the Operations Complex in a way that is fiscally responsible, integrates field and administrative staff, creates a public presence and celebrates water and the history of Denver Water. The project will also be safe, efficient, sustainable, allow for future flexibility and promote retention and recruitment. The project will be complete in 2020.
  - Strive for efficient, effective, customer-driven processes in everything we do. Validate that Denver Water is meeting standards of excellence.
- We identified 9 breakthrough objectives for 2015 to help us achieve the three-year breakthrough objectives:
  - Create process for budget development with standard work, fewer employee hours, less rework and greater detail. Connect the budget to the Strategic Plan. The budget controls spending moving forward.
  - Implement organizational metrics through systems and programs that are visible, tracked and drive decisions in spending, staffing, project selection, timing and scope.
  - Transform Human Resources into a strategic business partner for the organization.
  - Finish design and continue implementation of Employer of the Future initiatives. Begin to expand focus on areas beyond Human Resources.
  - Increase the percentage of employees who are "very satisfied" with Denver Water as an employer from 36 to 40 percent on the 2015 employee survey.
  - Improve top-box customer satisfaction score 5 percent on the 2015 customer survey.
  - Reduce lost-time accidents to no more than seven.
  - Use Lean tools to streamline and optimize processes and workspace for all areas of the Operations Complex affected by design and construction.
  - Grow Lean into more parts of Denver Water. Understand criteria for Lean and process improvement recognition. Perform gap analysis and develop an action plan for recognition.
- In addition to the daily work of running the business, each division aligned its own 2015 objectives and resources with these breakthrough objectives using a strategy-deployment tool called the X-Matrix tool. Performance against the objectives listed in the X-Matrices will be evaluated monthly in 2015.

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# CEO/MANAGER DIVISION

## 2015 BUDGET

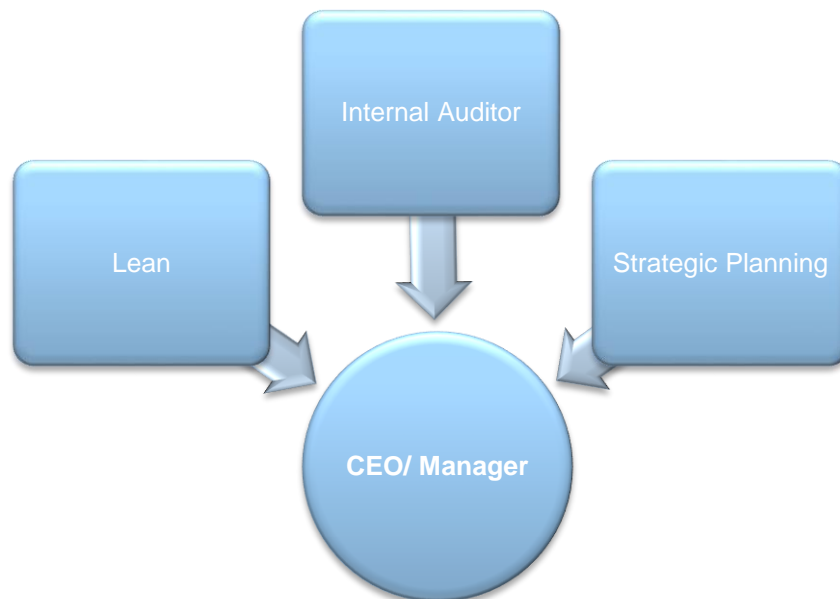
### 15 EMPLOYEES

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

The CEO/Manager executes the policies and decisions of the Board and reviews and recommends to the Board changes in rules and regulations with respect to all matters appropriate for its action. In addition, the CEO/Manager gives overall direction to employees and oversees the work necessary to provide an adequate supply of water to the residents of the City and County of Denver, and areas economically and socially integrated with the city with whom Denver Water has a water service contract.

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

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



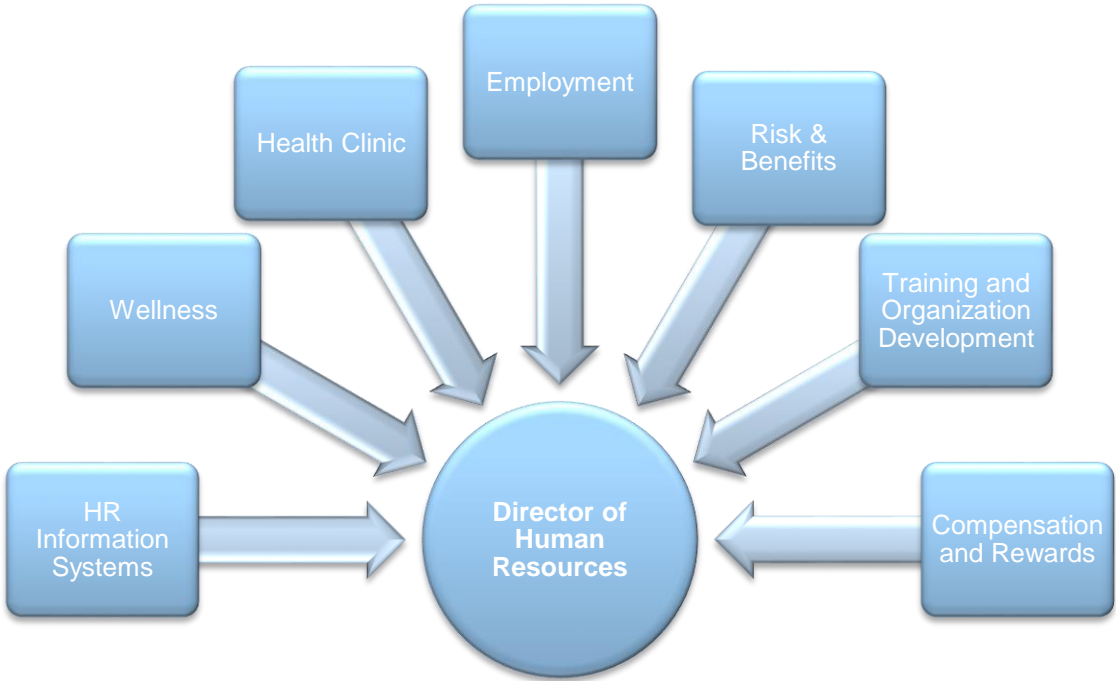
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# HUMAN RESOURCES DIVISION

## 2015 BUDGET

### 34 EMPLOYEES

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



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## HUMAN RESOURCES DIVISION

### Progress on 2014 focus areas:

- **HR transformation:** In conjunction with the new HR director, we developed a three-year breakthrough strategy, a proposal for a new HR structure, and a Total Rewards strategy and roadmap. The strategy has been approved by the Executive Team and the Board.
- **Focus on wellness:** As a part of a wellness strategy, new programs focused on one element of wellness each month. Participation in these programs doubled from 2013. We also applied a wellness incentive to our Benefit Plan for the first time. To date, 50 percent of employees have completed a wellness assessment to receive the incentive.
- **Employer of the Future:** We started several new programs, engaging over 100 employees in projects to find new and innovative ways to make Denver Water a great place to work. Employer of the Future team members launched the Leadership Program and assisted in the deployment of a new recognition and rewards program, integration of alternative work schedules and the start of an employee emergency assistance fund.

### 2014 highlights:

- **PeopleSoft Human Capital Management (HCM):** HR partnered with IT to bring this system to its latest version. The project prepares HR to deliver improved functionality in talent management, which consists of career planning, succession options, a unified structure for job descriptions and requirements, performance management and recruiting solutions. The upgraded technology also allows us to improve the employee experience through flexible and modern web-based features, including dashboards, graphics and improved navigation. The project was completed on time and under budget.

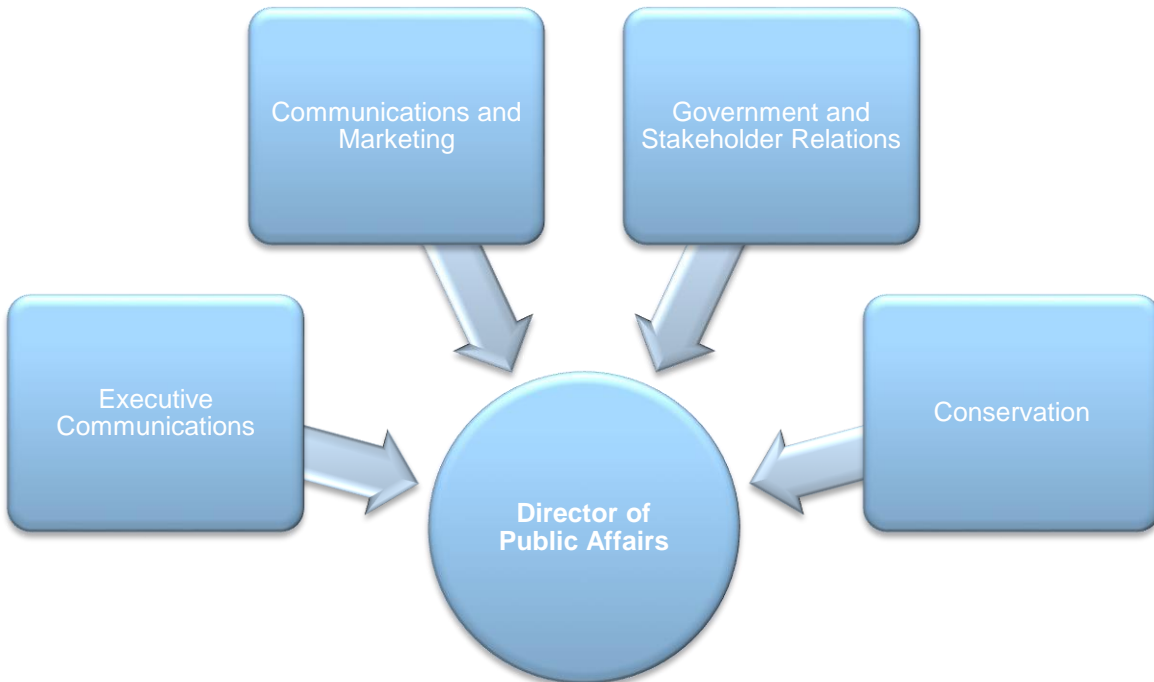
### 2015 goals:

- **Performance management:** We will introduce line-of-sight goals and leadership competency evaluations.
- **Technology implementation:** We will introduce new PeopleSoft modules and a Learning Management System. This is a training request, enrollment and delivery tool to define and track all training and certification requirements for every employee.
- **Total rewards:** We will implement a strategy roadmap with a 2015 completion of salary structures and job descriptions.
- **Talent optimization:**
  - **Leadership:** Foundational and advanced curriculum implementation
  - **Career planning and development:** Individual and team development plans
  - **Succession planning:** Additional component to workforce planning
  - **Building organizational competency:** Technical job skills competency certification

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## PUBLIC AFFAIRS DIVISION 2015 BUDGET 41 EMPLOYEES

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, youth education, related organizations and employees. The division also performs issues management and public outreach functions. The division's responsibilities are maintained by four sections: Communications and Marketing, Government and Stakeholder Relations, Conservation, and Executive Communications.



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## PUBLIC AFFAIRS DIVISION

### Progress on 2014 focus areas:

- **Increased stakeholder outreach:** We successfully placed Denver Water employees at more than 90 events locally, statewide and nationally in 2014, directly reaching audiences of more than 5,000 people. We focused on west slope communities, partnering with Summit and Grand County to celebrate the CRCA and with ski resorts to promote the region's economy.
- **Increased MWBE and SBE outreach:** We overhauled our internal communication and coordination for managing this program. We successfully built the framework for an expansion of the MWBE program into goods and services contracts and laid the groundwork for an improved program in 2015. We also attended more than 20 outreach events and created an external advisory committee to bring an outside perspective.
- **Web site audit:** We delayed auditing the website until 2015, as we were finalizing the new brand and beginning a redesign of DenverWater.org. As part of the redesigned website launch in 2014, an audit will be conducted to ensure the site's architecture and customer service experience are consistent with the best water utility in the nation.

### 2014 highlights:

- **Content/Brand journalism:** We began the transition from more traditional public relations activities to a model based on continuous daily improvement. This approach will allow Denver Water to become its own publisher and news organization, creating informative, engaging stories on multiple platforms for distribution to internal and external audiences.
- **Senate Bill 103:** Government and Stakeholder Relations staff members spearheaded the effort to pass Senate Bill 15-103 phasing in the sale of WaterSense water fixtures in Colorado. This was a significant team effort involving Conservation, Demand Planning and Legal that will save Colorado at least 40,000 acre feet of water per year by 2050.
- **Conservation:** We achieved 1,212 acre feet of water savings in 2014 through active programs for every customer type, including 15,000 educational touches, 4,000 audits and 24,000 incentives and rebates. Staff members worked with IT and Finance to create online rebate applications, making it faster to apply for and receive a rebate as a check or credit on a bill. We also finalized the Conservation Plan Update to be submitted to the CWCB.

### 2015 goals:

- **Refine and enhance external and internal communications**
  - Continue proactive issues management
  - Continue implementation of brand journalism strategy
  - Complete audits and redesign of Internet and Intranet sites
  - Build upon social media presence
  - Improve EOF, Lean and Everbridge communications
- **Continue leading practices in Conservation**
  - Establish smart goals for water conservation
  - Develop external stakeholders group for updated conservation plan
- **Grow Youth Education program** - Develop five year plan and goals
- **Expand community and stakeholder outreach** – Increase in suburbs and West Slope



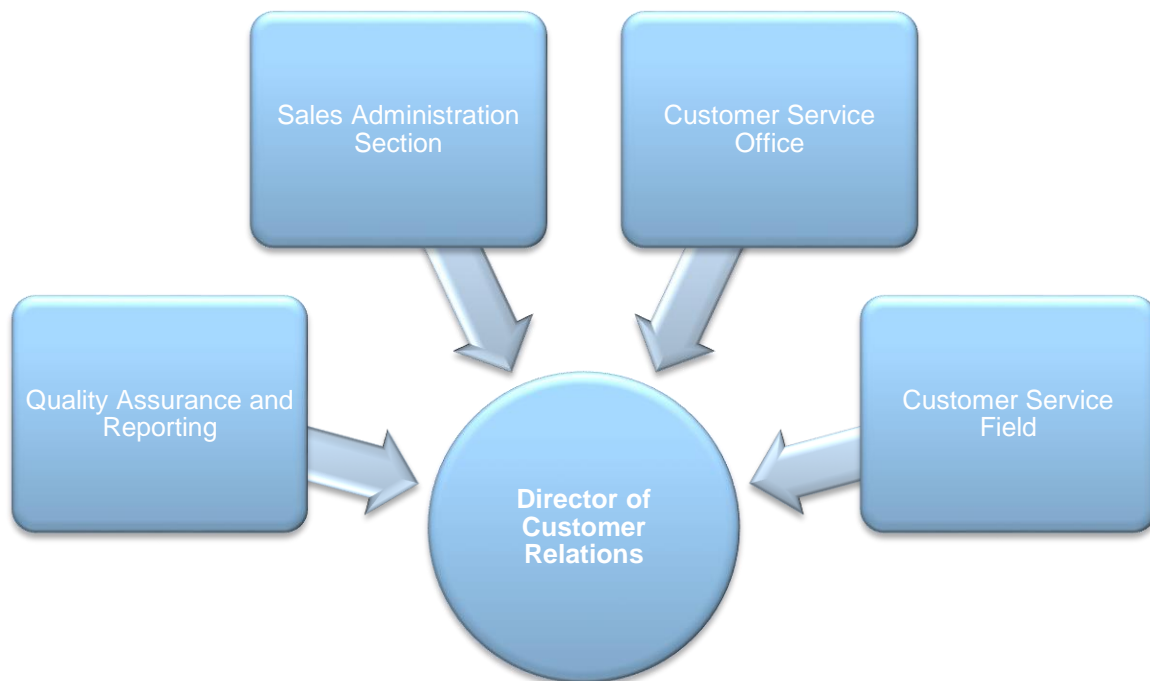
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# CUSTOMER RELATIONS DIVISION

## 2015 BUDGET

### 106 EMPLOYEES

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.



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# CUSTOMER RELATIONS DIVISION

## Progress on 2014 focus areas:

- **Distributor relationships:** We created a distributor relationship manager position to build the relationship with our distributors and meet their needs. We developed an outreach plan to guide distributor interactions throughout the year in a positive and productive manner.
- **Customer Service training:** We successfully implemented a customized training program for 248 Denver Water front-line employees. This training gave employees tools to own the customer's service experience, attend to the human and business needs of the interaction and manage difficult conversations into productive outcomes.
- **Employee engagement:** Our leadership team held focus groups within each work group to review the employee survey and identify concerns unique to each group. We created action plans from these meetings, and we are working together to address the concerns, as well as following up quarterly to measure progress.

## 2014 highlights:

- **Decentralization of Customer Service Field techs:** In order to reduce parking space needs for the OCR, the leadership team in Customer Service Field piloted a program for field technicians to take trucks home at night. The pilot was successful, resulting in saving one FTE due to increased productivity levels with field technicians arriving sooner to their first stop of the day. Our customers also benefitted with earlier time windows available each day for customer appointments.
- **Continued process improvement:** As a result of continued process improvement, standard work, cross training, work-volume forecasting and capacity planning, we reduced headcount in Customer Service Field by eight FTEs. We accomplished this reduction through retirement and natural attrition.
- **Central dispatch:** We worked with Operations and Maintenance to centralize all Denver Water dispatch units into a single unit residing in Customer Relations, thus streamlining our customer touch points. This allows for more productive customer interactions and creates internal efficiencies, resulting in the reduction of four FTEs in Emergency Services.
- **Customer Care internal audit:** An internal audit found Customer Care's processes to be well governed and controlled with no significant issues.

**2015 goals:** We will continue to align our goals with our strategy of building satisfied and supportive customers by fostering a customer-centric culture across Denver Water. We will do this by providing the tools and techniques to our employees to create satisfied and supportive customers. By utilizing the voice of our customers, we will create awareness of pain points and drive continuous service and operational improvements.

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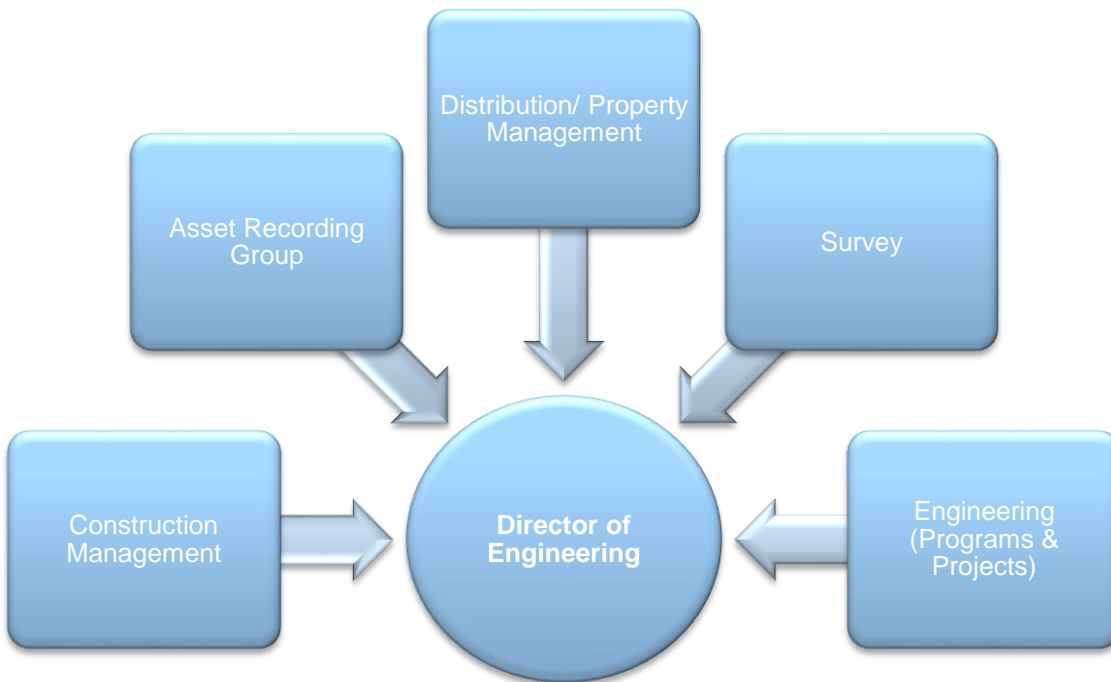
## CUSTOMER RELATIONS DIVISION

- **Customer Experience Value Stream:** We will perform a second pass of the Customer Experience Value Stream, with an emphasis on improving customer interactions and specific processes, such as the backflow compliance program, our hydrant meter process, servicing large customers and enabling dense development and efficient water use.
- **Customer surveys:** We will deploy our customer and distributor surveys this spring to measure progress against our 2013 baseline surveys. The data will refresh our customer experience road map and help us evaluate where we can make improvements, specifically with respect to continuity across multiple touch points. We will also field quarterly tracking surveys for our contact center and street work projects. The customer feedback will provide performance indicators as well as identifying service and operational improvements.
- **Strong distributor relationships:** We will continue to build these relationships by understanding distributors' unique needs, working as partners on concerns and ensuring relevant, effective and timely communications. We will also implement an online distributor portal for ease of communication and information flow.

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# ENGINEERING DIVISION 2015 BUDGET 170 EMPLOYEES

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.



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## ENGINEERING DIVISION

### Progress on 2014 focus areas:

- **Contractors and subcontractors:** We saw more availability of civil contractors after 2013 flood-related projects were finished. We also experienced a shortage of electrical subcontractors and work overloads for electrical equipment vendors. Several projects were delayed due to long lead times on motor-control centers and switchgear. We often saw fewer bids for construction projects and higher construction costs, verifying the heavy workload of local contractors.
- **Project management training:** We provided a third installment of project management training to a cross-divisional group. This program consists of 10 modules covering all aspects of project management and included employees from all divisions, along with a representative from Metro Wastewater. More than 150 employees have completed this 30-hour project management program.
- **Dillon Dam gates rehabilitation project:** The four 4'x5' gates and two 27"x 27" gates were removed and rehabilitated. Once the gates were removed, we identified additional work on the gates in the wall timbles that hold the gates. The contractor expedited this additional work. All project site work and testing will be completed by March 2015.

### 2014 highlights:

- **Capital projects:** We completed approximately \$60 million of capital work in six months and more than \$85 million for all of 2014, managing 28 construction projects extending into 2015. These projects include rehabilitation of Marston and Antero dams, reconstruction of the Long Lakes diversion structure, four pump station projects, major treatment plant upgrades at Foothills and Marston, a hydro turbine rebuild, and various conduit projects.
- **Property book:** We developed and delivered to the Board a comprehensive property book that allowed Denver Water to make surplus property decisions.

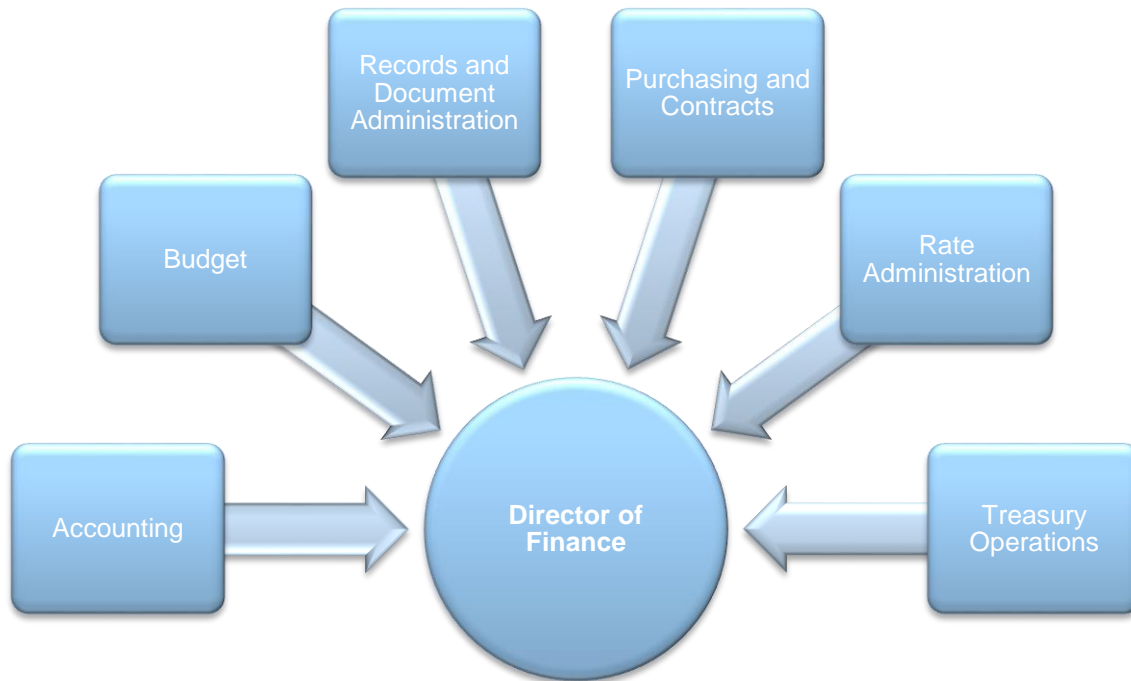
### 2015 goals:

- **Operations Complex Redevelopment:** This project will move from concept and programming stages into design and construction. We are using Lean tools in conjunction with architectural programming to realize an optimal site layout.
- **Project Delivery Value Stream:** This will involve upstream and downstream users, along with Engineering staff, to continue efficiency efforts within Engineering. We plan improved approaches to handle emergency work, more coordination with program and system managers to sort potential projects and a reduction of handoffs during design.
- **Prioritized Capital Plan and long-term budget development:** We will execute the prioritized 2015 capital project list developed by program and system managers. This will help prioritize projects and filter new requests, while minimizing interruptions from lower-priority requests. We will develop a prioritized long-term budget by the program and system managers, along with Engineering input, to identify future projects on which to focus our efforts.

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# FINANCE DIVISION 2015 BUDGET 60 EMPLOYEES

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.



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## FINANCE DIVISION

### Progress on 2014 focus areas:

- **Budget Value Stream:** We implemented a process where strategic goals are the foundation of the annual budget. Organization-wide priorities guide budget decisions, and key assumptions model revenue projections, which are set ahead of the budget. Prioritization of capital projects occurred across functional systems using a common framework.
- **Financial reporting (“ORCA”):** We completed an organizational assessment of financial reporting gaps. We produced a three-year implementation roadmap that will deliver timely, dependable and transparent financial and budget information, simplify the user experience, streamline processes and support organizational change, such as systems and programs.
- **Rate Structure Study:** This is the first study in 20 years to review our rate structure and address pricing objectives, including revenue volatility, conservation and new development related concerns. We completed a detailed rate-perception survey of our customers, an affordability study and customer demand analysis to share with stakeholders.

### 2014 highlights:

- **Ratings upgrade:** Denver Water was upgraded by Moody's to “Aaa”, one of only 10 water utilities in the nation receiving this rating. High ratings benefit our customers by keeping our borrowing costs low.
- **Policies and Procedures:** We completed a new format, structure, and process for tracking and revising Enterprise policies and procedures.
- **MWBE program improvements:** Purchasing supported the expansion of the MWBE program into O&M construction-related contracts and covered Goods and Services supported by the City and County of Denver disparity study.
- **Management for Daily Improvement (MDI):** Several managers were trained in MDI, resulting in improvements such as cost savings in our payment processing and receiving.

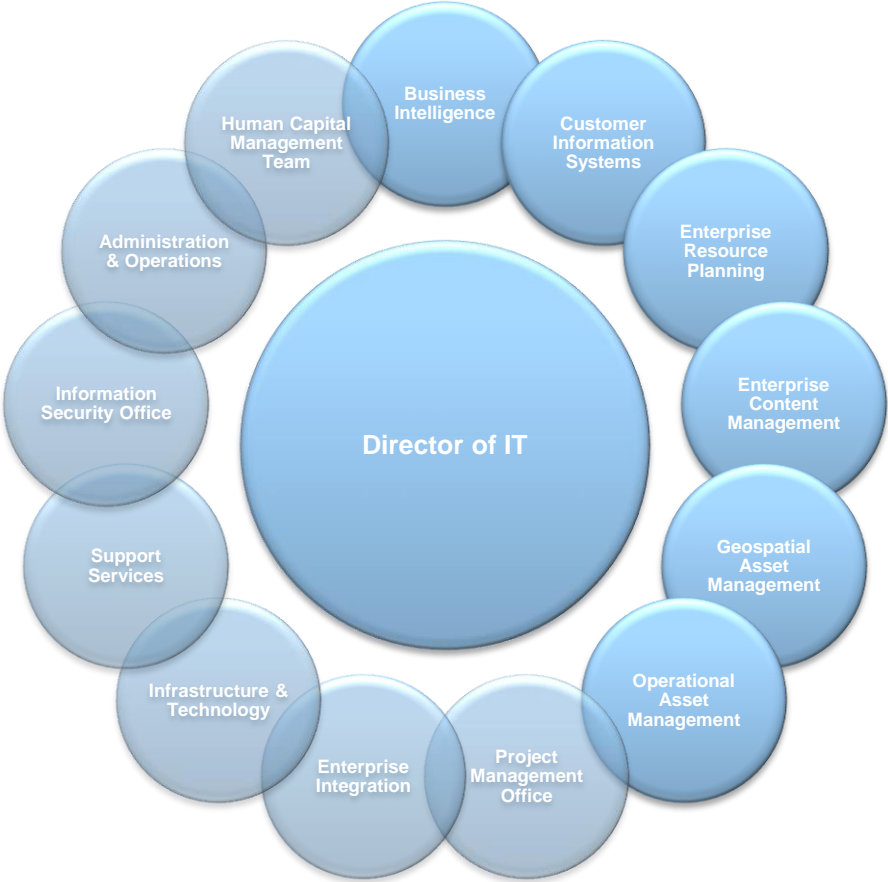
### 2015 goals:

- **Financial reporting (“ORCA”):** The first increment of this project will deliver a new financial structure, consistent budget-to-actual information, and limited project and work management capabilities. It will support budget accountability goals by promoting timely and accurate reporting at appropriate levels within the organization, while engaging employees in the budgeting and spending process.
- **Budget improvements:** Multiple projects continue to better align resources with our strategic plan including:
  - Development of a revised long-range capital plan using new prioritization processes
  - Implementing new processes for system managers to review and recommend project changes and variances
  - Further development of metrics for systems and programs.
- **New Rate Structure:** We will continue to work with an external stakeholder group that will provide feedback to the Board on how rate-structure options will best balance the pricing objectives and meet the needs of our customers. We will present recommended changes to the Board for approval in the second quarter.
- **Risk Management Reporting:** We will integrate risk management with Denver Water's strategic initiative and start enterprise reporting on a regular basis. We will also investigate how this can support the annual budget process.

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# INFORMATION TECHNOLOGY DIVISION 2015 BUDGET 95.0 EMPLOYEES

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.





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# INFORMATION TECHNOLOGY DIVISION

## Progress on 2014 focus areas:

- **Continued evolution of business-driven IT:** The process of identifying, vetting and prioritizing competing IT solutions evolved through the IT-Product Owner group. This process served as the model for the new systems and program manager governance process.
- **Project management:** We implemented a common-task and work-management system across the scope of IT work, including IT service teams, scrum teams, infrastructure and security teams. This improved both individual and cross-team efficiency. The tool is also used in other divisions and should eventually become ubiquitous across the organization.
- **Disaster recovery project:** We achieved substantial completion of the IT Disaster Recovery project, under budget. Testing and operational readiness will be completed in 2015.

## 2014 highlights:

- We completed the ORCA scope, planning and project kick-off.
- We implemented many other advancements including:
  - Electronic vendor payment capabilities
  - On-line customer rebates
  - Mobile advancements for T&D, Conservation, Customer Service Field and Central Dispatch
  - Automated workflows for many business processes
  - Major system upgrades to PeopleSoft, Fleet Management, SharePoint and others
  - Campus-wide wireless network
  - Network upgrades for plants and other facilities
  - Additional cyber security detection and prevention capabilities

## 2015 goals:

- **ORCA:** We will develop and implement Increment-1 of ORCA in early 2016
- **LMS:** We will implement a Learning Management System
- **Mobile applications:** We will implement mobile applications for water quality and cross-connection personnel
- **Water Treatment:** We will implement a new Water Treatment Management System
- **New partnerships:** We will evolve a new IT team focused on networks and industrial control systems by assimilating O&M staff focused on process control, SCADA, access security and video surveillance in IT
- **OCR:** We will develop an optimal, cost-effective datacenter solution for the OCR project
- **Rate structure:** We will implement a new water rates structure for 2016
- **New wireless networks:** Install wireless networks at two plants
- **New technology:** SCADA and business network conversion to new MPLS technology

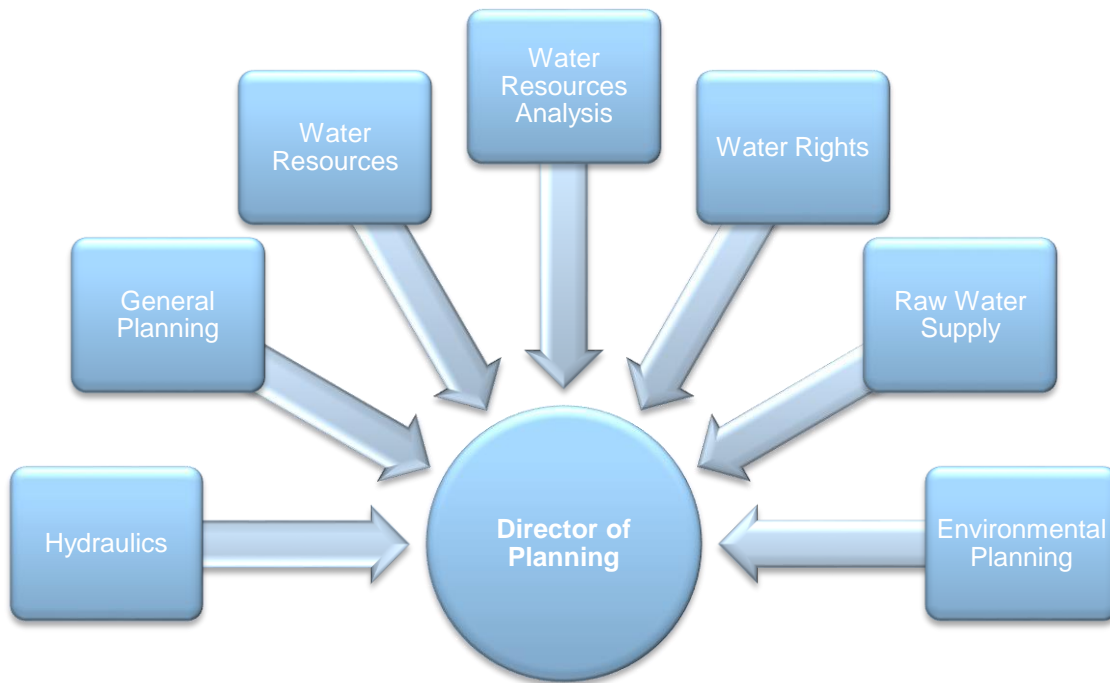
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# PLANNING DIVISION

## 2015 BUDGET

### 53 EMPLOYEES

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.



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## PLANNING DIVISION

### Progress on 2014 focus areas:

- **Grand County Mitigation Plan:** We reached an agreement with Grand County and Trout Unlimited on the Grand County Mitigation and Enhancement Coordination Plan.
- **Boulder County:** We did not make any meaningful progress with Boulder County officials on the Gross Dam expansion.
- **U.S. Forest Service:** We spent considerable time working with the USFS to understand its issues with the project. We submitted a proposal to resolve identified issues to the USFS in November. The USFS committed to respond to the proposal by the middle of January 2015.

### 2014 highlights:

- **IRP:** We completed Phase Two of the off-stream reservoir study and conducted a “clean slate” exercise with O&M on potable reuse. We defined and scheduled an A3 event to determine next steps for the non-potable recycling project in light of the clean slate exercise.
- **Consolidated Ditches:** We completed negotiations to amend this 1940 Agreement.
- **WISE Project:** We reached agreement for the purchase of ECCV’s East-West Pipeline.
- **South Adams County:** We reached agreement on the use of gravel pits.
- **Englewood:** We completed an agreement that settled long-standing issues with that city.
- **Employee Survey:** We implemented an action plan to address issues important to employees in Planning.

### 2015 goals:

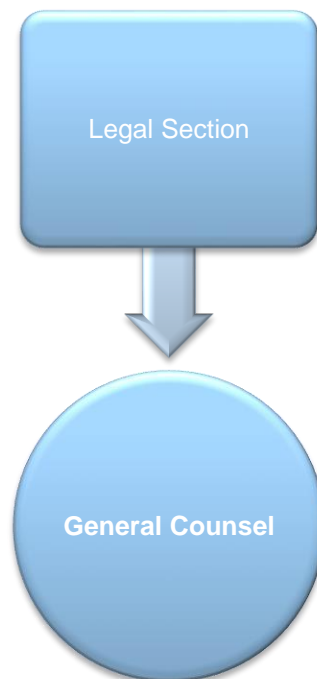
- **Moffat Collection System Project:**
  - Obtain an acceptable 401 Water Quality Certification from CDPHE
  - Submit a license amendment application to FERC
  - Complete negotiations on an IGA and 4e conditions with USFS
  - Work with ACE to issue a ROD and acceptable 404 permit for the project
- **IRP—Next Generation of Planning:**
  - Preserving future water supply options
  - Strategic water reserves—how much is enough
  - Climate-ready organization
- **Implement employee survey action plans**
- **OCR—Identify and implement efficiencies in Planning**
- **Maintain “state of the art” collection, treated water, and operation models**

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## LEGAL DIVISION 2015 BUDGET 14 EMPLOYEES

The Legal Division represents and gives legal advice to Denver's Board of Water Commissioners, the CEO/Manager, and the various divisions of Denver Water. It also handles all litigation of the Department. The types of legal representation include water rights and diligence proceedings, administrative proceedings before state and federal agencies, contracts, civil rights, tort claims, real estate and condemnations, and municipal, employment, environmental and regulatory law. When special counsel are hired, the Legal Division collaborates in and supervises their activities.

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



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## LEGAL DIVISION

### Progress on 2014 focus areas:

- **Implementation of CRCA:** We reached agreements with all opposers in the Environmental Flow application, which will provide water for the environment in Grand County. We dealt with implementation issues regarding the West Slope charge, Shoshone assets, the Jim Creek Project and payment of \$1 million due in 2015.
- **Regulatory issues:** We provided legal counsel regarding Moffat Project permitting issues related to Boulder County and our 401 certification. We developed an approach to hydro improvements at Strontia Springs reservoir that should lead to an exemption by the Federal Energy Regulatory Commission (FERC) from future licensing. We also participated in several proceedings before the Water Quality Control Commission.
- **Water law reform:** We are an active participant in an effort to seek legislation to protect storm-water management facilities from being subject to water-rights administration.

### 2014 highlights:

- **Englewood resolution:** A precursor to an agreement on the Environmental Flow application was the noteworthy settlement agreement with Englewood that seems to have ended decades of water court disputes.
- **Consolidated Ditches agreement:** We settled another ancient issues concerning the agreement with Consolidated Ditches that will allow reuse of Moffat System return flows. Work to finalize the agreement through water court is ongoing.
- **Fair Labor Standards Act resolution:** We resolved a significant FLSA issue in a straightforward and fair way, and we avoided any claims.
- **State Water Plan:** We worked actively on the state Water Plan for acknowledgement of state regulatory impediments to the reuse and sharing of water between agricultural and municipal use, as well as recognition that urban landscape provides both economic and quality-of-life value. That work will continue through 2015.

### 2015 goals:

- **Employer of the Future:** Implement the action plan for the Legal Division that responds to the employee survey, related to the EOF strategic objective.
- **Pro Bono program:** Develop a pro bono program based on the aspirational goal in Rule 6.1 of the Colorado Rules of Professional Conduct that is consistent with the duties of government attorneys.
- **Organizational involvement:** Contribute to achievement of Denver Water's 2015 goals by providing advice on and participation in such areas as EOF, OCR, HR transformation, Safety, and Engineering-project delivery.

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# OPERATIONS & MAINTENANCE DIVISION

## 2015 BUDGET

### 531 EMPLOYEES

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

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



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## OPERATIONS & MAINTENANCE DIVISION

### Progress on 2014 focus areas:

- **Reorganization:** We transitioned through the retirement of 160 years of experience in leadership positions. We also streamlined the organization from 10 sections to seven. This new structure better represents the process of delivering water to our customers.
- **Lean leadership:** We conducted successful value streams in Water Distribution and Fleet. Water Distribution achieved a 50 percent improvement in productivity for pipe installation, while Fleet saw as much as a 70 percent productivity gain in processes. The value streams produced shorter construction durations, which benefits our customers. The value streams also produced shorter vehicle out-of-service times, which benefits Denver Water employees.
- **Asset management:** We made progress in the shift from reaction-based-corrective maintenance to preventative maintenance (PM). Leveraging Lean processes, we improved our productivity on hydrant PMs by almost 500 percent, which freed up capacity to work through the backlog of corrective work generated from these PMs. We utilized this approach in operational decisions and to extend the life of our distribution mains by changing operating pressures. In one pressure zone, we were able to reduce the number of main breaks to six rather than the five-year average of 23.

### 2014 highlights:

- **Space reduction:** We reduced by two-thirds the space required to store pipe for T&D projects, by better planning jobs for delivery directly from the pipe supplier to the job site. Additional Lean improvements in the Warehouse helped us reduce the total square footage of the current facility of 54,000 square feet to 24,000 square feet planned for the new facility, without impacting the supply of materials to internal customers.
- **Flow cells:** Utilizing Lean practices, T&D installed 49,000 feet of pipe with an overall increase in productivity (feet per labor hour) of 20 percent, with a 50 percent increase in productivity by the flow cells. This was within one percent of the annual target for pipes installed.
- **Fleet management:** We completed the upgrade of our Fleet management system to better collect data to make budget decisions and prioritize our improvement activity. This system will also support better asset management of the fleet and help us prioritize replacements. This will bring the average age of the fleet in line with industry standards.
- **Joint exercise:** Emergency Management facilitated an emergency exercise at our Dillon Reservoir facility, which included approximately 120 people from 28 local, state and federal agencies. This exercise improved our relationships with these entities and identified areas for improvement to our plans to better prepare us in the event of an emergency.
- **Water Quality and Treatment:** We completed a major portion of the self-assessment phase of the AWWA Partnership for Safe Water. This effort is helping us establish our metrics for water quality that are essential for making operational and capital spending decisions and will allow us to benchmark ourselves against other utilities.

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# OPERATIONS & MAINTENANCE DIVISION

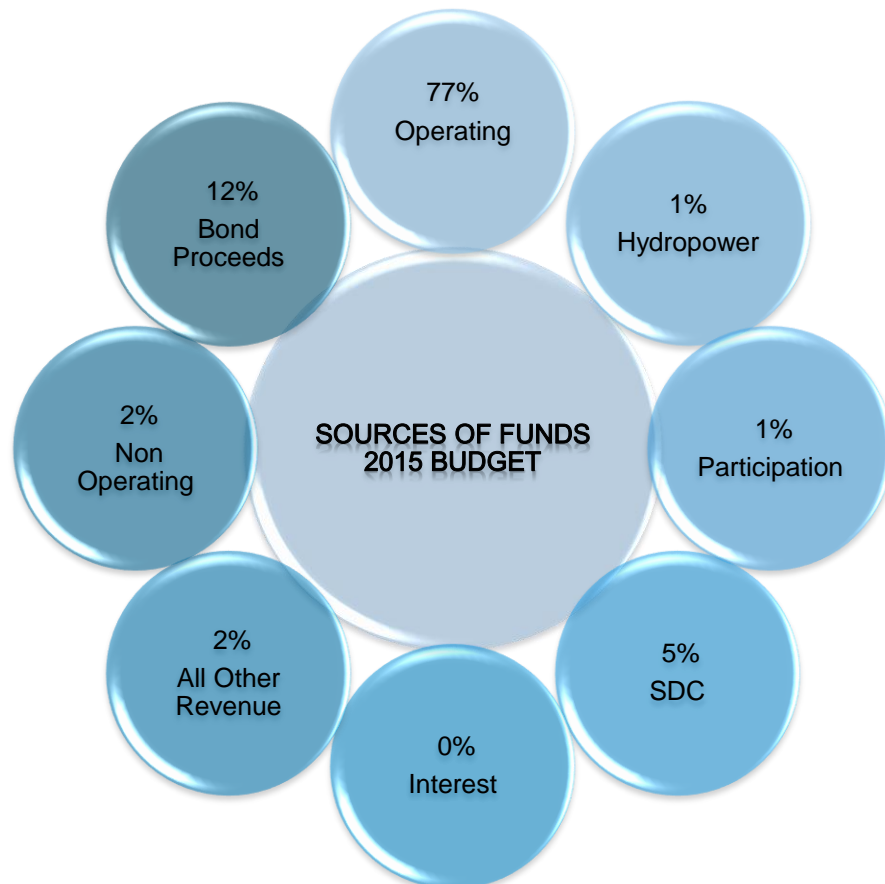
## 2015 goals:

- **O&M overall**
  - Continue to transform to a “safety first” culture incurring no more than 100 total injuries and no more than seven lost-work-day injuries. First steps include implementing a safety spot award program to recognize contributors.
  - Support the OCR project by improving the way we do work and translating that into design input for buildings that support doing the work more efficiently. Closely coordinate operational impacts of the OCR project construction with Operations to allow work to be completed without impacting the campus construction schedule.
  - Continue the advancement of system and program metrics to facilitate responsible prioritization and budgeting. Support the Budget Value Stream, ORCA project and project delivery value streams by providing input to the process and system requirements and preparing O&M for use and sustainment of these improvements.
  - Improve O&M employee satisfaction survey results by six percent in the category of employees “very satisfied” with Denver Water as an employer.
- **SOS**
  - Continue to change the culture to empower and align staff to operate our collection system in a more efficient way. Continue to improve the coordination between raw water planning and SOS employees.
  - Continue the process of capturing SOS assets into our GIS management system for better collection of conditions and maintenance information. This will support sound asset management of these resources and will lay the groundwork for expanding the mobile-work management system.
  - Increase use of current technology in our collection system to facilitate operations.
- **Water Quality and Treatment**
  - Develop front-line supervisors at treatments plants to support employees and free capacity for plant supervisors to focus on long-term issues like annual budget, preventative-maintenance schedules and the long-term capital plan.
  - Capture lessons learned from OCR and begin formal Lean efforts to improve processes. Integrate these concepts into design of the new water quality facility.
- **Water Distribution**
  - Improve customer satisfaction response by 25 percent related to street impacts for T&D pipeline installation projects.
  - Stand up a second flow cell for T&D pipe installation, resulting in our executing all pipe installation with Lean practices.
  - Improve response to main breaks and reduce customer outage hours 25 percent.
- **Support Services**
  - Through Fleet Value Stream, achieve a 25 percent improvement in fleet operations.
  - Continue improvements in warehouse inventory leading to a 25 percent reduction in inventory. Translate this reduction into building footprint savings in OCR design.
- **Safety, Security and Emergency Management**
  - Continue management of security in a program manner and implement our physical and cyber security strategies.
  - Advance the continuity of operations planning across the organization, including completing plans for each division, while starting exercises to test and improve these plans.
  - Maintain positive, external relationships with stakeholders as we exercise our emergency action plans for dams and treatment plants.

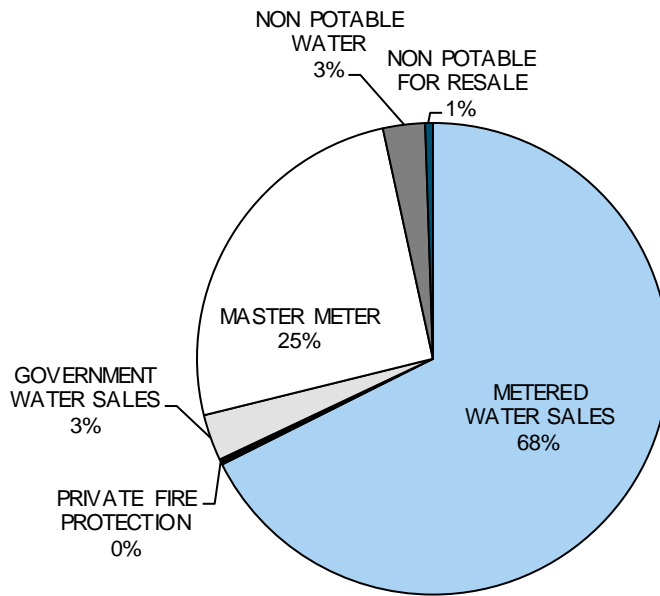


# SOURCES OF FUNDS

**SOURCES OF FUNDS**  
**\$353 MILLION**



**OPERATING**  
**\$269.3 MILLION**  
**77% OF TOTAL SOURCES OF FUNDS**



- ✓ Operating revenues are generated from the sale of water to customers.
- ✓ Operating revenue is the largest source of revenue.
- ✓ Projections are based on an assumption of total demand for water compared with historic normal demands.

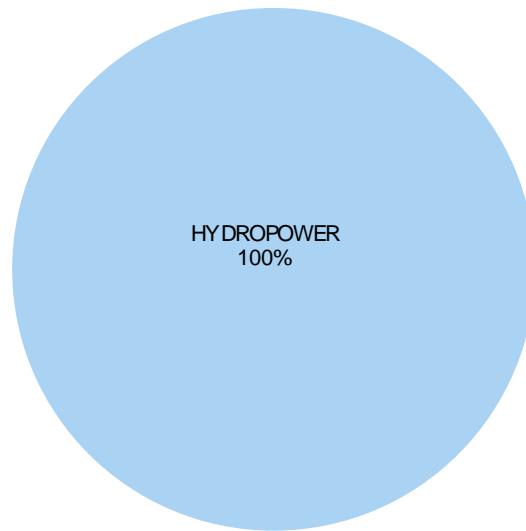
	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Metered Water Sales	185,010,980	157,166,093	162,121,970	166,723,465	182,013,325	9%
Private Fire Protection	1,202,304	1,031,578	1,064,483	1,037,973	1,018,212	-2%
Government Water Sales	9,835,211	7,336,147	7,709,995	8,368,803	8,543,679	2%
Master Meter	67,328,029	58,279,274	61,968,500	65,885,615	68,492,767	4%
Non Potable Water	3,190,167	2,640,079	1,674,328	6,979,899	7,754,478	11%
Non Potable Water For Resale	5,080,184	4,403,335	4,237,594	1,380,419	1,433,466	4%
<b>Operating</b>	<b>271,646,875</b>	<b>230,856,506</b>	<b>238,776,870</b>	<b>250,376,175</b>	<b>269,255,927</b>	<b>8%</b>

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# HYDROPOWER

## \$4.4 MILLION

### 1% OF TOTAL SOURCES OF FUNDS



- ✓ Denver Water generates hydroelectric power from our facilities at Dillon, Strontia Springs, Williams Fork, Gross Reservoir, Roberts Tunnel, Foothills Treatment Plant and Hillcrest Reservoir.
- ✓ Projections are based on an assumption of normal weather and hydrological conditions.
- ✓ Revenues vary depending on precipitation and reservoir levels.

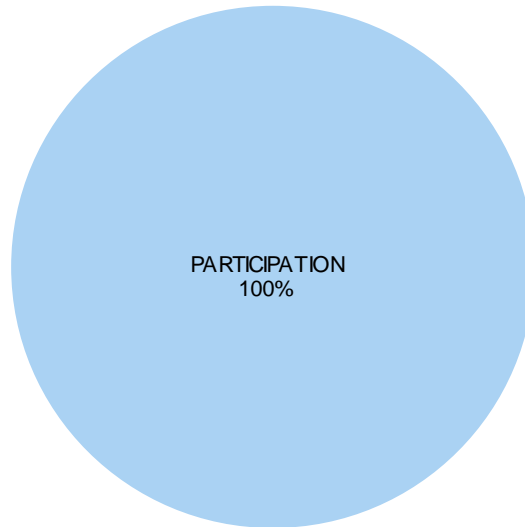
	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Power Sales	4,308,332	4,263,477	4,390,393	4,680,000	4,422,000	-6%
<b>Hydropower</b>	<b>4,308,332</b>	<b>4,263,477</b>	<b>4,390,393</b>	<b>4,680,000</b>	<b>4,422,000</b>	<b>-6%</b>

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# PARTICIPATION AND REIMBURSEMENTS

## \$4.4 MILLION

### 1% OF TOTAL SOURCES OF FUNDS



- ✓ Agreements in which a distributor or developer pays for a portion of the costs of Denver Water's distribution facilities required to provide service to that district.
- ✓ Facilities may consist of conduits, treated water reservoirs or pump stations.
- ✓ Also included is compensation received from other entities for money already spent on collaborative projects
- ✓ Projections are based on the existence of contractual obligations.

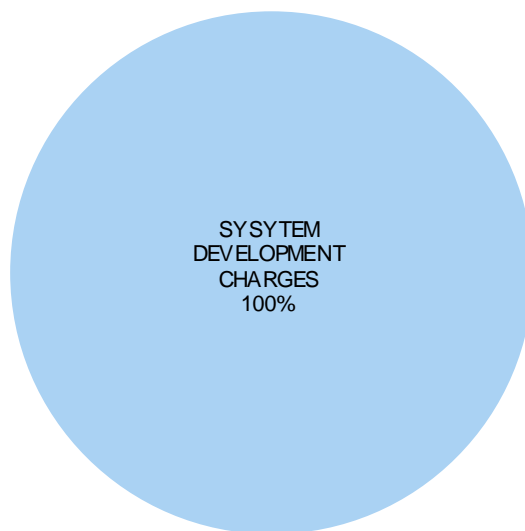
	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Participation	1,292,165	1,567,273	2,171,081	2,163,000	4,415,001	104%
Reimbursements	2,159,610	5,858,386	4,213,244	-	-	
<b>Participation</b>	<b>3,451,775</b>	<b>7,425,659</b>	<b>6,384,325</b>	<b>2,163,000</b>	<b>4,415,001</b>	<b>104%</b>

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# SYSTEM DEVELOPMENT CHARGES

## \$17.3 MILLION

### 5% OF TOTAL SOURCES OF FUNDS

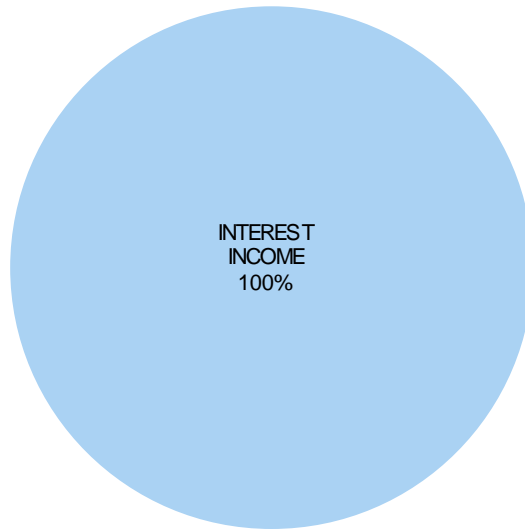


- ✓ Fees that are imposed on new connections to Denver Water’s system.
- ✓ Fee grants a license to take water through the system or through a system deriving its supply from Denver Water.
- ✓ The fee is based on a base charge and gross square footage of the single-family residential lot or a base charge and the number of units in a multi-family building, the size of the connection required, a base charge and additional square footage for nonresidential customers, above 5,000 square feet for irrigation only customers.
- ✓ System development charge 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 charge increases.
- ✓ The level of system development charge revenue in a year is influenced by many factors, including changes in the local economy, new real estate development and credit markets.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
System Development Charges	19,618,511	34,615,849	32,735,962	15,294,000	17,294,000	13%
<b>System Development Charge</b>	<b>19,618,511</b>	<b>34,615,849</b>	<b>32,735,962</b>	<b>15,294,000</b>	<b>17,294,000</b>	<b>13%</b>

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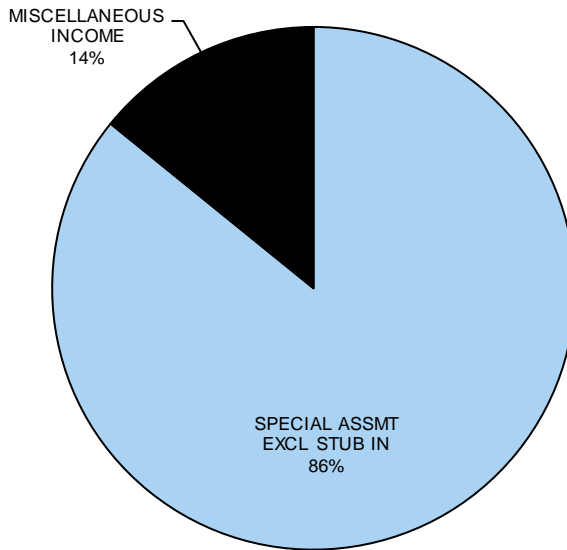
**INTEREST**  
**\$1.2 MILLION**  
**0% OF TOTAL SOURCES OF FUNDS**



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

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Interest Income	734,624	641,105	720,786	1,413,000	1,235,000	-13%
<b>Interest on Investments</b>	<b>734,624</b>	<b>641,105</b>	<b>720,786</b>	<b>1,413,000</b>	<b>1,235,000</b>	<b>-13%</b>

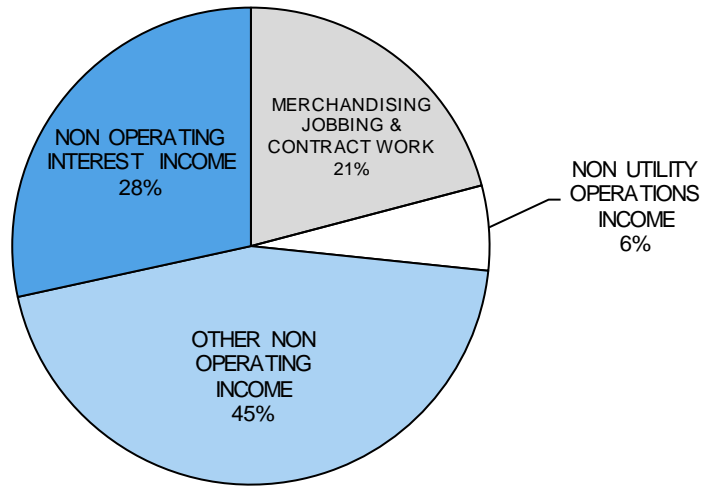
**ALL OTHER REVENUE**  
**\$6.6 MILLION**  
**2% OF TOTAL SOURCES OF FUNDS**



- ✓ Included are 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.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Tap Stub In Monitoring Fees	56,240	106,800	126,744	-	-	0%
Special Assmt Excl Stub In	6,617,211	5,852,237	6,603,021	5,750,000	5,700,001	-1%
Billable Work Requested	244,519	196,595	492,181	-	-	0%
Sales Tax Collected	30,558	34,199	41,967	-	-	0%
Miscellaneous Income	822,295	490,628	496,329	460,000	940,000	104%
Billable Work Repairs	97,554	4,566	4,024	-	-	0%
Insurance Recovery For Damage	-	-	1,070,000	-	-	0%
Employee Insurance Collected	906,813	1,123,704	1,024,249	-	-	0%
Reimbursements Received	3,328,801	4,888,763	2,924,221	2,360,000	-	-100%
<b>Other</b>	<b>12,103,991</b>	<b>12,697,492</b>	<b>12,782,736</b>	<b>8,570,000</b>	<b>6,640,001</b>	<b>-23%</b>

**NON OPERATING  
\$7.7 MILLION  
2% OF TOTAL SOURCES OF FUNDS**



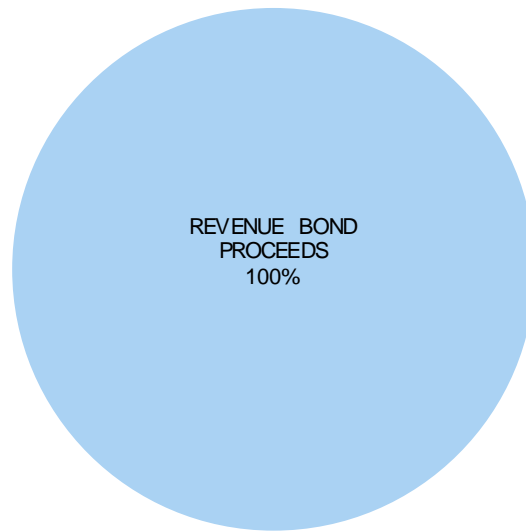
- ✓ Revenues that are obtained from payments for services that Denver Water renders.
- ✓ Services include: right of way licenses, meter services, main inspections, installation of taps, sewer billing, and rents on Denver Water facilities.
- ✓ Grants and Build America Bond interest subsidies are also included.
- ✓ Projections are based on historical trends.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Merchandising Jobbing and Contract Work	1,887,013	1,951,840	444,463	-	1,600,000	160000000%
Non Utility Operations Income	461,069	280,684	576,135	320,000	440,000	38%
Other Non Operating Income	1,767,606	2,934,237	2,497,804	2,128,000	3,438,996	62%
Non Operating Interest Income	2,344,168	2,157,806	2,174,216	2,225,000	2,175,388	-2%
Federal Pass Thru Grants	-	17,286	366,973	-	-	0%
Direct State Grants	-	2,881	72,047	-	-	0%
<b>Non Operating</b>	<b>6,459,855</b>	<b>7,344,735</b>	<b>6,131,638</b>	<b>4,673,000</b>	<b>7,654,384</b>	<b>64%</b>



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**BOND PROCEEDS**  
**\$42.0 MILLION**  
**12% OF TOTAL SOURCES OF FUNDS**

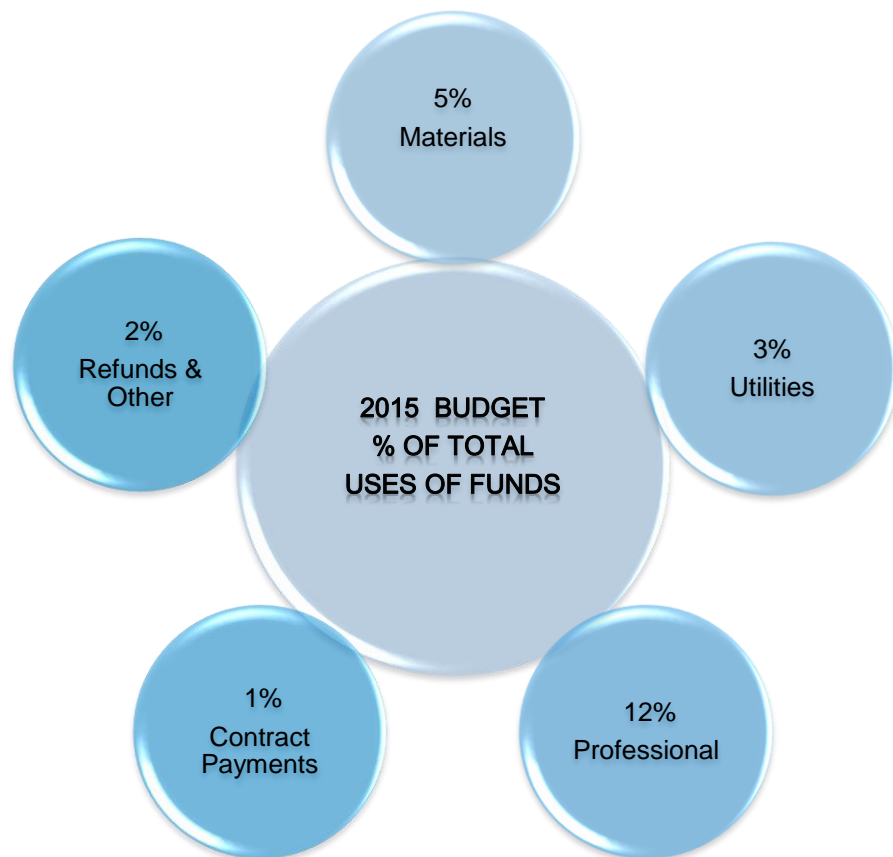


- ✓ Bonds are issued in order to build facilities or make improvements to a public property.
- ✓ Denver Water's practice is to use debt proceeds to finance expansion projects.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Bond Proceeds	40,357,624	10,000,000	40,102,457	36,000,000	42,000,000	17%
<b>Bond Proceeds</b>	<b>40,357,624</b>	<b>10,000,000</b>	<b>40,102,457</b>	<b>36,000,000</b>	<b>42,000,000</b>	<b>17%</b>

# USES OF FUNDS: OPERATING

**USES OF FUNDS OPERATING  
(EXCLUDING SALARIES, BENEFITS & DEBT)  
\$78.5 MILLION  
23% OF TOTAL USES OF FUNDS**



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## MATERIALS AND SUPPLIES \$18.3 MILLION 5% OF TOTAL USES OF FUNDS



- ✓ Included in Materials and Supplies are office supplies, fuel surcharge, small tools, safety equipment, and plant equipment
- ✓ Chemicals for water treatment
- ✓ Store Issues include fuel, supplies, safety equipment, tools, hardware, meters, uniforms, and parts for maintenance on pipes.

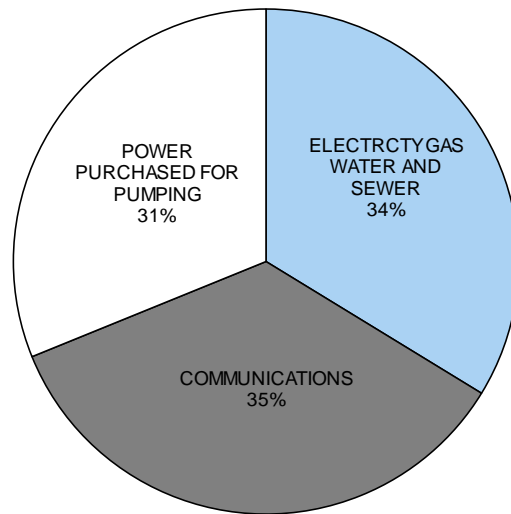
	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Materials and Supplies	6,103,914	6,048,673	7,599,244	7,095,333	8,271,566	17%
Chemicals	5,428,053	4,012,795	4,077,363	4,963,569	4,611,875	-7%
Store Issues	6,278,362	5,796,388	6,349,609	6,805,432	5,459,028	-20%
<b>Materials and Supplies</b>	<b>17,810,328</b>	<b>15,857,857</b>	<b>18,026,216</b>	<b>18,864,333</b>	<b>18,342,469</b>	<b>-3%</b>

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## UTILITIES

### \$10.4 MILLION

### 3% OF TOTAL USES OF FUNDS



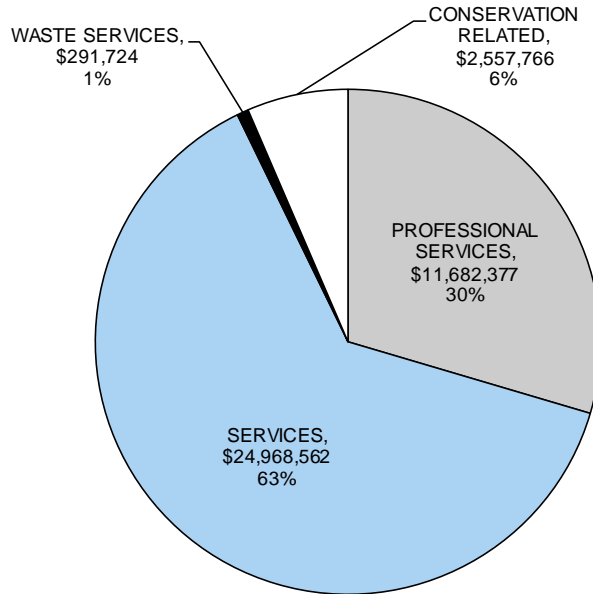
- ✓ Includes utilities such as propane, water sewer, natural gas, and electricity.
- ✓ Communications includes phones and cell phones.

	2012 Actual	2012 Actual	2013 Actual	2013 Budget	2014 Budget	2014-2013 Budget Change
Electricity, Gas, Water and Sewer	3,434,521	3,475,958	3,578,311	3,623,348	3,509,852	-3%
Communications	2,239,619	3,928,665	3,738,070	3,302,118	3,653,010	11%
Power Purchased for Pumping	3,394,282	3,220,283	3,553,964	3,055,713	3,240,800	6%
<b>Utility and Pumping</b>	<b>9,068,421</b>	<b>10,624,906</b>	<b>10,870,345</b>	<b>9,981,179</b>	<b>10,403,662</b>	<b>4%</b>

# PROFESSIONAL AND OTHER SERVICES

## \$39.5 MILLION

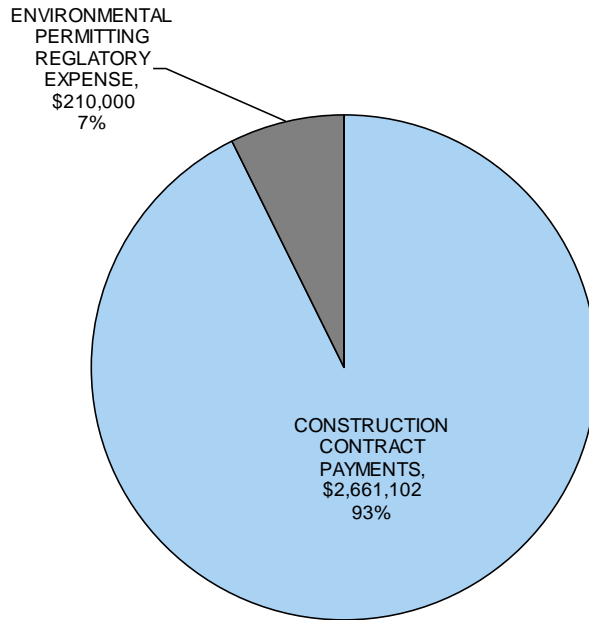
### 11% OF TOTAL SOURCES OF FUNDS



- ✓ Professional Services includes funds for consultants and Construction Management Services.
- ✓ Services include items such as computer software, licenses, computer related services, building and grounds maintenance, training and conferences, security, rents and leases, postage.
- ✓ Waste Services including non-hazardous waste, asbestos and lead abatement, residual disposal and hazardous waste.
- ✓ Conservation Related includes rebates, low income audits, and low income retrofits.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Professional Services	9,504,471	12,635,574	13,650,021	17,221,766	11,682,377	-32%
Services	20,318,494	20,735,266	22,288,390	23,589,431	24,968,562	6%
Waste Services	201,664	214,317	233,591	204,994	291,724	42%
Conservation Related	3,046,920	3,052,290	2,580,582	4,102,995	2,557,766	-38%
<b>Professional and Other Services</b>	<b>33,071,550</b>	<b>36,637,446</b>	<b>38,752,584</b>	<b>45,119,186</b>	<b>39,500,429</b>	<b>-12%</b>

**CONTRACT PAYMENTS**  
**\$2.9 MILLION**  
**1% OF TOTAL SOURCES OF FUNDS**

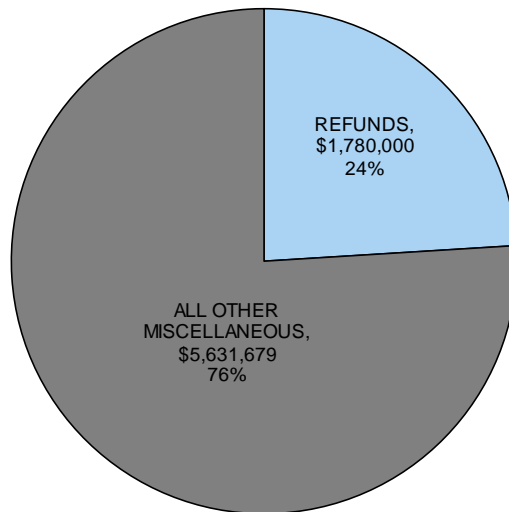


- ✓ Contract Payments includes construction contract payments for capital projects, environmental permitting costs, contract materials and supplies, land and land rights.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Construction Contract Payments	6,778,142	1,424,976	3,842,734	2,848,433	2,661,102	-7%
Environmental Permitting Regulatory Exp	100,876	6,726,576	101,531	210,000	210,000	0%
<b>Contract Payments</b>	<b>6,879,018</b>	<b>8,151,553</b>	<b>3,944,266</b>	<b>3,058,433</b>	<b>2,871,102</b>	<b>-6%</b>

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## REFUNDS AND MISC \$7.4 MILLION 2% OF TOTAL SOURCES OF FUNDS

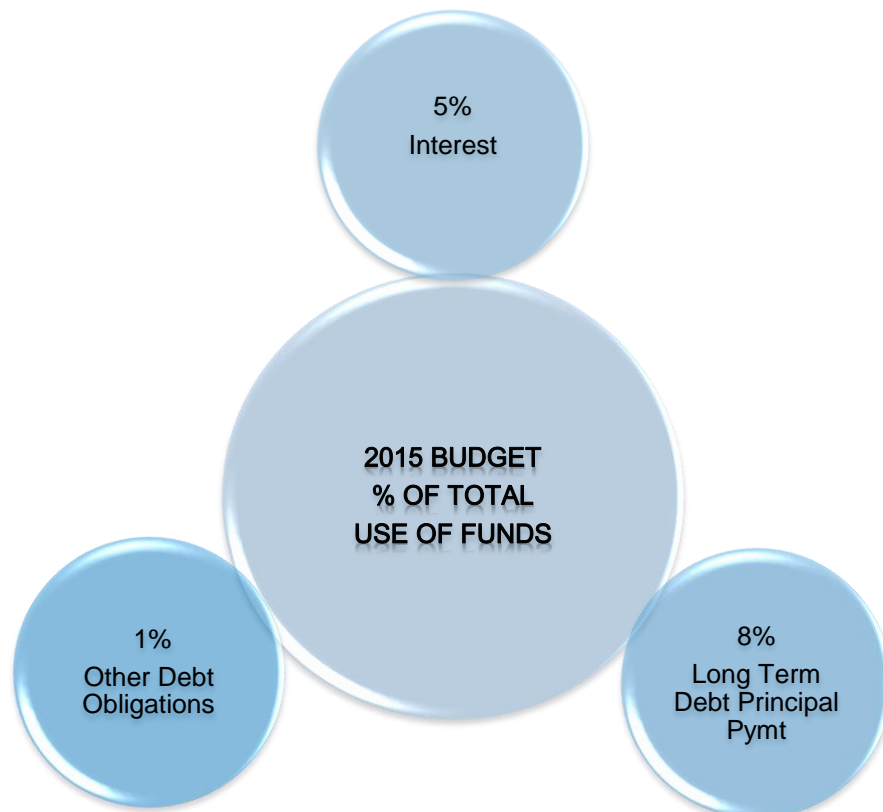


- ✓ Refunds for customers.
- ✓ All Other Miscellaneous includes, unemployment insurance, contingency funds, insurance claims and legal claims.
- ✓ New for 2015 in All Other Miscellaneous is a contingency fund. The contingency fund has been established as part of the annual budget process to provide the flexibility to respond to unforeseeable occurrences, emergencies and opportunities that help achieve the organization's goals.

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Refunds	1,999,117	1,255,130	1,240,173	1,592,831	1,780,000	12%
All Other Miscellaneous	422,054	462,315	1,297,258	957,835	5,631,679	488%
<b>Refunds and Miscellaneous</b>	<b>2,421,171</b>	<b>1,717,445</b>	<b>2,537,431</b>	<b>2,550,666</b>	<b>7,411,679</b>	<b>191%</b>

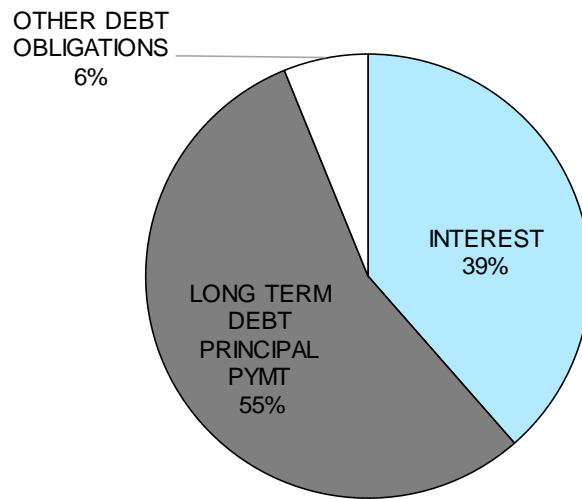
# USES OF FUNDS: DEBT SERVICE

**DEBT SERVICE**  
**\$49 MILLION**  
**14% OF TOTAL USES OF FUNDS**





**DEBT SERVICE**  
**\$49.0 MILLION**  
**14% OF TOTAL USES OF FUNDS**



- ✓ Interest
- ✓ Long Term Debt Principal Payment
- ✓ Other Debt Obligations

	2012 Actual	2013 Actual	2014 Actual	2014 Budget	2015 Budget	2015-2014 Budget Change
Interest	19,109,396	18,263,295	17,622,453	19,274,078	18,822,316	-2%
Long Term Debt Principal Pymt	22,980,000	24,955,000	26,090,000	26,090,000	27,000,000	3%
Other Debt Obligations	3,000,000	3,000,000	3,029,412	3,000,000	3,000,000	0%
<b>Debt Service</b>	<b>45,089,396</b>	<b>46,218,295</b>	<b>46,741,865</b>	<b>48,364,078</b>	<b>48,822,316</b>	<b>1%</b>

## FUND STRUCTURE

The Water Works Fund is created and maintained pursuant to the Charter and is required by Charter to be the repository for all revenues received from the operation of the System. Denver Water was established as an independent City water agency, with the philosophy that it would be operated as a business and remain separate from political influences. Therefore, Denver Water is not dependent on the City for tax payments or payments in lieu of taxes and there are no transfers to or from the City's general fund.

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.

<b>2014 Investment Balance Summary</b>	
<b>(\$000)</b>	
	<b>2014 Actual</b>
Beginning Balance 01/01	\$ 219,744
Total Sources	\$ 342,025
Total Uses	\$ 341,673
	\$ 14,828
Ending Investment Balance 12/31	\$ 234,924
Less: Board Designated Cash	
Blue River Decree Litigation	\$ 4,627
Total Board Designated Cash	\$ 4,627
Bond Reserve	\$ 8,503
Available Investment Balance	\$ 221,794
Less: 50% of next years annual debt service minus Bond Reserve	\$ 24,313
Less: Operating/Insurance Reserve (25% of Operating + \$10,000,000)	\$ 52,857
Less: Part II/III Capital Reserve (Greater of Average Amortization or 2% of Capital less Depreciation)	\$ 54,820
Available for Future Operating & Capital	\$ 89,804

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## DEBT INFORMATION

Per the Debt Management Policy, Denver Water issues debt to fund capital improvements and to refund existing debt. Only costs that may be capitalized under generally accepted accounting principles are eligible for debt financing. As an “enterprise” under Colorado constitutional provisions, Denver Water does not have revenue bond debt limits. Following are key provisions from the Policy:

- Maintain a Debt Ratio not exceeding 40% of the value of net fixed assets.
- Maintain water rates at a level that will provide net revenues from the system sufficient to produce annual coverage of 1.80x to 2.00x of the current annual debt service
- Unhedged variable rate debt is limited to a targeted range of 20%-30% of total debt
- Maintain net revenues of no less than 1.10x the annual debt service for existing debt and 1.20x for additional Master Resolution bonds as required by the covenants in the Master Bond Resolution

The Board’s practice is to issue long-term debt for financing capital assets that are long-term in nature. In general, the term of the debt for capital expenditures matches the useful life of the assets being financed. The Board utilizes short-term debt for a variety of purposes including financing cash flow requirements or providing capital financing in advance of a long-term debt issuance.

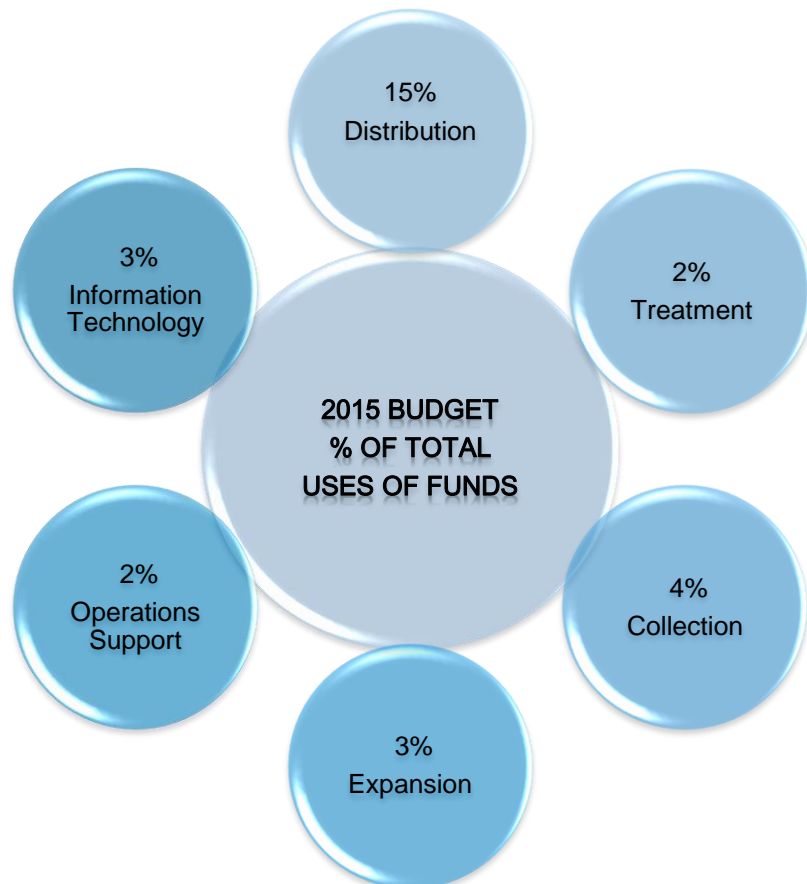
The Board maintains a revolving credit agreement to provide a variable rate line of credit as an interim source of financing for capital improvements to the water works system. Any outstanding balance on the credit facility is paid periodically by issuing revenue bonds. The credit facility is payable solely from the net revenue and is subordinate to the lien on the Board’s outstanding revenue bonds. There is currently no outstanding balance under the credit facility.

### Debt Principal and Interest Obligations (in millions of dollars)

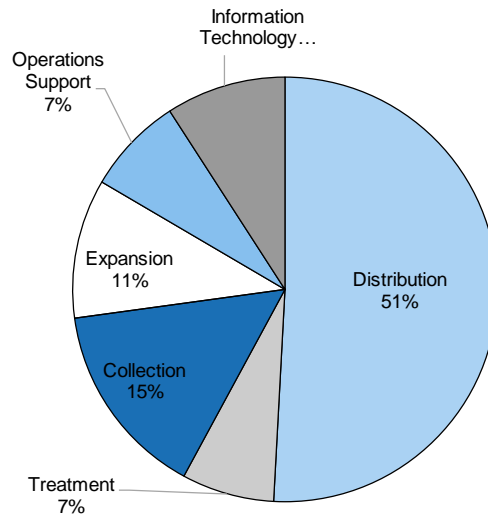
Year	Principal	Interest	Total
2015	29.1	18.8	47.9
2016	23.8	17.5	41.3
2017	18.2	16.3	34.5
2018	15.4	15.4	30.8
2019	13.7	14.6	28.3
2020	13.2	14.0	27.2

# USES OF FUNDS: CAPITAL

**USES OF FUNDS CAPITAL  
(EXCLUDING SALARIES)  
\$98.2 MILLION  
29% OF TOTAL USES OF FUNDS**



**SYSTEMS AND PROGRAMS**  
**\$98.2 MILLION**  
**(EXCLUDING SALARIES)**  
**29% OF TOTAL USES OF FUNDS**

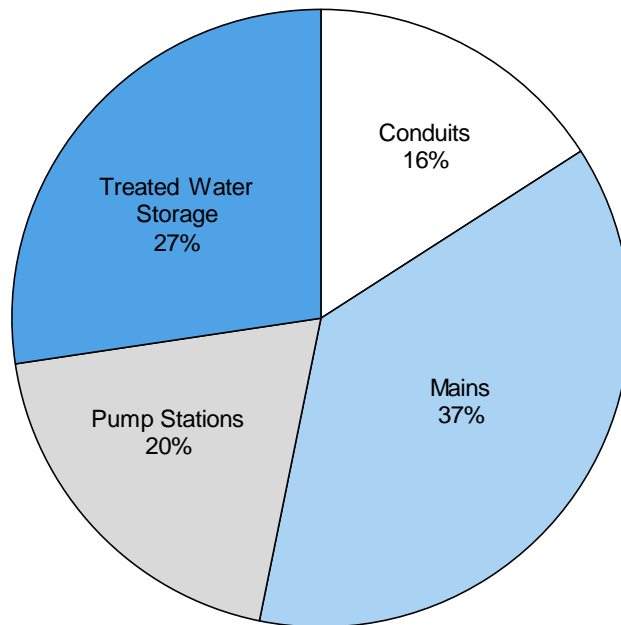


- ✓ System: Collection of Programs
- ✓ Programs: Collection of like projects
- ✓ Project: Identified and prioritized in order to meet system level metrics
- ✓ Denver Water has embraced the System and Program budget philosophy for its Capital projects in order to provide a clear line of site to the Strategic Plan, focus on policy-level issues and to ensure the right projects are occurring at the right time within budget.
- ✓ 2015 is the first year the organization has budgeted, reported and managed by the newly defined systems and programs. There are 5 systems and 23 programs and within the system and programs there are 80 prioritized Capital projects. Information Technology is not included in System and Programs, IT projects undergo a different prioritization and management process.

<b>CAPITAL SYSTEMS</b>	
Distribution	\$ 49,944,602
Treatment	6,920,910
Collection	14,668,412
Expansion	10,419,697
Operations Support	7,297,075
<b>Total Capital Systems</b>	<b>\$ 89,250,695</b>
Information Technology	\$ 8,963,631
<b>Total Capital</b>	<b>\$ 98,214,326</b>

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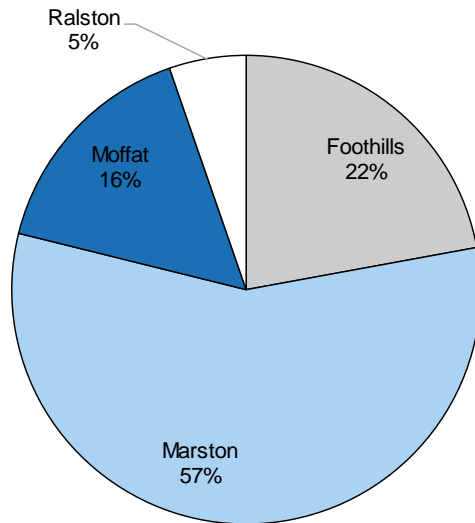
**DISTRIBUTION**  
**\$49.9 MILLION**  
**15% OF TOTAL USES OF FUNDS**



## DISTRIBUTION (CONTINUED)

<b>Distribution System Programs and Projects</b>		
<u>Program</u>	<u>Project</u>	<u>Budget</u>
Conduits	Conduit 16&22 Replacement	\$ 400,000
	Conduit 94 Assessment and Repairs	112,800
	Distribution Flowmeters 2013	8,000
	Replace rectifier on Conduit 27	107,854
	Conduit 3 Federal over 6th Ave	300,000
	Conduit Improvement Program	1,000,000
	6th Ave. Conduit Replacement	2,120,000
	UPRR Freight Track Conduit Relocations	1,100,000
	Conduit 61 - Mississippi & Broadway	880,000
	Conduit 10 Lining	922,814
	Conduit No 74 and 12-inch main relocation in Smith Rd	300,000
	<b>Total Conduits</b>	<b>\$ 7,251,468</b>
Mains	Main Improvements	\$ 1,750,000
	Stapleton Distribution 16 and 20 in Mains	974,000
	Main Relocations	771,836
	Main Replacements	6,875,000
	Fire Hydrant Replacement	700,000
	Corrosion prevention (cathodic protection)	50,000
	Replace PRV - misc	100,000
	Specialized Main Improvements	1,700,000
	2015 Rehabilitation	4,080,000
	<b>Total Mains</b>	<b>\$ 17,000,836</b>
Pump Stations	Chatfield High Side Pump	\$ 25,543
	Cherry Hills Pump Station - Modifications	4,454,200
	Green Mountain Pump Station - Modifications	2,143,480
	Hillcrest Pump Station - Modifications	168,500
	Kendrick Pump Station - Modifications	2,074,826
	<b>Total Pump Stations</b>	<b>\$ 8,866,549</b>
Treated Water Storage	Replacement of Hillcrest Tanks	\$ 740,000
	Replacement of storage reservoirs at Ashland	8,396,800
	Highlands PS - Reservoir Modifications	3,338,123
	<b>Total Treated Water Storage</b>	<b>\$ 12,474,923</b>
Vaults	2014/15 Vault Modifications	\$ 2,136,688
	2015/16 Vault Modifications	1,578,138
	2016/17 Vault Modifications	40,000
	DIA Vault Program	596,000
	<b>Total Vaults</b>	<b>\$ 4,350,826</b>
<b>Total Distribution System</b>		<b>\$ 49,944,602</b>

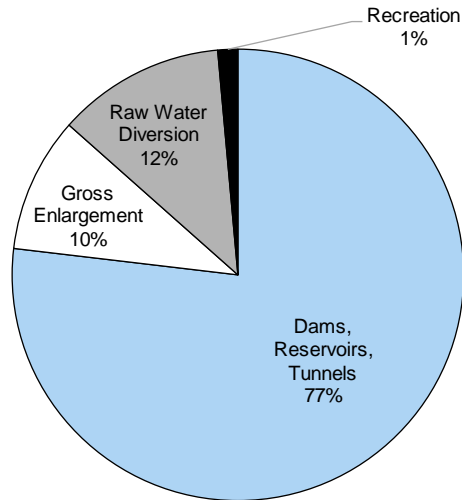
**TREATMENT**  
**\$6.9 MILLION**  
**2% OF TOTAL USES OF FUNDS**



<b>Treatment System Programs and Projects</b>		
<u>Program</u>	<u>Project</u>	<u>Budget</u>
Foothills	Replace electrical svc equip & main switch gear	\$ 1,459,728
	<b>Total Foothills Treatment Plant</b>	<b>\$ 1,459,728</b>
Marston	Treatment Process Improvements	\$ 3,542,471
	Upgrade Plant Electrical Service	41,351
	PLC Upgrades	162,360
	<b>Total Marston Treatment Plant</b>	<b>\$ 3,746,182</b>
Moffat	Moffat Centrifuge	\$ 350,000
	PLC Upgrades	195,000
	Filtration Upgrades	500,000
	<b>Total Moffat Treatment Plant</b>	<b>\$ 1,045,000</b>
Ralston	Plant Upgrades	\$ 350,000
	<b>Total Ralston Treatment Plant</b>	<b>\$ 350,000</b>
General Treatment	Corrosion Control Study	\$ 60,000
	Lab Equipment	260,000
	<b>Total General Treatment</b>	<b>\$ 320,000</b>
<b>Total Treatment System</b>		<b>\$ 6,920,910</b>

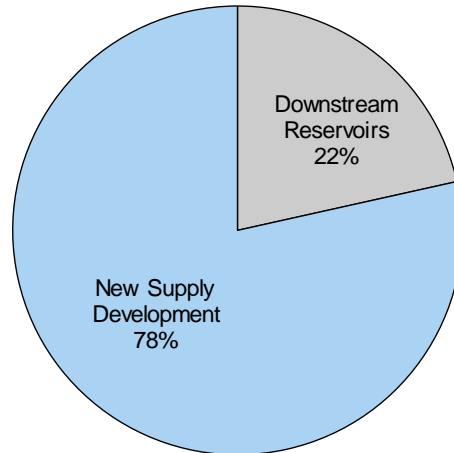


**COLLECTION**  
**\$14.7 MILLION**  
**4% OF TOTAL USES OF FUNDS**



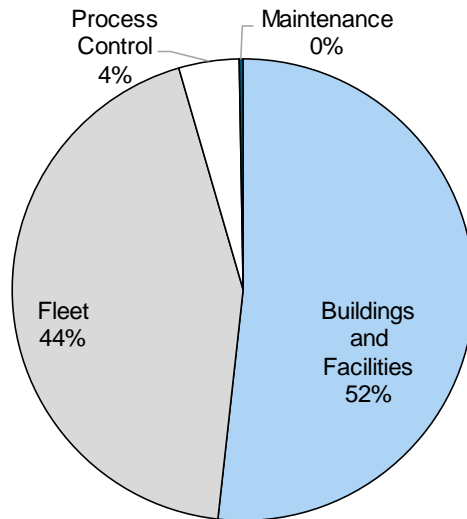
<b>Collection System Programs and Projects</b>		
<u>Program</u>	<u>Project</u>	<u>Budget</u>
	Marston - Construct Multi Level Outlet Works	\$ 4,149,209
	Antero Res Rehabilitation	5,960,703
	Strontia Springs Reservoir - Refurbish Cone Valves	210,000
Dams, Reservoirs, Tunnels	Long Lakes Hydrology and Spillway	95,000
	Cherry Creek Bank Stabilization	280,000
	Cheesman Dam Walkway Replacement	41,000
	Marston Dam South Tower Abandonment	140,000
	Ralston Dam Outlet Works - Modifications	400,000
		<b>Total Dams Reservoirs Tunnels</b>
Gross Enlargement	Denver Water's Storage Reliability Project	\$ 1,420,000
	<b>Total Gross Enlargement</b>	<b>\$ 1,420,000</b>
Raw Water Diversion	Vasquez Canal Piping	\$ 125,000
	Long Lake Feeder Ditch - Replace Diversion Dam	415,000
	Meadow Creek Outlet Works Renovation	724,200
	S. Boulder Collection Conduit - Bury Siphon No. 4	498,300
	<b>Total Raw Water Diversion</b>	<b>\$ 1,762,500</b>
Recreation	System Wide Recreation Improvements	\$ 210,000
	<b>Total Recreation</b>	<b>\$ 210,000</b>
<b>Total Collection Collection</b>		<b>\$14,668,412</b>

**EXPANSION**  
**\$10.4 MILLION**  
**3% OF TOTAL USES OF FUNDS**



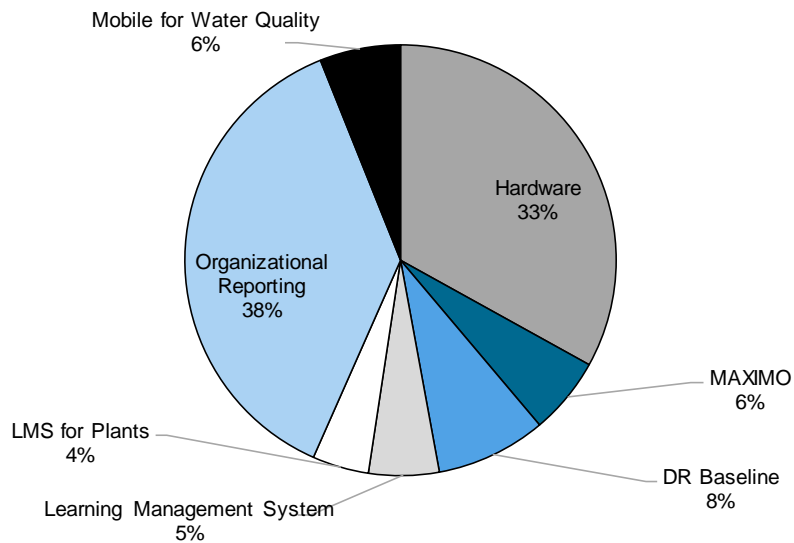
<b>Expansion System Programs and Projects</b>		
<u>Program</u>	<u>Project</u>	<u>Budget</u>
Downstream Reservoirs	Gravel Pit project - Hazeltine Bank Stabilization	\$ 1,075,000
	Gravel Pit - Tanabe Outlet Tower & Pipeline	319,997
	Gravel Pit - S Platte N Metro Collection System Outlet Works	846,000
	<b>Total Downstream Reservoirs</b>	<b>\$ 2,240,997</b>
New Supply Development	Water Rights Investigation & Development Stream Gauging	\$ 283,700
	Mediation Settlement	1,000,000
	Antero Reservoir Land Acquisition	800,000
	Four Mile Ranch Wetlands Mitigation Bank Project	20,000
	WISE	6,075,000
	<b>Total New Supply Development</b>	<b>\$ 8,178,700</b>
<b>Total Expansion System</b>		<b>\$ 10,419,697</b>

**OPERATIONS SUPPORT**  
**\$7.3 MILLION**  
**2% OF TOTAL USES OF FUNDS**



<b>Operations Support System Programs and Projects</b>		
<u>Program</u>	<u>Project</u>	<u>Budget</u>
Buildings and Facilities	Construct New Water Quality Facility	\$ 100,000
	DW Operations Complex Redevelopment Plan	3,000,000
	Misc Site Improvements at Treated Water Distribution Facilit	276,000
	IT Computer Room HVAC Upgrades	400,000
	<b>Total Buildings and Facilities</b>	<b>\$ 3,776,000</b>
Fleet	Vehicles & Comm. Motor Vehicles - Replacements & A	2,632,000
	Heavy Equip & Comm Heavy Equipment -Replacements &	561,000
	<b>Total Mains</b>	<b>\$ 3,193,000</b>
Process Control	Specialized Equipment-Administration	25,000
	System Wide RTU Upgrades	283,075
	<b>Total Pump Stations</b>	<b>\$ 308,075</b>
Maintenance	Specialized Equipment-Plant Tools and Equipment	20,000
	<b>Total Treated Water Storage</b>	<b>\$ 20,000</b>
<b>Total Operations Support System</b>		<b>\$ 7,297,075</b>

**INFORMATION TECHNOLOGY**  
**\$9.0 MILLION**  
**3% OF TOTAL USES OF FUNDS**



<b>Information Technology</b>	
<u>Project</u>	<u>Budget</u>
Hardware	2,963,000
MAXIMO	519,364
IT DR Baseline Plans & Documents	740,720
Learning Management System Implementation	472,976
LMS for Plants WTMS Replacement	379,288
Organizational Reporting Communication Alignment	3,345,086
Mobile for Water Quality	543,197
<b>Total Operations Support System</b>	<b>\$ 8,963,631</b>

# ACRONYMS AND GLOSSARY

For additional glossary terms:

[www.denverwater.org/AboutUs/GlossaryofTerms](http://www.denverwater.org/AboutUs/GlossaryofTerms)

## Acronyms A-E

**ACP**

Accelerated Conservation Plan

**AF**

Acre-Foot

**AMWA**

Association of Metropolitan Water Agencies

**BABS**

Build America Bonds

**CAFR**

Comprehensive Annual Financial Report

**CBSM**

Community Based Social Marketing

**CIP**

Capital Improvement Plan

**CIS**

Customer Information System

**COE**

U.S. Army Corps of Engineers

**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

**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.

**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**

Per the Debt Management Policy, Denver Water issues debt to fund capital improvements and to refund existing debt. Only costs that may be capitalized under generally accepted accounting principles are eligible for debt financing. As an "enterprise" under Colorado constitutional provisions, Denver Water does not have revenue bond debt limits.

**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.

**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.

**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 Denver Water service area that we 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 checks.

**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.

**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 \$350,000 per person and \$990,000 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.