

2016 | BUDGET



Dillon Reservoir



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Denver Water
Colorado**

For the Fiscal Year Beginning

January 1, 2015

A handwritten signature in cursive script, reading "Jeffrey R. Emswiler".

Executive Director

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Denver Water, Colorado for its annual budget for the fiscal year beginning January 1, 2015. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

Table of Contents

Introduction	4
CEO Letter	5
Contacts	9
About Denver Water	10
About Denver Water	11
Service Area Map	12
Mission and Values	13
History	14
Community Profile	16
Budget Summary	18
Budget Comparison	19
Capital	20
Annual Budget Process	27
Financial Policies	28
Fund Structure	30
Debt Information	31
Organization	32
Regular Employees	33
Board of Water Commissioners	34
Denver Water Organization	35
True North Metrics	36
CEO/Manager Division	37
Human Resources Division	38
Public Affairs Division	39
Customer Relations Division	40
Engineering Division	41
Finance Division	42
Information Technology	43
Planning Division	44
Legal Division	45
Operations & Maintenance Division	46
Glossary	47
Acronyms	48
Glossary	50
Appendix	58
Strategic Plan	59
OCR Operations Complex Redevelopment Fact Sheet	75
ORCA Organizational Reporting and Communications Alignment	76

INTRODUCTION LETTER

2016 YEAR AHEAD

2015 REVIEW

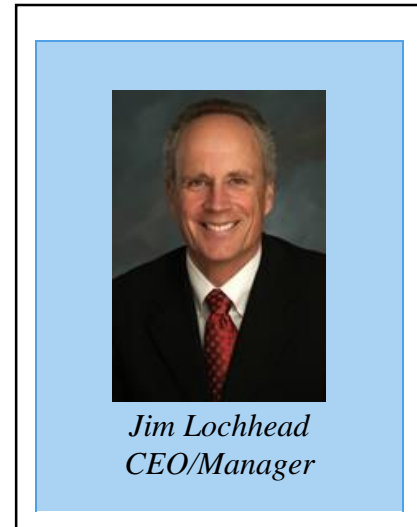


To our customers and other interested readers:

Denver Water was founded in 1918, making us the oldest utility in the State of Colorado. We have a nearly 100-year-old track record of operating a robust and reliable system, while delivering high-quality water to our customers. Our Vision states that Denver Water will aspire to be the best water utility in the nation.

Always moving forward:

To realize that type of vision, we need to be in a continuous state of improvement. In 2014, we developed a series of three-year objectives on which to focus. During 2015, we pursued one-year objectives to help us reach those longer-term goals. Here is our progress on those 2015 one-year objectives:



- **Budget development has standard work, fewer man hours, less rework and greater detail; connection to the Strategic Plan is clear; budget controls spending.**

We continued to develop budgets for 2015 and 2016 that tie to the Strategic Plan and organizational objectives. We developed metrics to objectively measure performance and tied budget spending to those metrics.

In 2015, the ORCA (Organizational Reporting and Communication Alignment) project was launched to provide consistent, accurate, and timely budget/actual financial information to everyone at Denver Water who is accountable for budgeting and spending.

- **Organizational metrics (through systems and programs) are in place, visible, tracked and used to drive decisions.**

Excluding IT initiatives, \$89 million was budgeted for 92 capital projects. At the end of the year, \$83 million was spent on 87 of those projects, with an additional \$2 million funding next-priority projects.

System and program metrics are in place in some areas and are being developed in others. Where available, system metrics and asset management principles drive project priority decisions of the system and program manager group.

- **Transform Human Resources into a strategic business partner for the organization.**

The top priority for 2015 was overhauling the current Total Rewards compensation and benefits portfolio for our employees and aligning it with our Total Rewards Philosophy. We finished a compensation study, and we will implement certain recommendations in July 2016, significantly reducing the number of job titles, implementing new salary ranges and aligning pay to market.

Denver Water implemented updated premium pay, call-out pay and shift-differential policies that align those policies to the market. The Board of Water Commissioners also implemented a revised vacation policy for new hires that credits relevant work experience, which is an enhanced attractor and retainer.

We completed an RFP for health care and made improvements to the plan management, resulting in a \$1 million reduction in administrative fees. HR also selected a contractor for a Learning Management System (LMS) which will be implemented in 2016 and will be instrumental in building career development for our employees.

- **Finish design and continue implementation of Employer of the Future initiatives.**

This initiative is focused on retaining and attracting top talent through integrated policies, benefits and philosophies to create a unique, diverse and energizing culture.

- **Increase the percentage of employees who are “very satisfied” with Denver Water from 34 percent to 38 percent on the 2015 employee survey.**

While we did not achieve this metric, the most recent survey will provide a more effective process for increasing employee engagement and satisfaction.

- **Improve top-box customer satisfaction score 5 percent on the 2015 customer survey.**
The 2015 Customer Survey results confirm we have improved how customers perceive our people, processes and policies. Overall satisfaction with Denver Water increased from 87 percent in 2013 to 92 percent in 2015 and “top-box” satisfaction (customers who said they were “very satisfied” with Denver Water) increased from 63 percent to 71 percent. These gains carried over to better reputation in the marketplace, with nearly 6 in 10 customers reporting they would mention Denver Water “very favorably.”

- **Reduce lost-time accidents to no more than seven in 2015.**

Despite a significant push for safety awareness and accident prevention, we did not achieve our goals of 25 percent fewer total injuries or 46 percent fewer lost-work-day injuries. But total injuries decreased almost 12 percent in 2015. This is in addition to a 20 percent decrease in total injuries in 2014 and a 13.5 percent reduction in 2013. There were 17 lost-work-day injuries, about the same as previous years. In 2016, the safety committee and other stakeholders will focus on findings from the Safety Audit as we continue our commitment to a safety culture.

- **Use Lean tools to streamline/optimize process and workspace for all areas of the OCR affected by design and construction in 2015.**

The Operations Center Redevelopment Project (OCR) is a \$195 million, comprehensive redevelopment of our main 35-acre campus. When complete in 2019, we will have new trade shops, fleet, warehouse and meter shop buildings. We will also have a new administration building and wellness center. The redevelopment will focus on sustainability and wellness, with all buildings constructed to LEED and well-building standards. We will also pursue net-zero energy and employ state-of-the-art “One Water” concepts, including on-site wastewater treatment and reuse for irrigation, graywater reuse, rainwater capture, and green stormwater management. The project is on scope, on schedule and on budget. All related goals for 2015 were achieved. Design of Phase I (operations buildings) is nearly complete and the contractor began construction in February 2016. Design of Phase II (Administration Building, Three Stone Buildings and Wellness Building) is on schedule for completion at the end of 2016.

We used Lean and continuous improvement tools to save at least \$6.2 million by identifying square-footage reductions of 5 to 23 percent from the original design of new Phase I buildings to the current design.

- **Grow Lean into more parts of Denver Water.**

We are infusing continuous improvement into more parts of the organization. In 2015, we focused efforts on safety, Fleet Maintenance, distribution system maintenance, project delivery, customer experience, Employer of the Future and OCR. We also provided support for design of the new Water Quality Lab and Ralston Water Treatment Plant.

We have seen at least \$5 million in hard-dollar savings since inception of continuous improvement efforts (and likely more). We will better track improvements for these savings in 2016. We have achieved a compounded annual decrease of 2 percent in operating expenses per customer account over the last five years and a total decrease of 6.5 percent over the same period.

The year ahead

After extensive review of our organizational performance related to the Strategic Plan, the Board and Executive Team identified seven, three-year breakthrough objectives. Five of these are a continuation of work initiated in 2015 and two (sustainability and development of a water supply, treatment and delivery strategy for the future) are new. Each breakthrough objective is supported by one or more related goals:

- **Transform to a true culture of safety with no lost-work-day injuries by 2017.**
 - Complete a first pass of the Safety Value Stream.
 - Reduce lost-time accidents to no more than seven in 2016.
 - Reduce total injuries by another 25 percent.
- **Improve top-box customer satisfaction score by 10 percent from 2013 scores.**
 - Implement tactics from the 2015 survey with a goal of increasing top-box customer satisfaction 2 percent more by 2017 (from 2015 survey).
 - Conduct a third pass of the Customer Experience Value Stream, focused on customer interaction and education and/or the distributor experience.
- **Become the Employer of the Future**, one that retains and attracts top talent through integrated procedures, policies, benefits and philosophies that create a unique, diverse and energizing culture.
 - Implement Phase II of the HR Roadmap.
 - Solidify the spirit of Employee of the Future and employee engagement in the organization.
- **Redevelop the Operations Complex** in a way that is fiscally responsible, integrates field and administrative staff, creates a public presence, celebrates water and the history of Denver Water, is sustainable, allows for future flexibility, is safe and efficient and promotes retention and recruitment. Complete by 2020.
 - Manage key OCR policy issues like sustainability, scope, schedule and budget.
 - Consider new ways to communicate with employees and keep them engaged.
- **Achieve full alignment of budget development and execution with strategic priorities and True North metrics; incorporate processes to control spending.**
 - Complete ORCA Increment One and begin Increment Two. Implement and demonstrate enhanced financial governance and controls.
 - Conduct an IT review and initiate development of a long-term IT strategy.
- **Create a water supply, treatment and delivery strategy for the future.**
 - Initiate a new Integrated Resource Plan that expands on the prior IRP by:
 - Integrating the planning of our entire system with all stakeholders.
 - Driving capital spending.
 - Embracing a vision for urban water efficiency, including drinking water, wastewater and stormwater.
- **Become a sustainable organization** by continually managing and reducing our environmental impact, measured by recognition as a Gold Leader in the State of Colorado's Environmental Leadership Program.
 - Develop and begin implementation of a framework for organization-wide sustainability, including goals, metrics and budget.
 - Develop an environmental management system, pursuant to ISO 14001, with a goal to achieve Silver Partner status for treatment plants and Water Quality Lab.

Conclusion

Some of the work we do is timeless. But the information we have outlined shows that we must also be nimble and adaptable in an ever-changing environment full of challenges. Only by daring to do things differently from the past will we be able to achieve our vision of being the best water utility in the nation. You can count on our organization of passionate, dedicated experts to move forward toward that vision in 2016.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lochhead". The signature is stylized and cursive, with a large initial "J" and "L".

Jim Lochhead
CEO/Manager

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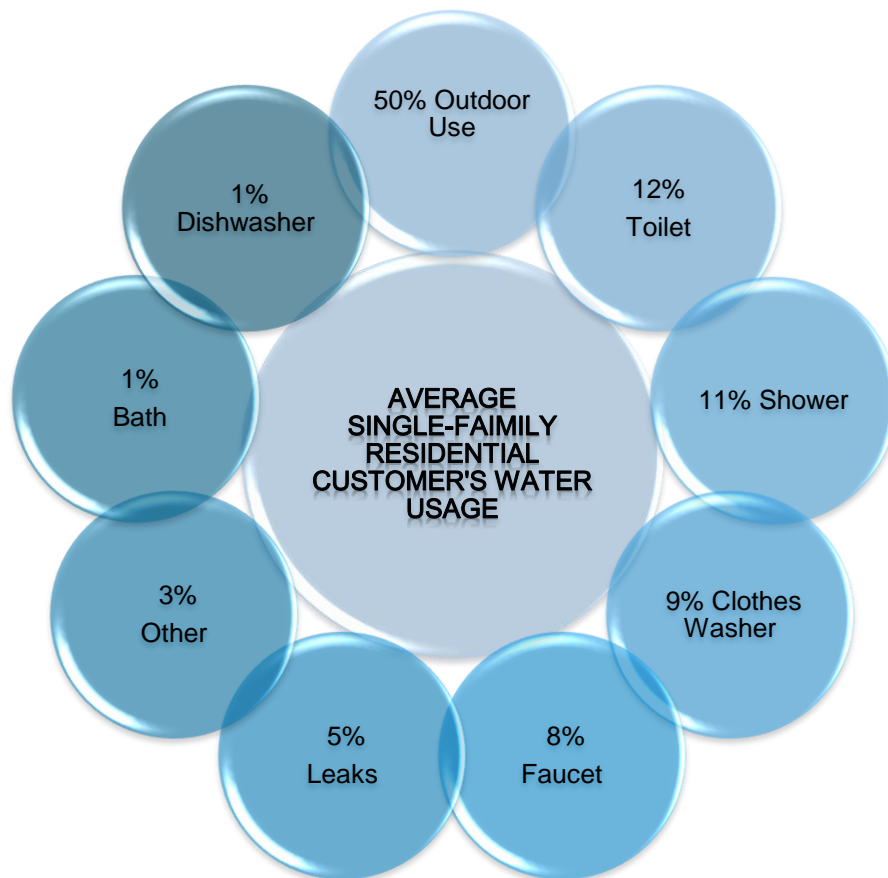
With questions concerning the budget document please contact:

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ABOUT DENVER WATER

Denver Water serves about a quarter of the state's population but uses less than 2% of all water, treated and untreated, in Colorado.

Denver Water proudly serves high-quality water and promotes its efficient use to 1.3 million people in the city of Denver and many surrounding suburbs.

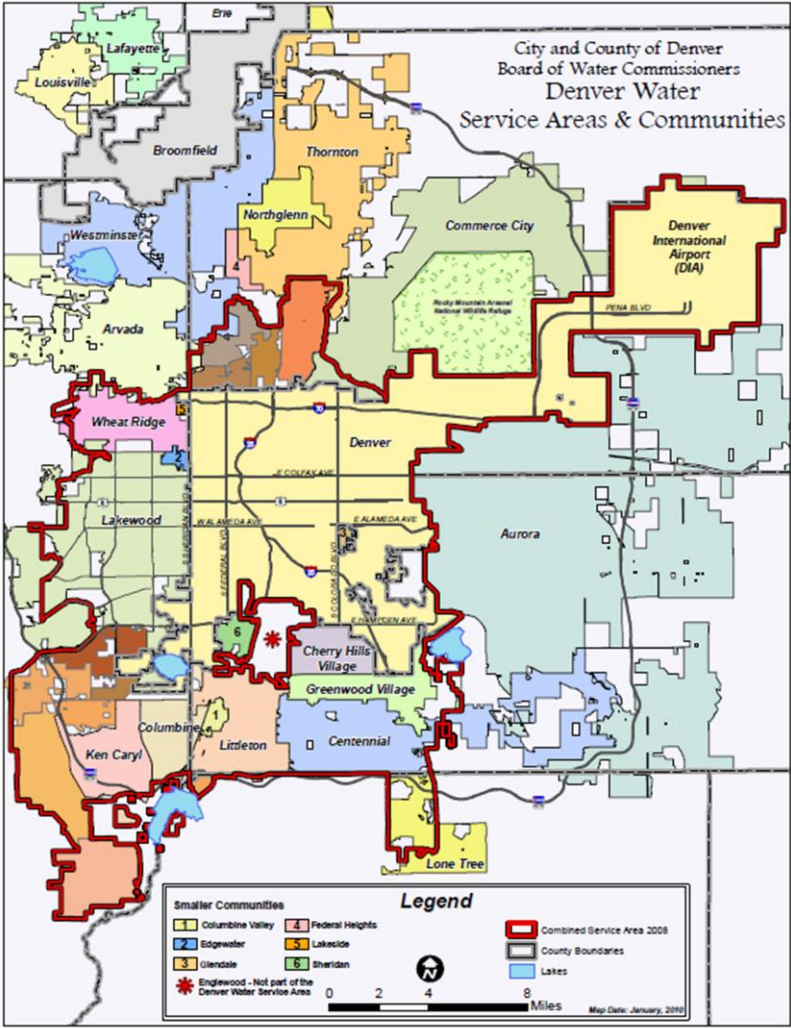


ABOUT DENVER WATER

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

- 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 (water service contracts).
- It is responsible for the collection, storage, quality control and distribution of drinking water to nearly one-fourth of all Coloradans.
- Its primary water sources include: South Platte River, Blue River, Williams Fork River and Fraser River watersheds.
- Other water sources include: South Boulder Creek, Ralston Creek and Bear Creek watersheds.
- Denver Water was established in 1918 after Denver residents voted to buy the water system from a private company.
- Denver Water is Colorado's oldest and largest water utility.
- Denver Water is a separate entity from the city of Denver.
- Denver Water derives its authority from the Charter of The City and County of Denver (Article X).

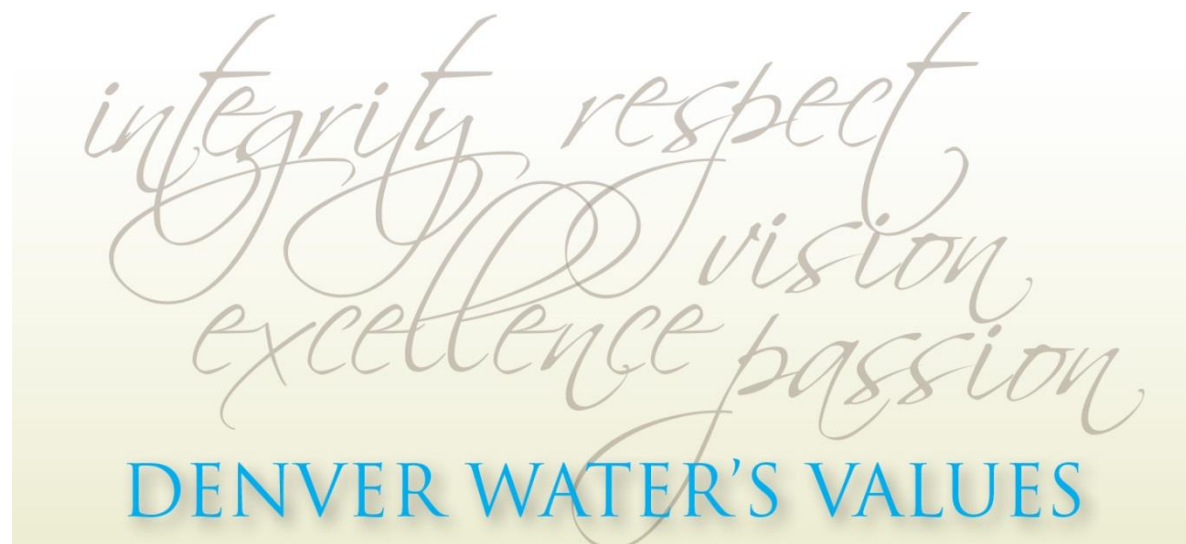
SERVICE AREA MAP



MISSION AND VALUES

Denver Water's Mission Statement

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



HISTORY

Early settlers

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

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

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

Battle to provide water

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



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

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

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

HISTORY CONTINUED

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

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

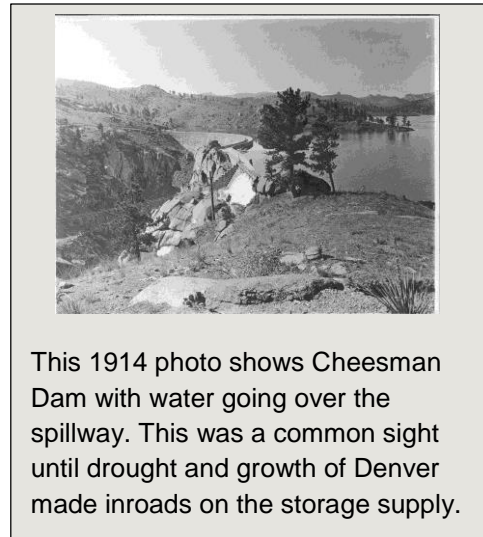
It provides nearly 80,000 acre-feet of water to Denver and remains an important water storage facility in the system.

Denver Water is born

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



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



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

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

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

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

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

CITY AND COUNTY OF DENVER, COLOADO COMMUNITY PROFILE

DEMOGRAPHICS, 2014

Population	664,220
Households	290,873

Source: Colorado Division of Local
Government, State Demography Office

GEOGRAPHY

Square Miles	156
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Source: Colorado Department of Local

HOME PRICE

Median Home Price	\$353.0
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Source: National Association of Realtors



For more information see:

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

COMMUNITY PROFILE CONTINUED

WORKFORCE, 2014

Labor Force	370,487
Employment	352,427
Unemployment Rate	4.9%

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

TEN LARGEST EMPLOYERS IN THE CITY AND COUNTY OF DENVER

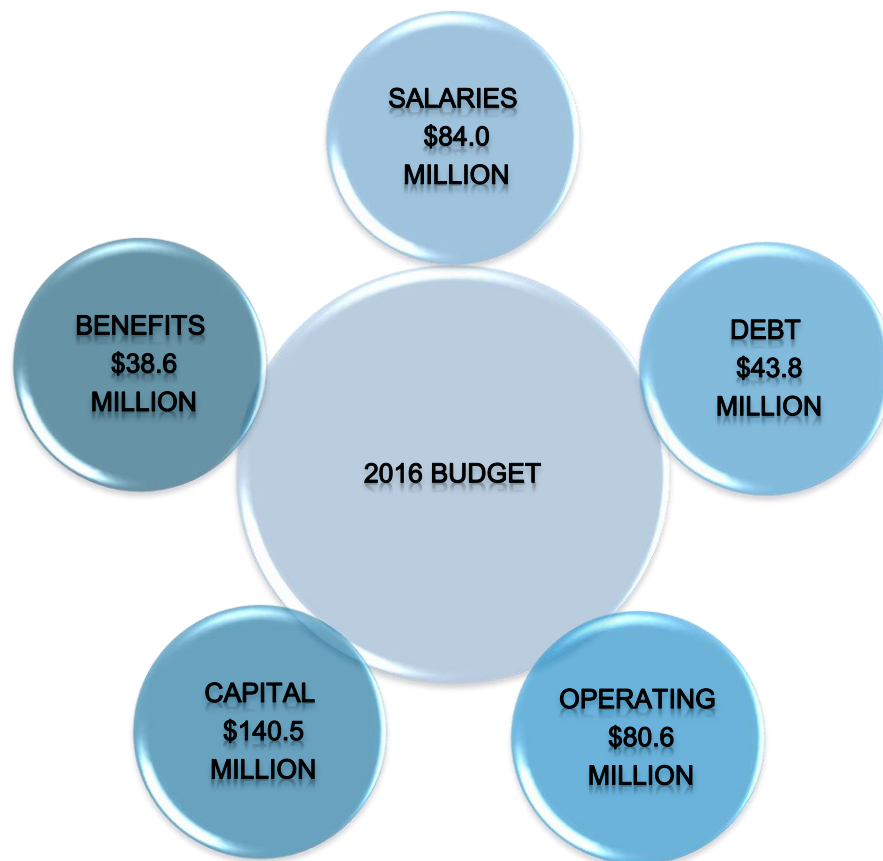
<u>Company</u>	<u>Employees</u>
United Airlines	4,900
University of Denver	4,230
Frontier Airlines	3,000
CenturyLink	2,890
Saint Joseph Hospital	2,460
Kaiser Permanente	2,370
Southwest Airlines	2,360
Anthem Blue Cross Blue Shield	2,000
TIAA-CREF	2,000
Wells Fargo	1,900

Source: Development Research Partners, May 2015

BUDGET SUMMARY

**2016 BUDGET
USES OF FUNDS
\$387.5 MILLION**

**2016 BUDGET
SOURCES OF FUNDS
\$377.9 MILLION**



BUDGET COMPARISON

	2013 Actual	2014 Actual	2015 Actual	2015 Budget	2016 Budget
Beginning Investment Balance	\$ 222,299,000	\$ 219,744,000	\$ 234,924,000	\$ 234,924,000	\$ 240,889,000
SOURCES OF FUNDS:					
Operating	\$ 230,856,506	\$ 238,776,870	\$ 242,225,402	\$ 269,255,927	\$ 273,111,853
HydroPower	4,263,477	4,390,393	3,606,655	4,422,000	4,528,000
Participation and Reimbursements	7,465,654	6,384,325	10,794,701	4,415,001	8,129,000
SDC	34,615,849	32,735,962	36,108,723	17,294,000	20,294,000
Interest	641,105	720,786	977,478	1,235,000	2,260,000
All Other Revenue	12,697,492	12,782,736	12,715,922	6,640,001	6,310,000
Non-Operating	7,344,735	6,131,638	5,474,986	7,654,384	6,384,000
Subtotal Sources of Funds	\$ 297,884,817	\$ 301,922,710	\$ 311,903,866	\$ 310,916,313	\$ 321,016,853
Bond Proceeds	10,000,000	40,102,457	30,000,000	42,000,000	56,923,000
Total Sources of Funds	\$ 307,884,817	\$ 342,025,167	\$ 341,903,866	\$ 352,916,313	\$ 377,939,853
USES OF FUNDS:					
SALARIES & BENEFITS					
Salaries	78,890,758	80,499,615	82,878,013	79,485,838	83,985,527
Benefits	40,830,648	38,572,122	39,348,597	38,966,801	38,591,816
Total Salaries & Benefits	\$ 119,721,407	\$ 119,071,737	\$ 122,226,610	\$ 118,452,639	122,577,343
OPERATING EXPENSES (EXCLUDING SALARIES AND BENEFITS)					
Materials and Supplies	15,857,857	18,026,216	18,525,025	18,342,469	18,066,327
Utilities	10,624,906	10,870,345	9,430,359	10,403,662	10,409,575
Professional and Other Services	36,637,446	38,752,584	39,388,214	39,500,429	46,010,657
Contract Payments	8,151,553	3,944,266	3,873,995	2,871,102	3,467,000
Refunds and Other	1,717,445	2,537,431	3,880,038	7,411,679	2,661,000
Subtotal Operating	\$ 72,989,207	\$ 74,130,842	\$ 75,097,631	\$ 78,529,340	\$ 80,614,560
Debt Service	46,218,295	46,741,865	47,919,191	48,822,316	43,835,247
Total Operating	\$ 119,207,502	\$ 120,872,707	\$ 123,016,822	\$ 127,351,656	\$ 124,449,807
CAPITAL SYSTEMS (EXCLUDING SALARIES AND BENEFITS)					
Distribution		\$ 45,988,463	\$ 44,231,788	\$ 49,944,602	\$ 50,731,828
Treatment		17,041,914	4,187,962	6,920,910	6,263,855
Collection		15,632,338	15,697,984	14,668,412	20,255,002
Expansion		19,012,293	7,928,722	10,419,697	19,751,500
Operations Support		2,199,025	13,332,813	7,297,075	37,998,002
Subtotal Prioritized Capital Systems		\$ 99,874,033	\$ 85,379,269	\$ 89,250,696	\$ 135,000,187
Information Technology		\$ 1,855,179	4,332,215	8,963,631	5,491,952
Total Capital	\$ 66,650,098	\$ 101,729,212	\$ 89,711,484	\$ 98,214,327	\$ 140,492,139
Total Uses of Funds	\$ 305,579,007	\$ 341,673,656	\$ 334,954,916	\$ 344,018,622	\$ 387,519,289
Cash Balance Adjustment	\$ (4,860,810)	\$ 14,828,489	\$ (983,950)		
Ending Investment Balance	\$ 219,744,000	\$ 234,924,000	\$ 240,889,000	\$ 243,821,691	\$ 231,309,564

*Report may have slight differences due to rounding.

Capital

Capital (Thousands of Dollars)		
Program	Project	2016 Budget
	Marston - Construct Multi Level Outlet Works	\$ 628
	Strontia Springs Dam ERDS Gates Rehabilitation	4,150
	Williams Fork Penstock Slide Gate HPU Modifications	75
	Antero Res Rehabilitation	6,000
	Long Lakes Hydrology and Spillway	-
	System Wide Recreation Improvements	210
	Replace 8-inch Howell Bunger Valve at Gross Reservoir	190
	High Line Canal Diversion Dam Replacement	2,000
	Ralston Dam Outlet Works - Modifications	750
Dams Reservoirs Tunnels Total		\$ 14,003
	Gross Reservoir Expansion	2,000
Gross Enlargement Total		\$ 2,000
	Dillon Hydro Pwr - Hydro Protective Relays Replacement	100
	Roberts Tun E. Portal - EI&C Upgrades & 2nd Hydro Unit	20
	Strontia Springs Hydro-Electrical & Controls Upgrade	120
Hydropower Total		\$ 240
	Vasquez Canal Piping	1,300
	Raw Water Diversion Program	550
	Meadow Creek Outlet Works Renovation	12
	Moffat Tunnel Collection Sys - Jim Creek Siphon	300
	Moffat Tunnel Collection System - Siphon No. 1	1,600
	Abandon the Farmer's & Gardner's Ditch	50
	Conduit 20 Diversion Slide Gate and Electrical Repair or Up	200
	Replace or Rehab Radial Gate at S. Boulder Diversion Dam	-
Raw Water Diversion Total		\$ 4,012
Total Collection System		\$ 20,255

Capital – Collection System

Collection System (Thousands of Dollars)		
Program	Project	2016 Budget
	Marston - Construct Multi Level Outlet Works	\$ 628
	Strontia Springs Dam ERDS Gates Rehabilitation	4,150
	Williams Fork Penstock Slide Gate HPU Modifications	75
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	Moffat Tunnel Collection System - Siphon No. 1	1,600
	Abandon the Farmer's & Gardner's Ditch	50
	Conduit 20 Diversion Slide Gate and Electrical Repair or Up	200
	Replace or Rehab Radial Gate at S. Boulder Diversion Dam	-
Raw Water Diversion Total		\$ 4,012
Total Collection System		\$ 20,255

Capital – Distribution System

Distribution System (Thousands of Dollars)		
Program	Project	2016 Budget
	Conduit 16&22 Replacement	\$ 1,000
	Wise DIA Connection	200
	DIA Conduits & Mains	50
	Conduit 94 Assessment and Repairs	125
	Aerial Crossing Replacements	50
	Replace rectifer on Conduit 96 & 94	15
	Conduit Improvement Program	1,000
	Conduit 62	265
	Conduit 61 - Mississippi & Broadway	880
	Moffat TP Conduit 17 Cleaning and Bypass Slide Gates	60
Conduits Total		\$ 3,645
	Main Improvements	2,400
	Corrosion Control Remote Monitoring	50
	Main Relocations	736
	Main Replacements	8,663
	Fire Hydrant Replacement	816
	Corrosion prevention (cathodic protection)	25
	Replace PRV - misc	100
	Specialized Main Improvements	400
	2015 Rehabilitation	225
	2016 Rehabilitation	4,000
Mains Total		\$ 17,415
	Burlington Ditch Pump Station EAS	5
	64th Ave. Pump Station-Modifications	50
	Belleview Pump Station - Modifications	58
	Cherry Hills Pump Station - Modifications	1,600
	Green Mountain Pump Station - Modifications	36
	Highlands Pump Station - Modifications	600
	Hillcrest Pump Station - Modifications	200
	Einfeldt Standby Generator	35
	Kendrick Reservoir and Pump Station Landscape & Irrigation	195
Pump Stations Total		\$ 2,779
	Replacement of Hillcrest Tanks	12,000
	Replacement of storage reservoirs at Ashland	9,793
Treated Water Storage Total		\$ 21,793
	2015/16 Vault Modifications	2,300
	2016/17 Vault Modifications	1,700
	2017/18 Vault Modifications	100
	DIA Vault Program	1,000
Vaults Total		\$ 5,100
Total Distribuiton System		\$ 50,732

Capital – Expansion System

Expansion System (Thousands of Dollars)		
Program	Project	2016 Budget
	Lupton Lakes Development	\$ 7,400
	Gravel Pit - Howe-Haller & Hazeltine Fencing & Landscaping	1,163
	DRWSP North Complex EI&C	650
	Downstream Reservoir Storage-N. Complex Stormwater Rundowns	22
Downstream Reservoirs Total		\$ 9,235
	Water Rights Investigation & Development Stream Gauging	320
	Water Rights - Maintenance and Evaluation	685
	Mediation Settlement	100
	IRP Project - Strontia Fish Flow Recovery Pump Stn	100
	IRP Project - City Ditch water rights transfer	100
	Four Mile Ranch Wetlands Mitigation Bank Project	25
	WISE Project with Aurora	5,375
	Harvard Gulch Conv to Raw Water Irrig from City Ditch	1,340
New Supply Development Total		\$ 8,045
	Conduit 309 from Havana & 47th St to Central Prk Blvd 56th A	2,321
	Recycled Distribution Program	150
Recycled Total		\$ 2,471
Total Expansion System		\$ 19,751

Capital – Operations Support System

Operations Support System (Thousands of Dollars)		
Program	Project	2016 Budget
	Williams Fork Caretaker House	\$ 1,200
	Construct New Water Quality Facility	600
	DW Operations Complex Redevelopment Plan	29,000
	Gross Induction Unit in Penstock	0
	Northeast Decentralization Station	0
Buildings and Facilities Total		\$ 30,800
	Vehicles & Comm. Motor Vehicles - Replacements & A	7,000
Fleet Total		\$ 7,000
	Specialized Equipment-Adminstration	98
Maintenance Total		\$ 98
	Specialized Equipment-Plant Tools and Equipment	100
Operations Support Total		\$ 100
Total Operations Support		\$ 37,998

Capital – Treatment System

Treatment System (Thousands of Dollars)		
Program	Project	2016 Budget
	Foothills TP Drying Bed Return Flow Pump Station	\$ 560
	Foothills Program	270
	Foothills TP-Replace electrical svc equip & main switch gear	340
	Foothills TP DCB Chemical Feed Lines	250
	Foothills Backwash Modulating Valves Project	250
Foothills Total		\$ 1,670
	Marston Program	375
	Marston WTP - Chlorine scrubbers	350
	Marston Treatment Process Improvements	369
	Marston Treatment Plant PLC Upgrades	142
	Marston TP WQ Testing Platform	100
Marston Total		\$ 1,336
	Moffat Treatment plant Chlorine Scrubber Modifications	350
	Moffat Centrifuge	500
	Moffat Program	179
	Moffat Treatment Plant Filtration Upgrades	210
Moffat Total		\$ 1,239
	North System Renewal Water Treatment Plant Upgrades	1,500
North End Solution Total		\$ 1,500
	Recycle Drying Bed No 5	50
	Recycling Plant Bulk Cemical Containment	100
	Recycling TP-Upgrade PON & POA systems	84
Recycling Total		\$ 234
	WTP Corrosion Control Study	60
	Specialized Equipment-Lab	225
Treatment Total		\$ 285
Total Treatment System		\$ 6,264

Capital – Information Technology System

Information Technology System (Thousands of Dollars)		
Program	Project	2016 Budget
	Control Instrumentation and Telemetry	\$ 1,290
	System Wide RTU Upgrades	150
	Hardware	1,080
	LMS for Plants WTMS Replacement	262
	ORCA Organizational Reporting Communication Alignment Project	2,635
	Mobile for Water Quality	76
Total Information Technology System		\$ 5,493

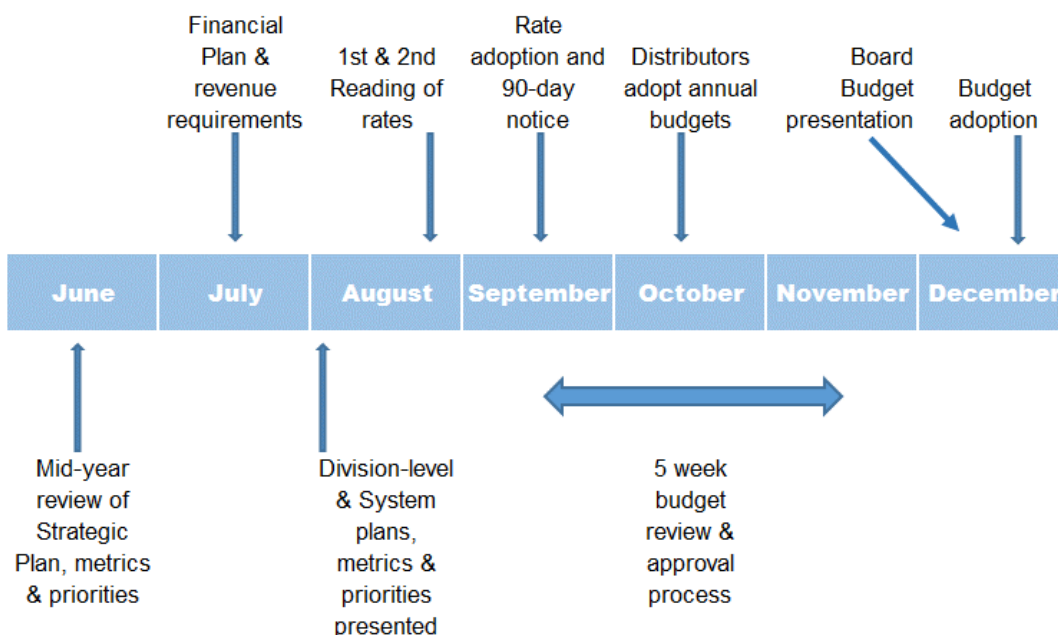
ANNUAL BUDGET PROCESS

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

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

The budget process is initiated by the CEO's review of the financial condition and projections of the organization. This review provides the basis for setting targets and goals that govern the budgeting process. These goals include:

- System and program managers identify capital projects based on strategic priorities, organizational needs, and professional judgment.
- The annual budget is determined using historic actual as a baseline for preparing budgets. Any budget excess over the baseline requires executive justification.
- Strategic Plan alignment. The annual budget is developed in support of Strategic Plan priorities and system and program metrics as developed through the strategic deployment process. The priorities cascade into division priorities and are used to align operating expenses.
- Each Division is provided a budget template in which to prepare and submit their final budgets.
- Throughout the summer, meetings are held with the Executive Team to discuss budget assumptions or changes that have occurred during the process.
- Rates are adopted during the early fall.
- At the Board workshop, the draft budget is presented. Feedback is incorporated into the budget and the final budget is presented to the Board for adoption at a public meeting in December.



SUMMARY OF FINANCIAL POLICES

The Board has established financial policies that constitute the basic framework for the financial management of Denver Water. These policies are intended to assist members of the Board and Denver Water's staff in evaluating current activities and proposals for future programs, and are reviewed on an annual basis and modified to accommodate changing circumstances or conditions. Where applicable, copies of the financial policies are included in the appendix at the end of this document. A summary of these policies is presented below:

Balanced Budget:

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

Cash Reserves:

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

The Board's practice is to maintain reserves that are sufficient to provide:

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

Basis of Accounting:

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

Accounting Standards:

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

Chart of Accounts:

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

SUMMARY OF FINANCIAL POLICES CONTINUED

Capital Policy:

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

Revenues:

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

Expenditures:

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

Risk Management:

The Board is exposed to various risks of loss, including general liability (limited under the Colorado Governmental Immunity Act to \$350,000 per person and \$990,000 per occurrence), property damage, employee life, medical, dental, and accident benefits. The Board has a risk management program that includes self-insurance for liability, employee medical, dental and vision. The Board carries commercial property insurance for catastrophic losses, including floods, fires, earthquakes, and terrorism for identified major facilities.

Investments:

The Board established an Investment Policy for funds not needed for current operations and delegated its authority to invest these funds to the Director of Finance. The Investment Policy establishes the investment objectives, the standards of care, broker and dealer requirements, custody and safekeeping requirements, permitted investments, and investment parameters. The primary objectives, in order of priority, are safety of principal, liquidity, and yield.

Debt Policy:

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

Fund Structure

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

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

Although the Board approves the rates and the annual budget, no funds are appropriated. Fund Balance: Denver Water defines fund balance for the Water Works Fund as the balance at the beginning of the period, plus the total sources of funds, less total uses of funds for the period. Within the Water Works Fund there are legally restricted funds and Board designated funds. As outlined above, the Board targets reserves to pay for operating, capital, self-insurance and debt service in an emergency, in addition to the restricted and designated funds. Any excess funds above these target amounts are considered available for future operating and capital projects.

2015 Investment Balance Summary	
(\$000)	
	2015 Actual
Beginning Balance 01/01	\$ 234,924
Total Sources	\$ 341,904
Total Uses	\$ 334,955
	<u>\$ (984)</u>
Ending Investment Balance 12/31	\$ 240,889
Less: Board Designated Cash	
Blue River Decree Litigation	<u>\$ 4,777</u>
Total Board Designated Cash	\$ 4,777
Bond Reserve	\$ 8,636
Available Investment Balance	\$ 227,476
Less: 50% of next years annual debt service minus Bond Reserve	\$ 24,313
Less: Operating/Insurance Reserve (25% of Operating + \$10,000,000)	\$ 53,241
Less: Part II/III Capital Reserve (Greater of Average Amortization or 2% of Capital less Depreciation)	\$ 57,954
Available for Future Operating & Capital	\$ 91,968

Debt Information

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

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

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

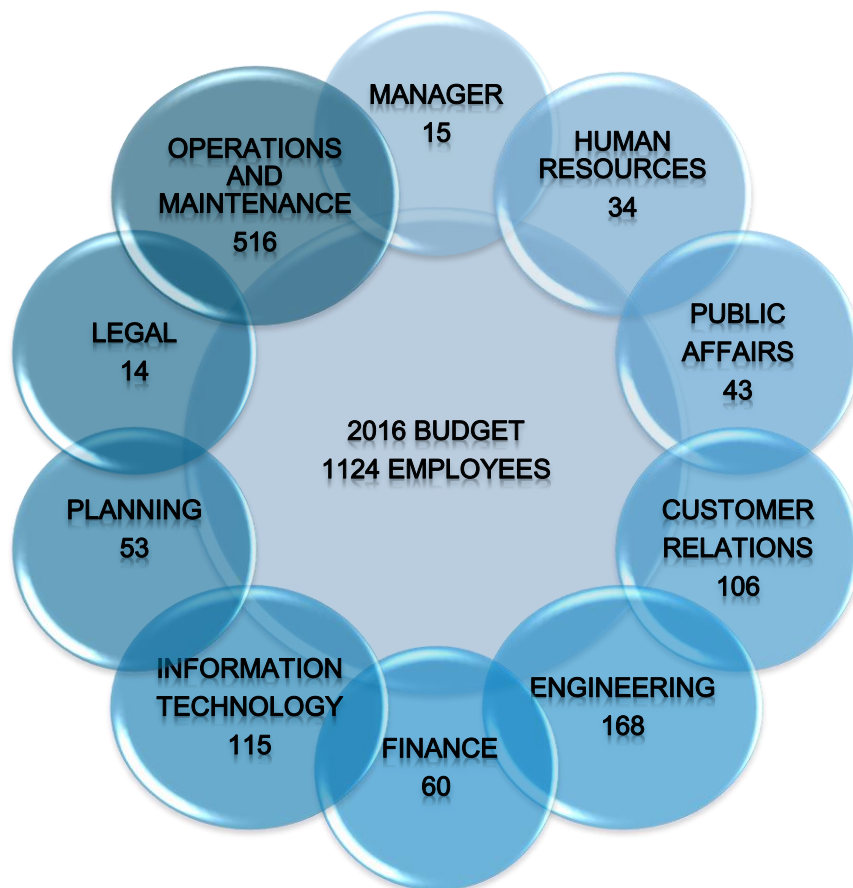
One of the objectives of Denver Water’s Debt Policy is to maintain a revenue bond rating at Aa/AA or better by the major rating agencies. In order to maintain or exceed this rating, Denver Water uses the following guidelines in its financial planning activities:

- a. The Debt Ratio (Total Debt divided by the sum of net fixed assets plus net working capital) should not exceed 40%.
- b. Water rates are established to provide Net Revenues sufficient to produce Annual Debt Service Coverage 1.8x to 2.00x.

Debt Principal and Interest Obligations (in millions of dollars)

Year	Principal	Interest	Total
2016	\$ 23.8	\$ 17.5	\$ 41.3
2017	\$ 18.2	\$ 16.3	\$ 34.5
2018	\$ 15.4	\$ 15.4	\$ 30.8
2019	\$ 13.7	\$ 14.6	\$ 28.3
2020	\$ 13.2	\$ 14.0	\$ 27.2
2021	\$ 13.4	\$ 14.3	\$ 27.7

ORGANIZATION



REGULAR EMPLOYEES

Section	2013 Actual	2014 Actual	2015 Actual	2015 Budget	216 Budget
Manager & Staff	11	15	15	15	15
Human Resources	25	32	32	34	34
Public Affairs	39	37	37	41	43
Customer Relations	104	100	100	106	106
Engineering	166	164	164	170	168
Finance	58	57	57	60	60
Information Technology	81	91	91	95	115
Planning	50	49	49	53	53
Legal	14	13	13	14	14
Operations & Maintenance	518	505	505	531	516
Total	1066	1063	1063	1119	1124

Board of Water Commissioners

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

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

Greg Austin, President

John Lucero, First Vice President

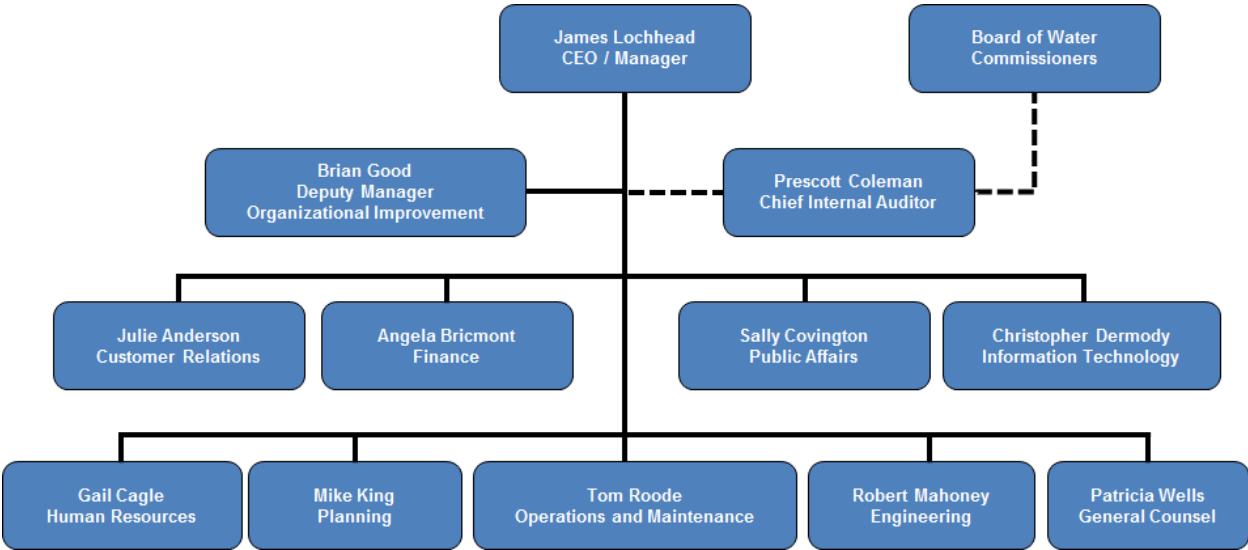
Penfield Tate III, Vice President

Thomas A Gougeon, Vice President

Paula Herzmark, Vice President

Denver Water Organization

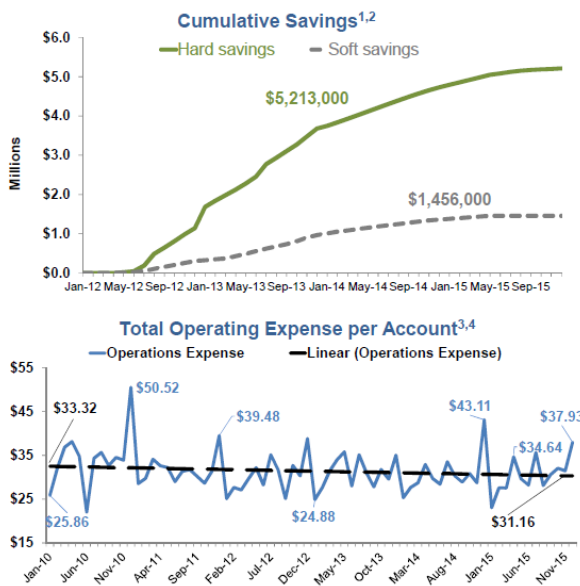
Denver Water is run by a five-member Board of Water Commissioners, which is charged with ensuring a continuous supply of water to the people of Denver and Denver Water’s suburban customers. The Board designates a CEO/Manager to execute its policies and orders. Reporting to the CEO/Manager are the directors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



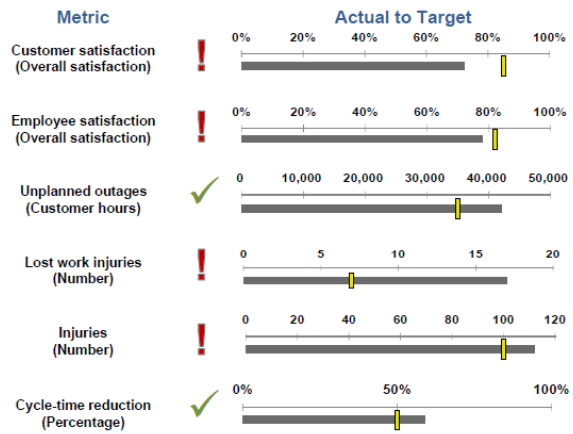
DENVER WATER TRUE NORTH METRICS



True North Metrics through December 2015



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



Notes

- ¹Full time equivalent savings are counted on a monthly basis.
- ²Soft savings are an indicator of organizational efficiency and not of specific future hard dollar savings.
- ³Contract, retirement, debt and miscellaneous expenses not part of normal operations and overhead allocations were excluded.
- ⁴Adjusted for inflation

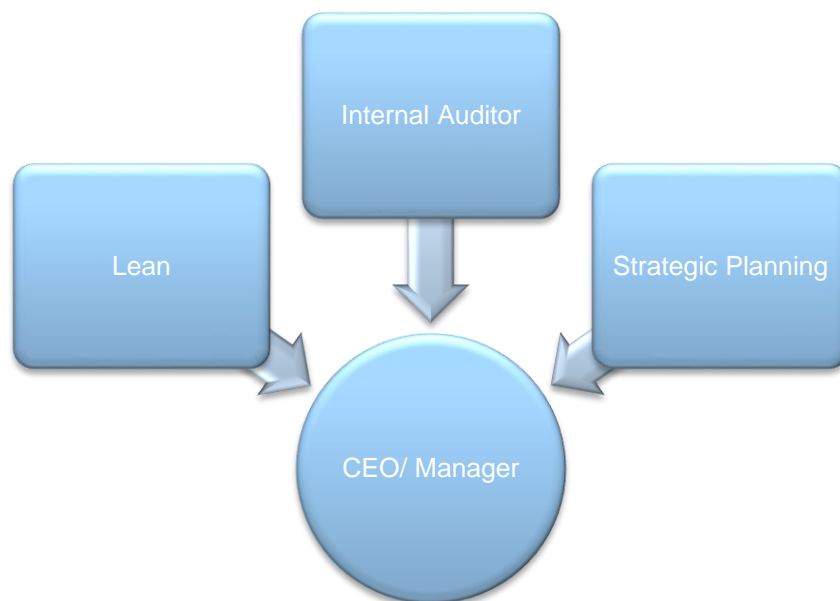
CEO/MANAGER DIVISION 15 EMPLOYEES

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

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

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

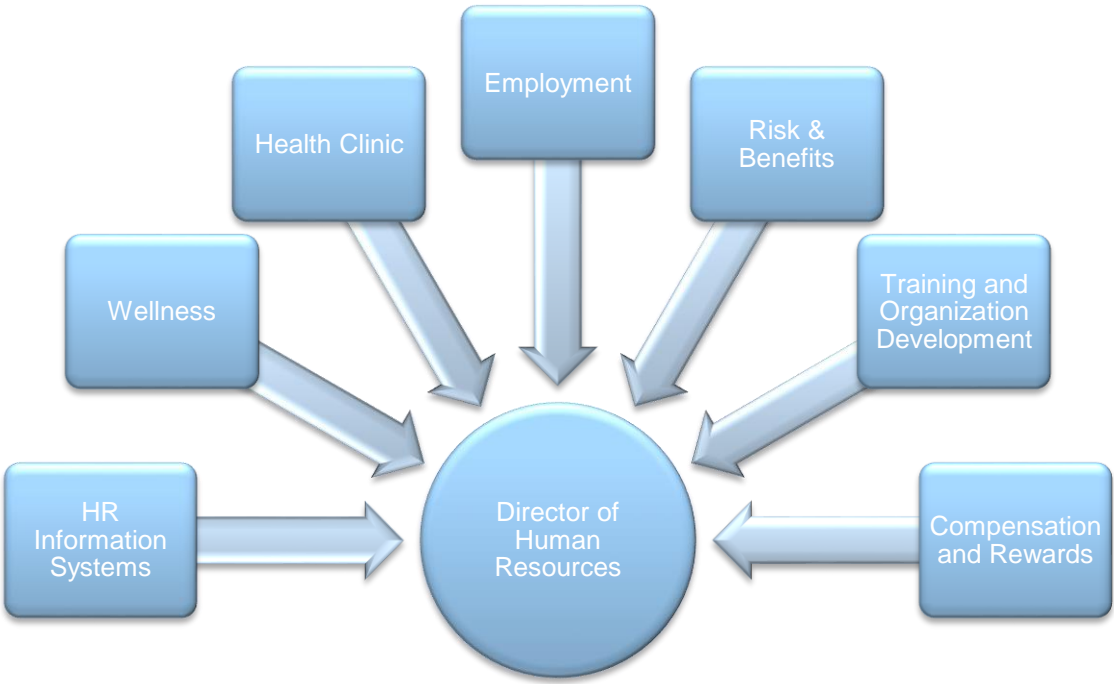
Eight division directors, the general counsel, the internal auditor and the deputy manager of organization improvement report directly to the CEO/Manager.



HUMAN RESOURCES DIVISION

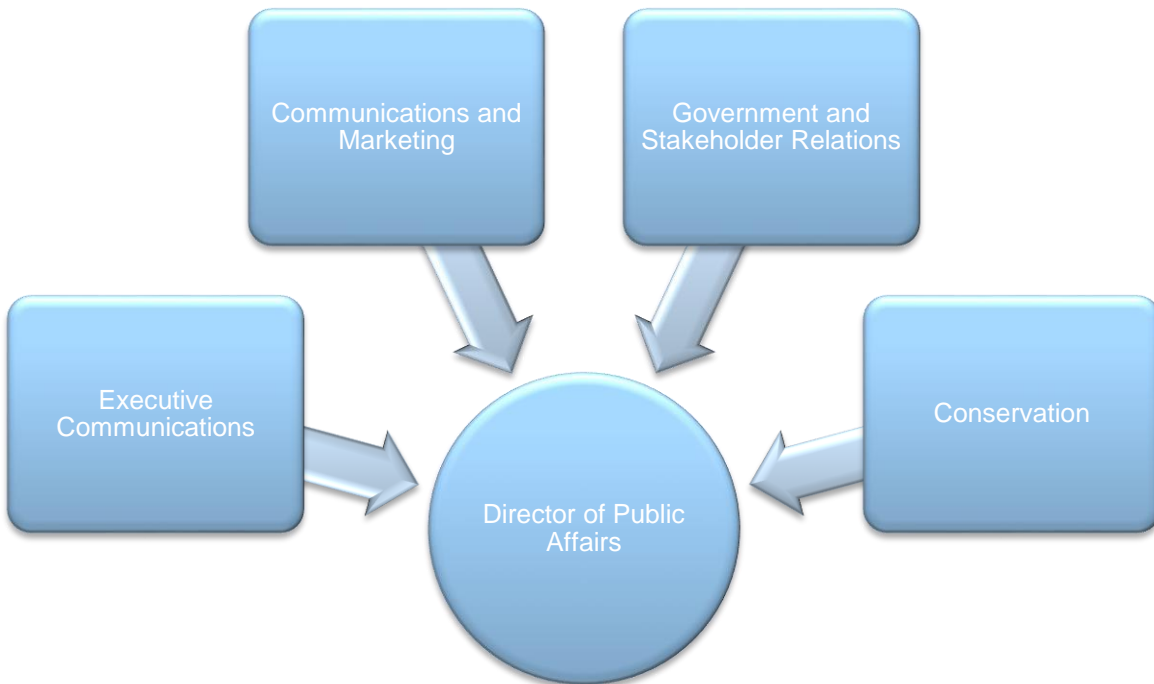
34 EMPLOYEES

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



PUBLIC AFFAIRS DIVISION 43 EMPLOYEES

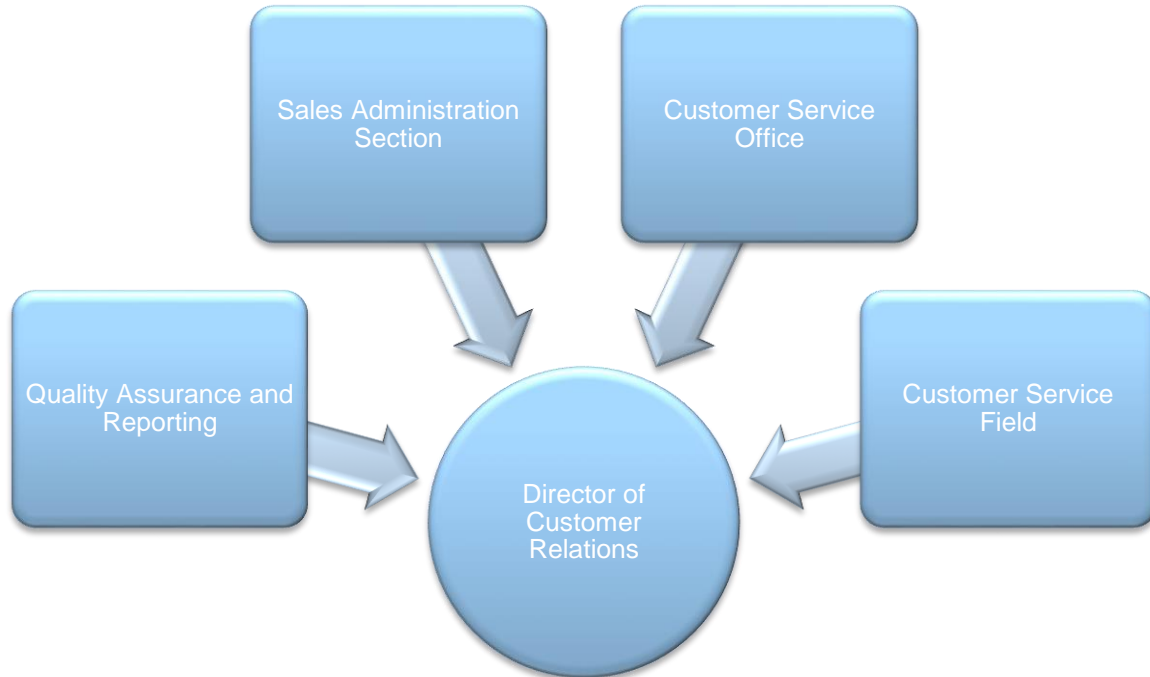
Under the direction of the CEO/Manager, the Public Affairs division develops and maintains strategically effective relationships with a broad range of publics, including customers, stakeholders, governments, communities, news and social media, youth education, related organizations and employees. The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



CUSTOMER RELATIONS DIVISION

106 EMPLOYEES

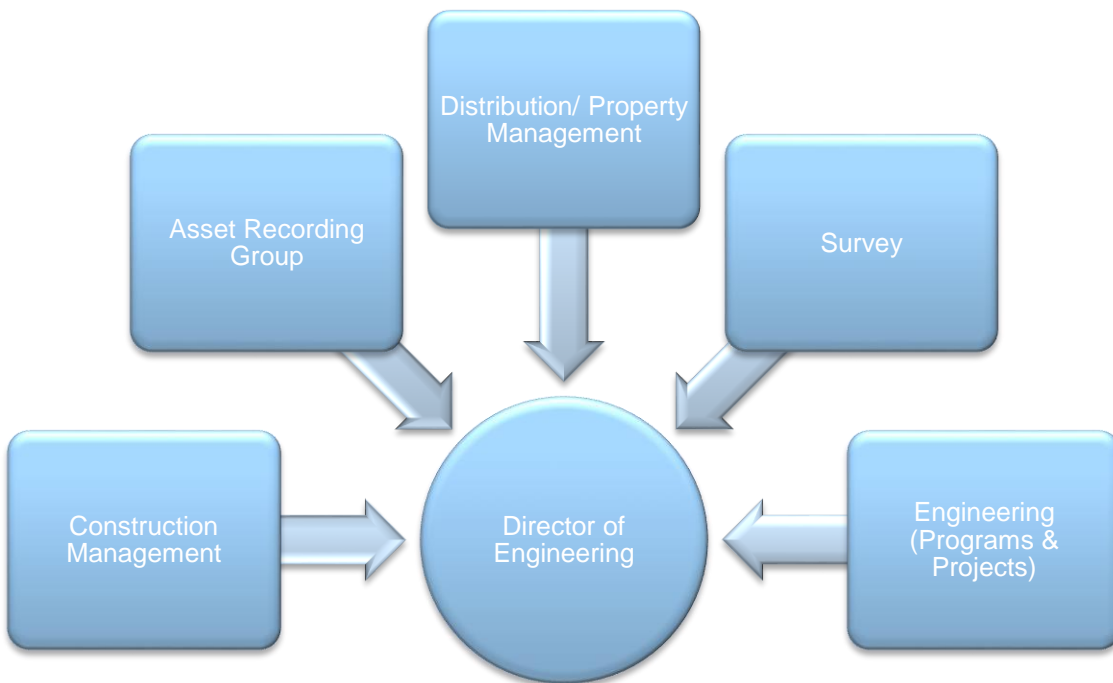
Under the direction of the Manager/CEO, the Customer Relations Division promotes a customer-centric approach that spans the customer's lifecycle at Denver Water. Working closely together within the sections, the division plays a significant part in driving continuous process improvement that ensures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



ENGINEERING DIVISION

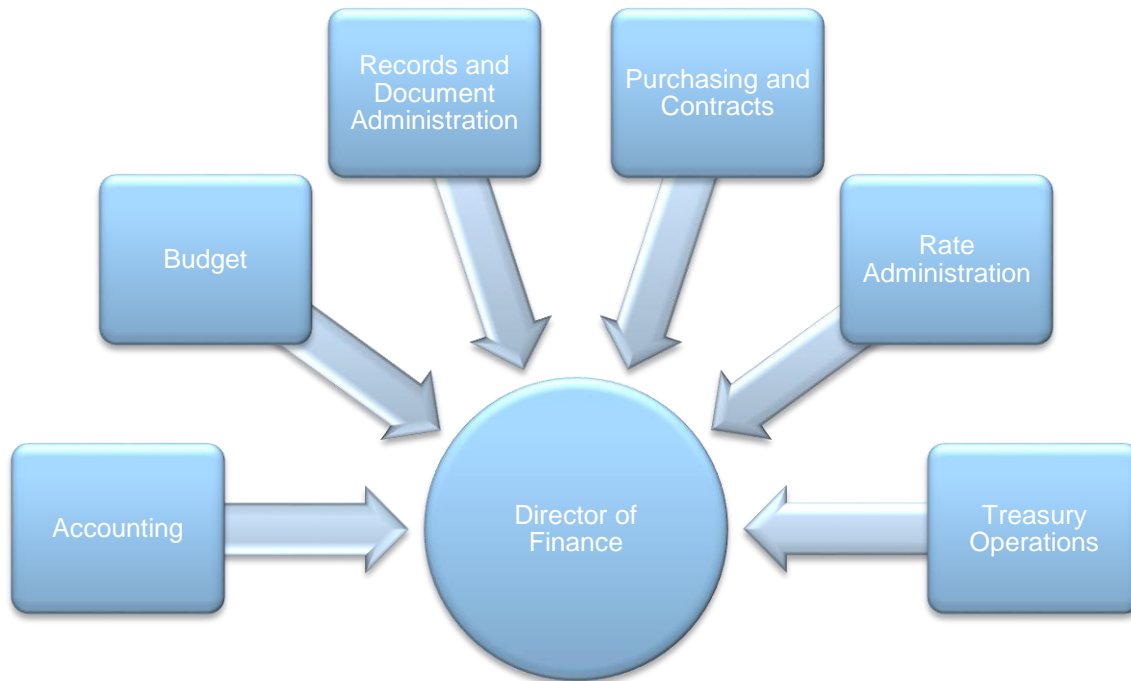
168 EMPLOYEES

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



FINANCE DIVISION 60 EMPLOYEES

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



INFORMATION TECHNOLOGY DIVISION

115 EMPLOYEES

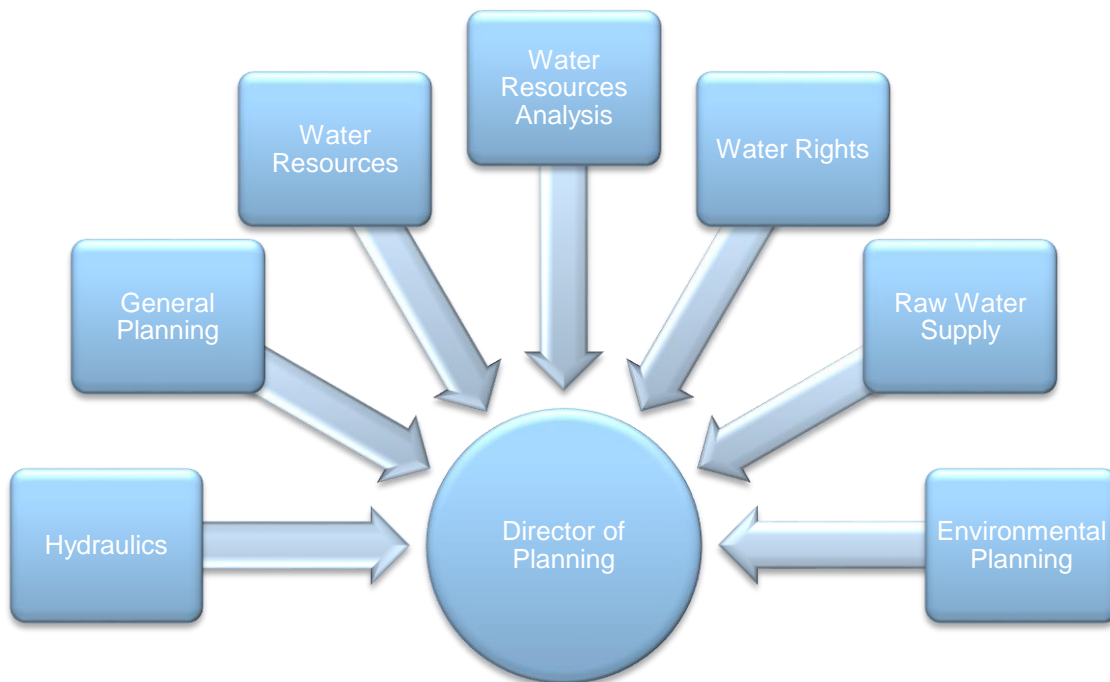
Under the direction of the CEO/Manager, the Information Technology Division develops, implements and supports computer applications, data-center operations, and the technology infrastructure for Denver Water. This involves identifying and implementing appropriate technologies to meet the business needs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



- Director of Information Technology
- Business Intelligence
- Customer Information Systems
- Enterprise Resource Planning
- Enterprise Content Management
- Geospatial Asset Management
- Operational Asset Management
- Project Management Office
- Enterprise Integration
- Infrastructure & Technology
- Support Services
- Information Security Office
- Administration & Operations
- Human Capital Management Team
- Network Services
- Industrial Control Systems

PLANNING DIVISION 53 EMPLOYEES

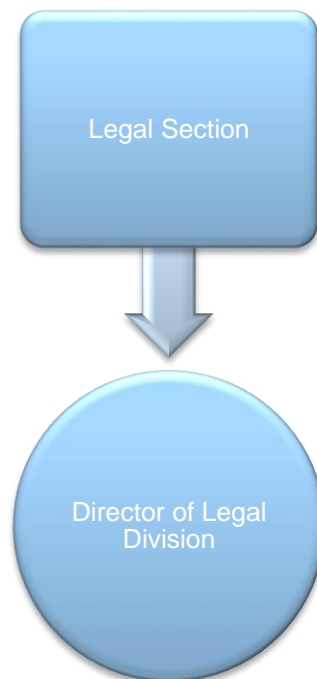
The Planning Division identifies the future water and facilities needs of Denver Water and develops strategies for meeting those needs. As it plans for the future, Planning must consider how new water rights, infrastructure and resource management alternatives will work with the Board's existing raw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



LEGAL DIVISION 14 EMPLOYEES

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

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



OPERATIONS & MAINTENANCE DIVISION

516 EMPLOYEES

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

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



ACRONYMS AND GLOSSARY

For additional glossary terms:
www.denverwater.org/AboutUs/GlossaryofTerms

Acronyms A-E

ACP

Accelerated Conservation Plan

AF

Acre-Foot

AMWA

Association of Metropolitan Water Agencies

BABS

Build America Bonds

BPPI

Budget and Planning Process Improvement

CAFR

Comprehensive Annual Financial Report

CBSM

Community Based Social Marketing

COP

Certification of Participation

CIP

Capital Improvement Plan

CIS

Customer Information System

CPR

Capital Program Review

CWA

Clean Water Act

DIA

Denver International Airport

ECMS

Enterprise Content Management System

EIS

Environmental Impact Statement

EPA

Environmental Protection Agency

EMS

Environmental Management System

ERT

Encoder Receiver Transmitter

ETMS

Enterprise Time Management System

Acronyms F-Z

FERC

Federal Energy Regulatory Commission

FRICO

Farmers Reservoir & Irrigation Company

GAAP

Generally Accepted Accounting Principles

GAD

Gallons Per Account Per Day

GASB

Governmental Accounting Standards Board

GIS

Geographic Information System

G.O. Bonds

General Obligation Bonds

IRP

Integrated Resource Planning

MGD

Millions of Gallons Per Day

NARUC

National Association of Regulatory Utility Commissioners

NEPA

National Environmental Policy Act

NRCS

Natural Resource Conservation Service

NWRS

National Water Resource Association

OPEB

Other Post-Employment Benefits

RIE

Rapid Improvement Event

RCRA

Resource Conservation and Recovery Act

PACSM

Platte and Colorado Simulation Model

POS

Point of Service

SDBE

Small Disadvantaged Business Enterprise

SMWBE

Small Minority Women Business Enterprise

VSA

Value Stream Assessment

WISE

Water Infrastructure Supply Efficiency Partnership

WUWC

Western Urban Water Coalition

Glossary

A3

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

accounting standards

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

acre-foot

Volume of water equal to one foot in depth covering an area of one acre, or 43,560 cubic feet; approximately 325,851 gallons. One acre-foot is roughly the amount needed to serve 2.5 families each year.

annual yield

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

average winter consumption

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

balanced budget

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

basis of accounting

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

block

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

Blue Belt

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

bonds

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

budget

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

capital expenditure

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

capital improvement plan

Details projects and equipment purchases and provides prioritization, scheduling and financing options.

capital leases

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

capital policy

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

cash flow adjustment

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

cash reserves

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

certificate of participation

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

chart of accounts

The chart of accounts used by Denver Water generally follows the structure presented by the National Association of Regulatory Utility Commissioners for Class A Water Utilities .

Clean Water Act

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

conduit

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

contract payments

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

corporate culture

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

cost control center

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

Customer Information System

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

debt guidelines

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

debt service

Principal and interest on debt and payments under capital leases.

demand side management

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

direct materials

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

disbursements

Money paid out for expenses, liabilities or assets.

discretionary employee

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

division

Largest organizational unit reporting to the CEO/Manager.

employee benefits

Employee benefits are expenditures paid by Denver Water for worker's compensation, social security, retirement, employee assistance program, health and other insurances. It does not include employee withholdings or unemployment insurance.

EPA Section 319

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

encoder receiver transmitter

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

expenditures

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

fund

An accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities or government functions. By charter, Denver Water is reflected in the city's financial statement in a single fund known as the water works fund.

fund balance

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

general equipment

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

general obligation bonds

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

Geographic Information System

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

goals

Overall end toward which effort is directed.

Governmental Accounting Standards Board

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

gross revenue

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

hydropower

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

infill

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

integrated resource planning

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

interest requirements

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

investment balance

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

introductory employee

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

investments

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

just-do-its

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

Lean

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

lease payments

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

long-term debt

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

Managing for Daily Improvement

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

master plan

Expenditures identified by projects and activities that are necessary to accomplish Denver Water's overall operating goals and objectives. The master plan, or program budget, is divided into a capital work plan and an operations and maintenance work plan.

master plan item

A specific activity or project that is identified in the master plan.

Maximo

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

mobile workforce

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

modified accrual basis

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

municipal water utilities

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

net revenues

Gross revenue less operating and maintenance expenses.

nonoperating revenue

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

nonpotable

Water not suitable for drinking. (See also potable)

objectives

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

operating reserves and restricted funds

The amount of cash and invested funds available at any point in time. The balance is the water works fund as defined in this glossary.

operating revenue

Revenue obtained from the sale of water.

operation and maintenance work plan

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

other expenditures

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

other services

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

participation agreement

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

potable

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

principal and interest requirements

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

professional services

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

program

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

program budget

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

program element

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

project employee

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

rapid improvement event

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

raw water

Untreated water.

recycled water

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

refunds

Includes system development charge refunds and customer refunds.

regular employee

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

regular pay

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

reservoir

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

revenues

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

risk management

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

Safe Drinking Water Act

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

stores issues

Includes materials and supplies issued from inventory, as well as fuel and oil for vehicles and equipment

strategic plan

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

system development charges

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

tap

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

temporary employee

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

type of expenditure

A classification of resources or commodities that will be budgeted and charged to projects and activities by cost control centers.

utilities and pumping

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

value stream assessment

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

warehouse purchases

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

water conservation

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

water revenues

Revenues generated through billing process from the sale of water.

water works fund

A fund into which are placed all revenues received for the operation of the water works system and plant together with all money coming into the fund from other sources. The city charter creates the water works fund, in which all activities of Denver Water are reported in the city's financial statements. All revenues and expenditures of Denver Water flow through the water works fund. The balance of the water works fund is referred to in this budget document as the designated balances, capital and land sales account.

APPENDIX



DENVER WATER STRATEGIC PLAN



Denver Water's Strategic Plan

This Strategic Plan lays the foundation for Denver Water's future by establishing our vision, defining our core values, and outlining our mission, strategic perspectives, goals and priorities. It is an enduring document, characterizing an organization that will evolve to meet the ever-changing circumstances and challenges of tomorrow.

Above all, this Strategic Plan will inform our decisions, guide our actions, and inspire us to build on the legacy of what our predecessors created for our customers so Denver Water will continue to be capable of meeting the needs of future generations.

To accomplish this result, this plan must be more than words on paper — it must be internalized, systemized and made real every day, in everything we do.

Our Vision

Denver Water aspires to be the best water utility in the nation.

Since 1918, the employees of Denver Water have sustained a world-class metropolitan area with a semi-arid climate at the base of the Rocky Mountains. We manage a resource essential to human life, a resource necessary for economic development and one that creates beauty and recreational opportunities. Yet we depend on complex and fragile natural systems that are affected both by people and by events beyond our control.

Our responsibility is to provide — in perpetuity and without fail — a reliable, high-quality and affordable supply of water for our customers. But that responsibility will be ever more complicated and unpredictable.

We face known challenges that include population growth; increasingly interdependent regional economies; climate change; increased competition for water resources; security threats; changing economic, regulatory and political environments; an evolving workforce; and the need to protect our watersheds and the natural environment.

We also must be prepared to adapt to unforeseen trends and events that can be sudden and transformational. Meeting these challenges requires us to broaden our view beyond the scope of traditional water utility planning. We must build awareness that our system is more than its infrastructure — it also includes the watersheds and river systems that provide the source of our supply, and the communities and interests with whom we interact.

Water is a scarce resource, and we must continue our commitment to its most efficient use and reuse. We must be creative in how we manage its development, collection, storage, treatment and distribution. And we must maintain our financial strength while delivering cost-effective, reliable and responsive service to our customers. Many of Denver Water's facilities were developed nearly 100 years ago and, while well-constructed, must be maintained, upgraded and replaced in accordance with engineering and technological innovations and evolving government regulation.

More than ever before, we must lead regional, statewide, river basin and national initiatives to further the security of our water supply. We must collaborate with the City and County of Denver, neighboring municipalities and the business community to help shape a vibrant metropolitan area, and work with Colorado's agricultural and environmental communities, Western Slope interests, and local, state and federal agencies to develop regional, statewide and national strategies for sustainable water supply development and management.

We will manage Denver Water and our water supply — and we will interact with the land, water resources and communities we affect — in ways that provide the best possible results for our customers, our neighbors and the environment.



We will create a workplace environment and maintain a workforce focused on our vision of becoming the best water utility in the nation. To achieve that vision, we will possess three principal characteristics:

• We will be a strategy-driven organization —

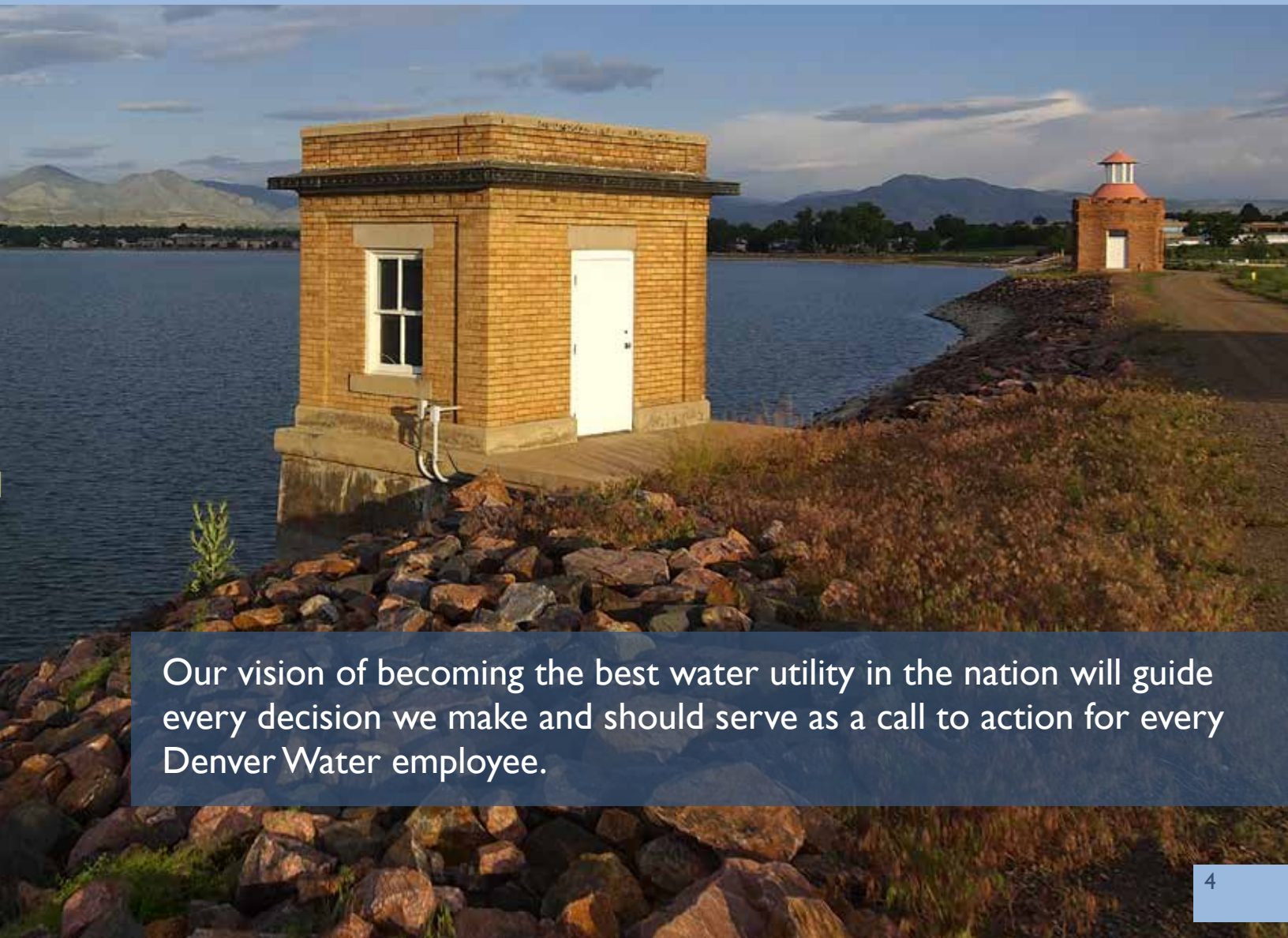
We will focus clearly on accomplishing our most important goals and priorities in ways that reflect our core values.

• We will be nimble and adaptable —

We will have the ability to quickly apply our knowledge to strengthen our system and solve problems.
We will not be afraid to take calculated risks.

• We will be accountable and responsible —

We will continually earn the trust of our customers and the public by doing the right thing.



Our vision of becoming the best water utility in the nation will guide every decision we make and should serve as a call to action for every Denver Water employee.

Our Values

Our values are at the heart of everything we do. They mirror who we are. They inform and inspire our work. They are foundational to reaching our vision.

Our values must be evident in how we treat our customers and external stakeholders, and each other. In short, these values reflect our leadership, and underlie everything we do both as employees and as an organization.

To become the best water utility in the nation, every employee should understand that we expect behaviors that reflect our values. And each of us should be held accountable to these values in what we do and how we treat others.



Our culture is a combination of these values, our experiences, our rich history and our common mission. These values are more than words; they are the aspirations that guide us every day, lead us to the future and provide a measure against which we can hold ourselves accountable.

VISION

We will honor the legacy of Denver Water in doing what those before us have done — free our minds to think of what is possible in the future and not be constrained by what has or has not worked in the past. We recognize that what we do today impacts what we do tomorrow. So, we will anticipate — whether the timeframe is five minutes, five years or five decades. We will take actions to be prepared. We will take initiative. We will not be afraid to take calculated risks. We will be nimble and adaptable.

RESPECT

We will listen to, honor and value each other, our customers, our stakeholders, our environment, and the assets, equipment and tools we use. We will take time to thank each other and acknowledge the importance of work done by others. We will earn respect by acknowledging and validating the rich and diverse experiences and backgrounds of others and by always acting in a fair, thoughtful and non-judgmental manner.

INTEGRITY

In all our endeavors we will act in the public interest with honesty, candor and high ethical standards. Our word is our bond — there are no hidden agendas. We will be accountable for our successes as well as our failures. Our credibility will foster trust.


EXCELLENCE

Our ability to deliver on our mission requires consistent high-quality service every single day, and also work that will last for decades. Therefore, in all we do every day, there is only one standard: to perform as individuals and as teams to be the best in every aspect of our operations. We will do so with creativity, courage and adaptability consistent with our Vision.

PASSION

We are focused on mastering our craft and offering superior value to our customers. We will do so with energy, commitment, positive attitude, continuous improvement, exceeding expectations, pride in our work, and openness to new ideas, opportunities and direction.

Our Mission



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

Strategic Perspectives

WE WILL MEET OUR MISSION BY FOCUSING ON FOUR STRATEGIC PERSPECTIVES:

- **CUSTOMER:**
Assure that we have satisfied and supportive customers.
- **FINANCIAL:**
Maintain a financially-strong and stable organization.
- **ORGANIZATIONAL:**
Build an effective, efficient and strategically driven organization.
- **EXTERNAL:**
Establish strategically effective relationships and reputation.



Customer Perspective

Desired Outcome — Satisfied and supportive customers



An excellent collection, treatment and delivery system

- :: Reliable infrastructure
- :: All drinking and recycled water regulations are met or surpassed
- :: Margins of safety and security in system operations that ensure resiliency
- :: Watersheds are protected

A customer-centric approach at all levels of the organization

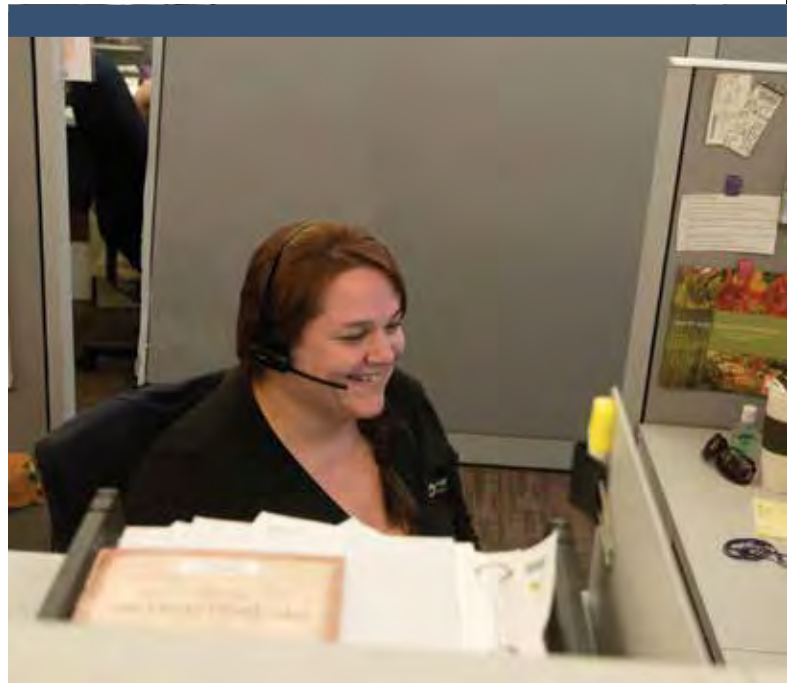
- :: Outstanding customer service
- :: Customer and stakeholder interaction that is open, honest, effective and productive
- :: Strong relationships with our distributors
- :: Awareness of customer affordability issues
- :: Effective customer communication and education
- :: Address rate equity issues among customer classes, including the rationale for any differences
- :: Current research and knowledge about our customers and their water needs and habits

Meet future water needs of our customers

- :: Diverse, flexible and resilient supply sources
- :: Visionary, adaptable, long-range planning approach
- :: Appropriate margins of safety including a drought plan and strategic water reserve
- :: Participation in cooperative/collaborative regional projects

Efficient water use and conservation

- :: Water conservation and other demand-management techniques integral to our future
- :: Educated and engaged customers are partners in the wise use of water
- :: A water-efficient system
- :: Lead by example in our water-usage practices



Financial Perspective

Desired Outcome – A financially strong and stable organization

Excellent short and long-term financial health

- :: Rates and fees evaluated annually to maintain fiscal health, comply with the City Charter, and provide good value for customers
- :: Sound financial performance targets and cash reserves
- :: Optimize funding sources

Maintain the public's trust by spending money wisely

- :: Strong financial governance and controls
- :: Develop a “spend only what you need” culture
- :: Timely and transparent financial reporting to customers

Budgeting and spending driven by strategic priorities

- :: A budget process that aligns spending with strategic priorities to drive and control spending
- :: Employees are engaged in the budgeting and spending processes with timely and accurate reporting at the appropriate levels



Organizational

Desired Outcome – An effective, efficient and strategically driven organization



Leadership that maintains a strategic focus and strengthens management practices at all levels

- :: A close working relationship between the Board and Executive Team founded on clarity about their respective governance roles and responsibilities
- :: An Executive Team focused on leading and managing the organization while ensuring that their divisions perform highly
- :: Leadership at multiple levels that is capable of and accountable for achieving the Board's goals
- :: A managerial environment that empowers and supports decision making at appropriate levels
- :: Clear internal management and accountability that strategically align policies, procedures, priorities, projects and implementation
- :: Awareness and information sharing about best practices that may improve performance

A collaborative, healthy, highly capable, motivated workforce

- :: Every employee understands, and is prepared to perform, his/her individual role in fulfilling the mission and enhancing Denver Water's reputation
- :: Human resource capabilities and actions that are strategically aligned to attract, grow and retain the needed talent and skills
- :: A work culture that respects the expertise in each department while encouraging greater cross-departmental collaboration, teamwork and decision making
- :: Excellent employee communication and a clear, smooth information flow throughout the organization
- :: An employee base that strengthens Denver Water through its diversity
- :: A work environment that enhances employee well-being by promoting safety and health in all we do





A flexible organization, capable of adapting to future challenges and opportunities

- :: An organizational structure that advances our strategic goals and is adaptable to changing work demands
- :: A workforce that is multi-talented, adaptable to changing work demands, and efficient in how we perform our work
- :: An easy-to-use knowledge and information-sharing capability

Business processes and assets that increase our efficiency and effectiveness

- :: Cost-effective asset, operational and resource management
- :: Appropriate technologies that enhance our ability to achieve Denver Water's business objectives
- :: Appropriate consistency in business processes and policies across the organization

Be environmentally responsible in delivering on our mission

- :: Conduct business in a manner that reflects our role as a responsible manager of natural resources, is sustainable and respects the environment
- :: System management that respects the multiple uses of our resources
- :: Proactive management of our properties to improve our operations and the areas around them

Appropriate risk management for our system and operations

- :: A structured approach to assess and appropriately mitigate and prepare for risks related to disasters, data, infrastructure and public safety
- :: Employees understand their individual responsibility to help minimize risk



External Perspective

Desired Outcome – Strategically effective relationships and reputation

An excellent reputation

- :: Define our brand reputation and manage our actions to achieve it
- :: Demonstrated adherence to ethics and public accountability
- :: A strategic approach to our organizational and individual involvement in civic, community, state and national organizations
- :: Strengthen our issues-management process

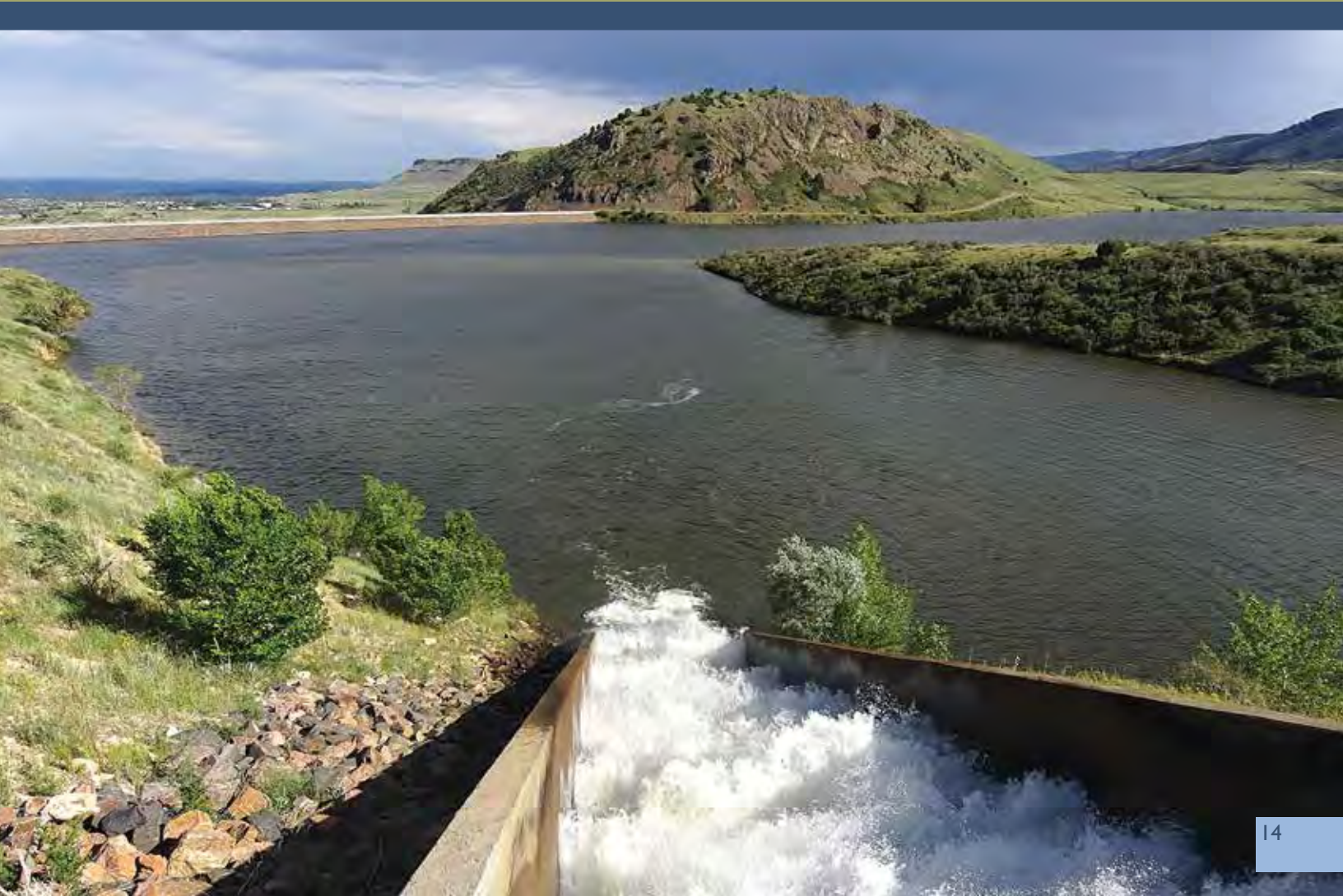
Relationships that are managed to achieve our strategic objectives

- :: A strategic approach to prioritizing and investing in our external relationships
- :: Information of strategic importance is evaluated at appropriate levels of the organization and considered in the decision process
- :: Local businesses are supported as appropriate
- :: Strong and effective relationships with government officials at the local, regional, state and national levels
- :: Close coordination with the City of Denver as a key partner and customer
- :: Strong relations with media – especially in Denver and in areas where we have customers, facilities or watersheds

Play a key role in issues important to our success

- :: Active engagement in forums and organizations that influence Denver Water's central issues
- :: Advocate the interests of Denver Water and our customers in legislative and regulatory matters
- :: Play a leadership role on important issues when it is appropriate and effective







DENVER WATER

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Operations Complex Redevelopment (OCR) Fact Sheet

Overview: During the next five years, Denver Water's Operations Complex will be redeveloped to provide a more efficient, publicly accessible and sustainable headquarters. There are 16 buildings on 34.6 acres on site including equipment shops, fleet maintenance, warehouses, trade buildings and space for pipe and materials storage.

Construction Launch: Winter 2015

Estimated Project Timeline:

- Phase 1: Winter 2015-16 - Summer of 2017: focus on operational facilities
- Phase 2: Summer 2017 - Fall of 2019: focus on admin building and parking garage

Contractors:

- Trammel Crow is the owner's representative and will manage the project for Denver Water
- Mortenson is the general contractor for the project
- RNL Design is the architect and will use Lean event results to inform design concepts

Reasons for the project:

- **Modernization:** Most buildings are outdated, inefficient and inadequate to support the future demands of providing water service to our community. It is more cost-effective to rebuild rather than renovate.
- **Efficiency:** The new layout will improve traffic flow and take advantage of matching functions with building adjacencies, thus improving the overall efficiency of our operations.
- **Accessibility:** The new campus will be more accessible to the public and provide more opportunities for education and outreach.
- **Sustainability:** The new campus will focus on sustainability, designed to incorporate LEED certification, solar energy, educational demonstrations of net zero energy and leading-edge concepts around the management of all water sources.

Budget:

- Denver Water's Board of Commissioners has approved a budget of \$195 million for the project.
- The project is part of Denver Water's Capital Plan. Most capital expenses are debt-financed over time to ensure minimal impacts to ratepayers.

Parking:

- Starting in 2016, construction activities will claim most parking areas around the Admin Building.
- Operations Complex employees may need to park further away in newly-configured parking lots for most of the construction phases.
- The OCR Leadership team is reviewing locations and options for employee parking during construction. Decisions on parking operations will come later in 2015.
- Employees are encouraged to examine alternate transportation options now.



ORCA (Organizational Reporting and Communications Alignment)

What is ORCA?

The ORCA (Organizational Reporting and Communications Alignment) project objectives will provide consistent, accurate, timely budget and actual financial information to everyone at Denver Water who is accountable for budgeting and spending. ORCA is a three-increment approach to implementing changes to our systems for budget management, financial management, and work management.

Why ORCA?

Currently, Denver Water has multiple systems with varying versions of the financial data structure. The financial data structure is the foundation for Denver Water's financial record keeping system. ORCA will simplify and streamline the financial data structure.

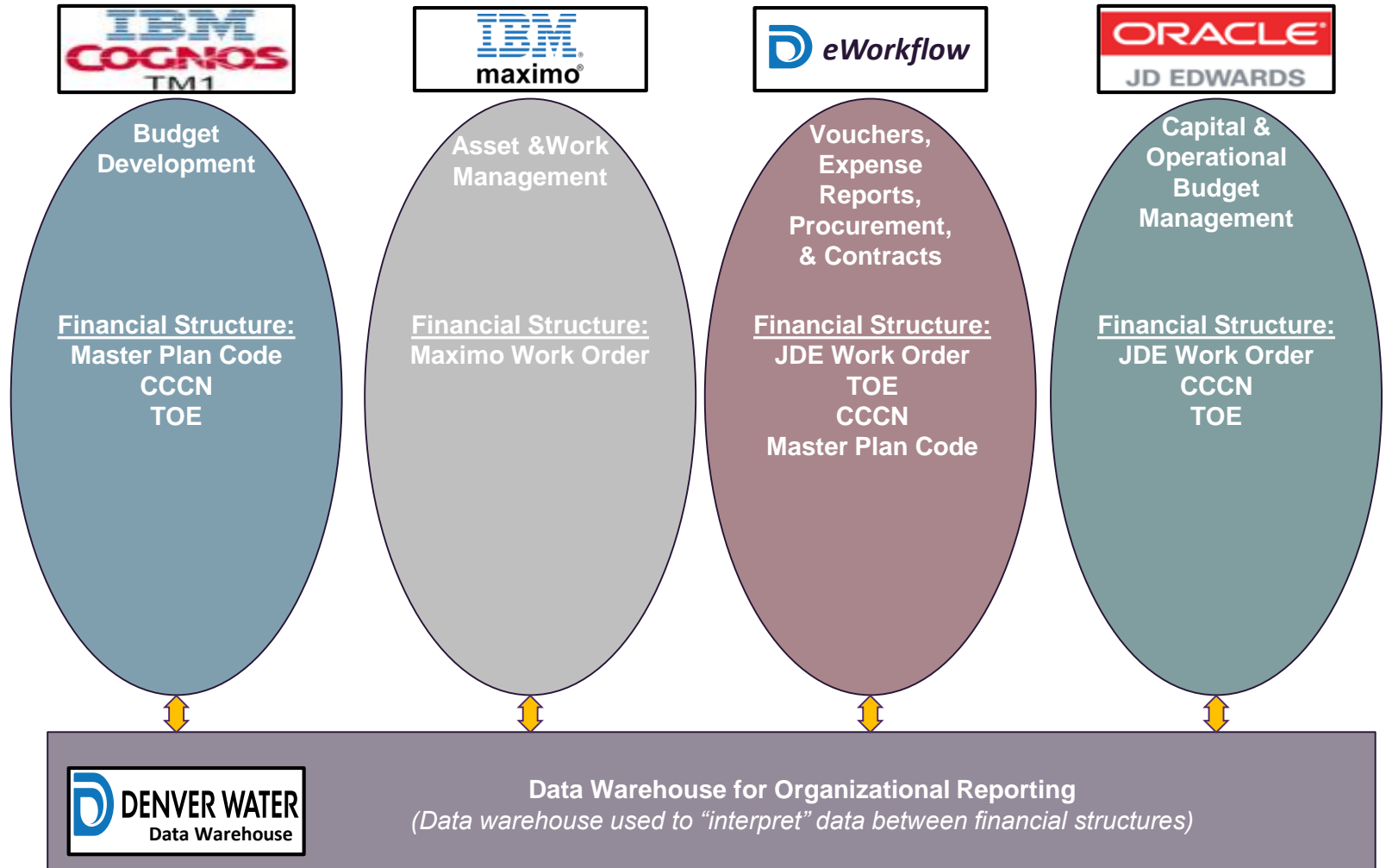
When will this go into effect?

ORCA's Increment 1 go-live is **July 5, 2016**.

It is critical that we have the ability to track how we perform against our plans and budgets. As you can imagine, this affects many things including how we link financial reporting, our method of tracking labor costs, and how we link information from our experience to the planning and budgeting process.

Current State Financial Structure

Data warehouse does interpretation between financial structures



Future state Financial Structure

Consistent across all systems requiring no "interpretation"

