



2008
BUDGET

conserve

recycle

develop

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BOARD OF WATER COMMISSIONERS



Thomas A. Gougeon, President
Principal: Continuum Partners LLC

Commissioner since
July 11, 2005;
Term expires July 10, 2011.



Penfield Tate III, First Vice President
Attorney: Greenberg Traurig

Commissioner since
October 17, 2005;
Term expires July 10, 2012.



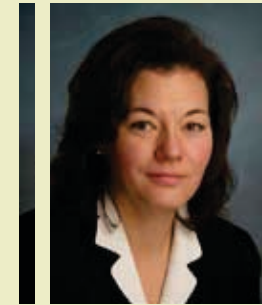
George B. Beardsley,
Principal: Inverness Properties, LLC

Commissioner since
February 2, 2004;
Term expires July 10, 2013.



John Lucero,
Broker Associate: Lucero Real Estate, Inc.

Commissioner since
September 13, 2007;
Term expires July 10, 2011.



Susan Daggett,
Independent Consultant

Commissioner since
November 6, 2007;
Term expires July 10, 2013.

MANAGER AND STAFF



Hamlet J. Barry III,
Secretary Manager



Marie L. Bassett,
Director of Public Affairs



Christopher R. Dermody,
Director of Information
Technology



Brian D. Good,
Director of Operations
& Maintenance



David B. LaFrance,
Director of Finance



David B. Little,
Director of Planning



Robert J. Mahoney,
Director of Engineering



Patricia L. Wells,
General Counsel

THE LAST TWENTY COMMISSIONERS

CHARLES F. BRANNAN	Dec 14, 1970 - Sep 26, 1983	MARGUERITE S. PUGSLEY	May 10, 1978 - Aug 25, 1987
JAMES B. KENNEY, JR.	Jan 9, 1976 - Sep 26, 1983	ELIZABETH A. HENNESSEY	Nov 4, 1985 - Jul 28, 1989
CHARLES G. JORDAN	Sep 26, 1983 - Jun 28, 1985	MALCOLM M. MURRAY	Aug 25, 1987 - Jul 12, 1993
D. DALE SHAFFER	Aug 9, 1978 - Jul 8, 1985	DONALD L. KORTZ	Aug 25, 1987 - Jul 12, 1993
JOHN A. YELENICK	Jul 14, 1969 - Aug 25, 1987	MONTE PASCOE	Sep 26, 1983 - Jul 10, 1995

ROMAINE PACHECO	Jul 31, 1989 - Jul 10, 1995	DANIEL E. MUSE	Feb 10, 2000 - Nov 13, 2003
HUBERT A. FARBES, JR.	Jul 8, 1985 - Jul 14, 1997	RICHARD A. KIRK	Jul 21, 1993 - October 18, 2005
RONALD L. LEHR	Jul 21, 1993 - Apr 20, 1999	WILLIAM R. ROBERTS	Jul 10, 1997 - October 18, 2005
JOE SHOEMAKER	Jul 10, 1995 - Jul 9, 2001	DENISE S. MAES	Jul 10, 1995 - Jul 10, 2007
ANDREW D. WALLACH	Jul 18, 2001 - Aug 5, 2003	HARRIS D. SHERMAN	Dec 6, 2005 - Feb 16, 2007

CONTACT US

DENVER WATER

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Manager

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Director of Information and Technology

Brian D. Good, 303.628.6503
Director of Operations and Maintenance

David B. LaFrance, 303.628.6411
Director of Finance

David B. Little, 303.628.6506
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Robert J. Mahoney, 303.628.6611
Director of Engineering

Patricia L. Wells, 303.628.6464
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WITH QUESTIONS CONCERNING THE 2008 BUDGET DOCUMENT PLEASE CONTACT:

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section 1

ABOUT DENVER WATER

In 1997, the Denver Water Board recognized the need to invest in and manage a diverse portfolio of resources to meet its future needs and minimize risks. As the Denver Metro area continues to grow, the Board continues to analyze new and innovative opportunities to increase supply through conservation, recycling, and development.

WATER SERVICE AREA
IS APPROXIMATELY 300
SQUARE MILES

Denver Water is an independent City agency which serves a total of 1.2 million people in the Denver Metro area. Its total water service area is approximately 300 square miles. The largest water utility between the Mississippi River and California, Denver Water ensures a continuous supply of water to the City and County of Denver and nearly 50 percent of Denver Water customers who live in the surrounding suburbs. Denver Water is non-union and has approximately 1,000 employees.

Denver Water is responsible for the collection, storage, quality control and distribution of drinking water to nearly one-fourth of all Coloradans.

A five-member Board of Water Commissioners is appointed by the Mayor of Denver to staggered six-year terms. The Board appoints a Manager who is chief executive officer of day-to-day operations. The Manager also serves as Secretary to the Board. Denver Water operates from the Water Works Fund, which ensures the separation between City Hall and the Water Board. The general city government has no access to the Water Works Fund and the Water Board has no access to the city's general fund. Both funds, however, are accounted for by the City Auditor.



View Of Denver Skyline From City Park

Photography by Ron Ruhoff
for Denver Metro Convention & Visitors Bureau

Board of Water Commissioners
City & County of Denver
Denver, Colorado 80204-3412
Re: Denver Water 2008 Budget

To Our Customers and Other Interested Readers:

Denver Water's budget for 2008 and our operations during 2007 reflect our two chief commitments to customers—providing an adequate, reliable supply of high-quality water and ensuring future supplies as our customer base continues to grow.

Our water supplies were plentiful throughout 2007. Last spring's snow melt filled Denver Water's reservoirs to capacity, and storage levels at the end of the 2007 irrigation season still averaged 94 percent, 6 percent higher than historical levels at that time of year. These percentages are a tribute not only to Mother Nature but also to our customers, many of whom continue to apply water-saving measures instituted during the dry years of 2002–2004. Average water use in 2007 was 171 gallons per capita per day, 19 percent lower than average water use before the drought.

To ensure that supplies continue to be reliable and, at the same time, to safeguard the utility's financial health, we focused on four principal strategies in 2007: we launched an accelerated conservation program called Tap+Smart; extended the reach of our recycled water system; identified the preferred method for ensuring adequate capacity in our Moffat Collection System northwest of Denver; and implemented a steeper inclining-block rate structure that underscores the link between cost and consumption more emphatically.

Tap+Smart is a comprehensive set of conservation measures and incentives designed to instill permanent water-efficient behaviors among our customers. Throughout the spring and summer, billboards, buses, and yard signs spread Tap+Smart's hallmark message—Use Only What You Need. To reinforce this message, we issued more than \$1 million in rebates to customers who installed water-efficient fixtures and appliances in 2007. In addition, we paid commercial and industrial customers who signed our efficiency incentive contracts \$4,500 for each acre-foot of water they saved during the year. These incentive programs will continue in 2008.

Stretching limited supplies by treating reclaimed wastewater for non potable uses is becoming more common in the semi-arid West. Several capital construction projects are expanding our Recycled Water Distribution System. The Capitol Hill Reservoir has been in service since June. Once the Montclair Pump Station

is ready for startup in April 2008, it will be linked with the reservoir and with recently constructed pipelines to provide recycled water for irrigating parks and golf courses in the Stapleton and Lowry neighborhoods. Another new main constructed in northeast Denver in 2007 extended the recycled water system to Russell Square Park at East 37th Avenue and North Gaylord Street.

Working with the U.S. Army Corps of Engineers, our Board of Water Commissioners has concluded that the best option for increasing supplies in the Moffat Collection System is to enlarge existing storage capacity at Gross Reservoir. The Corps is expected to complete a draft Environmental Impact Statement for this project in 2008. In other efforts to protect the reliability of supplies in the north end of our service area, we are preparing several previously mined gravel pits for use as water storage facilities.

Our new inclining-block rate structure, which went into effect in January 2007, imposes a fixed service charge rather than a meter charge and communicates our water efficiency goals to customers by raising rates for defined blocks of increased water use. By relating water bills to actual consumption, inclining-block rates allow customers to better control their costs by reducing water use. The 2008 rate structure will include a new customer class for customers with irrigation-only connections such as homeowners associations (HOAs), schools, churches, and parks.

Providing water of the highest quality is one of Denver Water's top priorities. To make sure we comply with recent federal regulations related to disinfection, we are building a new chlorine contact basin at Foothills Treatment Plant; the new basin is expected to be fully operational by mid- 2008. We have almost finished a long-term project to update our Geographic Information System database; this effort, scheduled for completion by the end of 2007, will enable us to more effectively track disinfection effects throughout our potable water distribution system. We also stepped up our ongoing distribution main relining program in 2007, more than doubling the number of linear feet of pipe originally scheduled for rehabilitation.

As part of its leadership role with respect to all Front Range water issues, Denver Water continues to work closely with its neighbors in the metropolitan area and the communities where its watersheds are located to identify mutually beneficial solutions to water quality and water supply challenges. In 2007, we signed an agreement with the City of Aurora authorizing construction of a shared pipeline to provide backup supplies for specific neighborhoods in each municipality. We also participated in a mediation process that resolved some Western Slope water rights disputes.

AVERAGE WATER USE IN
2007 WAS 171 GALLONS
PER CAPITA PER DAY

INCLINING-BLOCK RATE
STRUCTURE IMPOSES A
FIXED SERVICE CHARGE

DENVER WATER'S TOP
PRIORITY IS TO PROVIDE
HIGH QUALITY WATER

TAP+SMART DESIGNED TO SPEED UP THE PACE OF CONSERVATION

Some of our most significant actions toward meeting future challenges are outlined in the following section, which summarizes Denver Water's 2008 goals and objectives.

GOALS AND OBJECTIVES

CREATE AN ENDURING CULTURE OF EFFICIENT WATER USE

Tap+Smart. Designed to speed up the pace of water conservation, the Tap+Smart Program aims to reduce water use in Denver Water's service area by 22 percent by 2016. To help us achieve this ambitious goal, Tap+Smart applies a proven public outreach model known as Community-Based Social Marketing (CBSM). The model is a blueprint for positively affecting social issues by influencing the voluntary behaviors of a target group.

Key components of the CBSM approach to changing behavior include research—identifying barriers that prevent people from changing behavior and pinpointing benefits that can help overcome those barriers—and using government as a role model. A Denver Water staff member now works in Mayor John Hickenlooper's office three days a week, overseeing all the City and County's water conservation activities. These measures, which will continue in 2008, include retrofitting municipal buildings with efficient plumbing fixtures and replacing sections of turf in city parks with native grasses and other low-water-use landscaping. In 2008 we will expand the government program by dedicating a staff member to bring water conservation programs to suburban municipalities in our service area.

Some of the most valuable research data we gleaned in 2007 was through audits of HOA irrigation practices. We discovered that many of our HOA customers already use water relatively efficiently, enabling us to target the least efficient HOAs for wiser water use in 2008 and beyond.

We will also boost our emphasis on incentives such as rebates in 2008. These measures generate the least costly, most reliable water savings in the Tap+Smart plan.

Operating Rules. Several conservation-related changes to the Operating Rules adopted by the Board will take effect in 2008:

- The Soil Amendment Rule requires new customers throughout our service area to add organic matter to the soil before installing new landscaping that will be irrigated. Organic amendments increase the nutrient level of the soil and the availability of water to plant roots.

RESEARCH SHOWED MANY HOA CUSTOMERS USE WATER EFFICIENTLY

THIS AMENDMENT RAISES WATER AVAILABILITY TO PLANT ROOTS

EXPANDING CAPACITY IN THE MOFFAT COLLECTION SYSTEM

- Rain sensors must be installed on irrigation systems for all new connections except single-family residences. This requirement will reduce watering violations that occur at commercial or industrial properties after hours or at other times when owners are not available.
- The One Acre Rule replaces the Five Acre Rule and requires customers who want to irrigate areas larger than one acre to submit landscaping plans so we can make sure the landscaping is efficiently designed. These customers will receive a water allotment and will pay a penalty for using excess water.

ENHANCE WATER SUPPLIES IN AN INCREASINGLY UNCERTAIN WORLD

Expanding capacity in the Moffat Collection System. The most recent analysis of Denver Water's future supply and demand indicates that the Moffat Collection System, one of our three major sources of supply, is at risk of running out of water in a single severely dry year. We have been working with the U.S. Army Corps of Engineers to identify options that could provide an additional 18,000 acre-feet of firm yield to mitigate this vulnerability and add reliability and balance to our water supply system.



This car encouraged Denver Water Customers to "Use Only What You Need" during our 2007 Conservation Campaign.

WE ARE COMMITTED TO
MAKING OUR WATER
SYSTEM RESILIENT

After reviewing three alternatives, the Board has selected its preferred option—expanding existing storage capacity at Gross Reservoir. Once the Corps releases a draft Environmental Impact Statement (EIS) evaluating the potential effects of this option, a public comment period will follow before the final EIS is issued.

Addressing the effects of global climate change. Denver Water is collaborating with other western water utilities to determine what climate change portends for precipitation in the region. We are committed to making our water system more resilient in the face of potential climate change effects. Among the tactics we have identified are increasing our strategic reserves and entering into cooperative arrangements with downstream farmers to ensure sufficient supplies in dry years.

Resolving water rights conflicts. Although Denver Water recently reached a settlement with regard to some Western Slope water rights that were in contention, more work remains to be done in this arena. Negotiations with Western Slope water users are expected to continue in 2008.

Accelerating distribution system renewal. Like most other water utilities, Denver Water has some distribution mains that are 50 to 75 years old and need to be upgraded, either by replacement or rehabilitation with cement-mortar lining. Our 2007 distribution system renewal plan originally called for lining 14,000 linear feet of cast-iron pipe, but good summer and fall weather and available capital enabled us to double that goal. By the end of the year, we will have lined 32,000 linear feet of pipe. We intend to keep up an accelerated schedule of distribution system renewal in 2008 in order to ensure reliable delivery of our treated water supplies.

CONTINUE TO STRENGTHEN DENVER WATER'S FISCAL HEALTH

Denver Water is required to comply with its charter directive to set water rates “as low as good service will permit.” In 2008 we will review a number of financial policies and practices to ensure we are collecting appropriate system development fees, complying with relevant accounting regulations, and recovering the full cost of providing service to our customers.

To meet the demand created by our expanding customer base, Denver Water must acquire or construct new capacity-related assets such as water rights, storage structures, treatment facilities, pump stations, and transmission mains. System development charges (SDCs) are designed to recover these costs from new customers. In 2008, our Finance Division will undertake a complete review of our SDC structure and procedures to make sure the expanding customer base does indeed pay for water system growth.

CONTINUE TO REFINE
TOOLS FOR PLANNING
CAPITAL PROJECTS

Changes to the employee health care insurance plan in 2007 succeeded in lowering Denver Water’s costs for employee and retiree health care. To further mitigate rising health care insurance costs in 2008, the Board has altered the eligibility requirements for future retirees. Like many governmental organizations, Denver Water will be affected by a recent Governmental Accounting Standards Board requirement that accounting procedures recognize liabilities associated with future non-pension, post-employment benefits such as health care insurance for retirees. In 2008 we will continue to study alternatives and determine the best way for Denver Water to manage these liabilities. We will also turn our attention to evaluating the entire retirement plan.

With respect to water rates, we will continue to analyze rate structure options in order to balance our conservation goals with the need to recover the full cost of service from various classes of customers. Rates for the new irrigation-only customer class will be adjusted over the next three years to better approximate the consumption characteristics of these customers and the true cost of providing them service.

IMPLEMENT TECHNOLOGY SYSTEMS TO IMPROVE CUSTOMER SERVICE

We are making good progress in our multi-year effort to acquire new software systems to further streamline operating procedures and enhance our ability to respond to customer needs. Following an extensive selection process conducted over the summer of 2007, we have chosen a Customer Information System package that will replace or consolidate 24 existing systems. We have also selected a system integration partner who will assist us with implementation. During 2008 we will refine system requirements and conduct the testing necessary for implementation. Current projections are for the new system to go live in the third quarter of 2009.

We will continue to refine our tools for planning capital projects, with the aim of building better estimates, improving information-sharing among our divisions, and providing the most responsible and realistic capital budgets possible.

Our agenda for 2008 also includes further implementation of our Global Workforce Automation System, designed to permit real-time management of our field personnel, speed up customer service response times, and increase productivity.

MONITOR THE PROGRESS
OF THE CLEAN WATER
RESTORATION ACT

MONITOR LEGISLATIVE AND REGULATORY ISSUES AFFECTING WATER UTILITIES

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

At the federal level, we will monitor the progress of the Clean Water Restoration Act (H.R. 2421) introduced in Congress in 2007 by Rep. James Oberstar. This bill would amend the Federal Water Pollution Control Act of 1972, expanding the federal government's jurisdiction over "navigable waters" to all "waters of the United States." If enacted, this legislation could have a major impact on U.S. water utilities and businesses.

In the regulatory arena, the U.S. Environmental Protection Agency is engaged in a multi-year process to update the Total Coliform Rule (TCR) originally promulgated in 1989. The new regulation could potentially contain provisions governing microorganism concentrations in distribution systems. Denver Water staff will monitor this rule-making process and work to determine the regulation's impact on our distribution system and our customers.

COLLABORATE WITH OTHER AGENCIES TO ADDRESS STATEWIDE AND METROPOLITAN WATER SUPPLY ISSUES

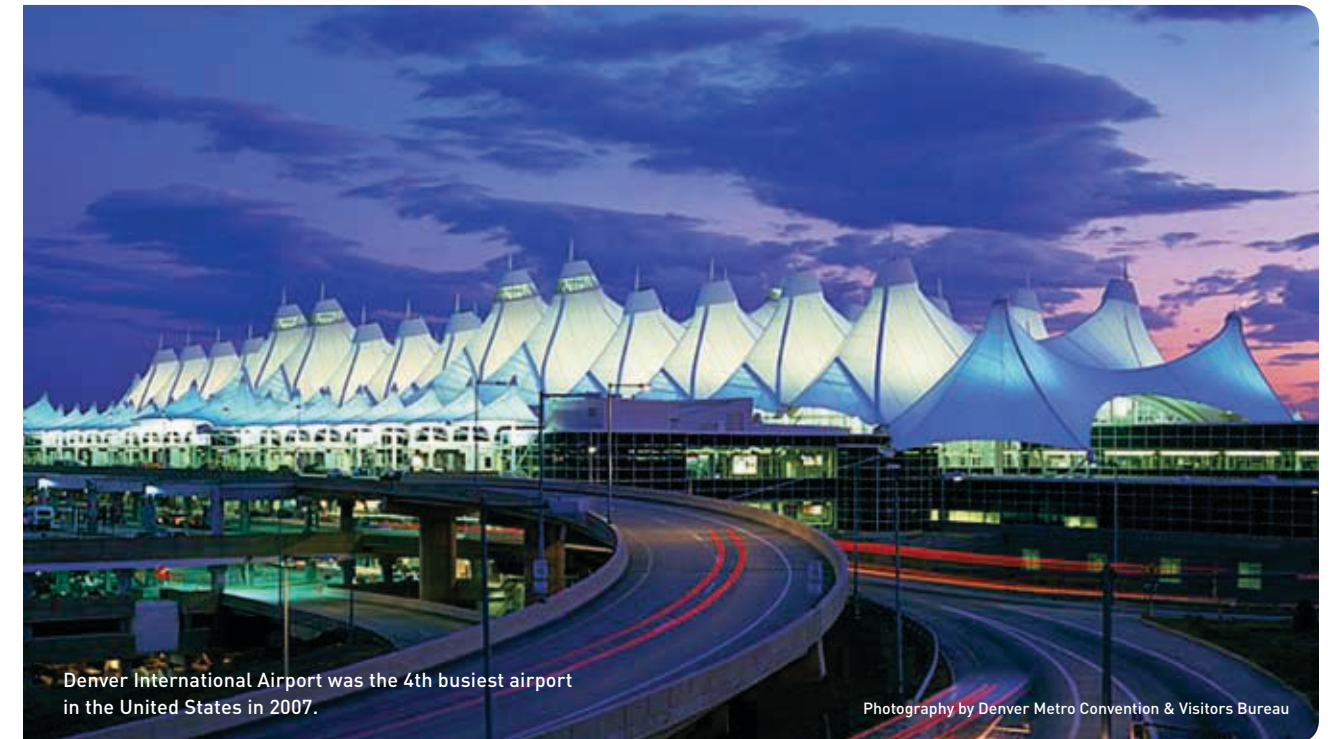
Water providers across Colorado face the same fundamental challenge: balancing the state's limited, fluctuating water supplies with the diverse needs of a growing population. Both East Slope and West Slope municipalities are expected to experience continued growth in 2007, and we will support the Board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

In the metropolitan area, the Board approved an Emergency Interconnect Agreement with the City of Aurora in September 2007. Under the terms of this agreement, Aurora will construct a pipeline at 64th Avenue and Picadilly Road near Denver International Airport (DIA), and Denver Water will reimburse Aurora for half the construction cost. As the pipeline will allow treated water to flow in either direction, it can provide Denver Water an emergency supply for DIA and the nearby Gateway neighborhood as well as providing a backup supply for Aurora's new High Point Development.

The suburban area south of Denver faces particularly difficult water supply challenges. One of the fastest-growing parts of the state, it is seeking ways to decrease its dependence on finite groundwater supplies and find more

BOTH EAST AND WEST
SLOPE MUNICIPALITIES
ARE EXPECTED TO GROW

sustainable sources. In 2008 Denver Water will continue discussions with the South Metro Water Supply Authority, a group of Douglas County water providers, to help them identify better supply solutions. We will explore the feasibility of selling the Authority excess South Platte water and reusable effluent when these sources are available in Denver Water's system. We will also assess the conservation programs of Authority members and work in partnership with them to help shift the water use culture of the entire metropolitan region toward more efficient use.



Denver International Airport was the 4th busiest airport in the United States in 2007.

Photography by Denver Metro Convention & Visitors Bureau

TOTAL REVENUE FOR
2008 IS BUDGETED AT
\$251.8 MILLION

2008 BUDGET

SOURCES OF FUNDS

Denver Water's total sources of funds for 2008 is budgeted at \$251.8 million, a decrease of \$40.7 million, or 13.9 percent, compared with sources of funds receipts for 2007. The reduction is a result of the decision to issue \$50 million in debt originally planned for 2008 in 2007. Consequently, \$50 million in debt proceeds are currently available in the Water Works Fund to pay for 2008 capital improvement projects.

Water sales in 2008 are expected to yield \$207.2 million, surpassing budgeted sales for 2007 by \$17.4 million, or more than 9 percent. A rate increase averaging 5 percent and customer growth of 1 percent will drive the rise in water sales

SDCS ARE EXPECTED TO BRING IN \$23 MILLION IN 2008

NO DEBT PROCEEDS ARE EXPECTED IN 2008

O&M COSTS FOR 2008 ARE BUDGETED AT \$154.3 MILLION

revenue. The sale of water is expected to account for approximately 82 percent of total fund sources in 2008.

System development charges (SDCs), the fees builders pay to connect new or expanded developments to Denver Water's distribution system, are expected to bring in \$23 million in 2008. Although the Board recently approved an 11 percent increase in these charges, projected SDC revenue in 2008 is 17 percent less than budgeted SDCs for 2007. Despite the higher tap fees, we have budgeted a conservative figure in anticipation of fewer tap sales due to the current conditions in the housing market.

Other revenue sources, including hydropower sales and earned interest, are budgeted at \$21.6 million in 2008, \$3.2 million less than 2007 budgeted revenues in this category. The decrease is attributable to fewer expected reimbursement and participation payments related to capital projects. Revenues for the hydropower facility at Gross Reservoir, which became operational in late summer 2007, will offset this decrease. In 2008, the facility's first full year of operation, we expect it to generate \$1.4 million in revenue.

No debt proceeds are expected in 2008 because the \$100 million of debt issued in March 2007 included funds to pay for 2008 capital projects.

EXPENDITURES

Operations and maintenance (O&M) costs for 2008 are budgeted at \$154.3 million, approximately \$17.5 million, or 13 percent, more than budgeted O&M expenditures for 2007. The Tap+Smart Program will account for a substantial portion of this increase. Implementation of the 10-year plan to accelerate water savings among Denver Water's customers will require a total budget of \$9.9 million in 2008.

Another driver of the increased O&M costs is a shift of expenditures historically classified as capital costs to the operating budget. Two factors are responsible for this shift: (1) a change in the capitalization limit from \$2,500 to \$5,000 caused a variety of small projects and equipment purchases that would previously have been classified as capital expenses to be reclassified as operating expenses (these types of purchases include furniture and personal computers); and (2) our new budget and planning system allows us to use historical benchmarks to target appropriate budget amounts, a process that helped us project payroll allocations and should mitigate mid-year cost shifts from the capital budget to the O&M budget.

CAPITAL PROJECTS ARE EXPECTED TO COST \$87.7 MILLION IN 2008

TOTAL SOURCE OF FUNDS FOR 2007 WERE \$347 MILLION

WATER SALES FOR 2007 WERE \$194.2 MILLION

Payroll expenditures for 2008—including regular wages, overtime pay, paid leaves of absence, and tuition reimbursement—are projected to be \$68.4 million, supporting 1,104 regular full-time employees and various temporary workers representing the equivalent of 61.4 full-time positions. Of the total amount budgeted for payroll, 86 percent is allocated to employees working in operations, and 14 percent is assigned to staff involved with capital projects.

Capital projects are expected to cost approximately \$87.7 million in 2008. This figure, an \$11.4 million decrease compared with the 2007 budget for capital spending, includes funds to complete construction of several large capital projects. The two largest projects—the new chlorine contact basin at Foothills Treatment Plant (\$13.8 million) and the new Customer Information System (\$9.0 million)—comprise 26 percent of the capital improvement budget. Twenty other projects are each budgeted at \$1 million or more. Together, these 22 large projects constitute 70 percent of the 2008 budget for capital improvement projects.

Debt service and related costs are budgeted at \$49.5 million.

INVESTMENT BALANCE

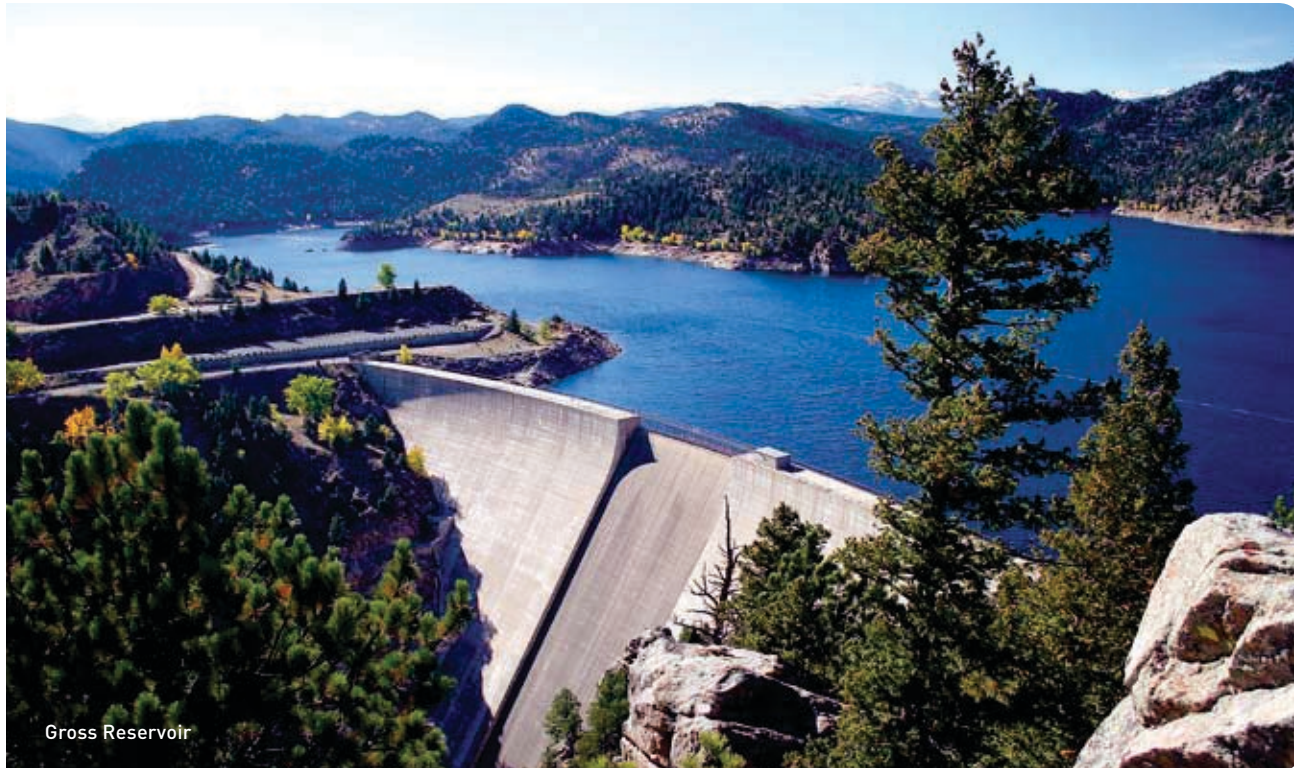
Based on projected 2008 revenues and uses of funds, we estimate that Denver Water's investment balance, or cash reserves, will drop to \$186.5 million by the end of 2008, a decrease of \$39.7 million compared with the balance at the end of 2007. This significant use of cash reserves was anticipated with the 2007 issue of \$100 million in debt, which included funds for both 2007 and 2008 capital projects.

2007 BUDGET PERFORMANCE

SOURCES OF FUNDS

Total Sources of Funds for 2007 were budgeted at \$292.5 million. Denver Water ended 2007 with \$54.5 million more than that amount. The additional revenue resulted primarily from the decision to issue \$100 million in debt in 2007 rather than the planned \$50 million.

Water sales for 2007 were \$194.2 million, 2.3 percent more than budgeted sales of \$189.8 million. The 2007 water sales budget was based on projections that demand would average 16.7 percent less than the historical norm. Although actual water use turned out to be 19 percent below normal, higher-than-anticipated use in certain customer classes mitigated the impact of the overall reduction in demand.



Gross Reservoir

SYSTEM DEVELOPMENT
CHARGES PRODUCED
\$26.2 MILLION IN 2007

System development charges produced \$26.2 million in revenue for 2007, approximately \$1.6 million less than budgeted receipts. The slowdown in the housing market contributed to the shortfall.

Debt Proceeds as a result of the March 2007 sale of \$100 million in revenue bonds. Debt proceeds in 2007 were \$99.2 million, almost double the \$50 million budgeted. When the Board decided to issue \$100 million in debt in 2007, it planned to earmark \$50 million for the Water Works Fund and the remaining \$50 million for a construction fund for 2007 and 2008 projects. However, with careful planning and analysis, our treasurer was able to bring the entire \$100 million into the Water Works Fund in 2007.

EXPENDITURES

Operating expenses in 2007 totaled \$133.1 million, \$3.7 million less than the budgeted amount. Factors influencing the reduced expenditures include a staff vacancy rate of 7 percent rather than the anticipated 3.5 percent, elimination of 26 staff positions, and changes in the design of the employee health care insurance plan, resulting in the Board's spending less than the budgeted amount on this employee benefit.

OPERATING EXPENSES
IN 2007 TOTALED
\$133.1 MILLION

CAPITAL SPENDING WAS
\$83.0 MILLION IN 2007

Capital spending in 2007 was also lower than anticipated. Total spending on capital projects was \$83.0 million, approximately \$16.0 million less than the amount budgeted. The lower capital expenditures resulted primarily from construction delays caused by severe weather in January and February and from changes in the schedule for implementing several large capital projects related to information technology. These projects have been carried forward into the 2008 budget.

DEBT SERVICE
EXPENDITURES IN 2007
WERE \$53.9 MILLION

Debt service expenditures in 2007 were at \$53.9 million, half a million dollars less than the budgeted amount as a result of timing and the amount of debt issued in 2007.

THE 2007 END OF YEAR
INVESTMENT BALANCE
WAS \$226.1 MILLION

The end-of-the-year **investment balance** was \$226.1 million, \$74.7 million more than the budgeted amount. The surplus is due to additional debt proceeds received in 2007 and lower-than-budgeted expenditures.

FINANCIAL OVERVIEW

Denver Water's strong financial status is projected to prevail over our planning horizon of 10 years. Ratings of our revenue bonds by Moody's, Fitch Ratings, and Standard & Poor's are Aa3, AA+, and AA, respectively. We will continue to monitor water rates, capital expenditures, debt levels, and investment balances to minimize rate increases while providing reliable service to customers and maintaining Denver Water's financial well-being.

I am confident that the 2008 budget provides a responsible plan for both fiscal and physical operations as well as the continued development of the Denver Water system during the coming year.

Sincerely,
H. J. "Chips" Barry
Manager, Denver Water



Downtown Denver Water

Photography by Stan Obert
for Denver Metro Convention & Visitors Bureau

DENVER WATER WAS
ESTABLISHED IN 1918

CHARTER DIRECTIVES

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

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

The Board shall fix rates which "...shall be as low as good service will permit.. "and"... may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver Metropolitan area and to provide for Denver's general welfare." Charter of the City and County of Denver, Section 10.1.9

MISSION

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

VALUES

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

CUSTOMER VALUES

CUSTOMER SATISFACTION

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

QUALITY

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

EMPLOYEE VALUES

ACCOUNTABILITY

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

RESPECT

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

WORKFORCE DIVERSITY

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

INNOVATION

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

SUPPORT EMPLOYEE EXCELLENCE

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

PROFESSIONAL GROWTH

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

HEALTH, SAFETY AND ENVIRONMENTAL VALUES

SAFETY AND HEALTH

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

RESPONSIBILITY

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

COMMITMENT TO THE FUTURE

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

STRATEGIC PLAN VISION

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

LEADERSHIP

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

PRODUCTS & SERVICES

- We will provide drinking water that is always safe and meets our customers' expectations of quality and reliability.
- Our customers will be pleased with our service, responsiveness and courtesy.
- Our customers will believe that they receive high value for the cost of their water.
- Our facilities will be well-maintained, running efficiently and reliably.
- We will provide non-potable water for irrigation and industrial purposes.



Billboards such as this one were part of the Tap+Smart advertising program.

- We will take increasing advantage of technology to meet our goals.
- We will anticipate new markets in order to provide ancillary products and services.
- We will accommodate the recreational interests of the public, where practicable.

ORGANIZATION

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

WATER AND WILL BE ABLE TO EXPLAIN THEM TO OTHERS.

- All of our employees will possess the skills and accept the responsibility to manage their own careers.

DENVER WATER HAS MET
THE REQUIREMENTS FOR
THE PAST 16 YEARS



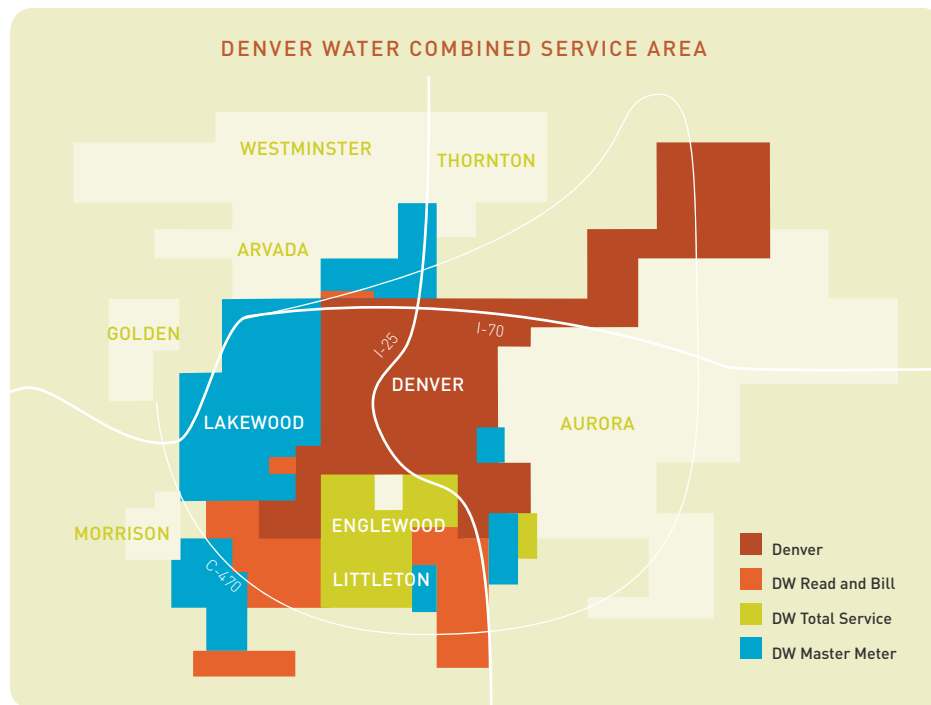
The GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's recommended practices on budgeting and then to recognize individual governments that succeed in achieving that goal.

Entities participating in the program submit copies of their budget, which are evaluated by three independent reviewers using a comprehensive set of evaluation criterion. To receive the award the reviewers must judge the document proficient in four major awards categories: Strength as a policy document; a financial plan; an operations guide; and a communication device. Denver Water is proud to have met the requirements and received this prestigious award for the past 16 consecutive years.

THE COMBINED SERVICE AREA IS ABOUT 335.5 SQUARE MILES

DENVER WATER SERVICE AREA, POPULATION AND DEMAND

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



DENVER WATER SERVICE AREA SQUARE MILES

The table shows the total square miles served both inside and outside the City and County of Denver. The total square miles in the Inside the City service area have not changed materially since 1988 when the City and County of Denver annexed 43.3 square miles for the Denver International Airport. The old Stapleton Airport, within Denver, is being redeveloped with housing, office, and retail facilities. Although the development does not add square

TABLE 1

DENVER	
City and County	154.6
OUTSIDE DENVER	
Total Service Distributors	40.8
Read and Bill Distributors	49.8
Master Meter Distributors	90.3
Subtotal	180.9
Total	335.5

THE CITY IS IN DENVER-AURORA METROPOLITAN STATISTICAL AREA

miles to the Denver Water service area, it will increase the number of customers we serve over the next 20 years.

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

POPULATION AND DEMOGRAPHICS

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

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

POPULATION

The following table sets forth population statistics for Denver, the Denver-Aurora MSA and the State of Colorado.

POPULATION (expressed in thousands)¹

YEAR	DENVER	DENVER-AURORA MSA	STATE OF COLORADO
2000	554.6	2,157.8	4,301.3
2001	560.4	2,247.3	4,446.9
2002	560.9	2,288.6	4,521.9
2003	566.2	2,232.5	4,586.9
2004	568.9	2,360.7	4,653.1
2005	571.8	2,395.3	4,722.8

¹Population figures for 2000 are as of April, and population figures for 2001-2005 are as of July.
Source: Colorado Department of Local Affairs, Division of Local Government, Demographic Section

AGE DISTRIBUTION

The following table sets forth a comparative age distribution profile for Denver, the Denver-Aurora MSA, the State and the United States as of January 1, 2006.

AGE DISTRIBUTION AS OF JANUARY 1, 2006 (columns may not add to 100% due to rounding)

AGE GROUPS	DENVER	DENVER-AURORA MSA	STATE OF COLORADO	UNITED STATES
0-5	7.8%	8.6%	8.3%	8.0%
6-11	7.8	8.7	8.4	8.2
12-17	6.8	8.6	8.5	8.5
18-24	8.3	8.9	9.9	10.0
25-34	18.4	15.2	14.9	13.3
35-44	16.4	15.9	15.1	14.6
45-54	13.7	14.9	14.8	14.4
55-64	9.7	9.9	9.9	10.4
65-74	5.3	5.1	5.4	6.5
75+	5.9	4.3	6.5	6.1

Source: Trade Dimensions International, Inc., Demographics USA[®] 2006 – County Edition

INCOME

The following tables set forth median household effective buying income (“EBI”) and the percentage of households by EBI groups for Denver, the Denver metropolitan area, the State and the United States for the past five years. EBI is defined as money income, less personal tax and non-tax payments, often referred to as “disposable” or “after-tax” income. EBI is computed as a derivative of household income, with the correspondence between before-tax and after-tax income based on a three-year combination of Current Population Survey data.

EBI IS DEFINED AS
MONEY INCOME.

MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME

AS OF JANUARY 1	DENVER	DENVER-AURORA MSA ¹	STATE OF COLORADO	UNITED STATES
2002	\$42,540	\$49,109	\$45,050	\$38,365
2003	37,261	46,878	43,510	38,035
2004	37,383	47,275	43,544	38,201
2005	38,523	48,239	44,489	39,324
2006	39,658	49,100	45,594	40,529

¹ Figures for 2002 and 2003 are for the Denver MSA, and figures for 2005-2006 are for the Denver-Aurora MSA.
Source: Trade Dimensions International, Inc., Demographics USA[®] – County Edition, 2002-2006

The following table sets forth a recent breakdown of households by EBI groups for Denver, the Denver-Aurora MSA and the State.

PER CAPITA PERSONAL INCOME IN CURRENT DOLLARS¹

YEAR	DENVER ²	DENVER-AURORA MSA	STATE OF COLORADO	UNITED STATES
2000	\$39,151	\$37,848	\$33,371	\$29,845
2001	41,921	39,449	34,493	30,574
2002	42,552	38,827	34,027	30,810
2003	43,606	39,212	34,056	31,463
2004	45,957	40,939	35,766	33,090
2005	NA	NA	37,459	34,495

¹ Figures for Denver and the Denver-Aurora MSA are as of April 2006, and figures for Colorado and the United States are as of September 2006.

² The City and County of Broomfield was created from parts of Adams, Boulder, Jefferson and Weld counties effective November 15, 2001. Jefferson County and Adams County figures do not include those portions that became part of Broomfield beginning in 2002.

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



EMPLOYMENT

The following table sets forth recent total labor force and unemployment statistics for Denver, the Denver-Aurora MSA and the State.

CIVILIAN LABOR FORCE AVERAGES NOT SEASONALLY ADJUSTED (labor force expressed in thousands)

	2001	2002	2003	2004	2005
DENVER					
Labor Force	290.4	294.2	303.2	308.9	305.1
Percentage Change	-	1.3%	3.1	1.9	(1.2)
Percentage Unemployed	4.7%	1.3	7.6	6.7	6.0
DENVER-AURORA MSA					
Labor Force	1,244.8	1,249.6	1,271.1	1,290.6	1,306.4
Percentage Change	-	0.4%	1.7	1.5	1.2
Percentage Unemployed	3.9%	5.9	6.4	5.8	5.2
STATE OF COLORADO					
Labor Force	2,395.3	2,431.2	2,463.2	2,510.4	2,547.9
Percentage Change	-	1.5%	1.3	1.9	1.5
Percentage Unemployed	3.8%	5.7	6.1	5.6	5.0

Set forth in the following table are major private sector (non-tax supported) employers in the Denver metropolitan area. No independent investigation has been made of and no representation is made herein as to the financial condition of the employers listed below or the likelihood that such employers will maintain their status as major employers in the area. It is possible that there are other large employers in the area that are not included in the table.

20 LARGEST PRIVATE EMPLOYERS IN THE DENVER METROPOLITAN AREA

COMPANY	BUSINESS	EMPLOYMENT
Qwest Communications International	Telecommunications	9,500
King Soopers Inc.	Grocery stores	8,600
Wal-Mart Stores, Inc.	General merchandise	7,900
HealthONE	Health care	7,900
Lockheed Martin Corporation	Aerospace and defense-related	7,700
Safeway, Inc.	Grocery stores	6,700
EchoStar Communications	Satellite television	6,700
IBM Corporation	Computer systems	6,100
United Airlines	Airline	5,600
University of Denver	University	5,400
Exempla Health care	Health care	4,900
Sun Microsystems	Information technology	4,700
Centura Health	Health care	4,600
Frontier Airlines	Airline	4,300
Denver Health & Hospital Authority	Health care	4,100
Kaiser Permanente	Health care	3,900
Ball Corporation	Aerospace, containers	3,800
University of Colorado Hospital	Health care	3,800
Wells Fargo Bank West N.A.	Financial services	3,500
First Data Corporation	Financial services	3,500

Source: Metro Denver Economic Development Corporation, March 2006



The Denver Water Recycled Plant currently has a capacity of 30 MGD.

CONSTRUCTION

Set forth to the right are historical building permit statistics for Denver and the Denver MSA.

NEW RESIDENTIAL UNITS IN DENVER AND THE DENVER MSA

	2001	2002	2003	2004	2005	2006
DENVER						
Single family	1,106	1,475	1,482	1,419	1,842	1,428
Two Family	1,148	1,244	1,035	1,087	735	1,658
Multi-Family	1,810	1,336	987	1,174	140	319
Total Units	4,064	4,055	3,504	3,680	2,717	3,405
DENVER MSA						
Single Family	12,896	12,481	11,369	12,736	15,168	10,239
Two Family	4,066	3,910	3,149	4,315	4,257	5,121
Multi-Family	8,405	4,055	1,832	2,319	459	1,667
Total Units	25,367	20,446	16,350	19,370	19,884	17,027

Source: Home Builders Association of Metropolitan Denver

BUILDING PERMIT ACTIVITY (values in millions)

	2001	2002	2003	2004	2005
DENVER					
RESIDENTIAL					
Permits	1,414	2,049	1,843	2,131	2,218
Value	\$277.8	381.0	350.2	13.5	515.5
COMMERCIAL					
Permits	124	196	156	129	262
Value	\$151.6	47.9	52.8	45.5	146.7
INDUSTRIAL					
Permits	20	28	23	19	31
Value	\$21.2	3.5	10.0	13.5	18.4
PUBLIC/NONPROFIT					
Permits	22	71	13	9	19
Value	\$21.0	39.2	14.3	19.1	23.2
THE DENVER MSA					
RESIDENTIAL					
Permits	14,039	15,451	15,255	16,611	16,469
Value	\$2,421.2	2,701.3	2,252.0	3,609.0	3,428.0
COMMERCIAL					
Permits	794	886	584	681	1,557
Value	\$1,147.7	562.7	415.1	571.1	686.9
INDUSTRIAL					
Permits	122	176	108	137	121
Value	\$79.1	144.1	70.8	81.5	109.1
PUBLIC/NONPROFIT					
Permits	44	111	48	45	58
Value	\$34.7	91.0	53.0	75.7	185.2

FORECLOSURES

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

FORECLOSURES FILED IN THE DENVER-AURORA MSA

COUNTY	2002	2003	2004	2005	2006
Adams	1,313	1,899	2,499	3,281	4,330
Arapahoe	1,575	2,250	3,125	3,600	4,719
Broomfield	73	110	132	124	195
Clear Creek	44	59	59	58	67
Denver	1,752	2,500	3,351	3,713	5,162
Douglas	415	652	800	912	1,258
Elbert	124	151	126	145	151
Gilpin	31	35	52	35	46
Jefferson	1,130	1,532	1,880	2,120	2,971
Park	147	139	155	200	208
Totals	6,604	9,327	12,179	14,188	19,107
Annual Change	-	41.2%	30.6%	16.5%	34.7%

Source: County Public Trustees' Offices

BUDGET PROCESS AND SCHEDULE

BASIS OF BUDGETING

The annual budget is prepared on a modified accrual basis in which sources of funds are budgeted and recorded when they are billed and expenditures are recorded when incurred, regardless of when payment is made. This differs from the basis of accounting, which uses the full accrual method in accordance with the Generally Accepted Accounting Principles (GAAP).

OVERVIEW

Denver Water annually updates long-range (10 year) plans for operating and capital to guide our financial planning and rate-setting activities. These plans, which reflect the direction and priorities of the company, serve as the basis for the annual budget. Currently Denver Water is in the process of moving toward a

dynamic, rolling-forecast method of budgeting and planning, so that information will be updated in real-time. At regularly scheduled intervals, the data will be captured, analyzed, changed and reported.

LONG RANGE PLANNING

Denver Water's long range capital and operations plans are updated annually. These plans guide our priority setting and strategy for the coming years. The output of these two plans becomes the input for the long range financial plan, which ensures that we are financially prepared for future capital and operational needs. Using these inputs, along with water demand forecasts provided by the Planning Division, the Rates Administration section models various scenarios to achieve the optimal balance of revenue from rates, debt levels, and cash reserves.

ANNUAL BUDGET PREPARATION

The annual budget process begins with a review of staffing levels for each Division. During this review, managers and Director's analyze 10- year plan projections and determine if any changes are needed to staffing levels for the following year. Once changes are approved, a detailed labor budget is developed using estimates of salary increases for the following year.

THESE PLANS GUIDE
OUR PRIORITY SETTING
AND STRATEGY



Need Caption.

DENVER WATER
ANNUALLY UPDATES
LONG-RANGE PLANS

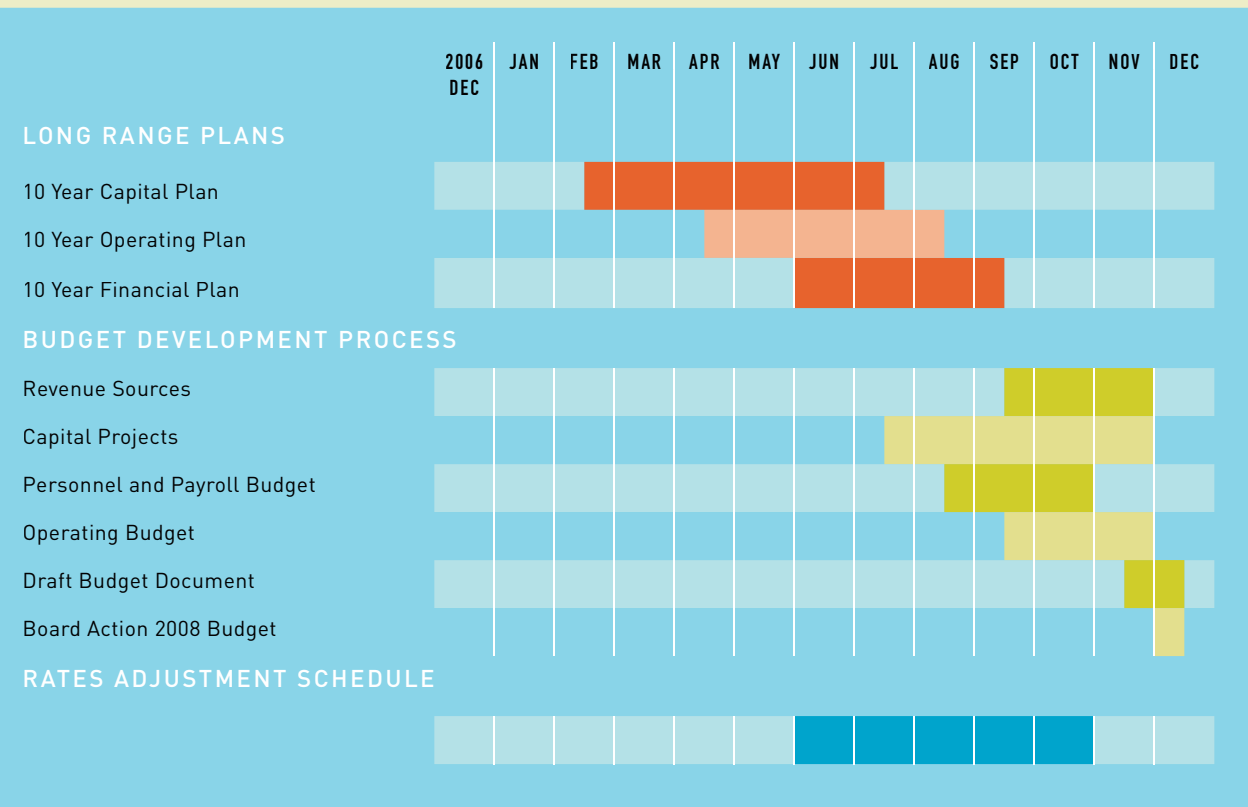
LONG RANGES PLANS
SERVE AS A BASE FOR
ANNUAL BUDGET

Once the labor budget is complete, staff incorporates this information into the development of the annual capital and operating budgets. The long range plans serve as the base and required changes are incorporated and a full expense budget is developed. At the same time the Budget section works with Rates Administration to develop assumptions and projections for Revenues from Water Sales and System Development Charges. Budget staff works with various divisions as needed to develop projections for other revenue sources.

BUDGET SCHEDULE

The chart shows the development cycle for the long-range plans and annual budget. Beginning in 2008, Denver Water will begin migration to a continual rolling forecast method in which project timing and costs are dynamic and continually updated. A snapshot of the current forecast is taken at specified times throughout the year, analyzed, and then recorded as the long-range plan, annual budget or quarterly forecast as appropriate.

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



FINAL REVIEW OF THE
DRAFT BUDGET IS DONE
BY THE BOARD

BUDGETING UNITS

Denver Water is divided into eight operating divisions totaling one hundred and twenty budgeting units or cost control centers. Staff prepare budgets for each cost control center and enter the data into a centralized budgeting system. Budgets are entered by cost control center, master plan item (project/activity), type of expenditure and month

BUDGET APPROVAL

At each step in the process, assumptions and projections are reviewed by the Board Budget Committee, and changes are incorporated as needed. A final review of the draft budget is presented to the full Board in a workshop environment in late November. The final budget is presented in a public meeting for approval by the full Board of Water Commissioners.

AMENDING THE BUDGET

Budgets for projects may be added or revised during the course of the year through the issuance of a special authorization. When possible, funds are transferred from a project that has been delayed or cancelled. The requesting Division fills out a special authorization request showing the budget code, explaining the need for a variance, and providing a revised project estimate. The special authorization is then reviewed by the Budget Manager and, if required, routed to the Manager, who determines whether Board approval is required.

BUDGET CONTROLS AND UPDATES

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

MONTHLY BUDGET STATUS SUMMARY

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

MONTHLY BUDGET STATUS REPORT

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

MONTHLY COST CONTROL CENTER BUDGET REPORT

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

MONTHLY COST CONTROL CENTER BY MASTER PLAN ITEM REPORT

This is a summary level report. Focus is on the capital projects and operation and maintenance activities that a cost control center has budgeted and/or charged during the year.

MONTHLY BUDGET VARIANCE EXPLANATION REPORT

Each month, cost control centers are required to explain significant variances between budgeted and actual expenditures.

DATA WAREHOUSE

Flexible budget reporting is available to all interested parties through the Financial Data Warehouse. Staff can make budget to actual comparisons for projects, cost control centers and type of expenditure combination, and "drill-down" to detail levels to obtain additional information as desired.

ADDITIONAL REPORTING

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

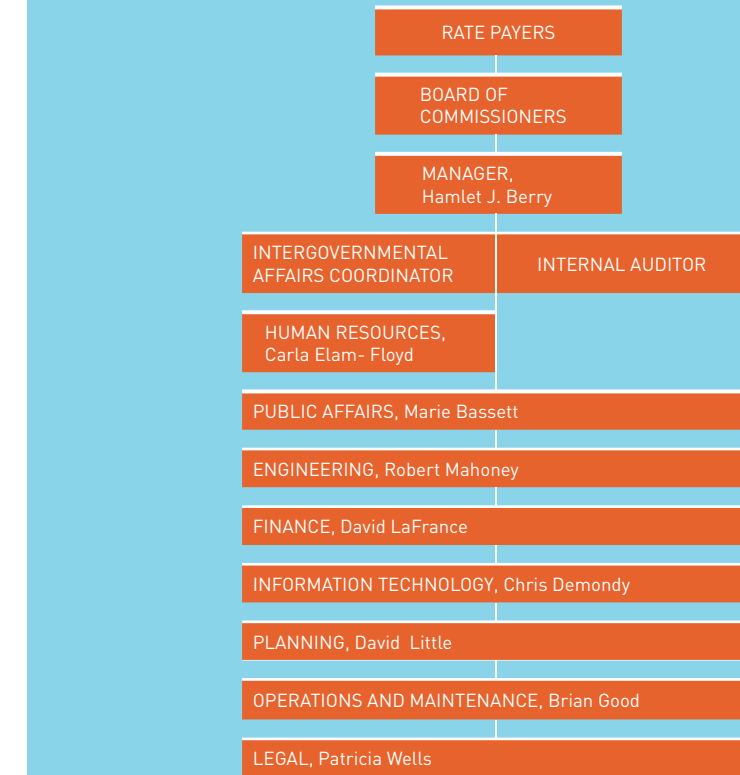
FLEXIBLE BUDGET
REPORTING IS AVAILABLE
TO ALL PARTIES

section 2

ORGANIZATION

As an organization, Denver Water strives to actively recruit and competitively retain a talented and diverse workforce. As reflected in its goals and values, the Board believes in accountability, respect, diversity, innovation, and professional growth through ongoing analysis and review.

DENVER WATER



As an organization, Denver Water strives to recruit and retain a talented and diverse workforce. As reflected in our goals and our values, we believe in accountability, respect, diversity, innovation, and professional growth.

In recognition of our mature, but dynamic organization, senior staff assessed our staffing pattern to identify positions that were redundant or could be combined to achieve a higher level of efficiency. As a result, 26 positions were eliminated between 2007 and 2008. Although some positions were eliminated, some were added in other areas to assist with customer growth (Public Affairs), capital projects (Engineering), and the technology related Customer Information System project.

As is the case with many organizations, Denver Water is faced with an aging workforce. Approximately 12.5% of our current workers are eligible to retire. Additionally, we know that 41% will be eligible for retirement in the next 5 years. In 2007, Denver Water experienced 60 retirements, almost double our previous high of 34 retirees in 2006.

26 POSITIONS WERE
ELIMINATED BETWEEN
2007 AND 2008

ABOUT 12.5% OF OUR
CURRENT WORKERS ARE
ELIGIBLE TO RETIRE

Our challenge is to balance recruitment of new employees with the retention of talented veterans. In response to this challenge, Denver Water Human Resources plans a full review of workforce issues in 2008. The results of this review will assist us in developing the salary and benefit plans needed to develop the workforce necessary to carry out the mission and vision of the organization.

2007-2008 CHANGES IN STAFF

DIVISION	CHANGE	DIVISION	CHANGE
MANAGER AND STAFF		FINANCE	
Staff Analyst II	1.0	Staff Analyst II	-1.0
Total Manager and Staff	1.0	Rate Analyst I	1.0
		Total Finance Division	0.0
HUMAN RESOURCES		ENGINEERING	
Staff Analyst II	-1.0	Engineer I (Electrical)	1.0
Administrative Assistant	-2.0	Engineer I (Property Analyst)	1.0
Manager of Employment and Compensation	-1.0	Engineer II (Dam Safety)	1.0
Manager of Risk and Benefits	-1.0	Engineer III (Architect)	1.0
Occupational Health Nurse (PT to FT)	0.2	Engineer IIII (Mechanical)	1.0
Total Human Resources	-4.8	Engineer V	1.0
		Engineering Systems Tech (Corrosion)	1.0
PUBLIC AFFAIRS		Engineering Systems Tech (Distribution)	1.0
Community Affairs Specialist	1.0	Engineering Support Tech II	1.0
Conservation Specialist	-1.0	GPS Coordinator	1.0
Administrative Assistant	2.0	Asset Recording Tech	7.0
Customer Care Specialist	2.2	Construction Inspector I	1.0
Customer Service Field Rep	2.0	Construction Inspector II	1.0
Meter Technician	2.0	Administrative Assistant	1.0
Meter Inspector	1.0	Total Engineering Division	20.0
Tap Sales Representative	1.0		
Total Public Affairs	10.2	OPERATIONS AND MAINTENANCE	
		Engineering Specialist II	-1.0
INFORMATION TECHNOLOGY		Total Operations and Maintenance Division	-1.0
Administrative Assistant	-1.0		
Total Information Technology Division	-1.0		

TOTAL CHANGE IN AUTHORIZED POSITIONS 24.4

WE ARE COLORADO'S
OLDEST AND LARGEST
WATER UTILITY

DENVER WATER HIGHLIGHTS

WHO WE ARE & WHAT WE DO

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

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Manager and Staff	34.0	38.8	35.0	(3.8)
Information Technology	57.8	68.0	67.0	(1.0)
Public Affairs	146.3	156.5	166.7	10.2
Legal	13.8	13.6	13.6	0.0
Finance	54.0	58.0	58.0	0.0
Engineering	139.0	137.0	152.0	15.0
Planning	41.4	45.1	45.1	0.0
Operations and Maintenance	521.0	568.0	567.0	(1.0)
Total Denver Water	<u>1,007.3</u>	<u>1,085.0</u>	<u>1,104.4</u>	<u>19.4</u>

ACCOMPLISHMENTS DURING 2007

- 1 Launched an accelerated conservation program called Tap+Smart.
- 2 Extended the reach of our recycled water system.
- 3 Identified the preferred method for ensuring adequate capacity in our Moffat Collection System.
- 4 Implemented a steeper inclining block-rate structure that underscores the link between cost and consumption more emphatically.

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Manager and Staff	41.8	38.8	38.8	34.0	35.0
Public Affairs	137.6	139.8	156.5	146.3	166.7
Engineering	127.0	126.0	137.0	139.0	152.0
Finance	54.0	57.0	58.0	54.0	58.0
Information Technology	57.8	58.8	68.0	57.8	67.0
Planning	42.4	42.3	45.1	41.4	45.1
Operataions and Maintenance	539.8	528.8	568.0	521.0	567.0
Legal	12.3	13.3	13.6	13.8	13.6
Total	1,012.7	1,004.8	1,085.0	1,007.3	1,104.4

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$62,402	\$62,924	\$67,574	\$64,833	\$68,366
Employee Benefits	30,653	31,140	30,886	28,207	31,848
Materials and Supplies/ Plant Equip	18,242	18,249	19,623	19,557	24,994
Utility and Pumping	7,939	7,511	7,596	6,934	8,065
Prof and Other Services	28,089	32,150	44,550	37,396	49,811
General Equipment	2,011	2,358	3,754	2,593	7,004
Contract Payments	29,230	54,007	60,085	53,959	48,550
Refunds, Debt and Misc.	46,544	49,635	56,212	56,574	52,795
Subtotal	225,110	257,974	290,280	270,053	291,433
Warehouse Purchases and Issues	195	(876)	(16)	-	-
Cash Flow	12	(2)	-	-	-
Total	\$225,317	\$257,096	\$290,264	\$270,053	\$291,433

GOALS FOR 2008

- 1 Create an enduring culture of efficient water use.
- 2 Enhance water supplies in an increasingly uncertain world.
- 3 Continue to strengthen Denver Water's fiscal health.
- 4 Implement technology systems to improve customer service.
- 5 Monitor legislative and regulatory issues affecting water utilities.
- 6 Collaborate with other agencies to address statewide and metropolitan water supply issues.

DENVER WATER HIGHLIGHTS

DENVER WATER OBJECTIVES:

CUSTOMER

Provide reliable service

Provide high quality water

Provide excellent service

FINANCIAL

Exercise Responsible Financial Stewardship

PUBLIC RESPONSIBILITY

Promote water efficiency and wise water use

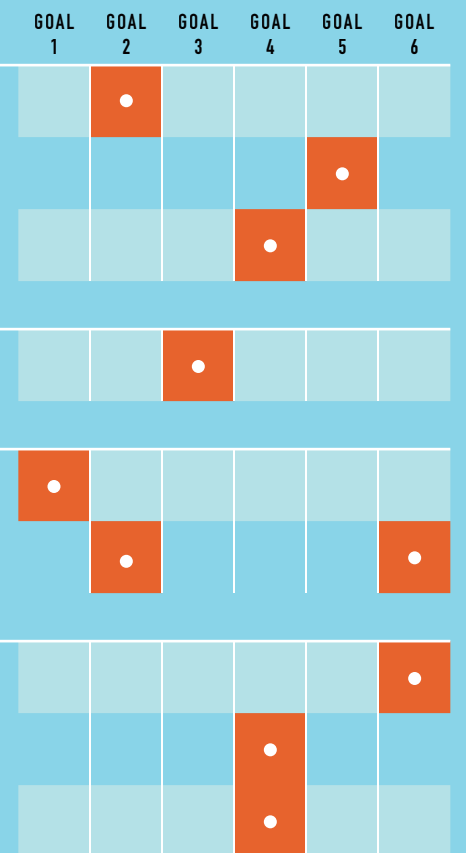
Develop Additional Supplies for the future

ORGANIZATION

Communication

Promote Accountability

Improve efficiencies



SIX DIVISION DIRECTORS
DIRECTLY REPORT TO
THE MANAGER

MANAGER AND STAFF HIGHLIGHTS

DIVISIONS SUMMARY

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

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Manager and Staff	14.0	14.0	15.0	1.0
Human Resources	20.0	24.8	20.0	(4.8)
Total Manager and Staff	34.0	38.8	35.0	(3.8)

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Manager and Staff	14.0	14.0	14.0	14.0	15.0
Human Resources	27.8	24.8	24.8	20.0	20.0
Total	41.8	38.8	38.8	34.0	35.0

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	4,684	4,736	5,045	5,483	4,729
Employee Benefits	15,928	16,812	15,957	12,596	14,006
Materials and Supplies/ Plant Equip	117	102	134	242	152.0
Prof and Other Services	2,426	2,767	3,091	2,768	3,540
Refunds, Debt and Misc.	36	54	71	24	70
Total	\$23,191	\$24,471	\$24,298	\$21,113	\$22,497



Denver Water's primary source of water is runoff from snowmelt high in the Rocky Mountains.

ACCOMPLISHMENTS DURING 2007

- 1 Worked with employee group to help them understand and participate in the annual wage and salary survey process.
- 2 Worked with Human Resources to reorganize our work efforts to be more responsive to the needs of the organization.
- 3 Integrated health care programs, wellness and benefits programs to develop a more comprehensive approach to controlling health care costs.

GOALS FOR 2008

- 1 Continue to work to ensure that construction projects are efficiently designed, properly bid, well-managed, and on schedule, so that budgeted and actual expenditures are very closely related & predictable.
- 2 Continue to work on accelerated water conservation and water efficiency measures within the combined service area.
- 3 Communicate with all employees regularly on substantive employment, safety, wage or benefit issues.

MANAGER AND STAFF HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service			
Provide high quality water			
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship	●		
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use		●	
Develop Additional Supplies for the future			
ORGANIZATION			
Communication			●
Promote Accountability	●		
Improve efficiencies	●		

PUBLIC AFFAIRS HANDLES RELATIONSHIPS OUTSIDE OF DENVER WATER

PUBLIC AFFAIRS HIGHLIGHTS

DIVISION SUMMARY

Under the direction of the Manager, the Public Affairs Division facilitates relationships with issues, persons and entities outside of Denver Water. In that capacity, the division responds to customer concerns and manages customer relations, maintains cooperative relationships with Denver City administration and governmental agencies whose sphere of operation affects Denver Water, coordinates the administration of distributor contracts, and facilitates Denver Water's relations with its various publics. The major sections of the Public Affairs Division include Community Relations, Water Conservation, Customer Care, Customer Service Field, and Sales Administration.

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Director of Public Affairs	7.0	8.0	7.0	(1.0)
Community Relations	5.4	5.4	7.4	2.0
Conservation	12.0	16.5	17.0	0.5
Central Services	3.0	3.0	3.0	-
Customer Care	39.3	40.0	45.7	5.7
Customer Services- Field	60.0	65.0	65.0	-
Meter Inspection Shop	7.0	7.0	8.0	1.0
Sales Administration	12.6	11.6	13.6	2.0
Total Public Affairs Division	146.3	156.5	166.7	10.2

ACCOMPLISHMENTS DURING 2007

- 1 Completed AMR project for all customers. Secured Board approval for new CIS implementation and conversion to monthly billing.
- 2 Secured Board approval for a three-year Communications Plan that will provide detailed and continuous outreach to customers, employees, the West Slope and decision-makers.
- 3 Completed plumbing retrofits at many City and County of Denver buildings to show the city is Tap+Smart .

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Director of Public Affairs	7.0	6.0	8.0	7.0	7.0
Community Relations	4.2	4.2	5.4	5.4	7.4
Conservation	9.8	10.0	16.5	12.0	17.0
Central Services	-	-	3.0	3.0	3.0
Customer Care	105.0	108.0	40.0	39.3	45.7
Customer Services- Field	-	-	65.0	60.0	65.0
Meter Inspection Group	-	-	7.0	7.0	8.0
Sales Administration	11.6	11.6	11.6	12.6	13.6
Total	137.6	139.8	156.5	146.3	166.7

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$6,822	6,812	7,437	6,911	8,256
Materials and Supplies/ Plant Equip	2,694	2,353	1,748	1,689	2,796
Prof and Other Services	2,612	3,296	6,513	3,907	7,398
General Equipment	33	17	-	7	40
Refunds	544	405	370	776	508
Other	398	1,901	1,353	1,627	2,012
Total	\$13,103	\$14,784	\$17,421	\$14,917	\$21,010

GOALS FOR 2008

- 1 Provide enhanced Tap+Smart program outreach to the entire combined service area.
- 2 Provide positive customer contact while staffing the CIS project and training for monthly billing.
- 3 Communicate wise water use to our customers by providing information and on-site analysis of irrigation and commercial water use.

PUBLIC AFFAIRS HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service		•	
Provide high quality water			
Provide excellent service	•	•	
FINANCIAL			
Exercise Responsible Financial Stewardship			
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			•
Develop Additional Supplies for the future			
ORGANIZATION			
Communication	•		•
Promote Accountability			
Improve efficiencies			



LEGAL HIGHLIGHTS

DIVISION SUMMARY

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

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Legal Division	13.8	13.6	13.6	-
Total Legal Division	13.8	13.6	13.6	-

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Legal	12.3	13.3	13.6	13.8	13.6
Total	12.3	13.3	13.6	13.8	13.6

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$987	1,038	1,081	1,110	1,117
Materials and Supplies/ Plant Equip	2	2	2	4	2
Prof and Other Services	271	553	460	386	303
Other	397	927	603	353	606
Total	\$1,657	\$2,520	\$2,146	\$1,853	\$2,028

ACCOMPLISHMENTS DURING 2007

- 1 Signed an agreement with the City of Aurora authorizing construction of a shared pipeline to provide backup supplies for specific neighborhoods in each municipality.
- 2 Participated in mediation efforts with Western Slope to help formulate workable agreements whenever consensus is reached.

GOALS FOR 2008

- 1 Continue to provide legal advice and assistance regarding real estate, water rights, operation needs, claims, lawsuits, employee disputes, personnel policies, benefits, contracts, negotiations, environmental permitting, legislation, and regulatory proceedings.
- 2 Resolve through negotiation or litigation the various claims and lawsuits brought against Denver Water.
- 3 Participate in mediation efforts with West Slope entities to help formulate workable agreements whenever consensus is reached.

LEGAL HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service			●
Provide high quality water			
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship	●		
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			
Develop Additional Supplies for the future			
ORGANIZATION			
Communication			●
Promote Accountability	●	●	
Improve efficiencies			

THE FINANCE DIVISION
PLANS, MANAGES, AND
BUDGETS THE RESOURCES

FINANCE HIGHLIGHTS

DIVISION SUMMARY

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

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 Actual	2007 T.O.	2008 T.O.	Change in T.O.
Director of Finance	9.0	10.0	9.0	(1.0)
Treasury Operations	7.0	7.0	8.0	1.0
Budget	4.0	4.0	4.0	-
Purchasing	8.0	9.0	8.0	(1.0)
Accounting	18.0	18.0	18.0	-
Rate Administration	2.0	2.0	3.0	1.0
Records and Documentation Admin	6.0	8.0	8.0	-
Total Finance Division	54.0	58.0	58.0	-

ACCOMPLISHMENTS DURING 2007

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

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Director	9.0	10.0	10.0	9.0	9.0
Treasury Operations	6.0	7.0	7.0	7.0	8.0
Budget Section	4.0	4.0	4.0	4.0	4.0
Accounting	18.0	17.0	18.0	18.0	18.0
Rate Administration	2.0	2.0	2.0	2.0	3.0
Records and Document Admin	6.0	8.0	8.0	6.0	8.0
Purchasing	9.0	9.0	9.0	8.0	8.0
Total	54.0	57.0	58.0	54.0	58.0

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$3,213	3,362	3,538	3,343	3,503
Employee Benefits	14,725	14,328	14,929	14,868	17,841
Materials and Supplies/ Plant Equip	419	684	261	651	487
Prof and Other Services	1,018	907	1,811	1,995	1,709
General Equipment	-	5	335	-	-
Refunds	642	37	102	85	93
Debt Services	44,486	46,237	53,689	53,678	49,448
All Other	41	49	24	32	40
Total	\$64,544	\$65,609	\$74,689	\$74,652	\$73,121

GOALS FOR 2008

- 1 Lead a comprehensive evaluation of the system development charges and develop a strategy for the evolution of water rates designs.
- 2 Facilitate an evaluation of the retirement program.
- 3 Compilation of the Annual Report for the Water Department in a timely manner.

FINANCE HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service			
Provide high quality water			
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship	•	•	•
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			
Develop Additional Supplies for the future			
ORGANIZATION			
Communication			
Promote Accountability			
Improve efficiencies			•



Water levels at Denver Water's Cheesman Reservoir dropped precipitously during the drought in 2002.

INFORMATION TECHNOLOGY HIGHLIGHTS

DIVISION SUMMARY

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

PROVIDING AVAILABILITY
OF THESE TECHNOLOGIES
ON A 24/7 BASIS

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Information Technology Division	57.8	68.0	67.0	(1.0)
Total Information Tech Division	57.8	68.0	67.0	(1.0)

ACCOMPLISHMENTS DURING 2007

- 1 Implemented various upgrades and enhancements for business applications including; the Maximo Work & Maintenance Management System, Engineering Project Tracking System, Contract Administration System, Budget System, and Human Resources System.
- 2 Expanded computing center, network and disaster recovery capabilities.
- 3 Completed the New CIS Selection project.

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Manager and Staff	57.8	58.8	68.0	57.8	67.0
Total	57.8	58.8	68.0	57.8	67.0

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$5,152	5,179	5,702	5,267	5,631
Materials and Supplies/ Plant Equip	977	789	1,818	2,133	1,600
Utility and Pumping	1,146	1,375	1,205	1,402	1,484
Prof and Other Services	6,497	5,134	12,719	6,566	12,713
General Equipment	441	628	457	338	3,814
Total	\$14,213	\$13,105	\$21,901	\$15,706	\$25,242

GOALS FOR 2008

- 1 Implement a new www.denverwater.org web site, and a business portal for customers and business partners to interact with Denver Water over the Internet.
- 2 Implement improved enterprise asset management capabilities, beginning with a focus on distribution system assets.
- 3 Implement mobile workforce automation capabilities for Emergency Services field personnel.

INFORMATION TECHNOLOGY HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service		●	
Provide high quality water			
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship	●		
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			
Develop Additional Supplies for the future			
ORGANIZATION			
Communication	●		
Promote Accountability			●
Improve efficiencies	●	●	●

ENGINEERING HIGHLIGHTS

DIVISION SUMMARY

The Engineering Division is responsible for the engineering, construction, and property related support activities for Denver Water's infrastructure, in addition to oversight of geospatial information and technology. Specific engineering disciplines include: Engineering, Drafting, Survey, Real Estate, Easements, Property License Agreements, Asset Recording, Contract Administration, Plan Review, Inspection, Material Testing, Corrosion, Geologic Evaluation, Recreation, and Dam Safety.

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Director of Engineering	4.0	9.0	4.0	(5.0)
Programs and Projects	41.0	39.0	51.0	12.0
Survey	25.0	26.0	27.0	1.0
Asset Recording	7.0	6.0	7.0	1.0
Distribution/Property Mgmt	39.0	35.0	39.0	4.0
Construction Management	23.0	22.0	24.0	2.0
Total Engineering Division	139.0	137.0	152.0	15.0

ACCOMPLISHMENTS DURING 2007

- 1 Completed construction of the Gross Reservoir Hydroelectric Project.
- 2 Completed construction of Potable conduits 129, 154, 158 and 159.
- 3 Completed construction of Recycled Water Conduits 303, 306, and 307.

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Director of Engineering	9.0	8.0	9.0	4.0	4.0
Programs and Projects	35.0	36.0	39.0	41.0	51.0
Survey	25.0	26.0	26.0	25.0	27.0
Asset Recording	NA	NA	6.0	7.0	7.0
Distribution/ Property Management	38.0	37.0	35.0	39.0	39.0
Construction Management	20.0	19.0	22.0	23.0	24.0
Total	127.0	126.0	137.0	139.0	152.0

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$8,406	8,542	9,222	9,359	10,395
Materials and Supplies/ Plant Equip	744	661	3,062	1,597	3,125
Utility and Pumping	54	90	24	177	63
Prof and Other Services	2,881	5,395	4,835	8,783	7,887
General Equipment	-	132	210	231	-
Contract Payments	29,211	54,005	60,069	53,953	48,527
Refunds	3	28	-	2	18
Other	-	(3)	-	-	-
Total	\$41,299	\$68,850	\$77,422	\$74,102	\$70,015

GOALS FOR 2008

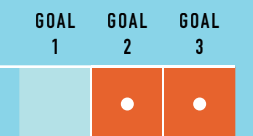
- 1 Effectively manage budgeted design project workload while balancing requests for emergency and unanticipated projects.
- 2 Complete ultimate visions for Denver Water's Vault, Recycle, Gravel Pit, Distribution, Conduit, and Treatment Plant Programs.
- 3 Complete construction of the Montclair Reservoir Pump Station.

ENGINEERING HIGHLIGHTS

DENVER WATER OBJECTIVES:

CUSTOMER

Provide reliable service



Provide high quality water



Provide excellent service



FINANCIAL

Exercise Responsible Financial Stewardship



PUBLIC RESPONSIBILITY

Promote water efficiency and wise water use



Develop Additional Supplies for the future

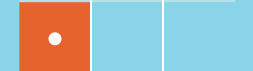


ORGANIZATION

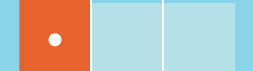
Communication



Promote Accountability



Improve efficiencies



PLANNING HIGHLIGHTS

DIVISION SUMMARY

The Planning Division is responsible for identifying the necessary water supply and treated water facility needs and the options for meeting those needs. These efforts include managing the demand for water, protecting the Board's water resources, and accounting for future uncertainties in water supply planning. The division administers and coordinates outside consulting services and pertinent activities with local, state, and federal agencies. The major sections of the Planning Division are Demand Planning, Treated Water Planning and Water Resources Planning.

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Director of Planning	2.0	2.0	2.0	-
Environmental Planning	4.6	5.6	5.6	-
Raw Water Supply	6.0	6.0	6.0	-
Water Rights	7.0	8.5	8.5	-
Water Resource Analysis	10.8	11.0	11.0	-
Demand Planning	4.0	5.0	5.0	-
Treated Water Planning	7.0	7.0	7.0	-
Total Planning Division	<u>41.4</u>	<u>45.1</u>	<u>45.1</u>	-

ACCOMPLISHMENTS DURING 2007

- 1 Continued efforts to resolve the reliability and vulnerability concerns on the north-end of Denver Water's system through the combined efforts of Denver Water and the U.S. Army Corps of Engineers on the Moffat Collection System Project Environmental Impact Statement (EIS).
- 2 Preserved Denver Water's ability to use its water resources by successfully addressing water rights issues, endangered species studies, and other environmental concerns.
- 3 Acquired an exemption for the Williams Fork Dam Hydroelectric Project from FERC.

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Director Planning	2.0	2.0	2.0	2.0	2.0
Environmental Planning	5.6	5.6	5.6	4.6	5.6
Raw Water Supply	6.0	6.0	6.0	6.0	6.0
Water Rights	7.0	7.0	8.5	7.0	8.5
Water Resource Analysis	10.8	10.7	11.0	10.8	11.0
Demand Planning	4.0	4.0	5.0	4.0	5.0
Treated Water Planning	7.0	7.0	7.0	7.0	7.0
Total	<u>42.4</u>	<u>42.3</u>	<u>45.1</u>	<u>41.4</u>	<u>45.1</u>

EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$3,108	3,317	3,585	3,381	3,568
Materials and Supplies/ Plant Equip	33	29	54	45	54
Utility and Pumping	70	80	213	215	253
Prof and Other Services	2,619	3,294	3,708	2,968	4,125
Contract Payments	17	-	16	-	16
General Equipment	5	-	-	-	5
Total	<u>\$5,852</u>	<u>\$6,720</u>	<u>\$7,576</u>	<u>\$6,609</u>	<u>\$8,021</u>

GOALS FOR 2008

- 1 Complete the draft Environmental Impact Statement (EIS) for the Moffat Collection System Project.
- 2 Continue the mediation process with west slope entities to resolve long-standing water resources issues and environmental issues.
- 3 Initiate the next phase of treated water, demand, and water resource planning to expressly address the many risks and uncertainties that influence long-range planning for water resources in a semi-arid region.

PLANNING HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service			
Provide high quality water	•		
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship			
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			
Develop Additional Supplies for the future	•		•
ORGANIZATION			
Communication		•	
Promote Accountability			
Improve efficiencies			



Gross Reservoir

OPERATES AND MAINTAINS
NINE MAJOR DAMS AND
RESERVOIRS

OPERATES AND MAINTAINS
SEVEN HYDRO POWER
GENERATING FACILITIES

OPERATIONS AND MAINTENANCE HIGHLIGHTS

DIVISION SUMMARY

The Operations and Maintenance Division is responsible for the collection, treatment, and distribution of potable and recycled water. The Division operates and maintains nine major dams and reservoirs, seven hydro power generating facilities, multiple raw water tunnels and canals, four treatment plants, 34 finished water reservoirs with 19 pump stations, and nearly 2,700 miles of water mains throughout Denver and its Total Service area. Water Quality, Environmental Compliance, Safety, Fleet, Warehousing, Process Control and Maintenance are also performed within the Operations and Maintenance Division.

2008 BUDGET TABLE OF ORGANIZATION (comparison with 2007)

	12.31.07 ACTUAL	2007 T.O.	2008 T.O.	CHANGE IN T.O.
Plant Office	3.0	3.0	3.0	-
Water Quality and Compliance	32.0	33.0	33.0	-
Safety and Loss Control	14.0	15.0	15.0	-
Source of Supply	53.0	62.0	62.0	-
Water Treatment	90.0	94.0	93.0	(1.0)
Transmission and Distribution	144.0	167.0	166.0	(1.0)
Water Control	54.0	61.0	59.0	(2.0)
Instrumentation & Ctrl Sys.	11.0	8.0	12.0	4.0
Maintenance and Warehouse	120.0	125.0	124.0	(1.0)
Total Operations and Maintenance Division	521	568	567	(1.0)

REGULAR AND INTRODUCTORY EMPLOYEES (at end of year)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Plant Office	4.0	3.0	3.0	3.0	3.0
Water Quality and Compliance	31.8	31.8	33.0	32.0	33.0
Safety and Loss Control	14.0	13.0	15.0	14.0	15.0
Source of Supply	59.0	56.0	62.0	53.0	62.0
Water Treatment	88.0	86.0	94.0	90.0	93.0
Water Control	57.0	55.0	61.0	54.0	59.0
Transmission and Distribution	156.0	154.0	167.0	144.0	166.0
Instrumentation and Control	7.0	6.0	8.0	11.0	12.0
Maintenance and Warehouse	123.0	124.0	125.0	120.0	124.0
Total	539.8	528.8	568.0	521.0	567.0

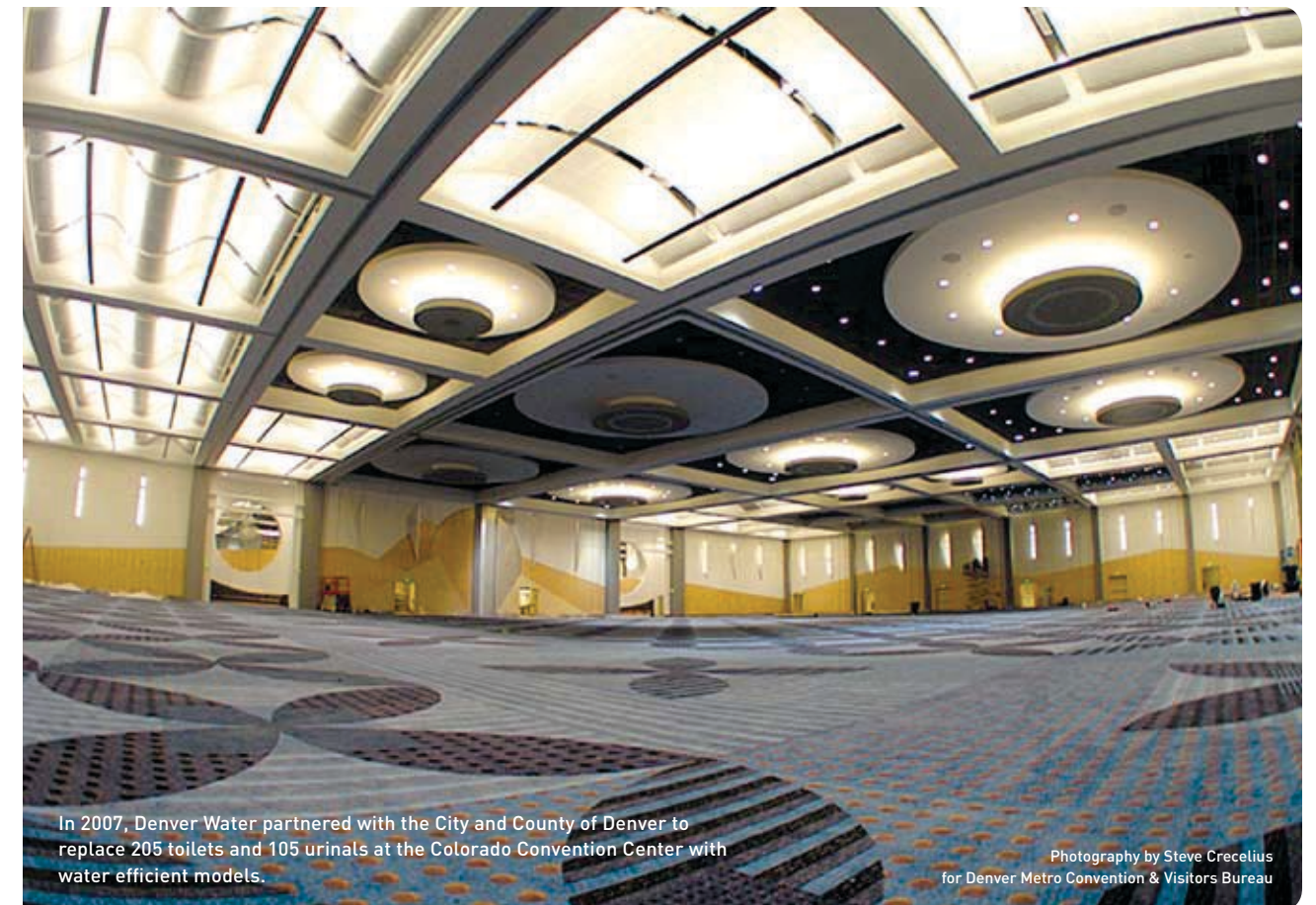
EXPENDITURE HISTORY (thousands of dollars)

SECTION	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Payroll	\$30,030	29,938	31,964	29,979	31,167
Materials and Supplies/ Plant Equip	13,256	13,629	12,544	13,196	16,778
Utility and Pumping	6,669	5,966	6,154	5,141	6,265
Prof and Other Services	9,765	10,804	11,413	10,678	12,136
General Equipment	1,532	1,576	2,752	2,017	3,145
Contract Payments	2	2	-	5	7
Refunds	3	-	-	2	-
Other	(6)	-	-	(6)	-
Total	\$61,251	\$61,915	\$64,827	\$61,012	\$69,498

REVISED NOTIFICATION PROCEDURES AND CONSEQUENCES

ACCOMPLISHMENTS DURING 2007

- 1 Began revision of standard operating procedures in the Transmission and Distribution (T&D) group and instituted preconstruction and tail-gate meetings to review job and safety plans. Developed new interview procedures in T&D that include hands-on demonstration of skills in addition to the oral questions. Developed a training area for new hires where pipe assembly techniques can be demonstrated and tested under controlled conditions.
- 2 Revised notification procedures and consequences for customers who are delinquent in annual testing of their back flow prevention devices. Reorganized the back flow prevention group within the Water Quality Section and, through a tremendous effort by staff, updated customer records and brought all customers into compliance with the annual testing requirement.
- 3 Continued emergency planning efforts that included preliminary design of an emergency operations center, design of a backup operations center (with Engineering), preparation for the 2008 Democratic National Convention, and review/reprioritization of critical facilities and their security needs.



In 2007, Denver Water partnered with the City and County of Denver to replace 205 toilets and 105 urinals at the Colorado Convention Center with water efficient models.

Photography by Steve Crecelius for Denver Metro Convention & Visitors Bureau

GOALS FOR 2008

- 1 Begin development of an optimizing model to match watershed, treatment, and delivery needs for maximum system efficiency.
- 2 Increase employee awareness of safety & security. Continue to ensure the security of the water system through both technological changes and interation with other agencies.
- 3 Assist with development of an organized asset management program.



OPERATIONS AND MAINTENANCE HIGHLIGHTS

DENVER WATER OBJECTIVES:

	GOAL 1	GOAL 2	GOAL 3
CUSTOMER			
Provide reliable service	•		•
Provide high quality water			
Provide excellent service			
FINANCIAL			
Exercise Responsible Financial Stewardship			
PUBLIC RESPONSIBILITY			
Promote water efficiency and wise water use			
Develop Additional Supplies for the future			
ORGANIZATION			
Communication			•
Promote Accountability		•	
Improve efficiencies	•		

Denver Water’s budget for 2008 reflects its chief commitments – equipping customers with an adequate, reliable supply of high-quality water and ensuring future supplies as its customer base continues to expand. The 2008 budget conveys the Board’s priorities in achieving its mission of providing high quality water and excellent service through responsible stewardship of the assets it manages.

2005-2008 SUMMARY OF RECEIPTS AND EXPENDITURES (thousands of dollars)

	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Beginning Investment Balance	\$155,626	\$159,276	\$149,198	\$149,198	\$216,160
RECEIPTS:					
Operating Revenue	\$157,902	\$195,054	\$189,814	\$194,224	\$207,219
Drought Surcharge	68	0	0	0	0
Non-Operating	2,794	2,661	2,846	2,843	2,846
Hydropower	2,942	2,496	2,931	2,392	3,873
System Development Charges	26,280	22,389	27,842	26,213	22,981
Participation	1,850	2,735	5,014	3,314	1,986
Reimbursements and Grants	762	1,586	2,658	13	1,731
Interest on Investments	2,092	6,937	5,974	9,295	6,682
Other	3,777	13,160	5,415	9,693	4,464
Subtotal Receipts	\$198,467	\$247,018	\$242,494	\$247,857	\$251,782
Debt Proceeds	30,500	0	50,000	99,158	0
Total Receipts	\$228,967	\$247,018	\$292,494	\$347,015	\$251,782
EXPENDITURES:					
OPERATION AND MAINTENANCE PROGRAMS:					
Raw Water	\$6,929	\$6,855	\$7,675	\$7,962	\$9,687
Recycled Water	2,440	2,176	2,393	2,203	2,636
Water Treatment	12,416	13,174	13,082	13,220	15,346
Delivery	16,250	15,755	16,671	16,597	18,341
Conservation	1,653	2,832	7,613	4,722	9,871
Customer Service	6,375	7,143	7,484	6,962	8,110
General Plant	6,848	6,448	7,186	7,447	8,230
Administration	27,359	29,588	32,178	33,251	38,002
Distributed Indirect Costs	42,082	43,100	42,527	40,747	44,070
Total Operation and Maintenance Expenditures	\$122,352	\$127,071	\$136,809	\$133,111	\$154,293
CAPITAL PROGRAMS:					
Raw Water	\$11,758	\$32,976	\$24,731	\$22,983	\$28,030
Recycled Water	3,496	22,086	19,873	20,632	3,485
Water Treatment	5,512	2,570	11,717	11,375	17,179
Delivery	22,609	13,973	22,265	18,528	16,669
Conservation	2,607	2,111	2,414	1,657	10
Customer Service	2,873	1,474	0	81	0
General Plant	9,378	8,571	18,063	7,777	22,272
Total Capital Expenditures	\$58,233	\$83,761	\$99,063	\$83,033	\$87,645
Debt Service, Related Costs and Interest on Reserve Funds	\$44,732	\$46,264	\$54,392	\$53,909	\$49,495
Total Expenditures	\$225,317	\$257,096	\$290,264	\$270,053	\$291,433
Ending Investment Balance	\$159,276	\$149,198	\$151,428	\$226,160	\$186,509

POLICIES THAT CONSTITUTE
THE BASIC FRAMEWORK OF
FINANCIAL MANAGEMENT

FINANCIAL POLICIES

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

BASIS OF ACCOUNTING AND FINANCIAL REPORTING

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

OPERATES USING THE FULL
ACCRUAL METHOD OF
ACCOUNTING PRINCIPLES

REVENUES

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

EXPENDITURES

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

DENVER WATER FOLLOWS
THE CITY CHARTER'S
MANDATE

DENVER WATER ANNUALLY
PREPARES A CAPITAL
IMPROVEMENT PLAN

BALANCED BUDGET

Denver Water does not have a legal mandate for a balanced budget. The budget is balanced by the planned use of or contribution to investment balances. The investment balances are maintained to provide reserves for operation and maintenance, capital replacement, debt service and self-insurance in the event of an emergency.

LONG TERM FINANCIAL PLANS

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

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



The Downtown Denver Skyline

Photography by Stan Obert
for Denver Metro Convention & Visitors Bureau

COMPARISON OF RECEIPTS 2005-2008 (thousands of dollars)

	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
RECEIPTS					
Operating Revenue	\$157,902	\$195,054	\$189,814	\$194,224	\$207,219
Drought Surcharge/Rebate	68	0	0	0	0
Non-Operating	2,794	2,661	2,846	2,843	2,846
Hydropower	2,942	2,496	2,931	2,392	3,873
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Other	3,777	13,160	5,415	9,563	4,464
Subtotal Receipts	\$198,467	\$247,018	\$242,494	\$247,857	\$251,782
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Total Receipts	\$228,967	\$247,018	\$292,494	\$347,015	\$251,782

REVENUE IS LARGELY DERIVED FROM THE SALE OF WATER TO CUSTOMERS

REVENUES

KEY ASSUMPTIONS

- Demand—17% below normal
- Water Rate increase 5%
- SDC based on 7% increase, 1% customer growth, 15% contingency
- Hydropower revenues up due to full year of operation at Gross
- No new debt issued

Denver Water's revenue is largely derived from the sale of water to customers. In fact, in 2008 we anticipate that 82% of our revenue will result from water sales. As our revenues are so closely tied to the consumption of water by our customers, we must carefully analyze expected consumption in order to accurately predict revenues. Other key sources of revenue include System Development Charges (Impact Fees), interest on investments, and the sale of hydropower. The projected revenue budget for Denver Water for 2008 is \$251.8 million.

WE PROJECT OPERATING REVENUES WILL BE \$207.2 MILLION IN 2008

THE RECENT DROUGHT HAS ADDED A DEGREE OF UNCERTAINTY

OPERATING REVENUE

Operating Revenues are generated from the sale of water to customers. In 2008, we project that operating revenues will be \$207.2 million. The funds will be used to pay for normal operation and maintenance of the system, replacement of facilities, plant additions as well as debt service. Our 2008 projection is based on the assumption that total demand for water will be 17.4% below the historic normal demand.

OPERATING REVENUE TRENDS

Historically, Denver Water has been able to predict with a fair degree of accuracy the annual water consumption patterns of our customers. However, the recent drought has added a degree of uncertainty. Our initial expectation was that water demand would remain below the historical normal levels immediately following a drought and gradually rise toward pre-drought levels. We expected to see some reduction due to our drought-related and ongoing conservation activities. However, the table below shows the difficulties in predicting the weather and our customer's behavior.

OPERATING REVENUE TRENDS

	PRE DROUGHT	2000	2001	2002	2003	2004	2005	2006	2007
Millions of Gallons	88,418	81,183	77,518	72,354	63,008	59,711	67,175	74,186	70,624
% below *normal	-	8.2%	12.3%	18.2%	28.7%	32.5%	24.0%	16.1%	20.1%

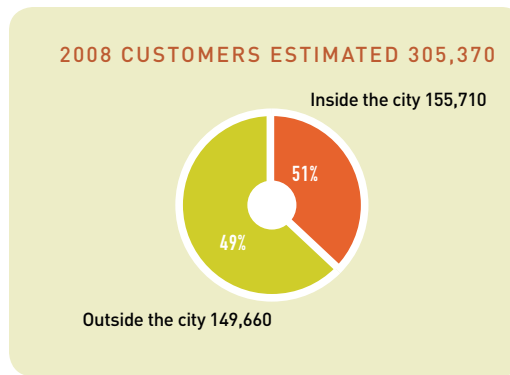
As we emerged from the drought, it has become apparent that it is difficult to predict the impact of the "drought-shadow." The question of how much of this demand reduction is permanent as a result of our conservation programs, more efficient fixtures, and changes in customer behavior adopted during the drought period is difficult to answer. In 2008, Denver Water will undertake a study to determine the level of demand for water we can expect to see in the future.

THE BOARD CONTINUALLY
REVIEWS ITS STRUCTURE
OF WATER RATES

WATER RATE LEVELS

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

On September 27, 2007, the Board adopted new rates and service charges to take effect for water bills dated on and after January 1, 2008. The new water rates are designed to increase revenue from water sales, under normal weather conditions, by 5.0%.



THE BOARD ADOPTED
NEW RATES AND
SERVICE CHARGES

History of Rate Increases

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

EFFECTIVE DATE	INCREASE IN REVENUES
January 1, 1997	4.5%
January 1, 1998	3.1%
January 4, 1999	0.5%
March 6, 2000	2.5%
January 1, 2001	2.4%
January 1, 2002	2.5%
January 1, 2003	3.1%
January 1, 2004	5.0%
September 7, 2004	5.0%
January 1, 2005	8.0%
January 1, 2006	8.0%
January 1, 2007	7.0%
January 1, 2008	5.0%

TYPES OF SERVICE

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

WHOLESALE CONTRASTS
EQUALS 23.4% OF
TOTAL TREATED WATER
CONSUMPTION

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

Denver Water also provides wholesale water service to Master Meter Distributors (water districts outside the city) that own and operate their own water system, perform their own meter reading and customer billing, and purchase water on a wholesale basis for distribution to their respective retail customers. A variation of the standard Master Meter Contract is the Master Meter Maintenance Contract which was added in 2002. A Master Meter Maintenance Distributor elects to continue customer billing and collection functions within its service area but contracts with Denver Water to operate, maintain and replace its water system as needed. Currently Denver Water has no customers in this master meter class. Denver Water will bill the Distributor through master meters at a rate that reflects the cost of providing this additional service. As of December 31, 2007, wholesale water district contracts accounted for 23.4% of total treated water consumption.



Gross Reservoir

Residential Bimonthly Billings

The table below illustrates average winter and summer bimonthly billings for a single-family home using the 2008 water rates. Based on an annual consumption of 140,000 gallons per year and service through a 3/4" meter.

RESIDENTIAL BIMONTHLY BILLINGS

TYPE OF SERVICE	AVERAGE WINTER	AVERAGE SUMMER		
Inside City	\$29.60	\$88.12		
Outside City (Read and Bill)	34.80	108.87		
Outside City (Total Services)	30.28	119.57		

MONTH	CONSUMPTION IN GALLONS	READ & BILL	TOTAL SERVICE
January- February	12,000	10,000	9,000
March- April	13,000	10,000	10,000
May June	27,000	19,000	23,000
July- August	41,000	43,000	48,000
September- October	33,000	39,000	36,000
November- December	14,000	19,000	14,000
Total Annual Consumption	140,000	140,000	140,000

SURVEY OF COMPARATIVE WATER BILLS

The following table compares Denver's annual residential water bills with those of other independent suppliers in the Denver Metropolitan area for a representative residential customer based on usage of 140,000 gallons per year. This information is for comparison purposes only.

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

CITY	2007 ANNUAL WATER SERVICE CHARGE	PERCENT OF DENVER INSIDE CITY CUSTOMER CHARGES
Arvada (outside)	\$792	224.36%
Colorado Springs (outside)	715	202.55%
Louisville (outside)	705	199.72%
Thornton (outside)	698	197.73%
Aurora	664	188.10%
Glendale (outside)	617	174.79%
Golden (outside)	590	167.14%
Englewood (outside)	524	148.44%
Westminster (outside)	523	148.16%
Broomfield	518	146.74%
Lakewood	487	137.96%
Westminster (inside)	480	135.98%
Colorado Springs (inside)	477	135.13%
Thornton (inside)	476	134.84%
Highlands Ranch	474	134.28%
Pueblo (outside)	463	131.16%
South Adams County (outside)	456	129.18%
Northglenn	453	128.33%
2008 DW (outside)	450	127.48%
2007 DW (outside)	429	121.53%
Boulder (outside)	423	119.83%
Arvada (inside)	396	112.18%
Englewood (inside)	379	107.36%
Boulder (inside)	371	105.10%
2008 DW (inside)	353	100.00%
Louisville (inside)	353	100.00%
2007 DW (inside)	340	96.32%
Pueblo (inside)	308	87.25%

THE SYSTEM DEVELOPMENT CHARGE WAS INSTITUTED IN 1973

SYSTEM DEVELOPMENT CHARGES AND PARTICIPATION RECEIPTS

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

THE SYSTEM DEVELOPMENT CHARGE WAS INSTITUTED IN 1973

SYSTEM DEVELOPMENT CHARGES AND PARTICIPATION RECEIPTS COLLECTED 1973 - 2007
 (cash basis - net of amounts refunded)

RECEIPTS	SYSTEM DEVELOPMENT CHARGES	PARTICIPATION
1973-86	\$ 149,473,600	\$43,647,100
1987	8,544,400	4,561,300
1988	6,084,600	3,067,700
1989	6,251,400	4,965,200
1990	6,615,100	1,838,700
1991	7,530,400	2,330,700
1992	10,920,300	1,198,800
1993	12,181,800	1,343,600
1994	13,535,700	2,881,800
1995	15,527,600	3,927,400
1996	15,137,300	2,913,102
1997	45,058,104	3,732,524
1998	33,155,890	8,411,534
1999	24,223,691	11,963,951
2000	25,525,391	6,392,360
2001	22,186,342	7,026,906
2002	36,590,914	5,567,014
2003	19,614,948	2,831,285
2004	24,833,961	2,228,550
2005	26,256,752	1,849,613
2006	22,305,207	2,730,141
2007	26,027,721	3,299,769
Total	\$ 557,581,121	\$ 128,709,049

The system development charge ("SDC"), instituted in 1973, has provided a major source of funds for capital expenditures. Since 1973, Denver Water has collected approximately \$557.6 million in SDCs. This charge applies to any applicant who is granted a license to take water through Denver Water's system or through a system deriving its supply from Denver Water. The charge is assessed upon application for a new tap and is based upon the (1) gross square footage of the single family residential lot or, (2) the number of units in a multiplex building served through a single tap or, (3) the size of the connection required. (See table on the following page.)

\$128.7 MILLION TOTAL PARTICIPATION RECEIPTS HAVE BEEN COLLECTED

NON-OPERATING REVENUES ARE CALCULATED BASED ON HISTORICAL TRENDS

In calculating the 2008 estimated revenues from System Development Charges, the staff of the Rates Administration Section assumed that we will see a 1% growth rate in the number of new taps for the year. The average increase of 7% was then applied to the total number of new taps expected to determine the revenue projection. Due to the recent downturn in the housing market, the total revenue projection was reduced by 15% as a contingency.

Since 1974, developers have been required to participate in the front-end financing of facilities necessary to meet their specific needs. Total participation receipts of \$128.7 million have been collected since inception.

The Denver Board of Water Commissioners approved an average 7% increase for all SDCs within Denver Water's Combined Service Area effective January 14, 2008.

NON-OPERATING REVENUE

These funds are obtained from payments for services that Denver Water renders such as ditch assessments for delivery of non-potable water for irrigation, main inspections, installation of taps, calculating and mailing sewer bills, rents on Denver Water facilities and other such services. Non-operating revenues are calculated based on historical trends. Total non-operating revenues are estimated to be \$2.8 million for 2008, which is the same as the 2007 actual figure.

HYDROPOWER REVENUES

Denver Water generates hydroelectric power from our facilities at Dillon, Strontia Springs, Williams Fork and Gross Reservoirs as well as generation facilities at the Roberts Tunnel, Foothills Treatment Plant and Hillcrest Reservoir. Denver

SDC HISTORICAL INCREASES

EFFECTIVE DATE	INCREMENTAL INCREASE
July 1, 1973	100.0%
April 1, 1975	50.0%
April 16, 1976	50.0%
January 1, 1980	50.0%
February 1, 1982	50.0%
January 1, 1986	7.0%
January 1, 1998	5.0%
January 4, 1999	5.0%
January 1, 2001	9.0%
April 1, 2003	9.2%
October 22, 2003	20.0%
January 30, 2006	9.0%
April 10, 2006	7.8%
January 8, 2007	9.8%
January 14, 2008	7.0%

SALE OF POWER WILL
GENERATE \$3.8 IN
REVENUE IN 2008

Water enters into agreements with electric utilities who purchase the generated power. Denver Water estimates that sale of power from our hydroelectric facilities will generate \$3.8 in revenue in 2008. This projection is based on assumptions of normal weather and hydrological conditions and actual revenue will vary as these conditions vary. Total Hydropower receipts in 2007 were \$2.3 million, or 18% below budget. The shortfall is attributed to two factors. First, the budget projection assumed the new hydro-facility at Gross Reservoir would begin generating revenues May 1, when in fact we did not see our first revenues until August 1. Second, both the Strontia Springs and Foothills Facilities were out of service for a total of 4 months to perform major over haul work during the year, and therefore not generating power as anticipated. The Roberts Tunnel Facility was out of service to allow inspection of the tunnel. The 2008 projection accounts for a full year of power generation at Gross Reservoir and the other facilities.

REIMBURSEMENTS AND GRANTS

Reimbursements of \$1.7 million are anticipated for 2008. This includes \$1.0 million from the South Adams County Water & Sanitation District for our gravel pit storage project. Total 2007 reimbursements of \$13 thousand were significantly less than budgeted. The shortage was largely to the timing of payments for our gravel pit facilities. The 2008 projection assumes receipt of \$1.0 million from our partners at South Adams County for their share of work done at the gravel pit sites.

REIMBURSEMENTS
OF \$1.7 MILLION ARE
ANTICIPATED FOR 2008

ACTUAL 2007 FUNDS IN
THIS CATEGORY WERE
\$5.5 MILLION

INTEREST ON INVESTMENTS

Our investment guidelines limit investments to treasury securities, federal agency securities, top-rated commercial paper, corporate bonds rated Aa3 or better, and money market mutual funds. The maximum maturity of corporate securities is 3 years, agency securities is 4 years, and treasury securities is 5 years. The investment policy also imposes concentration limits both by issuer and by type of security. The portfolio is accounted for on a fair market value basis. The interest and gains earned on our investment portfolio in 2007 is \$9.3 million, which is 156% of the budgeted amount. This higher amount resulted from higher than anticipated investment balances due to additional debt proceeds and lower than expected expenditures. The 2008 projected interest on investments of \$6.6 million assumes a draw down of cash and a less robust market.

OTHER

Other revenues consist of reimbursements for the relocation of mains and fire hydrants, proceeds from the sale of surplus assets, employee payments for health and dental insurance and minor items not included elsewhere. The 2008 total for this source of funds is projected to be \$4.4 million. Included in this total is \$1.8 million for employee payments for health and dental insurance. Actual 2007 funds in this category were \$5.5 million.

DEBT PROCEEDS

In March of 2007 Denver Water issued \$99.2 million in revenue bonds. These funds were intended to provide financing for capital projects planned in both 2007 and 2008. As a result, no debt proceeds are anticipated in 2008.

NO DEBT PROCEEDS ARE
ANTICIPATED IN 2008



Recycled Water is delivered to customers through a separate system of purple pipes.

EXPENDITURES

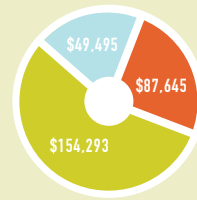
KEY ASSUMPTIONS

- Approved Staffing Level 1,104 Regular FTE
- Staff Vacancy Rate = 6%

The 2008 Expenditure Budget is \$291.4 million, 7.9% higher than 2007 actual expenditures. Key factors influencing the 2008 expenditure budget are increases in Conservation Spending, a reallocation of costs from Capital to Operating, and a number of large capital projects.

THE 2008
EXPENDITURE BUDGET
IS \$291.4 MILLION

2008 PROGRAM BUDGET (thousands of dollars)



Total program budget expenditures \$291,433



In the future, The Denver Water Recycled Plant will be expanded to treat 45 million gallons of waste water per day for commercial and irrigation purposes.

PROGRAM EXPENDITURES SUMMARY 2005-2008 (thousands of dollars)

	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
PROGRAM ELEMENTS					
OPERATION AND MAINTENANCE PROGRAMS:					
Raw Water	\$6,929	\$6,855	\$7,675	\$7,962	\$9,687
Recycled Water	2,440	2,176	2,393	2,203	2,636
Water Treatment	12,416	13,174	13,082	13,220	15,346
Delivery	16,250	15,755	16,671	16,597	18,341
Conservation	1,653	2,832	7,613	4,722	9,871
Customer Service	6,375	7,143	7,484	6,962	8,110
General Plant	6,848	6,448	7,186	7,447	8,230
Administration	27,359	29,588	32,178	33,251	38,002
Distributed Indirect Costs	42,082	43,100	42,527	40,747	44,070
Total Operation and Maintenance	\$122,352	\$127,071	\$136,809	\$133,111	\$154,293
CAPITAL PROGRAMS:					
Raw Water	\$11,758	\$32,976	\$24,731	\$22,983	\$28,030
Recycled Water	3,496	22,086	19,873	20,632	3,485
Water Treatment	5,512	2,570	11,717	11,375	17,179
Delivery	22,609	13,973	22,265	18,528	16,669
Conservation	2,607	2,111	2,414	1,657	10
Customer Service	2,873	1,474	0	81	0
General Plant	9,378	8,571	18,063	7,777	22,272
Total Capital	\$58,233	\$83,761	\$99,063	\$83,033	\$87,645
Debt Service, Related Costs and Interest on Reserve Funds	\$44,732	\$46,264	\$54,392	\$53,909	\$49,495
Total Expenditures	\$225,317	\$257,096	\$290,264	\$270,053	\$291,433

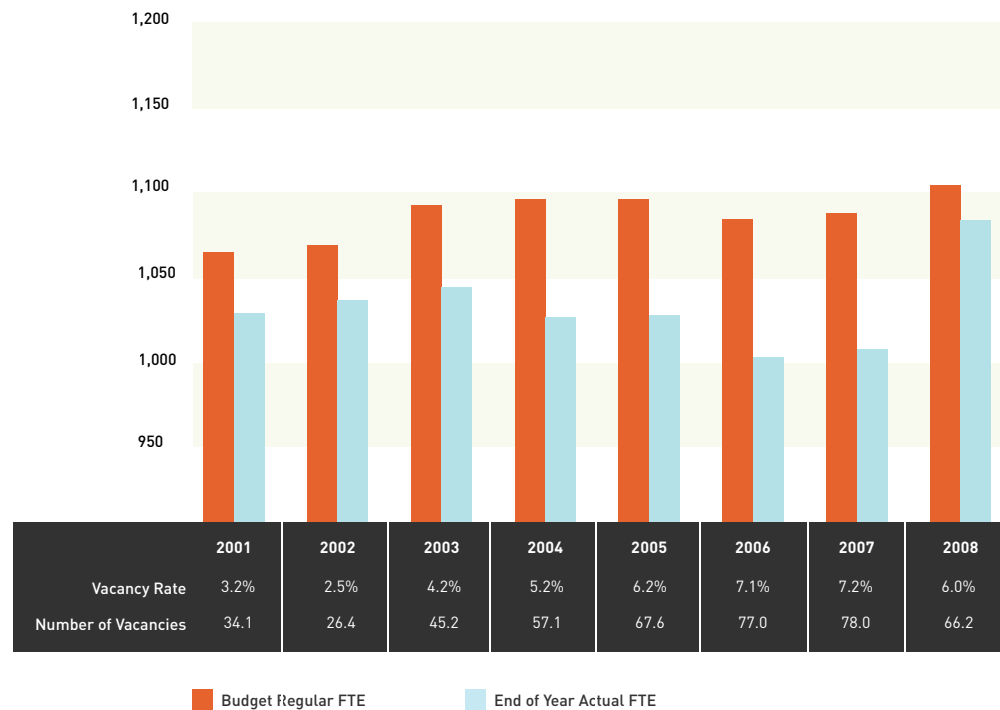
TOTAL PAYROLL FOR
2008 IS PROJECTED AT
\$68.4 MILLION

PAYROLL EXPENDITURES

Total payroll (including regular wages, paid leaves, overtime, and disability payments) for 2008 is projected at \$68.4 million dollars and will support 1,104 regular employees as well as 61.4 full time equivalent temporary and project positions. The 2008 payroll allocation is 14% to capital projects and 86% to operating activities. The capital allocation is lower than the historical amount and should result in a more accurate prediction of accurate payroll costs. The

total payroll figure also assumes a 6% overall vacancy rate, 2 percentage points higher than our average. The increased vacancy rate is reflective of our recent experiences and actual expenditures could be higher if we are successful at filling additional positions.

BUDGET VS. ACTUAL FTE 2001-2008



OPERATIONS AND MAINTENANCE

KEY BUDGET DRIVERS

There are three key issues driving the 2008 Operating Budget:

- 1 Shift of Costs from Capital to Operating. Two factors caused a shift of costs from the Capital Improvement Plan to the Operating Budget. The first factor was a change in the capitalization limit from \$2,500 to \$5,000. Our Accounting Section implemented the change during 2007. The change is consistent with GASB recommendations and is the current practice at the City and County of Denver, of which Denver Water is a component unit. As a result of the change in capitalization limit, a variety of small projects and equipment that would previously have been classified as capital expenses have now been moved to operating. Most notably, individual furniture purchases (\$283,000), Personal Computers and other IT purchases under \$5,000 (\$677,000) and several small Water Treatment and Westside Complex Projects (\$1.2 million) were moved from the CIP to the Operating Budget.

NEW CAPITALIZATION
LIMIT OF \$5,000

The second factor resulting in a shift of costs from capital to operating came about as a result of the implementation of our new budget and planning system. The system facilitated the implementation of a new methodology that provides historical benchmarks which can be used to target appropriate budget levels. This new process helped us with payroll allocation and should mitigate the mid-year "shift" of costs from capital to operating.

- 2 Strontia Springs Sedimentation Remediation. The vegetation loss resulting from the Hayman Fire results in sediment run-off into the Strontia Springs reservoir. It is currently estimated that storage capacity at Strontia Springs has been reduced 8.5% due to sediment build up. Over the next 3 years approximately 700,000 cubic yards of sediments located in the upper end of the reservoir will be dredged using a 14- inch, diesel powered cutter-head dredge equipped with a submerged pump. The dredged sediments will be pumped in slurry form through a pipeline and deposited in the disposal site at Denver Water's Kassler facility. The 2008 Proposed O&M Budget includes \$600,000 for the design of the pipeline and dredge.
- 3 Conservation. The Tap+Smart Plan, which aims to reduce water consumption to 165 gallons per capita per day, continues to be a major cost driver for the operating budget. The 2008 O&M Budget contains \$9.9 million dollars for a variety of Conservation Programs. This amount is double the 2007 expenditures.

STORAGE CAPACITY
AT STRONTIA SPRINGS
REDUCED 8.5%

2008 CONSERVATION
BUDGET CONTAINS
\$9.9 MILLION



Our customers helped get out the Tap+Smart message with colorful yard signs.



Need Caption

2008 OPERATING BUDGET BY PROGRAM

Raw Water

The total 2008 O&M Budget for the Raw Water Program is \$9.7 million. This figure is \$1.7 million (21.6%) higher than the 2007 actual expenditure level of \$7.9 million. This variance reflects the historical average analysis outlined in Key Issue #1 above, with the addition of several new activities such as the Strontia Springs sedimentation project, and the South Platte Water Resource Assessment.

Recycled Water Program

The 2008 Operating Budget for the Recycled Water Program is based on an estimated demand of 3.0 billion gallons. The total budget is \$2.6 million, which is 19.7% higher than the 2007 actual amount. This increase is due the delay in adding Lowry and South Stapleton to the system. Originally, these areas were slated to be connected in April of 2007. However, due to the delay in the completion of the Montclair Pump Station, we now anticipate having recycled water available to these areas in the second quarter of 2008, so costs originally anticipated to begin in 2007 will now start to occur in 2008. As a result of this delay, we have implemented an earlier agreement allowing Mira Vista Golf Course to pay recycled water rates for the treated water they receive.

2008 O&M BUDGET
RAW WATER PROGRAM
TOTAL IS \$9.7 MILLION

THE TOTAL RECYCLED
WATER BUDGET IS
\$2.6 MILLION

2008 WATER TREATMENT
OPERATING BUDGET OF
\$15.3 MILLION

PROPOSED OPERATING
BUDGET FOR 2008 IS
\$9.9 MILLION

Water Treatment Program

The Water Treatment O&M budget was developed using a demand estimate of 71.9 billion gallons, which is consistent with the demand forecast used in the rate-setting process. This demand information is used to project chemical costs. Chemicals make up 28% of the total Water Treatment budget and actual chemical costs will vary with the amount of water treated. The 2008 Water Treatment Operating Budget of \$15.3 million is 16% higher than 2007 actual expenditures.

Delivery Program

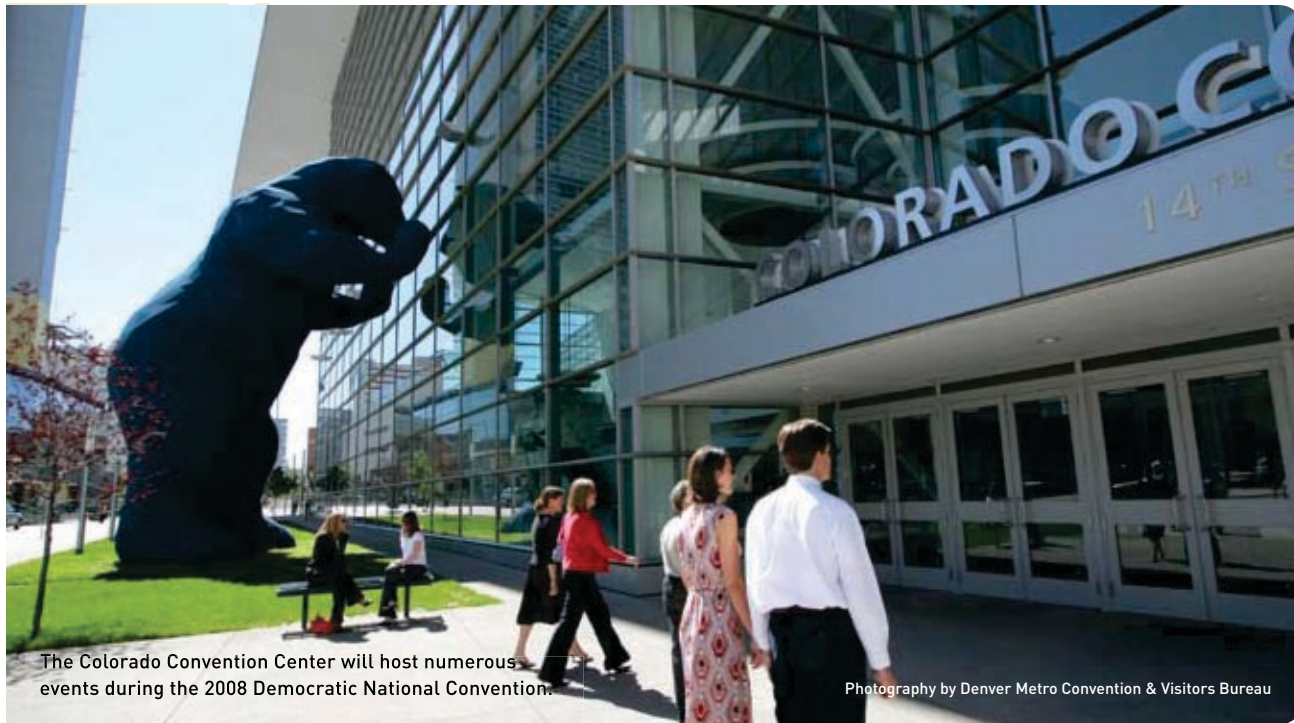
The Delivery Program consists of costs related to maintaining our pumping & clear water storage facilities as well as those for operation of the distribution system. The 2008 O&M Budget for this program is \$18.3 million, or 10.5% over the 10-Year Plan. The variance is explained by the shift in payroll dollars from the CIP resulting from our new benchmarking methodology. The table to the left shows that historically, the budgeted payroll allocation O&M has been too low and the amount allocated to Capital has been too high.

Conservation Program

The Conservation Program operating budget for 2008 is \$9.9 million. This amount is 109% higher than the actual Conservation expenditures for 2007. Implementation of many planned Conservation measures was delayed in 2007 due to the unplanned requirement to conduct HOA audits as part of the new HOA irrigation only rate class. The audits were designed to identify problems with HOA irrigation systems such as broken lines and sprinkler heads. The audits meant that the majority of Conservation staffing resources were focused here rather than on other planned programs.

In 2008 the Conservation program plans to focus on implementing a variety of new conservation programs. Some highlights of the 2008 Conservation Plan include:

- 1 The implementation of the soil amendment rule beginning in August, 2008. Under this rule, Denver Water must inspect and certify that soil has been properly amended before a water meter will be issued. We currently estimate 1,500 contract inspections.
- 2 Water-use enforcement. Four summer employees will patrol in Denver Water vehicles to educate violators about water waste, current policies and wise water use.
- 3 Continuation of our successful partnership with the City & County of Denver. In 2007 Denver Water partnered with the City to replace 30 acres of bluegrass with natural grass with the goal of saving 30 acre feet of water per year. Denver Water also replaced 205 toilets and 105 urinals at the Colorado



The Colorado Convention Center will host numerous events during the 2008 Democratic National Convention.

Photography by Denver Metro Convention & Visitors Bureau

Convention Center and 165 toilets and 25 urinals for the City and County of Denver Building. In 2008 Denver Water will continue this partnership and is working with the Democratic National Convention Committee on Water Conservation programs for the 2008 Convention. We have also added a program to begin building similar partnerships with our distributors outside the City and County of Denver. A pilot program aimed at optimal watering for single-family residential customers is being developed. Under this pilot, summer employees will visit single-family residential customers and suggest easy, low-cost methods to reduce water use.

Customer Service Program

The Customer Service Program 2008 Operating Budget is \$8.1 million. As reported in the Organization section, positions are being added in Customer Service and Water Sales to backfill the positions of employees who will be assigned to the implementation of the Customer Information System project. Additional Customer Service positions may be added in 2008 in anticipation of the move from bimonthly to monthly billing in 2009, but have not been included in the budget.

CUSTOMER SERVICE
2008 OPERATING BUDGET
IS \$8.1 MILLION

THE 2008 BUDGET FOR
THIS PROGRAM IS
\$8.2 MILLION

OPERATING BUDGET IS
2008 AT \$38 MILLION
FOR 2008

5.6% HIGHER THAN OUR
2007 ACTUAL CAPITAL
SPENDING

General Plant Program

The budget for this program is \$8.2 million (10.5%) higher than 2007 actual expenditures. The increase is attributable to proposed minor Westside Complex drainage and roofing modifications that were previously part of the CIP but have shifted to operating due to the change in the capitalization limit. The majority of the furniture budget, which previously resided in the CIP, is also reflected here for the first time.

Administration Program

The Administration operating budget is at \$38 million for 2008. This is a 14.3% increase over 2007 expenditures. The increase of \$4.7 million is accounted for by the shift of small PC, server, and other technology related equipment from the capital budget. Also, \$1.0 million has been shifted from capital payroll for Engineering to better reflect actual experience. Engineering has also increased the professional services budget to allow for the use of on-call Engineering and other contract labor when necessary. Human Resources has increased its service budget to reflect a potential move from summer temporary help that are Denver Water employees to those hired through staffing firms. Although in the short run this move may cost more, having contract employees limits Denver Water's risk in the long-run.

Distributed Indirect Cost Program

This program area accumulates costs that are later distributed as overhead to other program areas. General liability insurance and employee benefits are the major components. The 2008 Proposed O&M Budget for this program is \$44.0 million. The Board's Share of Employee medical costs is proposed at the 2007 budget level of \$12.5 million. However, our actual 2007 experience of \$11.3 million in 2007 may mean that costs remain below budget in 2008.

2008 CAPITAL IMPROVEMENT PLAN

The total Denver Water Capital Improvement Plan for 2008 is \$87.6 million. This figure is 5.6% higher than our 2007 actual capital spending of \$83 million. The largest project in the capital plan is the completion of the chlorine contact basin at our Foothills Water Treatment Plant. This project, scheduled for completion in mid to late 2008, will ensure our compliance with upcoming EPA regulations controlling levels of disinfection by products. The project is currently under construction. The second largest project, the implementation of a new customer information system, will enable us to be more responsive to our customers, to implement creative rate designs, and to make the switch from bimonthly to monthly billing. A vendor was selected in late 2007 and design and implementation are currently underway.

LARGE CAPITAL PROJECTS

The table below has detail for each of the projects with the highest total 2008 Budget and their impact on future operations. These top projects total 66% of the total Capital Improvement Plan for 2008. Although there are only two projects over \$5 million (Foothills Modifications and CIS), these projects together total 26% of the Capital Budget and both are well underway.

MAJOR 2008 CAPITAL PROJECTS (thousands of dollars)

	BUDGET
PROGRAM: RAW WATER	
MARSTON - CONSTRUCT MULTI LEVEL OUTLET WORKS	\$1,411
We will replace the single 90-inch outlet from the reservoir with a multi-level inlet. The project includes a new aeration system and a dedicated drain to Urban Drainage's ditch. Design is currently scheduled to be complete in 2008 with construction starting mid 2009 and ending in late 2010. Future impact on operations: None anticipated	
WILLIAMS FORK DAM OUTLET WORKS AND SMALL HYDROELECTRIC PROJECT	\$3,545
A new outlet works will be constructed in conjunction with the small hydro installation scheduled to be complete in 2009. Future impact on operations: Potential increase in hydropower revenue	
CHEESMAN RESERVOIR NEW INLET CONTROL ON DAM	\$3,436
Provide new upstream control on two existing tunnel inlets. Design and equipment procurement completed in 2007. Construction will begin in 2008. Future impact on operations: None anticipated	
VASQUEZ CANAL PIPING	\$1,011
Remove existing concrete lined and covered canal and replace it with 1000' of 114" diameter reinforced concrete pipe. This is a multiple year project with approximately 23,000' of canal to pipe. Design and equipment procurement completed in 2007. Construction will begin in 2008. Future impact on operations: None anticipated	
MOFFAT COLLECTION SYSTEM PROJECT	\$1,507
Denver Water's Planning Division has determined that a water supply shortage will occur at the Moffat Treatment Plant during some drought years. This water supply shortage risk increases as build-out of the Combined Service Area is approached. If the Moffat Treatment Plant does not have enough water during a drought, Denver will be able to meet its customer's water supply needs from the remaining two treatment plants. Therefore, development of additional water supply for the Moffat Treatment Plant is a high priority. The Board has chosen its preferred alternative (enlarge Gross Reservoir) and the EIS is being drafted by the US Army Corps of Engineers. Construction on this project is currently scheduled to begin in ? Future impact on operations: Project is still being defined by the EIS process. At this point no additional staff is anticipated to operate a larger reservoir	

continued next page »

GRAVEL PIT STORAGE BELOW METRO WASTEWATER	\$9,325
Water storage is being developed using gravel pits downstream from Metro Waste water to recapture water released to supplement metro reach flows in average and above average years. In dry years, the project will recapture reusable return flow when no exchange potential exists at S. Platte intakes and release water in late spring/early summer when exchange potential does exist for new yield and to augment the Recycled Water Project supply requirements Future impact on operations: The current estimate of increased operations cost resulting from completion of the gravel pits is \$40,000 per year beginning in 2017	
PROGRAM: RECYCLED WATER	
RECYCLED WATER PROJECT CONSTRUCT PUMP STATION AT MONTCLAIR RESERVOIR	\$1,475
Construct a 45 mgd pump station to serve recycled water to Denver Parks, Lowry, Stapleton, DIA, and future recycled water customers. Final completion of all work is expected by April 2008. Future impact on operations: Increased costs for plant operators, chemicals, and pumping as new customers are added. These costs will be offset by increased recycled water revenues.	
PROGRAM: WATER TREATMENT	
FOOTHILLS TREATMENT PLANT WATER IMPROVEMENTS	\$13,779
This project is the construction of a chlorine contact basin that allows compliance with future regulations on the control of disinfection by-products. The basin will be designed to house future state-of-the-art UV disinfection equipment. The design was completed in the Spring 2007 and construction began in 2007. The project should be complete in September 2008. Future impact on operations: Chemical costs at Foothills Treatment Plant will decrease when this project is completed.	
PROGRAM: DELIVERY	
CONDUIT MAIN & REHABILITATION	\$1,601
A continuous program to clean and reline conduits and mains to restore their carrying capacities. Future impact on operations: None anticipated	
VAULT MODIFICATIONS	\$1,294
An ongoing program to modify various underground vaults. Future impact on operations: None anticipated	
MAIN IMPROVEMENTS AND REPLACEMENTS	\$5,288
Includes installation of new mains for looping and other systems improvements and replacement of deteriorated, obsolete and leaking mains under 24" in diameter. Continuous program Future impact on operations: None anticipated	
PROGRAM: GENERAL PLANT	
TWOPS/IT FACILITY AT HIGHLANDS KC BUILDING	\$2,036
Construct a new facility to replace the existing Highlands Decentralization facility to serve as a backup facility for Treated Water Operations and Information Technology. Design should be completed in early 2008 and construction is scheduled to finish in August of 2008. Future impact on operations: None anticipated	
MOTOR VEHICLES AND HEAVY EQUIPMENT	\$3,002
42 replacement vehicles and 11 replacement heavy equipment purchases. Future impact on operations: None anticipated	
CUSTOMER INFORMATION SYSTEM	\$9,065
Selection and implementation of a Customer Information and Billing System to replace our aging legacy system and to provide flexibility in rate design and improved customer service. Future impact on operations: Monthly billing-one time costs \$0.5 million. Annual costs \$1.5 million	
All Other Capital Expenditures	\$29,869
Total	\$87,644

DEFERRED PROJECTS AND SHIFT TO OPERATING

In order to complete the projects that were not be finished in 2007, several projects originally planned for 2008 have been deferred to 2009. Additionally, there are a number of small cost projects that were formerly classified as capital, but will now be reflected as operating expenses. There are two reasons for this shift. The first reason is that our Accounting Section raised the capitalization limit from \$2,500 to \$5,000 to comply with GASB recommendations and industry best practices. Additionally, Accounting has been working closely with all other Divisions to clarify policy. Through the process several categories of projects (furniture, painting, roofing, etc.) that were historically miss classified as capital have now been moved to operating.

DEBT POLICY

During 2007 the Board closed the senior revenue bond lien and created master resolution for bonds sold in and after 2007. Although the Board's revenue bonds were sold with insurance in order to achieve the highest possible rating, the change was well accepted by the rating agencies. Moody's assigned a stand-alone rating on the master resolution bonds of Aa2 and upgraded outstanding

senior lien revenue bonds to Aa2 from Aa3. Fitch's assigned a AA+ unenhanced rating to the Series 2007A Master Resolution Bonds and affirmed its previous AA+ unenhanced rating on outstanding senior bonds; Standard and Poor's assigned an underlying rating of AA to the master resolution bonds and raised the underlying rating on the senior lien bonds from AA to AA+.

During 2007, the Board also received allocations of Clean Renewal Energy Bonds with respect to improvements made at the Gross and Williams Fork hydropower facilities. The allocation, in the amount of \$900,000 for each facility, must be used prior to December 1, 2008.

Debt guidelines include the Board's long-standing policy of using debt financing for system expansion and improvements and prohibiting its use for payment of operating and maintenance expenses. This underlying philosophy is not expected to change. Although revenue bonds are generally used as a financing mechanism, alternatives such as capital leases will continue to be examined for specific projects when appropriate. Denver Water does not have legal debt limits.

PAYMENT SCHEDULE

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

The resolution under which the outstanding revenue bonds were issued require debt service coverage of 1.1 times net revenues. The Board has never failed to meet that rate maintenance test.

The total principal and interest payment obligations for the years 2008-2012 are as follows:

DEBT PRINCIPLE AND INTEREST OBLIGATIONS 2008-2012

YEAR	PAYMENT
2008	\$49.45 million
2009	49.16 million
2010	48.51 million
2011	38.73 million
2012	33.10 million

With the current payment schedule, 34% of the principal amount of outstanding bonds and capital lease obligations will be retired by the end of 2012; approximately 59% will be retired by the end of 2017 and 75% will be retired by the end of 2022. All marketable securities mature or may be called prior to December 31, 2015. The final stated maturity of all outstanding bonds and capital lease obligations occurs on December 15, 2037.

OUTSTANDING BONDS AND OBLIGATIONS UNDER CAPITAL LEASES

TYPE OF OBLIGATION	PAR VALUE OUTSTANDING (IN MILLIONS)	COUPON RANGE	WEIGHTED AVERAGE COUPON	WEIGHTED AVERAGE YTM ^(A)
BONDS				
General Obligation Bonds	61.5	3.00 - 6.00%	4.762%	4.455%
Revenue Bonds				
Senior Lien	180.1	2.50 - 5.50%	4.769%	3.754%
Master Resolution	100.0	3.00 - 5.00%	4.423%	4.162%
Sub-total, revenue bonds	\$280.1	-	4.588%	3.900%
Sub-total bonds	\$341.6	-	4.619%	4.000%
CAPITAL LEASES				
Marston & Moffat	39.5 ^(B)	4.00 - 5.50%	4.727%	4.362%
Wolford Mountain	25.1 ^(B)	6.75% ^(C)	6.750% ^(C)	6.750% ^(C)
Sub-total leases	\$64.6	-	5.512%	5.316%
Total	\$ 406.2	-	4.761%	4.209%

^(A) YIELD TO MATURITY AT TIME OF SALE

^(B) PRESENT VALUE OF FUTURE OBLIGATION FOR FINANCIAL REPORTING PURPOSES

^(C) CONTRACTUAL RATE

DW AWARDED \$1.8 MILLION IN CLEAN RENEWABLE ENERGY BONDS

DENVER WATER HAS NO LEGAL DEBT LIMIT

WE ESTIMATE THE INVESTMENT BALANCE WILL BE \$186.5 MILLION

INVESTMENT BALANCE

Based on projected 2008 revenues and uses of funds, we estimate that Denver Water's investment balance, or cash reserves, will drop to \$186.5 million by the end of 2008, a decrease of \$39.7 million compared with \$226.2 million at the end of 2007. This significant use of cash reserves was anticipated with the 2007 issue of \$100 million in debt, which included funds for both 2007 and 2008 capital projects.

Current Denver Water policies stipulates that we maintain cash reserves sufficient to pay for 25% of the next year's operating expenditures, 50% of replacement capital, one year of debt service, and maintain a 5% self-insurance reserve. The 2008 budget provides sufficient cash reserves to meet all of these obligations.

COMPARISON OF EXPENDITURES BY TYPE OF EXPENDITURE 2005-2008 (thousands of dollars)

	2005 ACTUAL	2006 ACTUAL	2007 BUDGET	2007 ACTUAL	2008 BUDGET
Gross Payroll	\$62,401	\$62,922	\$67,575	\$64,833	\$68,366
Employee Benefits	30,652	31,138	30,886	28,207	31,848
Materials and Supplies	18,437	17,396	19,607	19,557	24,995
Utilities and Pumping Power	7,938	7,511	7,596	6,934	8,064
Professional and Other Services	28,102	32,137	44,549	37,396	49,812
General Equipment	2,011	2,355	3,755	2,593	7,004
Construction Contract Payments	29,230	54,007	60,085	53,959	48,549
Refunds	1,193	472	473	865	619
Debt Service	44,486	46,237	53,689	53,678	49,448
Other	867	2,921	2,049	2,031	2,728
Total Expenditures	\$225,317	\$257,096	\$290,264	\$270,023	\$291,433

TYPE OF EXPENDITURES SUMMARY

In this section, total 2008 budgeted expenditures of \$291.4 million have been placed into categories that describe what these expenditures purchase. Each category accumulates expenditures by type, regardless of whether the expenditures is classified as operating or capital. Categorizing data in this way is useful for trend analysis and for highlighting influence different types of costs are having on the budget.

GROSS PAYROLL

Total budgeted payroll for 2008 is \$68.3 million, an increase of 5.4% over 2007 actual payroll. This increase is explained by:

- A net addition of 19.4 positions, mainly related to our new Customer Information System and the move from bimonthly to monthly billing. (See Organization Section for more detail)
- A projected decrease in our overall rate of vacant positions. In 2007, our vacancy rate was 7%, for 2008 we anticipate decreasing the number of vacant positions for an overall vacancy rate of 6%.
- An approved average salary increase of 2.6% for all employees effective January 1, 2008.

The total number of positions authorized for 2008 is 1,104, an increase of 1.7% from the 2007 authorized level.

EMPLOYEE BENEFITS

Employee benefits for 2008 are budgeted at \$31.8 million, an increase of \$3.6 million (12.9%) over 2007 actual expenditures. The increase is attributable to higher contributions for Retirement Plans and Employee Health Insurance. Retirement plan contributions are projected to be higher due to the most recent actuarial estimate of the amount needed to fully fund the plan. Employee health care will be higher due to the rising cost of medical services as well as an increased number of employees.

In 2006, the Board's contribution to employee medical expenses was \$13.7 million. In 2007 the Board implemented changes in the medical plan design with the intention of reducing overall medical costs and achieving a cost split of 80% (Board) to 20% (Employee). The plan design changes were more successful than anticipated, resulting in 2007 actual expenditures of just \$11.3 million.

In 2008, the Denver Water Retirement Plan Committee will undertake a full review of Denver Water's retirement benefits. This will be the first comprehensive review of the retirement program in nearly 10 years. The goal of the review is to assess whether the current program assists us in meeting our employee recruitment and retention needs, whether the program is reasonable in comparison to programs of comparable employers, and finally to assure that the program is simple to understand and to administer. There are no specific mandates to alter the retirement program, however, changes will be made as required in answer to the questions above.

TOTAL NUMBER OF POSITIONS AUTHORIZED FOR 2008 IS 1,104

EMPLOYEE BENEFITS FOR 2008 ARE BUDGETED AT \$31.8 MILLION

BUDGETED 2008
MATERIALS AND SUPPLIES
ARE \$25.0 MILLION

MATERIALS AND SUPPLIES

Budgeted 2008 materials and supplies are \$25.0 million, an increase of 27.8% over the 2007 actual expenditures of \$19.6 million. This large increase is partially due to an increase in capital projects which require us to purchase materials. Over the past several years we have experienced significant increases in the materials we use such as pipe, copper, fuel, and concrete. Prices for these commodities continue to climb 10%-25% per year.

In addition to cost increases, the materials budget for our Conservation program is increasing \$0.8 million in 2008. The bulk of these funds will be used to purchase water-efficient fixtures for the City and County of Denver and to extend this type of program to other entities. For more information on the success of our partnership with the City and County of Denver, see detailed Conservation Program information in the Operating Expenditures section.

OUTSIDE SERVICES

The Outside Services budget for 2008 is \$49.8 million and includes funding for utilities and power for pumping, contract dollars for professional services (consultants), and other services such as rental of barricades for job sites. Although the 2008 budget represents a significant increase (31%) over the 2007 actual expenditures, it is a much smaller increase (10.9%) over the amount budgeted for 2007. The majority of the increase (\$8.7 million) is a rollover of funds budgeted but not expended in 2007 on the Customer Information System (CIS) project. The project is moving forward in 2008 and we anticipate to expend the entire professional and other services budget of \$5.0 million.

Professional services were also increased in Engineering to allow the Division to make use of "on-call" Engineering Services when the need arises to augment our staff for Engineering design work. Additional dollars were also budgeted for Public Affairs to fund advertising and public outreach campaigns.

GENERAL EQUIPMENT

Purchases of equipment for 2008 are budgeted at \$7.0 million, mainly for purchasing vehicles, heavy equipment, and computer equipment. The 2008 General Equipment budget is \$4.4 million higher than the 2007 actual amount. Approximately \$1.0 million of this increase is due to vehicles and equipment that were ordered in 2007 but not received or invoiced until 2008. The remainder of the increase is related to computers and other hardware for the CIS project. These

EQUIPMENT PURCHASES FOR
2008 ARE BUDGETED
AT \$7.0 MILLION

CONTRACT PAYMENTS
ARE BUDGETED AT \$48.5
MILLION FOR 2008

2008 BUDGET FOR
REFUNDS IS
\$0.6 MILLION

are one-time expenditures and it is expected that the general equipment budget will return to historical levels in the future.

CONSTRUCTION CONTRACT PAYMENTS

This category includes payments for contracted construction work and materials, purchase of water rights, and acquisition of rights-of-way. These payments are budgeted at \$48.5 million for 2008, a decrease of \$5.4 million from 2007 actual expenditures.

REFUNDS

Refunds consist primarily of system development charges and customer account refunds. The 2008 budget for refunds is \$0.6 million. As refunds can vary widely from year to year, this line is budgeted using a 4 year historical average.



Regional Transportation District busses sported Denver Water's Tap+Smart message.

DEBT SERVICE FOR
2008 IS BUDGETED AT
\$49.5 MILLION

2008 BUDGET AMOUNT
FOR THIS CATEGORY IS
\$2.7 MILLION

DEBT SERVICE

Debt service includes principal and interest payments for general obligation bonds, revenue bonds, certificates of participation, and capital leases. Debt service for 2008 is budgeted at \$49.5 million. See the section on debt service above for more detailed information.

OTHER

Other expenditures include legal and insurance claims, taxes collected on meter and materials sales, and other expenditures not included in the above categories. The 2008 budget amount for this category is \$2.7 million, and is an increase of \$0.7 million from 2007 actual expenditures.

section 4

GLOSSARY OF TERMS

The following acronyms and financial terms are used throughout the Denver Water Budget. These terms are used throughout the budget document and are generally explained in the relevant context. They are presented together in this glossary for ease of reference.

ACRONYMS

ACP	Accelerated Conservation Program
AF	Acre Foot
AMWA	Association of Metropolitan Water Agencies
AWWA	American Water Works Association
CAFR	Comprehensive Annual Financial Report
CBSM	Community Based Social Marketing
COP	Certificate of Participation
CIP	Capital Improvement Plan
CIS	Customer Information System
CWA	Clean Water Act
DIA	Denver International Airport
DW	Denver Water
EIS	Environmental Impact Statement
EPA	Environmental Protection Agency
ERT	Encoder Receiver Transmitter
FERC	Federal Regulatory Energy Commission
GAAP	Generally Accepted Accounting Principles
GAD	Gallons Per Account Per Day
GIS	Geographic Information System
G.O. BONDS	General Obligation Bonds
IRP	Integrated Resource Planning
MGD	Millions of Gallons Per Day
NRCS	Natural Resources Conservation Services
NWRS	National Water Resource Association
RCRA	Resource Conservaton and Recovery Act
PACSM	Platte and Colorado Simulation Model
POS	Point of Service
TCR	Total Coliform Rule
WUWC	Western Urban Water Coalition

DEFINITIONS

ANNUAL YIELD

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

BONDS

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL IMPROVEMENT PLAN

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

CAPITAL LEASES

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

CASH FLOW ADJUSTMENT

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

CERTIFICATE OF PARTICIPATION

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

CHART OF ACCOUNTS

Listing of account numbers and their descriptions.

CONTRACT PAYMENTS

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

CORPORATE CULTURE

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

COST CONTROL CENTER

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

CUSTOMER INFORMATION SYSTEM

The multifaceted, multimillion-dollar project to modernize our aging Customer Information System (CIS) will enhance the system's capabilities, performance, and security. Among numerous other objectives, an up-to-date CIS will boost 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 will also accommodate the switch from bimonthly to monthly billing.

CUSTOMER TAPS

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

DEBT GUIDELINES

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

DEBT SERVICE

Principal and interest on debt and payments under capital leases.

DEMAND SIDE MANAGEMENT

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

DIRECT MATERIALS

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

DISBURSEMENTS

Money paid out for expenses, liabilities or assets.

DISCRETIONARY EMPLOYEE

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

DIVERSITY TRAINING

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

DIVISION

Largest organizational unit reporting to the Manager.

EMPLOYEE BENEFITS

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

ENDANGERED SPECIES ACT

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

ENTERPRISE FUND

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

EPA SECTION 319

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

ENCODER RECEIVER TRANSMITTER (ERT)

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

FEDERAL STATUTES

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

FUND

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

FUND BALANCE

The balance in the Water Works Fund. Fund Balance is calculated each year by adding total sources of funds to the balance at the beginning of the year and then subtracting total expenditures.

GENERAL EQUIPMENT

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

GENERAL OBLIGATION BONDS (GO BONDS)

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

GOALS

Overall end toward which effort is directed.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

GROSS REVENUE

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

HISTORICAL TIMING ADJUSTMENT

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

HYDROPOWER

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

INFILL

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

INTEGRATED RESOURCE PLANNING (IRP)

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

INTEREST REQUIREMENTS

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

INTRODUCTORY EMPLOYEE

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

INVESTMENT BALANCE

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

LEASE PAYMENTS

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

LONG-TERM DEBT

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

MASTER PLAN

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

MASTER PLAN ITEM

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

MODIFIED ACCRUAL BASIS

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

MUNICIPAL WATER UTILITIES

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

NET REVENUES

Gross Revenue less Operating and Maintenance Expenses.

NON-OPERATING REVENUE

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

NON-POTABLE

Water not suitable for drinking. (See also Potable)

OBJECTIVES

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

OPERATING RESERVES AND RESTRICTED FUNDS

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

OPERATING REVENUE

Revenue obtained from the sale of water.

OPERATION AND MAINTENANCE (O&M) WORK PLAN

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

OTHER

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

OTHER SERVICES

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

PARTICIPATION AGREEMENT

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

POTABLE

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

PRINCIPAL AND INTEREST REQUIREMENTS

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

PROFESSIONAL SERVICES

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

PROGRAM

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

PROGRAM BUDGET

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

PROGRAM ELEMENT

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

PROJECT EMPLOYEE

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

REFUNDS

Includes System Development Charge Refunds and Customer Refunds.

REGULAR EMPLOYEE

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

REGULAR PAY

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

SAFE DRINKING WATER ACT (SDWA)

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

STORES ISSUES

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

STRATEGIC PLAN

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

SYSTEM DEVELOPMENT CHARGES

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

TEMPORARY EMPLOYEE

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

TYPE OF EXPENDITURE

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

UTILITIES & PUMPING

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



WAREHOUSE PURCHASES

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

WATER CONSERVATION

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

WATER REVENUES

Revenues generated through billing process from the sale of water.

WATER WORKS FUND

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



DENVER WATER

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