2021 | APPROVED BUDGET


Williams Fork Reservoir


Cheesman Reservoir


Eleven Mile Reservoir


Dillion Reservoir

DENVER WATER

DENVER WATER

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DENVER WATER OVERVIEW

CEO LETTER

To the Board of Water Commissioners and Our Customers:

We are pleased to present the Annual Budget Book for Denver Water for the year ended December 31, 2021.

The Report

This report is presented in six sections as follows:

I. **Denver Water Overview**, which includes this letter of transmittal plus an overview of Denver Water and the City and County of Denver.

II. **Organizational Structure**, which includes the organization chart, as well as information on the Board of Water Commissioners and Executive Leadership.

III. **Strategy and Process**, which includes an overview of the Denver Water Strategic Plan, and details around our annual planning/budgeting process.

IV. **Financial Section**, which contains the financial schedules (sources and uses, division budgets, FTE, fund structure, debt), and information on relevant financial policies.

V. **Projects**, which includes an overview of the project prioritization process, the 5-year project plan, a project summary with budget, and updates on select capital projects.

VI. **Water Rates and Usage,** which contains information on our current water rates, usage, and drought plan.

Annual Budget and Planning Process

Although Denver Water is not legally required to adopt budgetary accounting and reporting, the annual budget serves as the foundation for Denver Water's financial planning and control. The annual process includes:

Annual Business Plan and Strategic Plan Alignment

Annually, Denver Water analyzes progress toward its Strategic Plan goals and objectives and identifies key strategic priorities to help achieve these objectives. This exercise culminates in the creation of the Annual Business Plan.

The Annual Business Plan is a high-level summary of the work the organization is committed to accomplish in the upcoming year. It describes the connection of each activity to a Strategic Plan perspective, goal and objective, the organizational metric the activity is intended to move, and

the corresponding annual budget amount and estimated total cost. The Annual Business Plan includes organizational priorities, organizational programs, and continuous improvement activities. Progress towards objectives of the Annual Business Plan is reviewed with the Board on a quarterly basis. The Annual Business Plan is developed for the following year by the end of the second quarter and forms the basis for the annual budget.

Long-Term Capital and Financial Planning

Denver Water maintains multi-year operating, capital and financial plans that are aligned with the Strategic Plan and informed by the Integrated Resource Plan (IRP). The Infrastructure Master Plan takes a multidisciplinary look at Denver Water operations and facilities to identify projects in the Capital Plan. The Capital Plan forecasts additions, improvements, and replacements to system facilities based on projected demands for water, Federal and State laws and regulations, and ongoing System requirements. The Operations and Maintenance Plan includes the ongoing costs of operating and maintaining the System and the impact of the Capital Plan on operations.

The Financial Plan combines the Capital and Operations and Maintenance plans and determines the level of revenue adjustments needed to meet annual revenue requirements and funding sources for capital improvements for next several years. The annual revenue requirements include operating expenses, debt service on existing and proposed bonds, and capital expenditures. These expenditures are offset through miscellaneous revenues such as hydropower, customer-related fees, system development charges (SDC), bond proceeds, participation, and interest income. The net requirement is the amount recovered through the user rates. The multi-year Financial Plan helps keep year-over-year volatility in annual water rate to a minimum. Alternative financial plans that address potential revenue shortfalls are also analyzed as a part of the long-range planning effort. These long-range plans are used as the starting point for the annual budget.

Annual Budget Preparation

The budget development process is the formal method through which Denver Water ensures alignment between fiscal resources and organizational priorities for the upcoming year. It results in an Approved Budget, which is the defined plan of revenue and expense activities for the year. The Approved Budget is the main internal control document used to monitor and manage revenues and expenditures for Denver Water. The budget is presented to the Board in November at the annual Budget Workshop. Official approval by the Board occurs in December.

Covid-19 Response

From the onset of the pandemic, Denver Water has taken a proactive approach to reducing costs and ensuring that the organization is well-positioned to weather potential financial impacts to

revenues, costs and operations. The 2021 budget uses conservative assumptions to reduce operating costs without compromising system integrity, capital projects or important initiatives.

Long-Term Financial Planning – Major Initiatives

Lead Reduction Program

- In 2012, Denver Water sampling results showed lead levels at 2 parts per billion over the lead action level under the Safe Drinking Water Act (SDWA), which triggered a study of Denver Water's corrosion control treatment. As a result, in March 2018, the Colorado Department of Public Health and the Environment designated orthophosphate as the optimal corrosion control treatment for Denver Water's system. Because of concerns with the impact of orthophosphate treatment on its system and the impact of increased phosphorus loading on the South Platte watershed and regional wastewater treatment plants, Denver Water applied for a variance from the SDWA to implement its Lead Reduction Program in lieu of orthophosphate. In December 2019, this variance was approved by state and federal agencies. This program involves: adjusting the pH level in the water to reduce the risk of lead getting into the drinking water, replacing lead service lines that bring water from the mains to customer houses at no direct charge to the customer, and providing water filters that are certified to remove lead to all customers with known or suspected lead service lines until six months after their line is replaced. The program was implemented in 2020 with replacement of all lead service lines to be completed within 15 years. The estimated cost of the program is approximately $665 million.

The North System Renewal

- Approximately $464 million is planned in total project costs for Denver Water's Gross Reservoir Expansion Project for the evaluation, permitting, mitigation, and construction process to augment our supply to the northern service area adding system balance and protecting against system vulnerabilities. A federal Clean Water Act Section 404 Permit and other state and federal permits have been issued for the project. In December 2018, six environmental groups sued the US Army Corps of Engineers and the US Fish and Wildlife Service arguing that the federal agencies had violated the National Environmental Policy Act, the Clean Water Act, and the Endangered Species Act in permitting the project. Denver Water intervened in the case to defend the federal agencies' actions and decisions, filed a motion to dismiss, and is now awaiting a decision from the court. On July 16, 2020, after 17 years of federal and state permitting, which involved nearly 35 agencies and organizations, the Gross Reservoir Expansion Project received the final federal permit from the Federal Energy Regulatory Commission (FERC). The order requires Denver Water to start construction by July 16, 2022, and finish by July 16, 2027.

Receipt of the FERC Order not only completes the Federal review process, but symbolizes Denver Water's commitment to collaboration, natural resource stewardship, and social responsibility.

- Approximately $592 million is planned in capital cost for Denver Water's Northwater Treatment Plant (NTP) and Conduit 16 replacement projects. This includes funds for the planning, design, and construction of a new 75-million gallon per day (MGD) Water Treatment Plant (WTP), with room to expand. Upon completion, the NTP will replace the existing Moffat WTP with a state-of-the-art facility designed to improve reliability and operational flexibility. A portion of the existing Moffat WTP will also remain in service through 2040, and the project includes improvements at the Moffat site to convey treated water from both NTP and Moffat to the distribution system.

Awards, Recognition and Acknowledgements

Annual Budget

Denver Water received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2020. This is the 29th consecutive year Denver Water has received this prestigious award. To qualify for this award, Denver Water's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

Comprehensive Annual Financial Report

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to Denver Water for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. This was the 32nd consecutive year that Denver Water has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

CDPHE Environmental Leadership Program — Gold Status

Denver Water was recognized by the Colorado Department of Public Health and Environment (CDPHE) as a gold member of its Environmental Leadership Program. The program recognizes businesses that go beyond compliance with environmental regulations by advancing sustainability in Colorado. This is the culmination of a four-year journey that started at treatment plants and expanded to all areas of Denver Water operations. It was a cooperative effort between multiple sections and emphasizes the organization's commitment to sustainability and environmental stewardship.

Envision Gold Award for Sustainable Infrastructure

The Northwater Treatment Plant earned this recognition for incorporating sustainable infrastructure practices. The Institute for Sustainable Infrastructure, established in 2010 by the American Public Works Association, American Society of Civil Engineers and the American Council of Engineering Companies developed and manages Envision. Envision promotes infrastructure projects to consider sustainable choices throughout the life of the project. The Envision v2 system, in which the NTP was verified, measures projects based on a holistic sustainability rating system, which includes 60 credits organized into five categories: quality of life, leadership, resource allocation, natural world, and climate and risk.

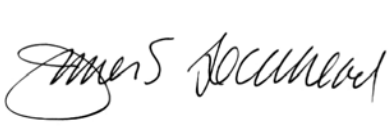
U.S. Water Alliance Water Prize

Denver Water received this recognition for developing an integrated water management strategy in the redevelopment of our Operations Complex. The redevelopment addressed active rainwater harvesting, on-site black water reuse, passive stormwater irrigation, drought-tolerant landscaping, centralized heating and cooling to minimize potable water use, wastewater effluent streams, stormwater impacts and energy needs.

Acknowledgments

We wish to express our appreciation to all members of Denver Water who assisted and contributed to the preparation of this report. Credit must also be given to the Board of Water Commissioners for unfailing support in maintaining the highest standards of professionalism in the management of Denver Water's finances.

Sincerely,



James S. Lochhead
CEO/Manager

Angela C. Bricmont
Chief Finance Officer

ABOUT DENVER WATER

In 1918, Denver residents voted to create a five-member Board of Water Commissioners and to purchase the Denver Union Water Company's water system for approximately $14 million, creating Denver Water. The structure of the five-member Board of Water Commissioners is still in existence, governed under the Charter of the City and County of Denver Article X.

Denver Water is a public entity funded by water rates, hydropower revenues and new tap fees, not taxes. Today, Denver Water is Colorado's oldest and largest water utility. Its service area covers more than 335 square miles, including Denver and several suburban distributors. The majority of Denver's water comes from rivers and streams fed by mountain snowmelt. The South Platte River, Blue River, Williams Fork River and Fraser River watersheds are Denver Water's primary water sources, but it also uses water from the South Boulder Creek, Ralston Creek, and Bear Creek watersheds. A system of reservoirs networked by tunnels and canals provides water to more than 1.5 million people. Three major treatment plants — Marston, Moffat, and Foothills — maintain water quality under the watchful eye of the Denver Water Quality Control Laboratory.

- 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 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).

Local Economy

In 1858, Denver was founded during the peak of the Gold Rush. Now, Denver is a central hub of economic activity in the state of Colorado. With a population of approximately 750 thousand, it is also the most populous city within a 500-mile radius. Major industries include aerospace, broadcast and telecommunications, healthcare and wellness, financial services, bioscience, energy, and technology. The statewide economy also includes agriculture and tourism. As of 2019, Denver's employment rate was 69.5% continuing its steady growth rate since 2013. Denver Water proudly serves 1.5 million people in Denver and the surrounding suburbs. Water is essential in making Colorado beautiful and ensuring the quality of life we enjoy.

Life is better with water

Do you remember when Denver Water asked customers to "Use Only What You Need?"

That 10-year advertising campaign, launched a few years after the 2002 drought that reduced water levels in storage reservoirs statewide, urged customers to reduce the amount of water they used in their everyday lives.

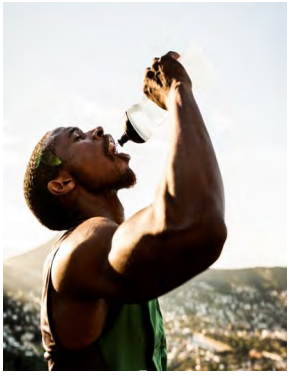
And it worked. By the time the campaign ended in 2015, water use by Denver Water's customers had dropped 22% compared to usage before the 2002 drought.

This image, from Denver Water's new ad campaign, shows how "Life is better with water." The campaign looks at the many things, including joy, that water brings to our lives.

Denver Water's new campaign, launched in 2020, takes a broader look at water and the issues around it, including uncertainty around climate change, population growth, infrastructure investment and the need to remove decades-old lead service lines buried in our community.

The campaign's main message is simple: Water is everything.

"Life is better with water" will be a year-round campaign, in contrast to the "Use Only What You Need" campaign, which ramped up during the summers.



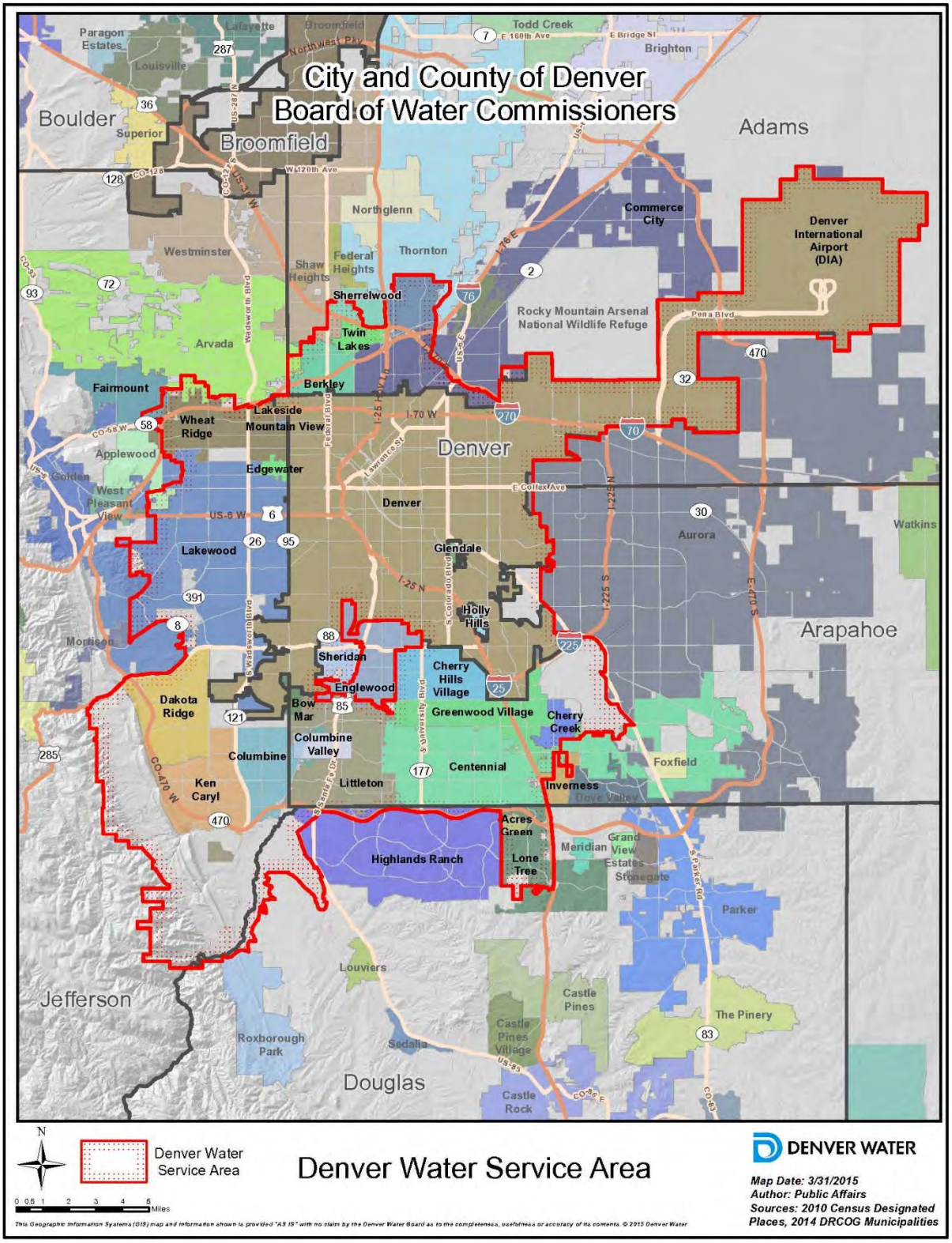
HISTORY

Long before the city of Denver was established, the South Platte River and Cherry Creek were oases for people who traveled the dry Great Plains. These early travelers could do without many things, but not water. That's why pioneers, and the Native Americans 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.

Soon, water companies began offering service to settlers. By the late 1800s, several water companies had fought, collapsed, or merged. In 1918, Denver residents voted to buy the Denver Union Water Company and form the municipal agency now known as Denver Water. In doing so, voters created an entity that would operate independently from city government, thereby keeping water service separate from local politics.

Today, Denver Water is the largest and oldest water utility in the state. Its 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.

SERVICE AREA MAP



MISSION AND VALUES

The Denver Water Mission: To expertly manage and supply an essential natural resource to sustain a vibrant community — because water connects us all.

Denver Water's Vision: Denver Water aspires to be the best water utility in the nation.

Denver Water's Values: Vision, Integrity, Passion, Respect, and Excellence

At Denver Water, we believe in what we're doing. And it shows.

Whether it's working in the Rocky Mountains in source of supply, laying pipe to bring water to homes in transmission and distribution, or providing excellent customer service to one of Denver Water's 1.5 million customers, our employees love what they do.

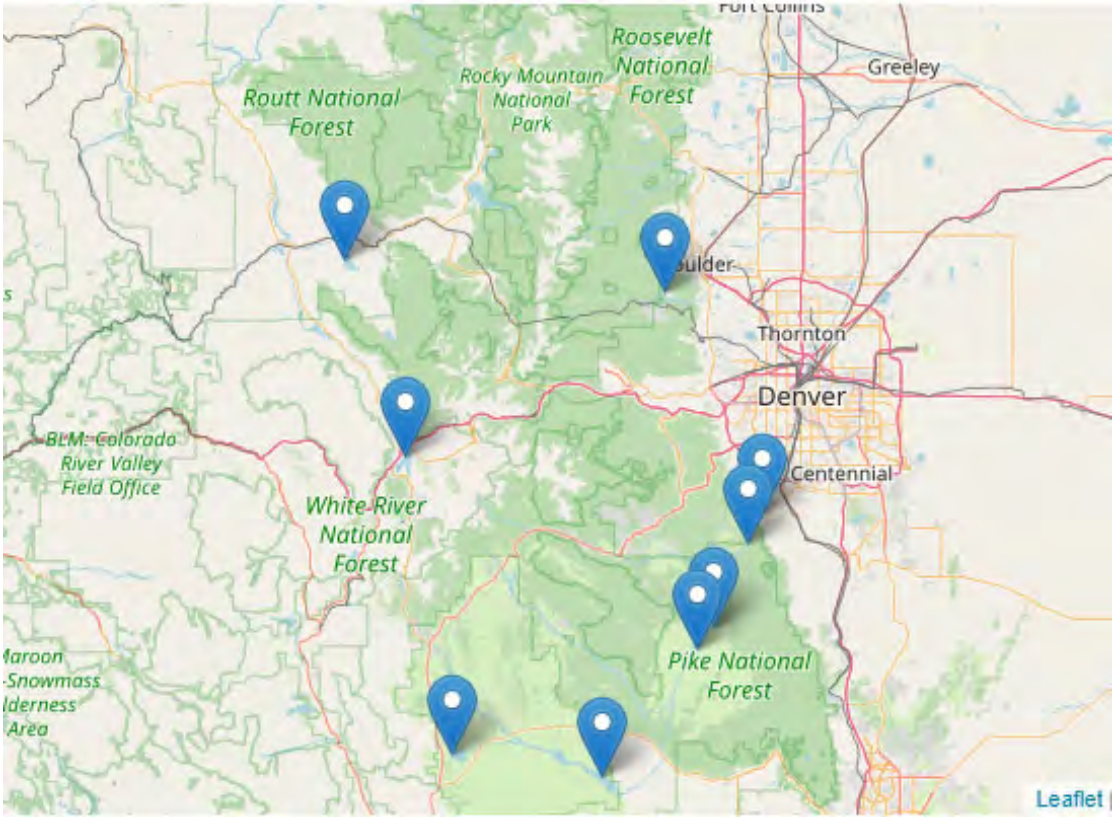
It shows in the hard work done in the dead of winter. It shows in the camaraderie of a crew. It shows in the Denver Water Trailer volunteers in local events. It shows in the dedication of all employees, working together toward our mission and vision.

At Denver Water, we believe our values are more than just posters on a wall. We believe everyone should be held accountable to know them and live them.

DENVER WATER RECREATION

There's more to water than drinking it.

Denver Water's reservoirs, canals, and canyons offer lots of opportunities to get out and play. Explore our recreation sites for ways you can enjoy Colorado's great outdoors.

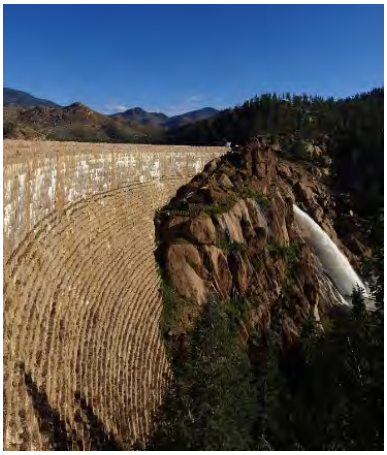


Antero Reservoir

Large trout call this place home

Antero is Denver Water's first collection reservoir on the South Platte River. Geologists believe Antero Reservoir occupies the site of a former lakebed. While Green Lake lies submerged within the reservoir, an extinct volcano, Buffalo Peaks, looms above (as seen below).

Cheesman Reservoir



A breathtaking engineering landmark

Named for Denver water pioneer Walter S. Cheesman, the dam was once the world's tallest at 221 feet above the streambed when completed in 1905. Denver Water purchased the reservoir and related facilities in 1918. Cheesman was the first reservoir of Denver's mountain storage facilities and has been designated a National Historic Civil Engineering Landmark.

Dillon Reservoir

Play on and around Denver Water's largest reservoir

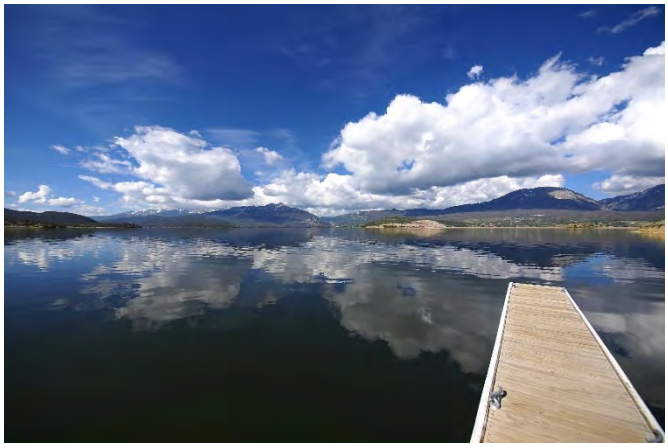
Completed in 1963, Dillon Reservoir has an earth-fill dam, 5,888 feet long by 231 feet above the Blue River streambed. The entire town of Dillon and a hydroelectric plant were relocated to build the dam, which diverts water from the Blue River Basin through the Harold D. Roberts Tunnel under the Continental Divide into the South Platte River Basin.

Fishing boats, sailboats, kayaks and canoes can be rented at area shops. Sailboat tours originate from Dillon Marina. Canoe tours, rental canoes and fishing boats launch at Frisco Bay Marina, which also houses the Frisco Rowing Center.

Below the dam, the state designated the Blue River as Gold Medal waters for regular and ice fishing. Check Colorado Parks and Wildlife for special regulations above the reservoir. Ice fishing when conditions permit.

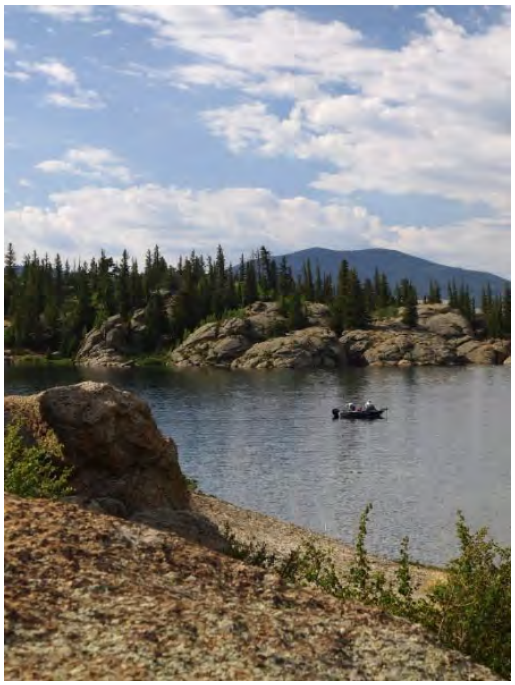
Enjoy more than seven paved miles of the Summit County system. The Sapphire Point trail follows a half-mile path to the overlook. The Old Dillon Reservoir trail connects to the lake which supplied drinking water for the old town.

Waterfowl hunting is also allowed in the Dillon Reservoir Recreation Area, boundaries are in strict accordance with all applicable regulations.



Eleven Mile Canyon Reservoir

Secluded spot with fishing, trails and camping



Completed in 1932 after two years of construction, Eleven Mile stands 135 feet above the South Platte riverbed. The 6-mile-long reservoir is second largest in Denver Water's system and one of the largest bodies of water east of the Continental Divide.

Power boats, canoes, sailboats, windsurfing and motorized personal watercraft are permitted. All islands within the reservoir are closed to public use.

Fishing for rainbow, brown and cutthroat trout, kokanee salmon, northern pike and carp is permitted, along with ice fishing, when conditions permit. Picnic areas are also available for day use. The surrounding area offers 5 miles of scenic trails for hiking and biking.

Gross Reservoir

Treasure tucked away in a quiet canyon

Named after Denver Water former Chief Engineer Dwight D. Gross, the reservoir was completed in 1954. It serves as a combination storage and regulating facility for water that flows under the Continental Divide through the Moffat Tunnel. Standing 340 feet above the South Boulder Creek streambed, Gross Dam contains some 627,559 cubic yards of concrete.

Colorado Parks and Wildlife stock cold-water fish in Gross Reservoir. Additionally, ice fishing is permitted when conditions allow. Only car-top non-motorized boating is allowed on the Friday of Memorial Day weekend through Sept. 30. Kayak access to the river below the reservoir is available at the parking area below the dam. There are hiking areas near the North Shore picnic area (trailhead to Rocky Point), South Side Dam, Miramonte picnic area and Osprey Point (trailhead), to South Boulder Creek inlet.

High Line Canal

A favorite urban getaway

Built in 1883, the canal has an 1879 water right, which is fairly junior by Colorado water rights standards. Depending on the availability of water from the South Platte River, and irrigation demand by users on the canal, Denver Water intermittently runs water through the canal between the months of April and October. The trail along the High Line Canal meanders 71 miles across the Denver area, offering places to hike, bike, jog and ride horses.

The canal's historic job transporting water for irrigation purposes has diminished over the years as more efficient options have become available. But the corridor's role as an urban getaway and environmental amenity is as important as ever.

While the waterway is owned and operated by Denver Water, this National Landmark Trail is maintained by municipal recreation agencies.

The High Line Canal Conservancy is a nonprofit providing leadership to harness the region's commitment to preserving the future of the High Line Canal. With support from each jurisdiction and in partnership with

Denver Water, the High Line Canal Conservancy is connecting stakeholders in support of comprehensive planning to ensure that the canal is protected and enhanced for future generations.

Denver Water is responsible for running water through the canal and for completing general maintenance of the canal. There are seven agencies with recreation agreements that are responsible for maintaining the trail:

- Douglas County Parks and Trails
- Metro District of Highlands Ranch Parks and Open Space
- South Suburban Parks and Recreation
- Greenwood Village Parks, Trails and Recreation Department
- Cherry Hills Village Parks, Trails and Recreation Division
- Denver Parks and Recreation
- Aurora Parks, Open Space & Trails

South Platte River

Fishing destination and scenic mountain terrain

This stretch of the South Platte River has been a popular fishing spot for decades, earning it Gold Medal Waters status by the Colorado Wildlife Commission. In the 1890s, Stephen Decker built a general store and later a saloon in this area. The South Platte Hotel, located at the confluence of the North Fork of the South Platte, was a popular resort in the early 1900s and was accessible only by train. The confluence is now a popular fishing and kayaking area.

River sections and access:

- Cheesman Canyon to Strontia Springs: From Cheesman Reservoir (elevation 6,800 feet), the South Platte River descends 6 miles through Cheesman Canyon to Deckers, a world-renowned fly-fishing area. The river then bends north for about 17 miles to the confluence with the North Fork of the South Platte (elevation 6,100 feet).
- Buffalo Creek to confluence: The North Fork flows approximately 10 miles east from Buffalo Creek (elevation 6,600 feet) to the confluence. From the confluence, the river flows east to Strontia Springs Reservoir above Waterton Canyon at an elevation of 6,000 feet.

Williams Fork Reservoir

A peaceful, secluded place to play

Completed in 1959, Williams Fork Dam and its power plant send water and electricity to the West Slope when Denver diverts water. Standing 217 feet above the Williams Fork River streambed, the dam backs up a reservoir of nearly 97,000 acre-feet of water, and the power plant contains a 3,158-kilowatt generator.

Denver Water released water from Williams Fork Dam in Grand County as part of the Coordinated Reservoir Operations program, June 2019

Waterton Canyon and Strontia Springs Reservoir

From bighorns to bike trails, a great place to play

Strontia Springs Dam is 6.5 miles upstream of the mouth of Waterton Canyon on the South Platte River. Water is diverted from the reservoir into a 3.4-mile tunnel under the mountains to the Foothills Water Treatment Plant. Completed in 1983, this dam rises 243 feet above the South Platte streambed.

Waterton Canyon is home to many different types of wildlife, including the popular Rocky Mountain bighorn sheep herd. There are also mule deer, black bears, mountain lions, elk, lizards, turkeys, and snakes, including the prairie rattlesnake.

Follow Us

ORGANIZATIONAL STRUCTURE

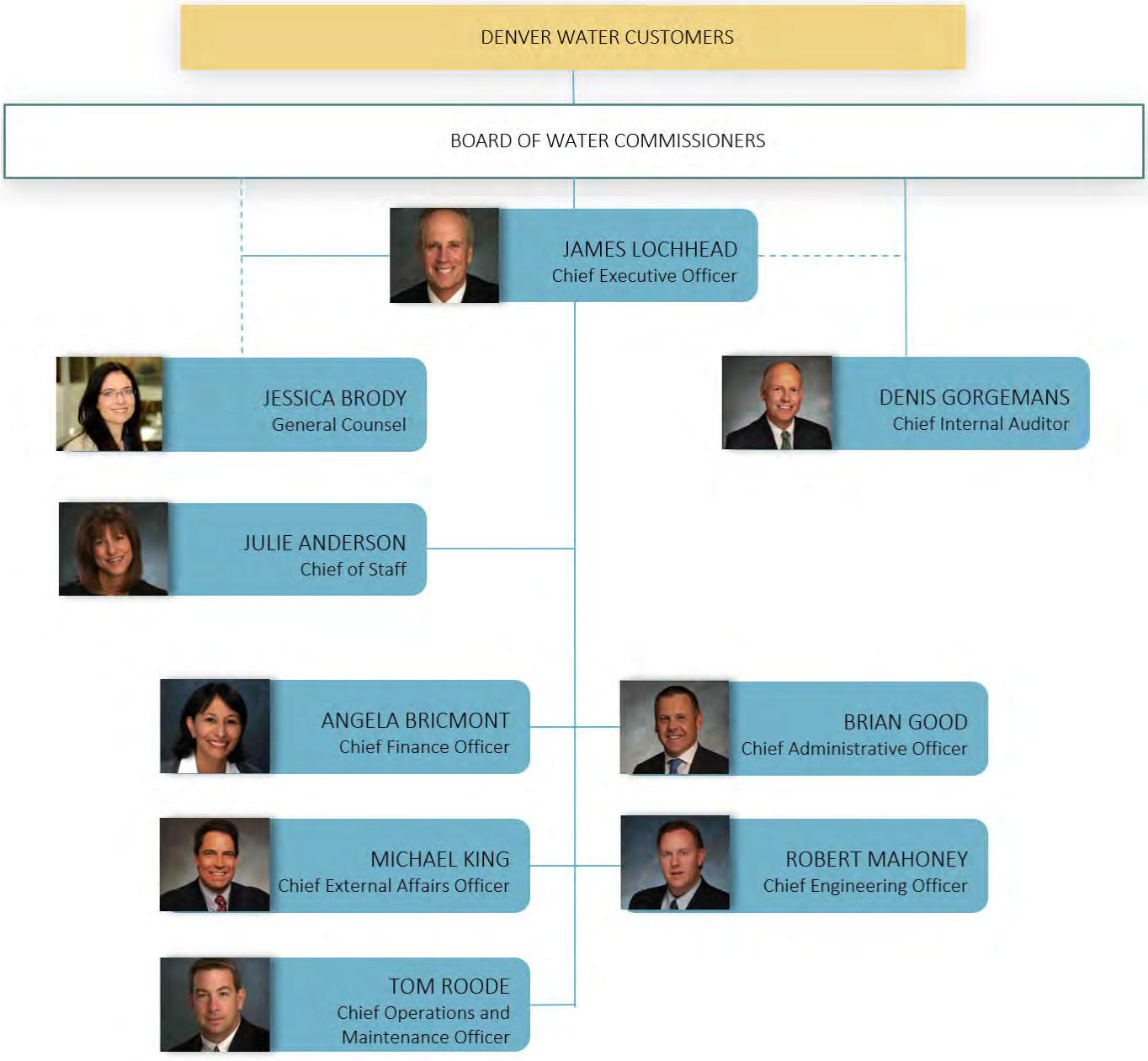
BOARD OF WATER COMMISSIONERS

From top to bottom, left to right: Gary Reiff, Craig Jones, Greg Austin, Paula Herzmark, and John Lucero

Gary Reiff, President Chief Legal Officer, UC Health	Commissioner since September 2017 Term expires 2023
Craig Jones, First Vice President Managing director, The Colony Group's Rocky Mountain Region	Commissioner since October 2017 Term expires 2023
H. Gregory Austin, Vice President Former partner, Holland & Hart LLP	Commissioner since July 2009 Term expired 2020*
Paula Herzmark, Vice President Chief Executive Officer, The Hart Center for Public Service	Commissioner since April 2009 Term expired 2019*
John Lucero, Vice President Principal, Lucero Development Services	Commissioner since July 2007 Term expires 2021

*Currently still serving until the Mayor appoints a new Commissioner.

ORGANIZATIONAL CHART AND EXECUTIVE LEADERSHIP



*Additional full time and limited term employee information is included in the organizational rollup tables in the subsequent divisional sections and the Regular Employees section.

Manager & Staff

CEO

- Office of CEO

Operations Budget: $3.0M	Employee Count: FTE – 8.0 LTE – 0.0

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.

Five division chiefs, the General Counsel, the Chief Internal Auditor, and the Chief of Staff report directly to the CEO/Manager.

Jim Lochhead was appointed Denver Water's CEO/Manager in 2010. Lochhead also currently serves on the boards of the Association of Metropolitan Water Agencies, the Water Research Foundation, the Water Utility Climate Alliance, the Water Foundation and the Denver Botanic Gardens.

Prior to Denver Water, Mr. Lochhead was in private law practice, dealing with natural resource issues throughout the United States and internationally. He was also executive director of the Colorado Department of Natural Resources. Mr. Lochhead was the Colorado governor's representative on interstate Colorado River operations, and served on the Colorado Water Conservation Board, Great Outdoors Colorado, The Nature Conservancy and Colorado Conservation Trust.

Manager & Staff

Internal Audit

- Internal Audit

Operations Budget: $0.6M	Employee Count: FTE – 3.0 LTE – 0.0

The Internal Audit Activity reports directly to the Board of Commissioners and administratively to the CEO/Manager. This structure allows Internal Audit to provide independent and objective assurance and consulting services to Denver Water, as indicated in the Internal Audit Charter. Internal Audit conducts audit engagements that review and evaluate whether appropriate risk management, governance and internal control procedures are in place and functioning. Owing to its unique position in the organization, Internal Audit provides advice and recommendations to improve internal controls but is not permitted to make operational or policy decisions.

Each year, Internal Audit works closely with the Board of Commissioners and Denver Water's management to develop an internal audit plan, which follows a structured audit planning process. These engagements are scheduled and executed throughout the year, following the internal audit process.

Manager & Staff

Office of General Counsel

- Office of General Counsel
- Insurance and Legal Claims

Operations Budget: $4.1M	Employee Count: FTE – 15.8 LTE – 0.0

The Office of General Counsel provides legal counsel and advice and handles all legal representation for Denver Water, acting through its Board, CEO/Manager and employees.

The Office works closely and proactively with employees and managers at all levels of Denver Water, and has a direct reporting responsibility to the CEO/Manager and the Board. Several areas of legal practice are involved in providing legal counsel to Denver Water, including water rights, contracts, civil rights, tort claims, real estate, natural resources, and municipal, employment, construction, environmental and regulatory law. The Office represents Denver Water in litigation, administrative and regulatory hearings, and internal appeal hearings.

Manager & Staff

Office of People and Strategy

Human Resources
- Benefits Administration
- Compensation
- Talent
- Wellness

Chief of Staff
- Learning and Organizational Development
- Enterprise Project Management Office
- Continuous Improvement

Operations Budget: $7.4M	Employee Count: FTE – 28.0 LTE – 0.0

The chief of staff reports directly to the CEO and has the full authority to lead, direct and resolve day-to-day operational and organizational issues. The chief of staff oversees the successful implementation of key strategic initiatives and is responsible for monitoring and ensuring the attainment of organizational goals.

The chief of staff also oversees the Office of People and Strategy which aligns work and projects to organizational strategy, provides a standardized support mechanism to efficiently complete work and projects, creates a framework and practice for organizational change management, develops our people to ensure they are equipped to lead us into the future and provides a governing mechanism to ensure sustainment of past and future organizational changes, through our people and processes.

In addition, the chief of staff recommends related policy changes for Board approval, represents Denver Water in water and community associations, and acts as a backup in the absence of the CEO/Manager when required.

Reporting to the chief of staff are the following sections: Human Resources, Learning and Organizational Development, the Enterprise Project Management Office, and Continuous Improvement.

Administrative Services

Administrative Services
- Clinic
- Contract Control
- Emergency Management, Safety, and Security
- Geographic Information System
- Information Security Office
- Print Shop / Mailroom
- Procurement
- Records & Document Administration
- Recreation Management
- Sustainability

Information Technology
- Project Management Office
- Customer Information Systems
- Enterprise Asset Management
- Enterprise Resources Planning
- IT Client Services
- IT Data Services
- Infrastructure and Technology Services
- IT Asset Management
- Network & Industrial Control Systems

Operations Budget: $39.2M

FTE – 165.8
LTE – 2.0

Administrative Services allows Denver Water to efficiently and effectively deliver services internally and to its customers. The division oversees sustainability, environmental compliance, security and recreation. It also oversees organizational functions including purchasing and contracting, records and document administration, safety, emergency management, risk management, and the print shop and mailroom.

The Information Technology section plans, develops, implements and supports all information technology-enabled business systems and operational technology-enabled water process instrumentation and industrial control systems, including enterprise infrastructure and communication systems for Denver Water. This involves providing appropriate resources to deliver secure technology solutions that produce net productivity gains and enhanced information management capabilities, while minimizing the risk of obsolescence and nonsupport.

Engineering

- Hydraulics Engineering
- Technical Support Services
- Asset Recording and Drafting
- Infrastructure Engineering
- Water Treatment Engineering
- Mechanical Engineering
- Electrical Engineering
- Dam Safety
- Design Drafting
- Survey
- Construction Project Management
- Construction Inspection
- Materials Lab
- Distribution and Property Management

Operations Budget: $18.8M

FTE – 173.8
LTE – 2.0

Engineering is responsible for the design, construction and related engineering aspects of physical additions or improvements to the water system. It provides surveying and mapping services, engineering functions, contract administration support, as-built drawings, land acquisition services and GIS database administration for system assets, among other duties.

Engineering is composed of seven sections: Survey, Programs and Projects, Construction Management, Distribution and Property Management, Asset Recording, Administration, and Technical Support Services.

Finance

- Accounting
- Financial Planning and Performance
- Rates
- Treasury
- Debt & Investments
- Risk Management

Operations Budget: $6.7M

FTE – 35.0
LTE – 0.0

Finance manages financial resources and acts as the disbursing authority for the CEO/Manager. The division is responsible for creating long-range financial plans, controlling and disbursing funds, and for planning, developing and administrating water rates, among other duties.

Finance is composed of four sections: Budget, Accounting, Treasury Operations and Rate Administration.

External Affairs

Public Affairs
- Community Outreach
- Government Relations
- External Communications
- Organizational Communications
- Integrated Marketing and Brand
- Youth Education
- Sponsorships

Customer Relations
- Customer Care
- Distributor Relations
- Contact Center
- Business Support
- Meter Shop
- Meter Reading and Inspections
- Central Dispatch
- Tap Sales
- Plan Review
- Quality Assurance and Reporting

Water Resource Strategy
- Water Resource Efficiency
- Environmental Planning
- Watershed Planning
- Water Resource Analysis
- Water Resource Planning
- Water Rights

Operations Budget: $27.7M

FTE – 187.9
LTE – 5.0

The External Affairs division develops and maintains strategically effective relationships with the public, and identifies the future water and facilities needs of Denver Water and develops strategies for meeting those needs. As it plans for the future, External Affairs 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. The division also is responsible for issues management, internal and executive communications, youth education, customer contact and public outreach functions.

The division is composed of three main sections: Public Affairs, Customer Relations and Water Resources Strategy.

Operations & Maintenance

Source of Supply
- South Boulder
- Winter Park
- Metro
- South Platte
- West Slope

Support Services
- Fleet
- Trades
- Warehouse
- Westside Campus Facilities

Water Distribution
- Construction and Maintenance
- Field Services
- Distribution Assets

Water Quality and Treatment
- North System
- South System
- Project Support

Operational Budget: $83.8M

FTE – 511.0
LTE – 12.0

Operations and Maintenance is responsible for operating and maintaining the physical and natural assets used to deliver water to Denver Water customers. These assets include rivers, canals, reservoirs, dams, tunnels, pipelines, valves, hydropower, tanks, pump stations and treatment plants. Operations and Maintenance establishes and implements criteria for the proper operation of all assets to the satisfaction of outside regulating agencies and Denver Water customers.

It is composed of five sections: Source of Supply, Water Quality and Treatment, Water Distribution, Support Services, and Business Operations. Support Services provides fleet services, warehouse, and trade shop functions, including mechanical, electrical, plumbing, welding, carpentry and grounds maintenance to Denver Water.

STRATEGY AND PROCESS

DENVER WATER

STRATEGIC PLAN

Our Vision: Denver Water Aspires to be the Best Water Utility in the Nation

Denver Water is the nation's premier, forward-thinking water resource manager. We sustain a vibrant metropolitan area in a semi-arid climate at the base of the Rocky Mountains. We play an integral role in building communities and advancing economic and social health.

Our customers are our top priority. They rely on us to manage a scarce and valuable natural resource – essential to their health and wellbeing. We will continually earn our customers' trust by listening to them and acting in their best interest. We exist to serve them.

Our vast and complex system includes the natural environment that sustains our water supply. Along with maintaining our infrastructure, we protect the health of the environment. We collect, treat, and deliver water with minimal interruption, meeting the highest standards of quality and taste, and we partner with our customers and community to achieve maximum efficiency of water use.

Challenges face us — known and unknown — such as population growth, warming climate, periodic drought, competition for water resources, security threats, and changing regulatory and political environments. To meet these challenges, we foster and build the trust and support of local, regional, and national interests by doing the right thing. In an ever-changing world, we continuously improve, we step up, and we lead.

Financial strength is a cornerstone to our vision. We employ accountable governance and control mechanisms to maintain a financial plan that supports long-term capital investments and ensures effective and efficient operations. We prudently manage rates to avoid large fluctuations and ensure they are fair and affordable across customer classes. We are fiscally responsible; we will not sacrifice long-term interests for short-term expediency.

We live in and serve our community. Our families and friends are part of the social fabric that makes up the diverse cultures and neighborhoods throughout our water system. This sense of community, family and friendship drives our passion for service. Because we care about the community we serve, we are committed to its economic and social health. We collaborate, we engage, and we partner. As a result, customers trust, value, and support our commitment to delivering clean, safe, great-tasting water, without fail.

We use the following guiding principles to evaluate all our decisions and purposefully move us toward our vision to be the best water utility in the nation.

We are customer centric. We strive to earn the support and trust of our customers – everyone who pays for our service or uses our water. They are our top priority, and we are motivated to serve them.

We are industry leaders. We understand, help develop, implement, and share best industry practices. We are forward thinking – we anticipate future trends and look for and responsibly implement progressive solutions. We are adaptable, resilient and experts in our work.

We take the long-term view. We weigh the consequences of our decisions and actions against multiple scenarios to preserve future options and the sustainability of our community. We provide the best possible outcome for our customers, as well as future generations.

Excellent Operations

An organization that is effective, efficient, and strategically driven

Goal	Objectives
We strategically align our projects and programs, to provide the best value to our customers	We consistently tie our decisions to our Strategic Plan to ensure we implement the right projects and programs, at the right time and at the optimum cost
	We have a visionary, adaptable long-range planning approach that considers the challenges of a warming climate and ensures diversity in supply and delivery, and efficiency in use
	We sustain healthy watersheds and an excellent collection, treatment and delivery system to provide high quality water at an affordable rate
We employ best business practices in our day-to-day operations to increase efficiency and delivery of service to our customer	We place the highest priority on safety
	We are passionate in providing outstanding customer service and making it easy for our customers to do business with us
	We are driven to continuously improve in everything we do. We use standard work, work plans, asset and risk management practices, metrics and operational reporting to effectively and efficiently manage the business
We lead the utility industry in environmental stewardship and sustainability	We execute a robust environmental sustainability plan and a healthy built environment across all our systems and operations

Strong Financials

An organization that is financially strong and stable

Goal	Objectives
We sustain a financial plan that supports our strategic objectives	We effectively manage our debt and cash reserves to ensure the successful execution of our capital and long-range financial plans
	We carefully manage rates and fees to optimize revenue stability from year to year, ensure equity and affordability across customer classes, and promote water use efficiency
We make financial decisions keeping in mind the best long-term interests of our customers	We develop and execute our operating budget to ensure alignment with our strategic priorities
	We maintain a strong control environment by effectively tracking, managing and transparently reporting our financial resources, transactions and performance

DENVER WATER

Inspired People

An organization that is passionate about our customers and our community

Goal	Objectives
We are inspired by our mission, vision and values and we know we are a part of something meaningful and larger than our own self-interest	We draw strength from our diversity and we utilize the unique gifts and contributions of our people
	We foster autonomy, creativity, initiative, innovation, calculated risk-taking and recognition of success
	We have a culture and organizational structure that removes barriers, advances strategic goals at all levels and is adaptable to changing business needs
	We value candid communication and debate as critical to our ability to make the best decisions for our customers
We have leadership that inspires, fosters meaningful work and develops our people	We have inspirational leaders at all levels who maintain a strategic focus, strengthen management practices and align initiatives and goals to the Strategic Plan
	We develop our people to realize their maximum potential, fulfill our mission and enhance Denver Water's reputation
	We communicate to our people in ways that are clear, concise, transparent and delivered within the context of our values
	We attract, grow and retain top talent

Trusted Reputation

An organization with satisfied and supportive customers and strategically effective relationships

Goal	Objectives
We play an integral role in building communities and advancing economic and social health	We have transparent and efficient business practices and inclusive and competitive procurement processes, resulting in the best value for our customers and communities
	We are a community partner through active outreach and engagement with business, governmental, education and non-governmental organizations
	We foster strong relationships with government officials at the local, regional, state and national levels, and we ensure close coordination with the City of Denver as a key partner and customer
We are the public's trusted source on water	We are a thought leader in local, regional, state and national issues that affect our mission, through research, forums and organizations and in legislative and regulatory matters
	We actively engage our community and customers through public education, media and targeted communication
We go beyond what is expected operating with the highest ethics and integrity	We resolve all issues ethically to achieve the best result for all sides
	We are trusted leaders and willing partners with our neighbors in Colorado and throughout the West
	We effectively engage our Board to enable it to lead our organization with vision

ANNUAL PROCESS

The following defines and documents the process and commitments for execution in the development of Denver Water's Annual Business Plan and corresponding annual budget — including the ongoing governance cycle.

The Business Plan's foundation is Denver Water's Strategic Plan, which is evaluated and refreshed every three to five years — with the next refresh scheduled for 2023, at the latest. The Strategic Plan is the overarching document that defines the vision, perspectives, goals, and objectives of the organization. It is expected that all of Denver Water's work is connected back to this plan to ensure we are continuously taking meaningful steps toward our aspiration to be the best water utility in the nation.

In order to help us identify our progress, the Executive Team developed the Organizational Dashboard, which contains metrics that correlate to each objective in our Strategic Plan. The Executive Team reviews these metrics on a monthly basis during our organizational performance review and discusses opportunities and implements countermeasures. The dashboard is reviewed with the Board on a quarterly basis to share successes and discuss opportunities and the countermeasures that we are taking to improve.

The Annual Business Plan is a high-level summary of the work the organization has committed to accomplish in the upcoming year. It describes the connection of each activity to a Strategic Plan perspective, goal and objective, the organizational metric the activity is intended to move, and the corresponding annual budget amount and estimated total cost. The Annual Business Plan is comprised of organizational priorities, organizational programs, and continuous improvement activities (elements are described below). The plan is developed in conjunction with a review of key organizational risks and potential risk-mitigation strategies which are tracked in the organization's risk matrix. Progress toward plan implementation is reviewed with the Board on a quarterly basis. The plan is developed annually by the end of the second quarter. A draft of the plan is shared with the Board in July and forms the basis for the annual budget that is presented to the Board at the budget workshop in November.

- **Organizational Priorities:** During the month of April, within each division, the Executive Team sources strategic ideas and builds business cases for organizational priorities for the upcoming year. These ideas are shared amongst the team during a series of meetings in May to vet the business cases and choose and prioritize those highly strategic priorities that surface to the top as strong levers to move us closer to our vision. The organizational priorities are finalized by the end of May.

- **Divisional Programs and Continuous Improvement:** During the month of June, divisions develop strategies, continuous improvement activities and corresponding budgets around ongoing programs for budget consideration. This activity is completed by the end of June.

- **Audit Plan:** As the organizational priorities and initiatives begin to firm up, around the beginning of June, Denver Water's Internal Audit team partners with the Board and Executive Team to develop the body of work for the upcoming year's audit plan. Internal Audit takes into consideration Board and Executive Team feedback, the strategic approach, the contents of the audit bin, and the organizational heat map to determine focus areas. This work is concluded by the end of July and a draft plan is presented to the Board at its October audit committee meeting.

- **Capital and Operating Projects:** Projects are selected on an annual basis based on Denver Water's Integrated Resource Plan, long-term capital plan, capital budgeting philosophy, and a business-driven process directed by the systems and programs managers. The long-term project plan is updated quarterly. Potential projects are requested using a business case form, which includes details about the: evaluation process for a business need or problem, comparison of alternative solutions, risk and asset management data, and strategic alignment. Projects are categorized and prioritized by the end of August.

After the Annual Business Plan is developed, the organization begins the Annual Budget Development process. This process is the formal method through which Denver Water ensures alignment between fiscal resources and organizational priorities for the upcoming year. It results in an Approved Budget, which is the defined plan of revenue and expense activities for the upcoming year. Updates to the multi-year financial plan determine the level of revenue adjustments needed to meet annual revenue requirements and financial performance measures. From this, operating and capital budget targets are developed. Based on the Annual Business Plan, the organization uses these targets to plan the budget for the upcoming year. The budget is presented to the Board in November at the Annual Budget Workshop; approval by the Board occurs in December.

The Approved Budget is the main internal control document used to monitor and manage revenues and expenditures for Denver Water. The organization takes an active role in regular management of the budget to ensure proper fiscal governance and controls. This is done through the Monthly Budget Management process, Comprehensive Quarterly Performance Reviews and the Comprehensive Annual Financial Report, described below.

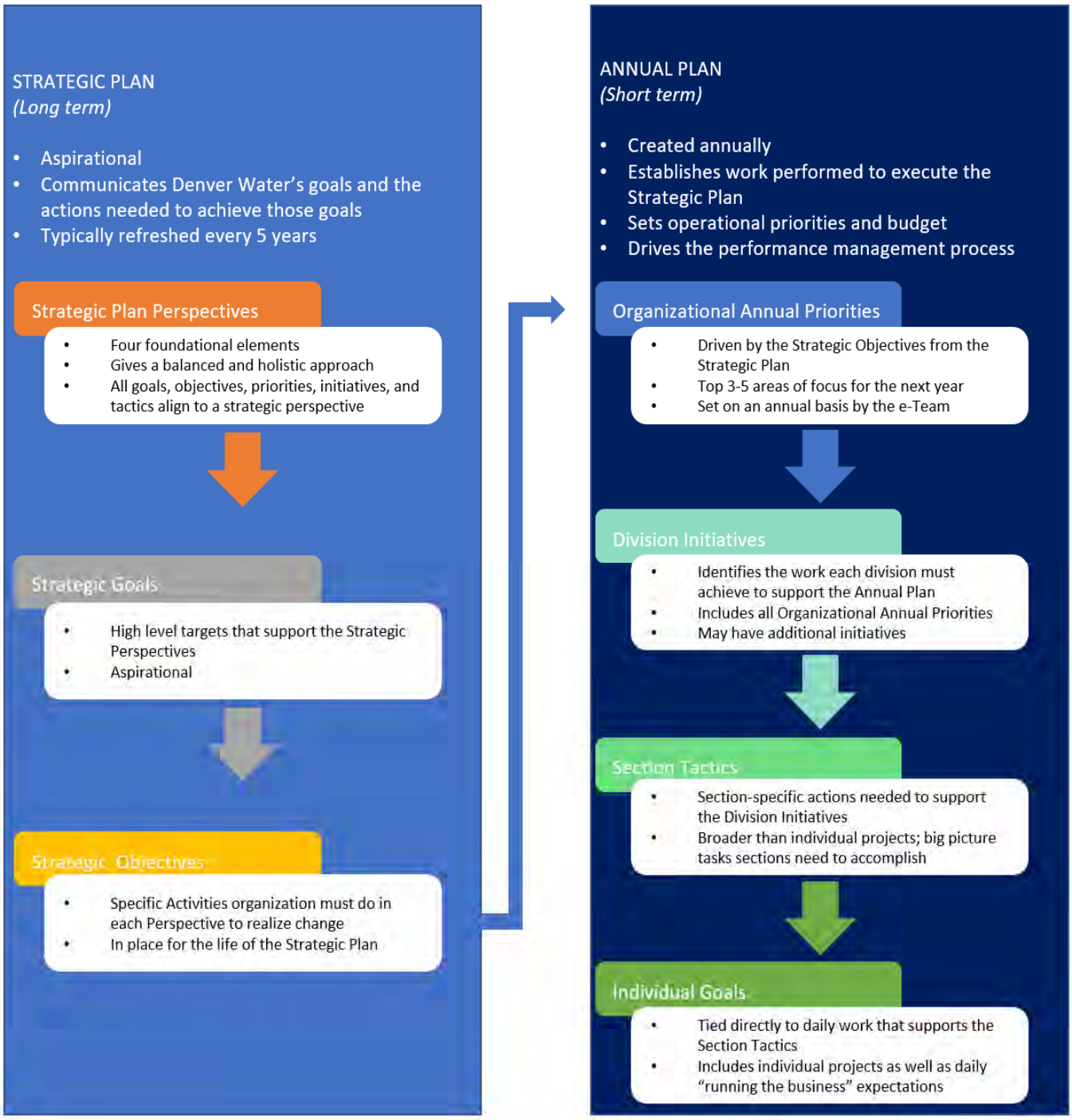
- **Monthly Budget Management:** Monthly, each division reviews its budget for accuracy and potential variances, and forecasts future expenditures. The Financial Planning and Performance section works with the divisions to review forecasts, identify exceptions to the forecast, and

provide reporting on the forecast. Once this review is complete, the forecast is reviewed with the Executive Team. Variances are discussed and addressed in the context of the organizational strategy. After Executive Team review, a monthly reporting package is provided to the Board.

- **Comprehensive Quarterly Performance Reviews:** Quarterly, the Financial Planning and Performance section, with assistance from the Executive Team, creates a comprehensive report of the organization's performance. The report includes a detailed review of our financial performance, as well as a detailed review of our organizational dashboard and progress towards our annual business plan. The report also includes information on procurement and contracting, including performance toward supplier diversity goals and targets. The Quarterly Performance Report is the primary document used to communicate progress toward our metrics (both financial and organizational) to the Board.

- **Comprehensive Annual Financial Report:** Annually the accounting section with assistance from various areas of the business, compiles the Comprehensive Annual Financial Report. The Comprehensive Annual Financial Report is a set of government financial statements comprising the financial report of Denver Water which complies with the accounting requirements of the Governmental Accounting Standards Board (GASB). The report is composed of three sections: Introductory, Financial and Statistical. The Introductory Section includes information about Denver Water. The Financial Section is comprised of the audited financial statements and required supplementary information of Denver Water. The Statistical Section includes revenue, customer, demographic, and other operational information. External auditors audit the financial information and review supporting data in March through April. Management reviews the annual financial report and management letter from the external auditors in April through May. The external auditor presents the report to the Board at the second Board meeting in May, for acceptance.

Workflow for Strategic Plan and Annual Plan



DENVER WATER

Organizational Business Plan

DENVER WATER 2021 BUSINESS PLAN							
TYPE	**STRATEGIC PERSPECTIVE**	**DURATION**	**ANNUAL PRIORITY**	**CONTINUOUS IMPROVEMENT**	**ORGANIZATIONAL METRIC**	**TOTAL BUDGET**	**EST. TOTAL COST**
TOP PRIORITY	**Trusted Reputation**	**1918 – Present**	**Providing High-Quality Water and Outstanding Service to Our Customers**	• Safety VS • Procurement & Contracting VS • Continuous Improvement Voice of Customer VS • Capacity Planning WS • Affordability Evaluation WS • Review and Revision of Enterprise Policies and Procedures Writing Cell	Balanced Scorecard Performance	$195.8M (2021)	$195.8M (2021)
ORGANIZATIONAL PRIORITIES	**Trusted Reputation**	**2017-2034**	**Lead Program**		Lead Program Performance	$680.8M	$665.1M
	Excellent Operations	**2017-2026**	**North System Renewal** • Gross Dam Raise (a) • Northwater Treatment Plant (b) • Conduit 16 (c)		Operating Cost per Account	$1.1B (pending approval of Gross)	$1.1B
	Excellent Operations	**2017-2021**	**National Western** • Water Quality Lab • Pillars	• National Western Policy, Research and Innovation VS	Operating Cost per Account, Water Quality Index	$27.5M	$27.5M
	Excellent Operations	**2020-2022**	**Enterprise Project Management Office**	• Enterprise Project Management Office VS	Operating Cost Per Account	$1.4M	$1.1M

Balanced Scorecard

Denver Water Balanced Scorecard — 2021	MEASUREMENT
EXCELLENT OPERATIONS	Customer Outage Hours
An organization that is effective, efficient and strategically driven	Operating Costs per Account in Dollars (does not include operating projects)
STRONG FINANCIALS	Operating Budget Performance (does not include operating projects)
An organization that is financially strong and stable	Capital & Operating Project Budget Performance
INSPIRED PEOPLE	Safety Maturity Index
An organization that is passionate about our customers and our community	Bi-annual Net Promoter Score
TRUSTED REPUTATION	Quarterly Customer Satisfaction Survey Index
An organization with satisfied and supportive customers and strategically effective relationships	Lead Program Execution

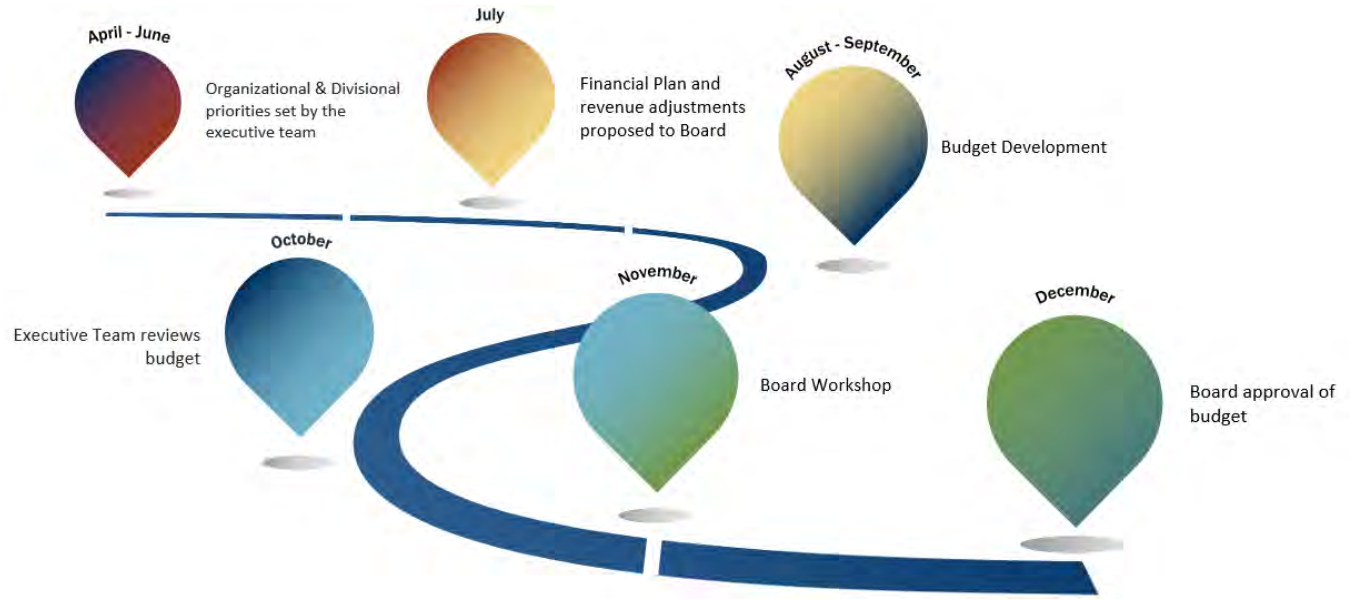
FINANCIAL

BUDGET SUMMARY

Budget Development

The budget development process is the formal method through which Denver Water ensures alignment between fiscal resources and organizational priorities for the upcoming year. It results in an Approved Budget, which is the defined plan of revenue and expense activities for the year. It is not legally required for Denver Water to formally adopt a budget, therefore the Approved Budget serves as the final budgetary document for the organization.

The general timeline for budget development is as follows:



When the division and project budgets are completed, the Financial Planning and Performance Team compiles the budgets into a draft and analyzes all revenue and expenditure projections to ensure that they meet organizational goals and objectives, adhere to the budget guidelines, and that no expense category is overlooked. The Financial Planning and Performance Team then presents the completed draft budget, called the Proposed Budget, to the Executive Team along with a list of new projects, programs and/or expenditures. If there are any items removed from the budget, this information is also provided to the Executive Team. During the Executive Team review, each division is given the opportunity to discuss its proposed budget and provide justifications for new expenditures. The Executive Team review is used to ensure that the Proposed Budget aligns with the organizational strategies and priorities for the next year. After the Proposed Budget is approved by the Executive Team, any adjustments or changes are shared with the division leaders and the budget coordinators for their information and acknowledgement.

Each November, the Financial Planning and Performance Team, along with the Executive Team, present the Proposed Budget to the Board in the annual Budget Workshop. The workshop is used to gather feedback and input from the Board on the Proposed Budget. Based on the Board's comments, the Financial Planning and Performance Team may subsequently revise the Proposed Budget. The final version of the Proposed Budget is formally presented to the Board in December. At this Board meeting, the Board formally approves the budget. After it is approved, the budget becomes the official plan for the next fiscal year.

Each year, Denver Water creates a multiyear financial plan to determine the level of revenue adjustments needed to meet annual revenue requirements.

Operating expense budgets capture the day-to-day, ongoing expenses incurred to run the business. Budget targets for operating expenses are developed annually by reviewing prior year expenditures, determining what expenditures are no longer needed and adding new expenditures for the upcoming year. For this review, expenditures are classified into expense categories and are evaluated to ensure alignment with the organizational goals.

Project budgets, which are generally capital expenditures but can also include operating costs, are funded by debt, system development charges or reserves. They are incurred with the intent of improving future operations. Budget targets for capital projects are based on the prioritized list of projects found within the long-term capital forecast.

Approach to 2021 Budget Development

Due to economic uncertainty caused by the pandemic, along with a lower approved rate increase for 2021, Denver Water used a proactive approach to reduce costs and ensure the organization is well-positioned financially now and in the future. In early April 2020, a team of experts from across the organization was assembled to focus on developing multiyear scenario plans to assess the potential revenue and cost impacts of COVID-19. The team developed and prioritized solutions to address the various scenarios and established triggers that would indicate when action is needed.

Simultaneously, a process was developed to determine which costs could be deferred, delayed or eliminated with the least amount of impact to our mission, customers or employees. For example, except for critical positions, we paused all hiring, allowing us to focus on our current employees and provide flexibility within our existing workforce to address staffing needs. Divisions also were tasked with identifying other ways to scale back, such as eliminating conferences and memberships or identifying nonessential projects and contracts that could be deferred or eliminated. This process also was utilized in the development of the 2021 budget.

Prior to beginning budget development activities, the Executive Team developed Guiding Principles to aid in decision-making. These principles were used to identify areas in which reductions could be made while

still focusing on the organizational mission “to expertly manage and supply an essential natural resource to sustain our vibrant community”:

Guiding Principles:

- Utilize the capital budgeting philosophy
- Minimize impact to employees
- Stimulate Colorado economy
- Maximize available resources

Using the Guiding Principles, each division was tasked with the difficult responsibility of reviewing every project, program and expenditure to identify costs that could be reduced, delayed or eliminated. This effort resulted in a significant number of decreases to expenditures. Ultimately, these decreases helped to offset additional costs for the state-required expansion of CO811 the utility locating and the increased cost of materials, supplies, and chemicals critical to our daily operations. The cost reductions also helped to preserve project funding for the maintenance and updates of critical infrastructure in our system.

ORGANIZATIONAL BUSINESS PLAN

Top Priority

In early March, the Executive Team reviewed the status of the current strategic priorities and overall progress towards the Strategic Plan. This review, along with the current economic unease surrounding the pandemic, resulted in the continuation of the 2020 Annual Business Plan with no new initiatives for 2021. Each person at Denver Water plays an important role in providing high-quality water and outstanding service to customers, which continues to be our top priority.

Below is a summary of how each division will contribute in 2021 to the top organizational priority: “Providing High-Quality Water and Outstanding Service to Our Customers.”

Administrative Services

In 2021, the Safety Team will begin claims administration through a third party, freeing up more time to work on safety issues, such as refining the Safety Maturity Index, incident reporting, safe driver training and specific safety standards and processes. The team also will work on safety culture communication to improve daily safety briefings by crews and better cultivate psychological safety.

The Sustainability section will begin championing the updated Sustainability Guide in 2021, ensuring support for the new goals, standards and commitments.

A new value stream will focus on procurement and contracting in 2021, primarily from the internal customer point of view. A related value stream, completed in 2018, helped develop and refine

standard work and workflows for the Procurement section, but the process is still clunky for employees. We will simplify and better communicate the steps needed to buy things so that people can get what they need to do their jobs with minimum hassle while complying with procurement standards.

Engineering

The Engineering division will continue to focus on delivering Denver Water's largest capital plan in history. Efforts related to execution of the Northwater Treatment Plant and Gross Reservoir Expansion projects will continue, with the construction of the Northwater Treatment Plant entering the peak of project construction and spending in 2021.

Gross Reservoir Expansion - Auxiliary Outlet Works taken by Project Engineer Jeff Martin

Ongoing maintenance programs will include upgrades to corrosion control systems, rehabilitation of distribution system vaults, and modifications to existing pipelines, in addition to projects at both Roberts and Moffat tunnels.

The final phase of the Conduit No. 16 is underway. Crews have begun work on the East Segment of the project which is expected to be completed in 2022. The Tunnels, West Segment and Central Segments were completed as of the end of 2020.

Tunnel C16 located under I-70 taken by Senior Construction Manager Ryan Haas

In addition to capital plan delivery, Engineering will work on important business drivers in 2021, including numerous continuous improvement efforts, with timely updates to the on-line Capital Projects Procedures Manual, which details standard work for cradle-to-grave capital project delivery. Updates to the Capital Project Construction Standards and Infrastructure Master Plan documents will be published in the first quarter of 2021. Engineering will work with the new Enterprise Project Management Office (EPMO) to develop standard reporting tools related to project delivery.

External Affairs

The Lead Reduction Program will continue to be a key focus for Public Affairs. Public Affairs also will play a key role in supporting Denver Water's COVID-19 and potential drought response, EPMO change management effort, and ongoing construction work, including Gross Reservoir Expansion, North System Renewal, Aquifer Storage & Recovery, and increased pipe replacement. We will continue to leverage our communication tools, including traditional and social media, email marketing, content journalism, video, direct mail, community and government relations, partnerships, and internal communications to support all of Denver Water's key projects and initiatives.

Customer Relations will continue to focus on education and support of the Lead Reduction Program. The evaluation and implementation of a new call center platform will take place in 2021. Additionally, we will be issuing our biennial baseline customer survey in 2021.

The Water Resource Planning section will continue to operate, maintain, and develop water resources and options that ensure a sufficient and dependable water supply to meet the needs of our customers. Raw Water Supply and Analytics is developing a new raw water operations model for the Blue River Collection System, anticipating testing portions of the model for the 2021 runoff season and expanding to other areas. Water Rights and Analytics is supporting investigations of projects identified in the IRP, including Denver Water's use of agricultural water as a supplemental water supply. Water Rights, Supply and Analytics continue to support the implementation of terms of the Colorado River Cooperative Agreement.

In 2021, Watershed Planning will identify the highest priority projects that will support source water protection planning over the next 20 years with an emphasis on mitigating sediment from the watershed into Strontia Springs Reservoir. The plan will provide a road map for Denver Water to understand the complex and diverse sediment sources, steps to address the sources, the details of the critical partners and stakeholders, opportunities to contribute to protection activities on non-Denver Water lands, and a 20-year budget forecast for this work.

Strontia Springs, December 2020 '

Water Resource Planning (WRP) will advance the continuous planning work that was developed under the IRP 2065. WRP will explore and pursue long-term water supply and efficiency options that are resilient to potential Colorado River curtailment. Along with Engineering and Operations, WRP will launch a South System Planning Study that will determine the optimal way to use Denver Water's existing and future supplies in Bear Creek and Chatfield Reservoir. WRP will continue to engage with the Colorado Water Conservation Board on the next steps of Colorado River Demand Management and collaborate with the Front Range Water Council on Colorado River issues. Staff members also are developing the EPMO to ensure consistency in project selection and oversight.

Dillon Reservoir during a 2019 Airborne Snow Observation flight

The Water Resource Efficiency section will continue to advance water conservation, reuse, and other alternative water management strategies, collectively known as One Water. One Water approaches will be expanded, including participating in the City of Denver's One Water Plan, integrating water efficiency concepts into water shortage response planning, and supporting the water recycling and rainwater harvesting systems in the new administration building and the joint Colorado State University Denver Water laboratory at National Western.

Finance

With one of the largest capital plans in history underway, Finance will continue to support the organization with tracking and reporting on large strategic projects. In addition to participating in the development of the process and structure for the EPMO, Finance will support and partner with the EPMO in 2021 to implement improvements to how we plan, deliver and report on projects and programs.

The most significant recent addition to the long-range capital plan is the Lead Reduction Program. Every section within Finance will continue to support the business on budgeting, reporting, accounting, and financing this large 15-year program. We are using the Lead Program as an opportunity to identify gaps we would have to close to seek alternative sources of funding, such as grants. We also will return to the bond market in 2021, with the Northwater Treatment Plant making up most of the issuance.

The pandemic is expected to continue to impact us and our customers into 2021, and we will continue to participate on the scenario planning team along with the EPMO and Water Resource

Strategy. The potential for a drought has been incorporated into the scenario planning effort that began in 2020, and we will look at scenarios that incorporate both.

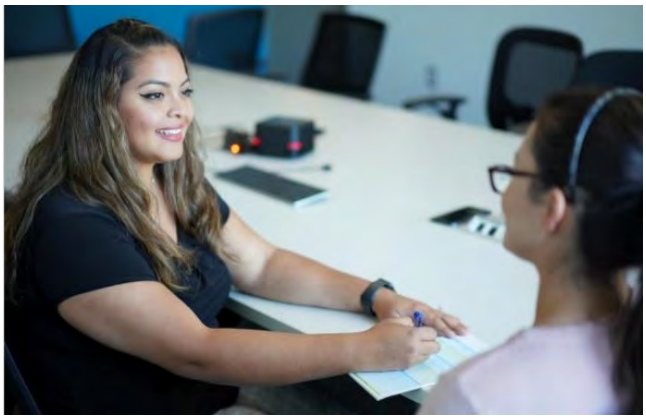
Manager and Staff

In 2021, the Office of People and Strategy will continue to align and integrate the strategic functions of Human Resources, Learning and Organizational Development, Continuous Improvement, and Enterprise Project Management to offer congruent support to the successful accomplishment of Denver Water's organizational strategy.

We will continue to build out the leadership competency work completed in 2020 with the introduction of new courses and eLearning solutions for building leadership excellence. A newly created supervisory onboarding and leadership development program will be launched for leaders at all levels who are new to Denver Water or newly promoted to managerial positions. With the goal of ensuring new managers receive the support they need to excel as leaders, the program will incorporate formal training, coaching, peer support, and on-the-job learning experiences that link to Denver Water's values and leadership competencies.

The quarterly Leadership Connection program will continue to provide an opportunity for Denver Water leaders from diverse areas of Denver Water to discuss ways to strengthen the leadership culture and share best practices. One of those leadership competencies — performance management — will be a primary focus, with the introduction of a redesigned annual performance review system. The new system, combined with company-wide performance management training, will help ensure equity and a systematic way to recognize and reward employees for their accomplishments.

An enhanced talent acquisition strategy will be implemented to ensure we acquire and retain top talent (individuals who possess the requisite skills to perform the work successfully in alignment with Denver Water's values).



Veronica Hernandez and her co-workers provide resume writing workshops, mock interviews, networking opportunities, and other support services with various community groups, particularly those serving minority and at-risk populations, 2019

We have identified several continuous improvement workshops and value streams that will contribute to the achievement of organizational priorities and/or leadership skill development. Workshops include:

- Building business acumen in the areas of capacity planning

- Managing for daily improvement
- Leader standard work
- Policy and procedure development
- Documentation, safety, procurement and contracting

We will continue our work with EPMO by creating a unified framework for annual planning and project lifecycle management. This unified methodology builds upon Denver Water's guiding principal to be forward thinkers and leverage industry best practices.

The EPMO will continue with implementing the EPMO Roadmap. The roadmap focuses on the development and implementation of consistent terminology, project lifecycle process and governance, project prioritization, enterprise reporting, capacity planning, and organizational change management for effective EPMO implementation. Project lifecycle governance starts at the ideation phase of work, taking strategic planning documents such as the IRP and Asset Management Strategy and ensuring the right projects are selected and executed at the right time and at the right cost.

Operations and Maintenance

The Source of Supply section will continue to improve the asset management program for our collection assets. This includes monitoring and reporting the condition of all assets and continuing to transition staff's work from reactive and costly repairs to preventative maintenance activities. The team also will perform continued wildfire monitoring and adjusting our operations as needed to respond to degraded water quality from the fires, particularly in the north system.

Construction crews install a 50-foot section of steel pipe next to Willis Case Golf Course in northwest Denver, 2020

Water Quality and Treatment will focus on establishing equilibrium for pH in the distribution system to support the Lead Reduction Program. They will also be increasing efforts to support the Northwater Treatment plant construction and are preparing for startup and commissioning. The new plant will be operated differently than our other water treatment plants and starting this preparation will help with the transition. This team will support construction for the new lab at the National Western facility and Quivas facility and will begin to develop transition plans.

Water Distribution will be in the third year of implementing an increase in the main replacement rate from 0.6% to 1.0% of the system over the next five years. To reduce the overall cost of this effort, the work will be performed by two new Water Distribution crews. This will result in savings to the budget over the next 10 years.

Water Distribution also will be focused on increasing staffing to adjust to changes in Colorado's 811 program for locating utilities. A significant increase in locate volume will occur from the changed law. The approach is flexible with a mix of employees and contractors to meet the uncertain new demand. While the program will require increased costs, Denver Water will benefit from a higher level of safety and fewer damage to utilities.

Support services will continue to support the organization in the areas of asset management, trades, fleet and warehouse. Fleet will move quickly to procure equipment and vehicles to support the additional staff in Water Distribution for CO811, the state mandated utility locate requirements, and the main replacement and improvement program. Trades will continue to do more preventive maintenance to prevent costly reactive maintenance. Warehouse will undergo an audit in 2021 to evaluate new processes, as well as the inventory tracking system that was put in place when the warehouse moved into the new facility.

A hydrant repair motor truck making it's rounds at the State Capitol, June 1913

ORGANIZATIONAL PRIORITIES

Lead Reduction Program

Denver Water is entering the second year of the Lead Reduction Program in 2021. Efforts will focus on replacing 4,477 lead service lines. The change to water chemistry will continue to be monitored, and we will demonstrate that equilibrium of the system has been achieved. Replacement cartridges for customer filters will be distributed and we will work on improving filter adoption and usage through multiple community outreach and engagement efforts. Localized community outreach and engagement for the Lead Reduction Program will include furthering our work with CREA Results and iNOW and potentially adding two more community partners to

Lead service lines, like the one pictured here, are more likely to be found at homes in the Denver area built prior to 1951.

reach non-English-speaking and immigrant communities. We also will continue our broad and targeted communications strategies, government outreach and the successful virtual community meetings to foster ongoing awareness of the program, filter use and construction.

North System Renewal

- ### Gross Reservoir Expansion

  In 2021, Denver Water will complete the design for the dam raise, continue working through local permitting matters, and fulfill compliance requirements for the issued federal permits (2017 Corps 404 Permit and 2020 FERC License Amendment Order). When complete, the Gross Reservoir Expansion will raise the dam by 131 feet to create 77,000 acre-feet of new storage volume, of which 5,000 acre-feet is dedicated as an environmental pool to enhance flows in South Boulder Creek. The project not only provides an additional 18,000 acre-feet of water per year to the North Collection System, but also signifies a new collaborative approach to water resource management between Denver Water and stakeholders throughout Colorado.

This expansion project is critical to balancing water supplies, increasing resiliency, and enhancing water security for more than 1.5 million people.

- ### Northwater Treatment Plant

  In 2021, construction will continue on the Northwater Treatment Plant. Project goals are to deliver the project with a zero-incident safety culture while making socially and environmentally responsible decisions that enhance best practices moving forward on Denver Water's large capital plan. Project goals also include delivering the project on schedule and under budget with an increased focus on Owner's Contingency spend forecast. Twelve major structures will have concrete work completed, site piping will be installed with building construction, and two crews will begin foundation work on two clear wells. Construction will also begin at the existing Moffat Treatment Plant.

Northwater Treatment Plant under construction, October 2020

- Conduit 16

  In 2021, we will continue construction of the Conduit No. 16 replacement project, which will replace existing Conduit Nos. 16 and 22 with 8.5 miles of 84- and 66-inch diameter steel pipeline through a series of four construction packages: Tunnels and Open Cut Segment, West Segment, Central Segment, and the East Segment. Construction of the West Segment and Tunnels and Open Cut Segment contracts are complete. Construction of the Central Segment and the East Segment will also continue.

National Western Water Resources Center

Denver Water's current water quality lab is reaching the end of its useful life. The objective of this priority is to construct a new water quality lab in partnership with Colorado State University at the National Western Center. The project will capitalize on opportunities to create a unique research, innovation, education and policy center focused on water, agriculture and energy issues. Priority for 2021 will be to support construction of the building within the scope, schedule and budget.

A portion of the Hydro building at the CSU Spur campus at the National Western Center will house a new, state-of-the-art water quality laboratory for Denver Water. Image credit: hord|coplan|macht.

Denver Water and CSU will complete their project to evaluate market needs and partnership options for policy programming. Additionally, CSU's Hydro building will be used to help create internal processes and learning opportunities for alternative water use One Water systems.

Enterprise Project Management Office (EPMO)

The EPMO will roll out a new project management framework across the organization and deliver a model for enterprise project prioritization. The team will perform a Rapid Improvement Event focused on enterprise capacity planning, which is scheduled to be implemented by the end of 2021. In parallel, the team will implement enterprise reporting for governed EPMO capital and operating projects to increase automation and streamline reporting. This effort will continue through 2021 with a goal of being fully implemented by the end of the year.

The EPMO is working closely with Continuous Improvement, Learning and Organizational Development, Finance, and the divisional Project Management Officers (Engineering, IT, Water Resource Strategy) to ensure a successful implementation. Based on the size and scope of the EPMO implementation, the Value Stream Analysis Core Team has worked to develop an organizational change management strategy that will be leveraged throughout the implementation process.

BALANCED SCORECARD AND ORGANIZATIONAL DASHBOARD

Denver Water uses an organizational dashboard to assess performance against our Strategic Plan. This dashboard put into action metrics chosen by the business that align to each objective, goal and perspective under the plan. The Executive Team reviews this dashboard monthly to understand opportunities for improvement and to take corrective action. The team also has chosen two metrics under each Strategic Plan Perspective that best represent achievement toward the perspective's goals. These metrics make up the Balanced Scorecard and represent Denver Water's performance at the highest level.

It is important to note that although the Organizational Dashboard is intended to remain static over the life of the Strategic Plan that it represents, at times the metrics are adjusted to reflect a better measurement or assessment.

2021 BUDGET

Financial Plan and Projected Cash Balance

With the completion of the Proposed Budget, the financial plan was updated for revenues, spending and projected ending cash for 2020. Due to the certainty of timing on several large projects under construction, Finance is proposing a larger 2021 bond issuance of $350M, which will cover the cost of capital projects for 2020 and a portion of 2021.

The financial plan revenues assume five-year average consumption, which has proven to be close over the long-term, but will vary depending on the weather each year. This is particularly true as we enter 2021 with concerns about drought.

Budget Highlights

Below are summaries of the major changes to each expenditure category for the 2021 budget. More details can be found in the Summary of Significant Changes section of the 2021 Proposed Budget book.

Sources of Funds - $709.8M (increase of $186.4M / 35.6% from 2020)

The planned $350M bond issuance represents much of the increase from 2020. The budget also reflects the 1.5% rate revenue increase that was approved by the Board to support the Lead Reduction Program, as well as changes to demand projections to reflect the current 5-year average.

Other notable changes to the revenue budget include a decrease of $2.7M to interest income to reflect the lower projected interest rates. The System Development Charge budget also has been reduced by $8.0M. This includes a reduction of $6.0M in anticipation of slowed growth on the Front Range, and a reduction of $1.7M to the Arvada Gross Enlargement Raw Water SDC, which is not expected to be received until 2023.

Operating Expense without projects — $195.8M (increase of $806K / 0.4% from 2020)

Salaries and Benefits - $128.8M (decrease of $591K / -0.5% from 2020)

Due to lower expected turnover in 2021, the vacancy rate percentage has been adjusted down from 5.0% to 3.5% in 2021, which equates to an increase of $1.5M in regular wages. The Board

also approved the addition of staff to support CO811 ($615K) and staff to support performing main replacement work in-house ($761K). Other changes include: the removal of the 27th pay period (-$3.3M), reduction to Seasonal Labor (-$318K), and an increase to Other Pay to reflect current spending levels in Water Distribution ($866K).

Budgeted Positions — 1,128.16 FTE and 21.0 LTE (increase of 25.37 FTE from 2020)

As in prior years, we performed a thorough review of FTE/LTE for each division; 10.63 FTE and 1.0 LTE were removed from the budget as a result of this effort. 14.0 FTE were added to support CO811 and 18.0 FTE were added to support main replacements. Additionally, Administrative Services added 3.0 new FTE/LTE positions and O&M added 2.0 new FTE positions (details can be found in the Significant Changes section). All new FTE/LTE requests had to be approved by either the CEO or Chief of Staff.

Professional and Purchased Services — $45.0M (increase of $1.3M / 3.0% from 2020)

During budget development, divisions spent a significant amount of time reviewing their Professional and Purchased Services contracts and expenditures and were able to significantly reduce costs in many areas. This resulted in several changes to the budget for 2021, which are detailed in the Significant Variances section.

Additionally, the costs in O&M/Water Distribution for Construction and Field Services (i.e. barricades, signage, street cleaning, paving, potholing, etc.) ended 2020 higher than the budget due to increased scope and restoration requirements. The 2021 budget has been increased by $982K to reflect the current spending levels. The amount for the Lead Service Line transfer credit in Water Distribution has also been increased to better represent the level of work expected in 2021 (-$900K).

Materials, Supplies, and Chemicals — $20.4M (increase of $978K / 5.0% from 2020)

Similar to Construction and Field Services, O&M/Water Distribution has increased its budget for Materials and Supplies by $974K to support the current rate of spend. Additionally, O&M/Water Quality & Treatment has increased its Chemicals budget to account for cost increases and projected chemical usage in 2021 ($822K). Several reductions were made to Materials & Supplies with the largest being in Administrative Services/IT for hardware and equipment (-$391K).

Travel, Training, and Conferences — $501K (decrease of $889K / -64.0% from 2020)

Because of COVID-19, planned spending for Travel and Conferences in 2021 has been reduced significantly (-$834K). All remaining budget for Travel is for essential in-state travel only.

Other Expense — $1.1M (decrease of $14K / -1.2% from 2020)

O&M/Support Services added budget for additional leased vehicles to support CO811 new utility locate requirements and the Lead Reduction Program ($176K). External Affairs also reduced planned sponsorships for 2021 because of COVID-19 (-$150K).

Capital and Operating Projects

All projects are evaluated using a business case process, in which proposed projects are evaluated to ensure alignment with organizational strategy (including the IRP and Asset Management). The process includes an analysis of alternatives, evaluation of capacity needs and dependencies, completion of a risk assessment, review of the proposed timeline, and an estimation of the expected costs.

Operating Projects — $12.8M (decrease of $13.4M / -51.2% from 2020)

The most significant change to Operating projects is the movement of Chatfield Orphan Shares and the Lead Service Line replacements costs performed by Water Distribution to Capital projects. It was determined that both items could be capitalized, and the 2021 budget has been adjusted to reflect this change.

Capital Projects — $356.7M (increase of $60.3M / 20.3% from 2020)

Between 2021 and 2025, we are planning to fund $1.5B in capital projects. The two largest capital projects in 2021 are the Northwater Treatment Plant and the Lead Reduction Program. The 2021 Capital budget also reflects the Board-approved increases to Denver Water performed main replacements and a removal of contracted main replacement costs from the budget.

DENVER WATER

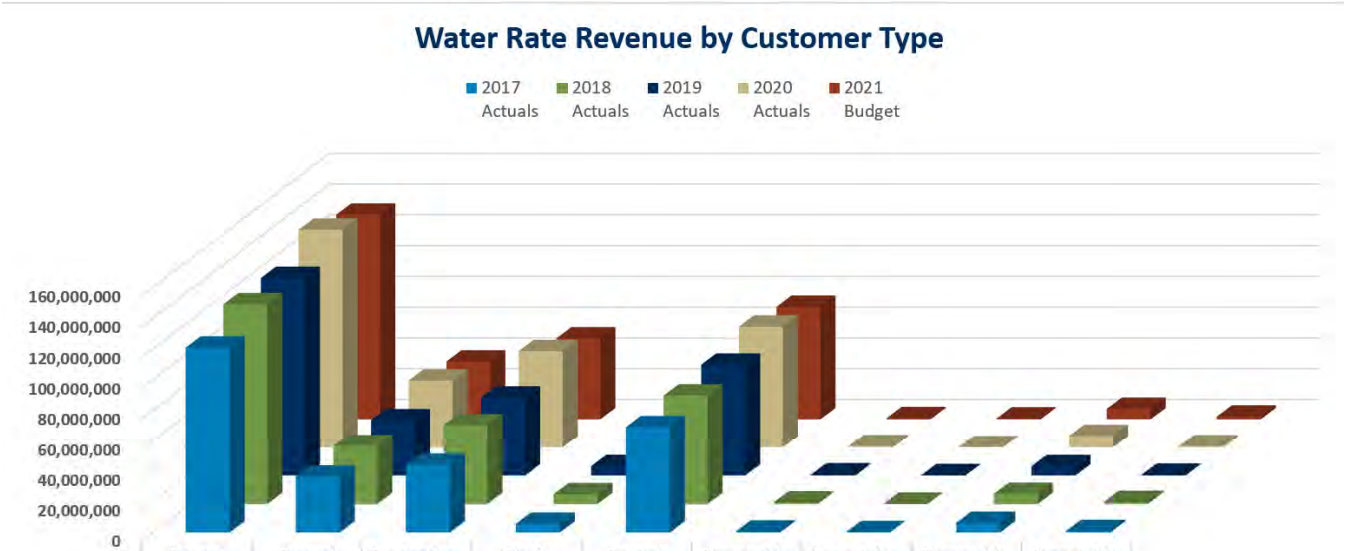
SOURCES AND USES

COMPARISON OF SOURCES AND USES OF FUNDS	2018		2019		2020		2021
	Budget	Actuals	Budget	Actuals	Budget	Unaudited Actuals	Budget
BEGINNING CASH & INVESTMENTS	449,379	449,379	364,170	364,170	276,326	276,326	258,734
SOURCES OF FUNDS							
Water sales	282,658	306,941	296,208	303,157	306,147	342,903	311,270
Hydropower	4,607	3,944	4,196	3,892	3,872	3,874	3,801
Special assessments and fees	7,070	7,393	6,980	7,555	6,940	6,959	7,057
Interest income	2,912	6,585	6,447	5,875	4,169	2,677	1,480
Other revenue	8,935	9,807	8,692	11,873	9,284	21,346	8,766
System Development Charges	34,000	41,045	40,058	38,668	29,985	22,553	22,000
Contributions	4,800	5,756	10,616	7,137	8,032	3,655	5,485
TOTAL REVENUE	**$ 344,982**	**$ 381,470**	**$ 373,197**	**$ 378,157**	**$ 368,429**	**$ 403,967**	**$ 359,860**
Proceeds from debt	60,000	-	60,000	-	155,000	158,629	350,000
TOTAL SOURCES OF FUNDS	**$ 404,982**	**$ 381,470**	**$ 433,197**	**$ 378,157**	**$ 523,429**	**$ 562,596**	**$ 709,860**
USES OF FUNDS							
Regular Wages and Other Pay	86,218	85,093	89,642	88,489	95,261	95,736	95,275
Applied Labor[1]	(10,833)	(8,364)	(9,129)	(8,987)	(10,710)	(8,586)	(11,094)
Benefits	44,006	43,380	42,994	41,579	44,789	44,444	44,568
Salaries and Benefits	**119,392**	**120,110**	**123,507**	**121,081**	**129,340**	**131,595**	**128,748**
Materials and supplies	16,367	20,439	17,754	21,108	19,461	23,027	20,445
Utilities	7,812	8,946	7,928	9,381	8,237	7,888	8,339
Professional and Other Services	33,956	31,801	34,623	33,427	35,440	35,054	36,672
Other Expense	3,716	8,830	2,875	2,715	2,533	1,123	1,637
Subtotal Operating w/o Projects	**$ 181,242**	**$ 190,125**	**$ 186,687**	**$ 187,712**	**$ 195,011**	**$ 198,686**	**$ 195,842**
Collection	559	332	1,125	837	888	924	898
Distribution	4,337	5,631	4,903	7,381	6,570	578	985
Expansion	7,432	8,006	5,255	5,750	10,701	3,192	5,095
Information Technology	2,479	1,538	4,553	4,443	4,527	2,755	4,094
Operations Support/Other	666	1,705	3,496	6,220	2,375	1,249	1,350
Treatment	799	431	1,598	494	1,043	833	325
Operating Projects	**16,273**	**17,642**	**20,930**	**25,125**	**26,104**	**9,532**	**12,748**
TOTAL OPERATING COSTS	**$ 197,515**	**$ 207,768**	**$ 207,617**	**$ 212,837**	**$ 221,115**	**$ 208,218**	**$ 208,590**
Collection	17,566	22,378	30,054	21,299	36,371	33,111	41,840
Distribution	79,408	86,060	89,537	72,218	77,854	102,396	72,535
Expansion	7,769	9,717	7,385	6,232	16,866	11,956	29,362
Information Technology	1,286	1,037	815	697	156	24	968
Operations Support/Other	57,038	59,544	61,724	50,635	89,315	88,835	83,721
Treatment	33,459	33,621	64,054	66,986	75,842	106,306	128,287
Applied Labor	-	-	-	-	-	-	-
TOTAL CAPITAL (incl. applied labor)	**$ 196,526**	**$ 212,359**	**$ 253,567**	**$ 218,068**	**$ 296,405**	**$ 342,627**	**$ 356,713**
Debt Service	49,149	48,765	47,649	47,286	46,169	46,372	50,351
TOTAL USES OF FUNDS	**$ 443,190**	**$ 468,892**	**$ 508,833**	**$ 478,190**	**$ 563,688**	**$ 597,217**	**$ 615,654**
Cash balance adjustment		2,212		12,189		17,029	
ENDING CASH & INVESTMENTS	**$ 411,171**	**$ 364,170**	**$ 288,534**	**$ 276,326**	**$ 236,066**	**$ 258,734**	**$ 352,940**

Notes:
1) Actuals in the above chart are being reported on a budgetary basis
2) The cash balance adjustment represents timing differences between the receipt of revenues and payment of expenditures at year-end (these items are included in the year-end accruals, but the cash is not impacted until the following year).

REVENUE

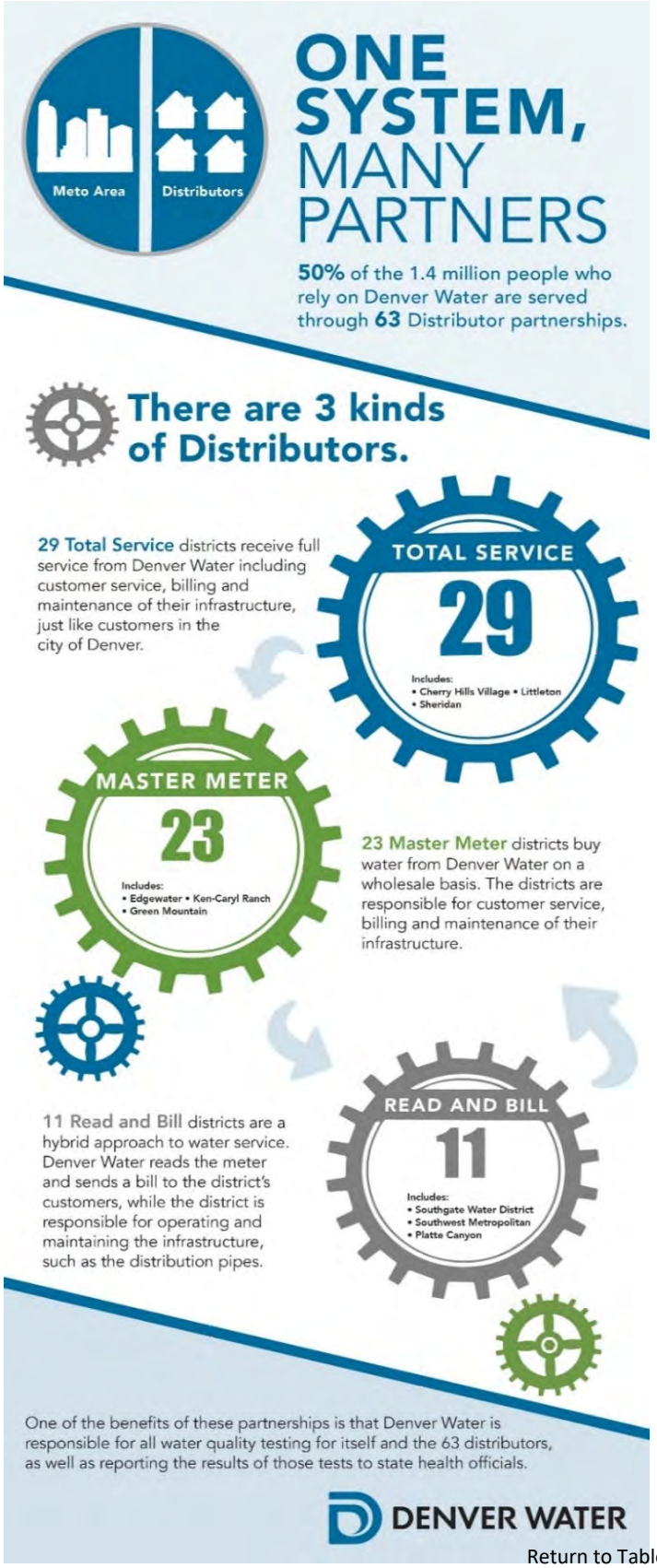
Revenue adjustments identified in the 2021 Financial Plan are set at levels to meet annual revenue requirements, debt service coverage, and target reserves. Revenue requirements include annual operation and maintenance expenses, payments on existing and proposed debt service, the Lead Reduction Program, and rate-funded capital projects. Denver Water uses a combination of debt and cash reserves to maintain leveled annual revenue adjustments to meet these requirements. The use of debt to fund specific capital projects distributes the cost of facilities over time rather than requiring the full amount in any one year. The adopted revenue adjustment for 2021 is effective beginning January 1, 2021. This adjustment is expected to produce 1.5% of additional revenue over a 12-month period, assuming normal weather and consumption. The Financial Plan is updated annually.



	Treated Inside City	Treated Read & Bill Outide City	Treated Serv Outside City	City & County of Denver Govt	Treated Wholesale	Nonpotable Inside City	Nonpotable City & County Denver	Nonpotable Ouside Den (CSA)	Nonpotable Outside CSA
2017 Actuals	120,882,918	36,454,522	44,131,201	5,685,371	69,148,730	634,524	201,759	6,216,834	948,110
2018 Actuals	130,472,690	38,032,929	51,827,462	6,347,460	71,192,703	945,076	193,630	6,521,046	1,407,786
2019 Actuals	129,037,243	36,488,383	51,286,356	6,152,851	72,690,633	734,980	199,814	6,066,680	499,566
2020 Actuals	141,833,363	43,782,599	62,951,917	5,895,263	78,842,839	954,571	226,717	7,616,381	799,456
2021 Budget	133,039,763	37,576,059	52,613,598	5,007,372	73,163,024	752,857	568,444	6,791,760	1,757,537

DENVER WATER

Outside the City and County of Denver, Denver Water provides residential water service through contractual relationships with distributors.



There are three main kinds of contracts for residential water service outside the City and County of Denver:

Total Service

Under Total Service contracts, Denver Water owns the water system and is responsible for its operation, maintenance and replacement. Denver Water reads each customer's meter and bills each customer at the established Total Service rate.

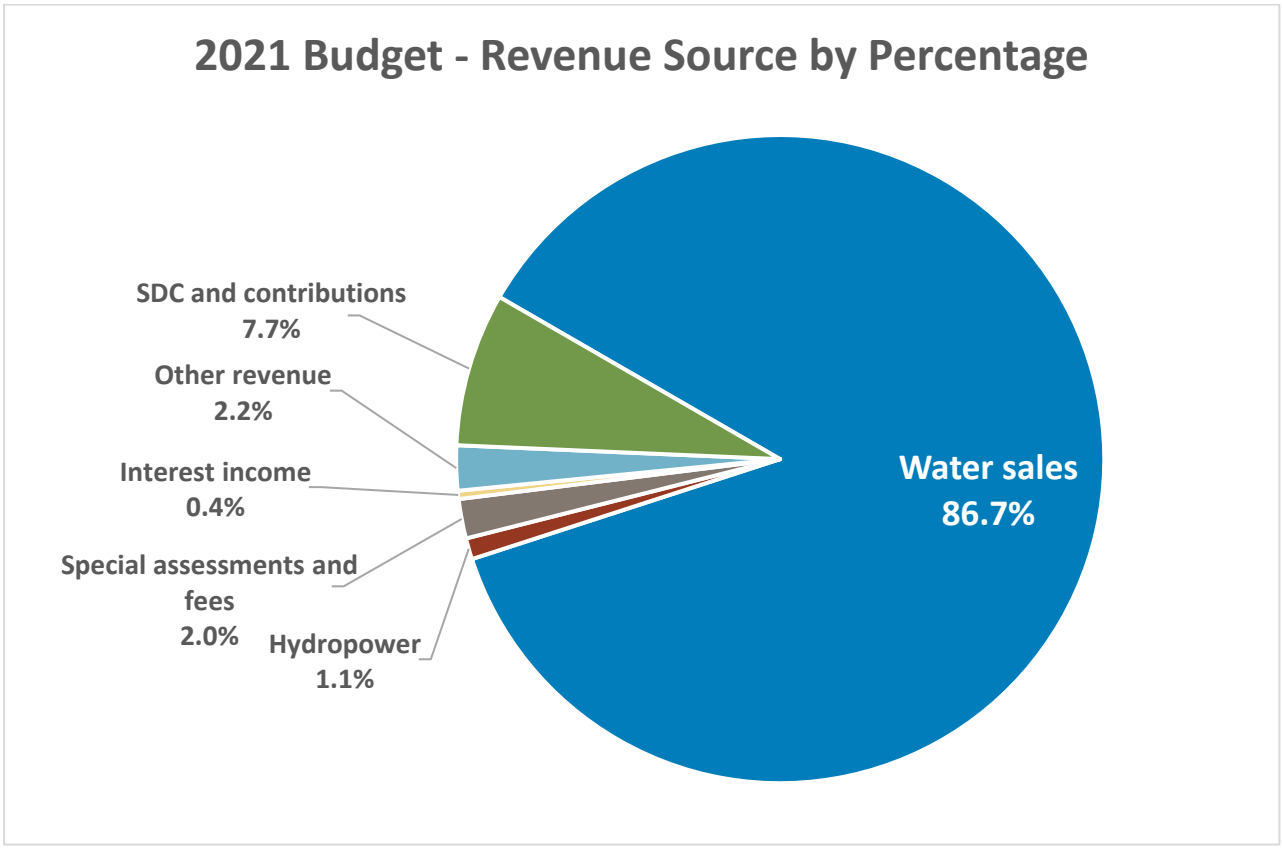
In Total Service Areas, water service is provided to customers in the same manner as it's provided to customers inside Denver.

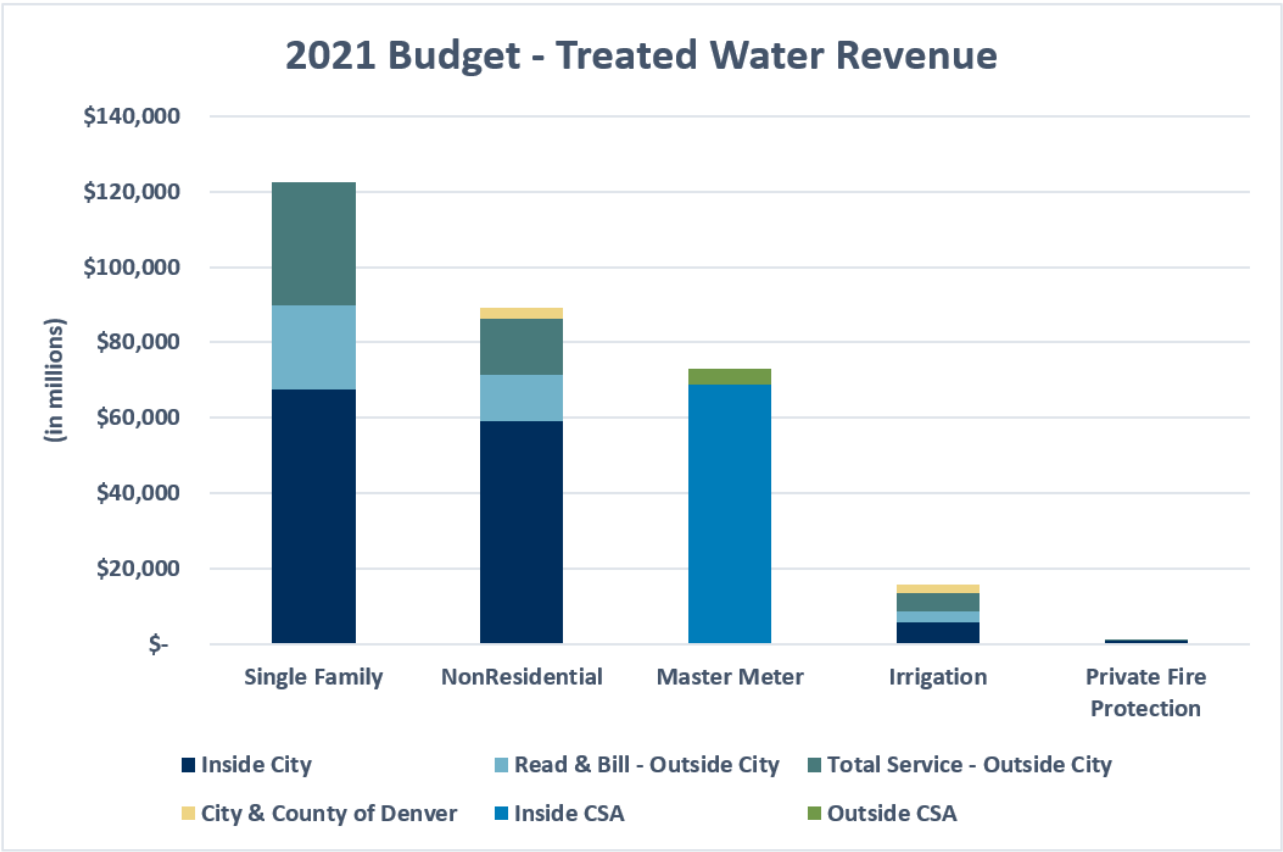
Master Meter

A Master Meter distributor owns and is responsible for construction, operation, maintenance, and replacement of its water system. Denver Water delivers water to the distributor through one or more master meters and bills the distributor at the established Wholesale (Master Meter) rate. The distributor, not Denver Water, is responsible for reading the meters of its individual customers and for billing its individual customers according to rate schedules established by the distributor.

Read and Bill

Under Read and Bill contracts, the distributor owns and is responsible for construction, operation, maintenance, and replacement of its water system into which Denver Water delivers water. Denver Water reads the meter of each individual customer and bills each individual customer at the established Read and Bill rate.


2021 Budget - Revenue Source by Percentage
SDC and contributions
7.7%
Other revenue
2.2%
Interest income
0.4%
Special assessments and fees
2.0%
Hydropower
1.1%
Water sales
86.7%


2021 Budget - Treated Water Revenue
(in millions)
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$-
Single Family
NonResidential
Master Meter
Irrigation
Private Fire Protection
Inside City
Read & Bill - Outside City
Total Service - Outside City
City & County of Denver
Inside CSA
Outside CSA

DIVISION BUDGETS

DENVER WATER BY DIVISION - OPERATING EXPENSE SUMMARY							
	SALARIES AND BENEFITS		OTHER OPERATING COSTS		TOTAL OPERATING COSTS		
Division Name	2020 Budget	2021 Budget	2020 Budget	2021 Budget	2020 Budget	2021 Budget	% Budget Change
Administrative Services	22,620	21,682	18,282	17,563	40,903	39,245	-4.1%
Engineering	18,729	17,786	1,394	1,054	20,124	18,840	-6.4%
External Affairs	20,101	18,824	9,879	8,831	29,980	27,654	-7.8%
Finance	4,956	4,632	2,115	2,043	7,071	6,675	-5.6%
Manager & Staff	12,428	11,787	3,416	3,378	15,844	15,164	-4.3%
O&M	49,998	51,740	29,202	32,106	79,200	83,847	5.9%
Non-Divisional	506	2,297	1,384	2,094	1,890	4,392	132.3%
TOTAL DIVISION OPERATING	**$ 129,340**	**$ 128,748**	**$ 65,672**	**$ 67,069**	**$ 195,011**	**$ 195,817**	**0.4%**

REGULAR EMPLOYEES

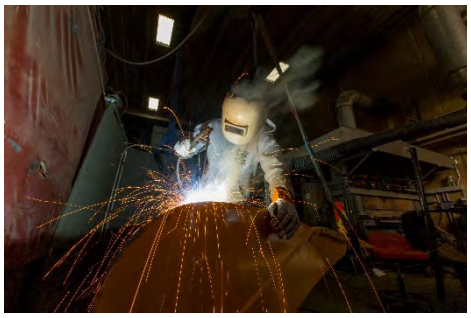
DENVER WATER - REGULAR EMPLOYEE COUNT								
Division	2017 Budget	2018 Budget	2019 Budget		2020 Budget		2021 Budget	
	FTE	FTE	FTE	LTE	FTE	LTE	FTE	LTE
Administrative Services	61.00	60.00	59.50	1.00	165.25	1.00	165.75	2.00
Engineering	171.75	171.75	172.75	1.00	173.75	2.00	173.75	2.00
External Affairs	185.75	184.55	184.65	-	187.99	5.00	187.86	5.00
Finance	35.00	37.00	37.00	-	36.00	1.00	35.00	-
Human Resources	30.00	29.00	27.00	-	-	-	-	-
Information Technology	112.75	103.75	104.25	-	-	-	-	-
Manager & Staff	36.15	36.35	37.80	-	58.80	-	54.80	-
Operations & Maintenance	487.00	466.00	479.00	5.00	481.00	12.00	511.00	12.00
Total	**1,119.40**	**1,088.40**	**1,101.95**	**7.00**	**1,102.79**	**21.00**	**1,128.16**	**21.00**

Notes:

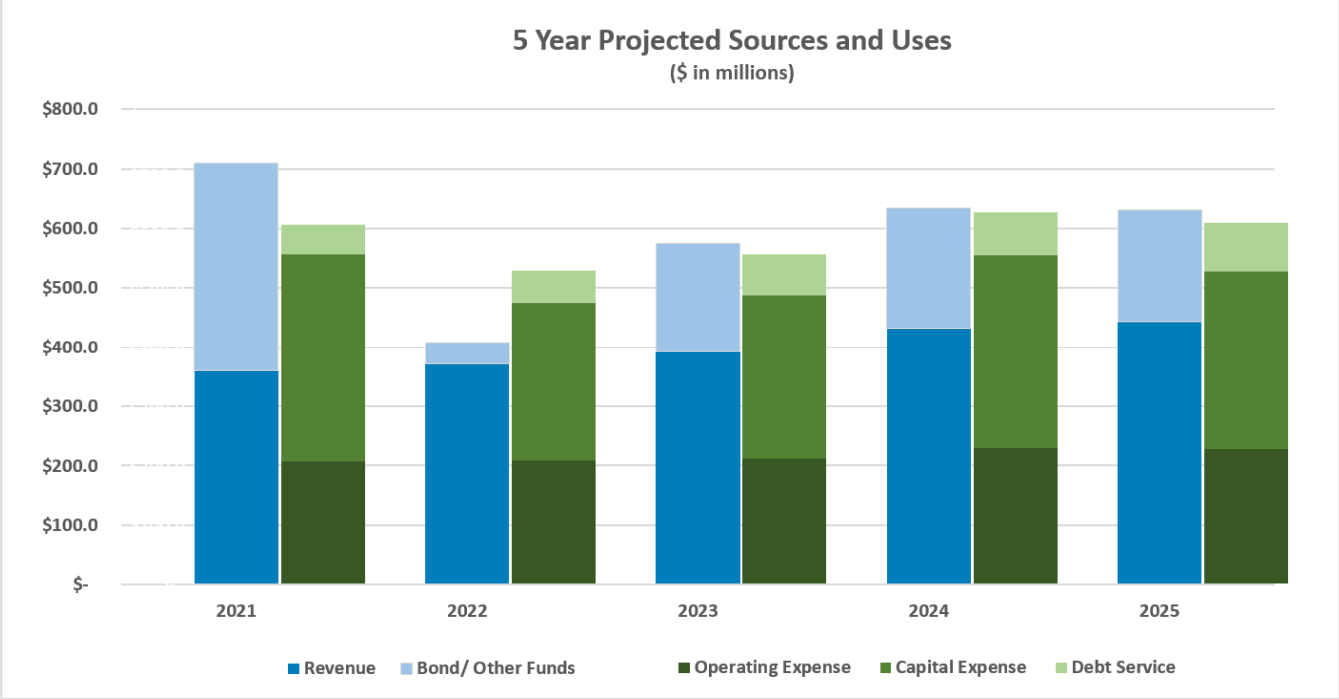
1) Added LTE (Limited Term Employees) in 2019.

2) Information Technology merged in 2020 into Administrative Services.

3) Human Resources merged in 2020 into Manager & Staff.



WATER WORKS FUND



Denver Water is an "enterprise" of the City of Denver 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."

The general city government has no access to the Water Works Fund and Denver Water has no access to the city's general fund. Both funds, however, are accounted for by the city's auditor. Although the Board approves the rates and the annual budget, no funds are appropriated. Denver Water defines fund balance for the Water Works Fund (an Enterprise 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, 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.

DEBT INFORMATION

Denver Water 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 the organization's capacity to support the projected level of debt.

Denver Water uses the following guidelines in its financial planning activities:

- Debt Ratio should not exceed 45%. Calculated as: total debt divided by the sum of net fixed assets plus net working capital.
- Water rates are established to provide Net Revenues sufficient to produce annual coverage of 1.8 times that of the current Annual Debt Service.

Debt Principal and Interest Obligations (in millions of dollars)

Year	Principal	Interest	Total
2021	$ 18.3	$ 26.4	$ 44.7
2022	18.1	25.5	43.6
2023	19.0	24.7	43.6
2024	14.4	23.8	38.2
2025	14.9	23.2	38.0
2026	15.6	22.5	38.0
2027	16.3	21.7	38.1
2028	16.9	21.1	38.0
2029	16.8	20.5	37.3
2030	17.4	19.9	37.3
2031	18.2	19.1	37.3
2032	19.1	18.2	37.3
2033	19.9	17.4	37.3
2034	20.9	16.6	37.5
2035	21.8	15.8	37.6
2036	22.5	15.1	37.6
2037	23.3	14.4	37.7
2038	23.6	13.7	37.3
2039	24.4	12.9	37.3
2040	25.3	12.1	37.4
2041	26.4	11.2	37.6
2042	27.5	10.1	37.6
2043	28.6	9.0	37.6
2044	29.8	7.8	37.6
2045	31.0	6.6	37.6
2046	32.5	5.1	37.6
2047	34.1	3.5	37.6
2048	35.4	2.2	37.6
2049	36.5	1.1	37.6
Total	**$ 668.5**	**$ 441.2**	**$ 1,109.7**

The currently outstanding series of bonds were assigned AAA/Aaa/AAA ratings by Fitch Ratings Inc., Moody's Investors Service, Inc. and S&P Global Ratings, respectively, in April 2020, the most recent review date (new ratings will be available on April 9, 2021). The ratings are subject to revision or withdrawal at any time by the respective rating agency and there is no assurance that the ratings will continue or that they will not be revised or withdrawn.

FINANCIAL POLICIES

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

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 (GASB).

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.

Capital Assets

Purchased and constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value on the date received. Assets are capitalized if they have a cost of $50,000 or more and have a useful life of more than one year. Costs not meeting these criteria are expensed. Land and water rights are recorded at cost. Land is not depreciated, and water rights are granted in perpetuity and not amortized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective asset classes.

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:

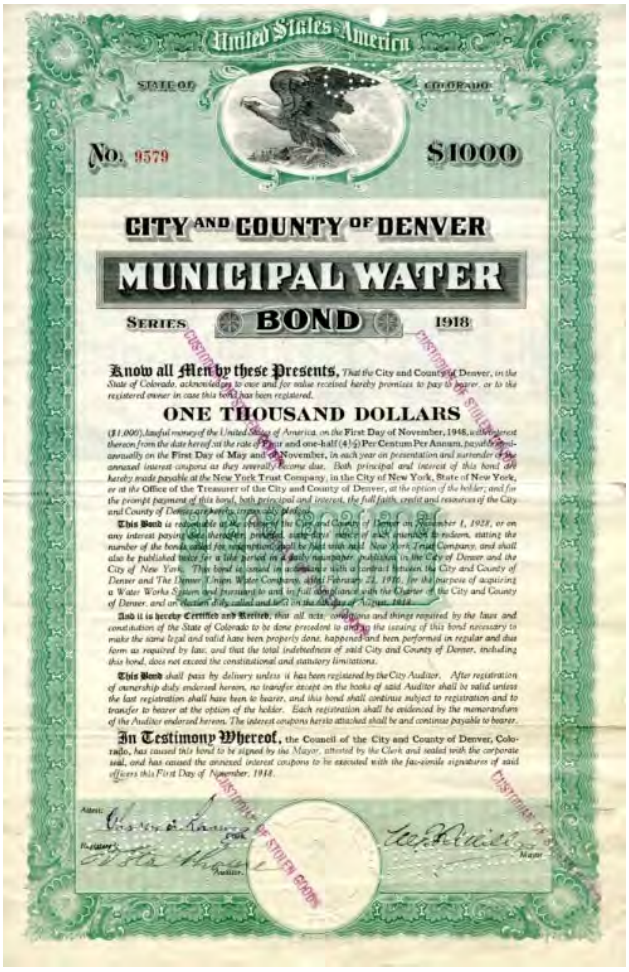
- 25% of the next year's operating costs.
- The greater of average annual depreciation cost and 2% of current total capital assets (before depreciation) for replacement capital and equipment purchases.
- 50% of expected annual debt service for next year.
- $10 million in exposure reserve.

Consumption and Service Charges

In October 2020, the Board approved a 1.5% water rate increase, effective January 1, 2021. The rate increase is designed to increase overall total system water rate revenue, assuming normal weather and consumption.

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.


United States of America

STATE OF COLORADO

No. 9579 $1000

CITY AND COUNTY OF DENVER

MUNICIPAL WATER

SERIES BOND 1918

Know all Men by these Presents, That the City and County of Denver, in the State of Colorado, acknowledges to owe and for value received hereby promises to pay to bearer, or to the registered owner in case this bond has been registered,

ONE THOUSAND DOLLARS

($1,000) lawful money of the United States of America, on the First Day of November, 1948, with interest thereon from the date hereof at the rate of Four and one-half (4½) Per Centum Per Annum, payable semi-annually on the First Day of May and of November, in each year on presentation and surrender of the annexed interest coupons as they severally become due. Both principal and interest of this bond are hereby made payable at the New York Trust Company, in the City of New York, State of New York, or at the Office of the Treasurer of the City and County of Denver, at the option of the holder; and for the prompt payment of this bond, both principal and interest, the full faith, credit and resources of the City and County of Denver are hereby irrevocably pledged.

This Bond is redeemable at the option of the City and County of Denver on November 1, 1928, or on any interest paying date thereafter, prior to date fixed, notice of which shall be given by publication, stating the number of the bonds called for redemption, shall be had with said New York Trust Company, and shall also be published twice for a like period in a daily newspaper published in the City of Denver and the City of New York. This bond is issued in accordance with a contract between the City and County of Denver and The Denver Union Water Company, dated February 24, 1910, for the purpose of acquiring a Water Works System and pursuant to and in full compliance with the Charter of the City and County of Denver, and an election duly called and held in the said City on August, 1918.

And it is hereby Certified and Recited, that all acts, conditions and things required by the laws and constitution of the State of Colorado to be done precedent to and in the issuing of this bond necessary to make the same legal and valid have been properly done, happened and been performed in regular and due form as required by law; and that the total indebtedness of said City and County of Denver, including this bond, does not exceed the constitutional and statutory limitations.

This Bond shall pass by delivery unless it has been registered by the City Auditor. After registration of ownership duly endorsed hereon, no transfer except on the books of said Auditor shall be valid unless the last registration shall have been to bearer, and this bond shall continue subject to registration and to transfer to bearer at the option of the holder. Each registration shall be evidenced by the memorandum of the Auditor endorsed hereon. The interest coupons hereto attached shall be and continue payable to bearer.

In Testimony Whereof, the Council of the City and County of Denver, Colorado, has caused this bond to be signed by the Mayor, attested by the Clerk and sealed with the corporate seal, and has caused the annexed interest coupons to be executed with the fac-simile signatures of said officers this First Day of November, 1918.

Attest: Clerk

Registrar

Auditor

Mayor

Bond issued in November 1918 between City and County of Denver and Denver Union Water Company for the purpose of acquiring a Water Works System

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.

Investments

The Board established an Investment Policy for funds not needed for current operations and delegated its authority to invest these funds to the Chief Finance Officer. The Investment Policy establishes investment objectives, 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.

Measurement Focus and Basis of Accounting

The Board, as a business-type activity, is accounted for in an Enterprise Fund, which is used to report any activity for which a fee is charged to external users for goods or services. The Board's basic 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 statements of net position, 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 budget basis in which revenues are recorded when they become available and expenditures are recorded at the time liabilities are incurred. Under the terms of grant agreements, the Board funds certain programs using a combination of cost-reimbursement grants and general revenues. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

Operating Revenues and Expenses

Operating revenues consist primarily of charges to customers directly or indirectly related to the sale of water. Operating expenses consist of the cost of providing water and power, including administrative expenses and depreciation on capital assets. All other revenues and expenses are classified as nonoperating.

The Board accrues for estimated unbilled revenues for water provided through the end of each year from the last reading of the meters, based on the billing cycle.

Rates and Fees

Under Article X, Section 10.1.9 of the Denver City Charter, the Board is empowered to set rates for all of its customers. These rates "...may be sufficient to pay for operation, maintenance, reserves, debt service, additions, extensions, betterments, including those reasonably required for the anticipated growth of the Denver metropolitan area, and to provide for Denver's general welfare...."

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.

Risk Management

Denver Water is exposed to various risks of loss including torts, general liability, property damage (all limited under the Colorado Governmental Immunity Act to $387K per person and $1.093M per occurrence), and employee life, medical, dental and accident benefits. Beginning in 2019, these limits are adjusted every three years for inflation.

Denver Water has a risk management program that includes self-insurance for liability, employee medical (including stop-loss coverage), dental and vision. Denver Water carries commercial property insurance for catastrophic losses, including floods, fires, earthquakes and terrorism, for scheduled major facilities. It carries limited insurance for other nonscheduled miscellaneous locations. Denver Water also carries

commercial insurance for life, accident, short-term and long-term disability, employee dishonesty, and fiduciary exposure.

Denver Water is self-insured for workers' compensation and carries an excess liability (stop-loss) policy for individual claims exceeding $500K. Denver Water is at times party to pending or threatened lawsuits under which it may be required to pay certain amounts upon their final disposition.

During two different Denver Water service line repairs, motorists drove through Denver Water barricades.

PROJECTS

DENVER WATER

PROJECT PRIORITIZATION

2021 Prioritization Process

Project budgets, which consist of both capital and operating expenditures, follow the standard work of the Systems and Programs process. Collection, distribution, expansion, operations support, and treatment are prioritized together. Information Technology is prioritized separately through the EPMO. This process will be modified for the 2022 budget to align with the new EPMO philosophy and all projects will be prioritized together as one portfolio.

Each year, system managers prioritize needs and develop a two-year detailed budget for projects, along with a less detailed forecast for years 3 through 10. The outcome of this work is the long-term project forecast. Like operating expenses, the proposed budget for the total project portfolio must align with the annual financial plan and recommended revenue adjustments.

To be considered for prioritization, project managers first develop background information on potential projects, including associated scope, schedule and budget. That information is submitted on a business case form and is approved by the appropriate system manager. All approved projects are compiled into the preliminary long-term forecast. System managers then conduct a series of meetings to categorize and prioritize the approved projects until they meet the defined budget targets for the next two years. Once this process is complete, project managers develop detailed budgets for each project.

DENVER WATER

ENTERPRISE PROJECT MANAGEMENT

In 2020, Denver Water's executive leadership and the Board of Water Commissioners made a commitment to pursuing enterprise-wide project management and approved a new team called Enterprise Project Management Office (EPMO). This office works in collaboration with teams across the organization to provide governance to all projects at Denver Water while capitalizing on the current project management structures. This will be a transition year as we establish consistent governance across all projects, develop a project reporting tool, establish value verification standards, refresh the prioritization process and update key project metrics.

EPMO Value Proposition

Value realization is provided through transparent planning, selection and governance for the Board, consistent enterprise reporting and performance metrics for the Executive Team, improved stakeholder engagement for our partners, and consistent processes for our project managers and people engaging in the process. When brought together, Denver Water should have full line of sight to the demand for capacity planning, and assurance that the right projects are selected at the right time and cost.

Strategic Planning

- Strategic alignment and value are verified throughout planning and execution
- All Strategic Programs will have a roadmap
- Continuous planning cycle
- Informs the Eteam Strategic Planning

Framework

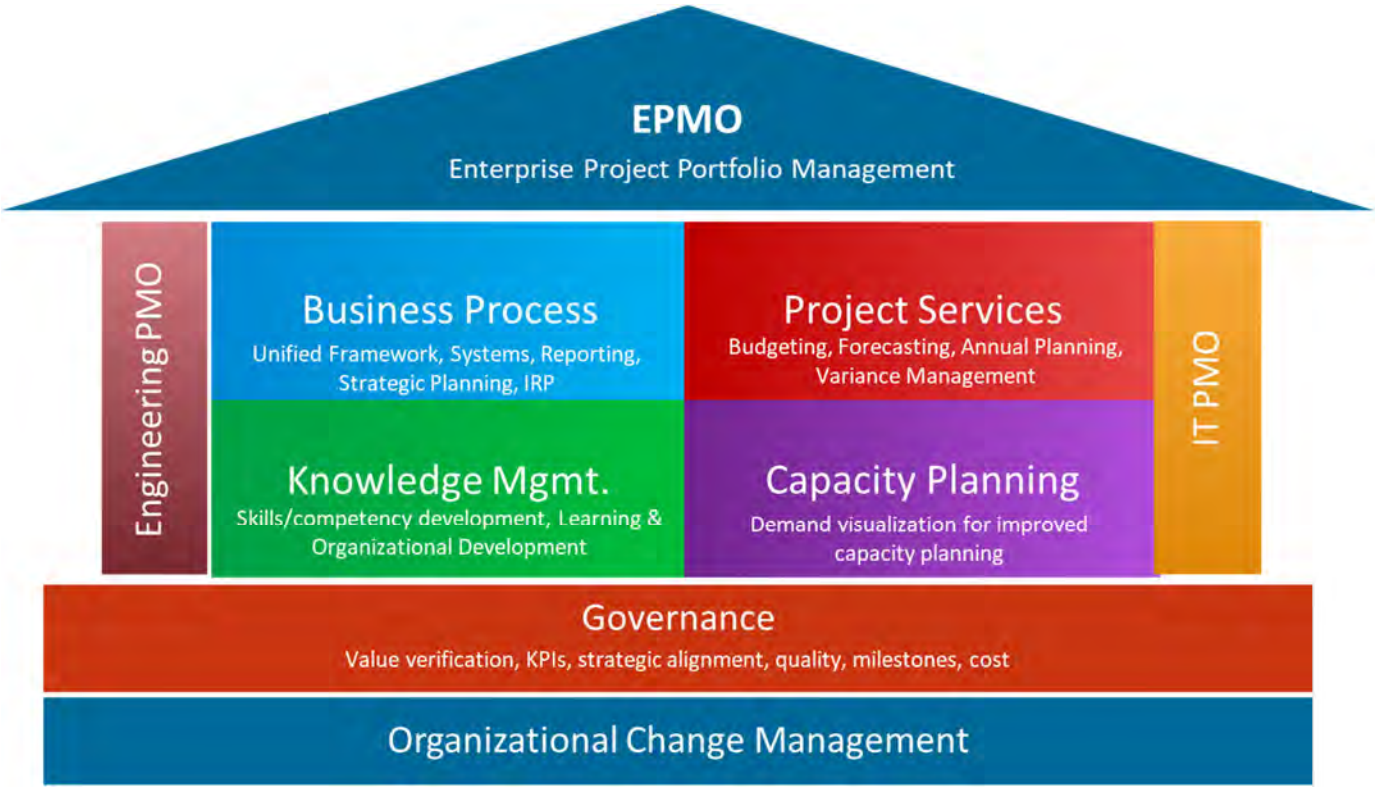
- Grounded in best practices
  - Phases
  - Gates
  - Monitoring & Controlling Activities
- Expands or contracts based on effort complexity
- Unifies process where appropriate
- Allows for specialization where needed

Governance

- Governance activities are defined at each stage and gate
- Key Performance Indicators (KPIs)
  - Process
  - Program
  - Portfolio
  - Project
- Value Verification
- Variance Management
- Lessons Learned
- Continuous Improvement
- Long Term Planning

Future State

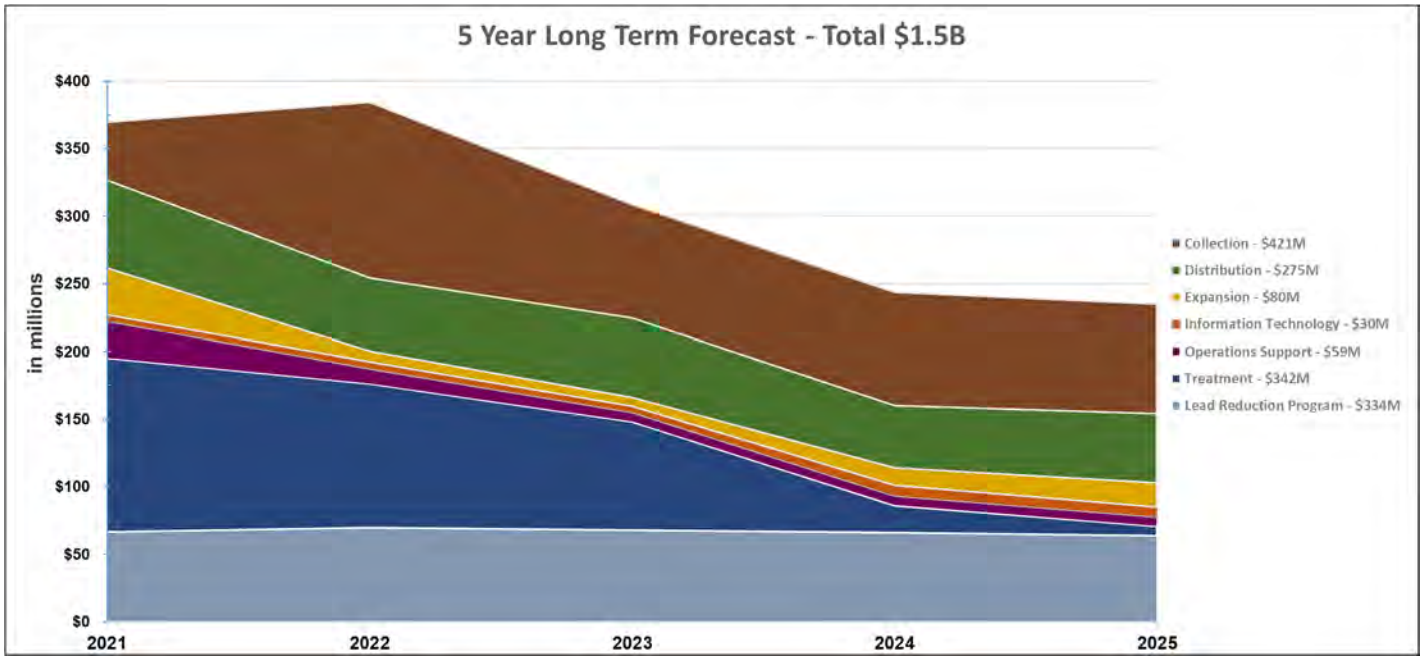
The goal of the EPMO is to create an environment in which Denver Water's project portfolio is unified. Leadership should be able to look at Denver Water's portfolio and see where it's investing, as well as the return on that investment, and know that everyone in the organization who touches project management has the tools to set them up for success. The walls of the house, Denver Water's Project Management Offices (Engineering and Information Technology), keep it structurally sound; the foundation of governance, value verification and key performance indicators (KPIs) assure strategic alignment at every step. Organizational change management ensures our people have the desire, tools, knowledge, and skills to perform and deliver projects with value to the organization.



DENVER WATER

FIVE-YEAR PROJECT PLAN

The chart below illustrates the five-year project plan for Denver Water (including both capital and operating projects). Over the next five years, we expect to spend $1.5 billion improving and maintaining our system.



Major projects in the five-year forecast include:

- Lead Reduction Program
- Northwater Treatment Plant
- Conduit 16 Replacement
- Gross Reservoir Expansion
- Main Replacements and Improvements
- Conduit and Vault Improvement Programs
- North Complex Hazeltine Pump Station

PROJECT DETAIL

TOP 10 PROJECTS 2021 BUDGET (in thousands of dollars)				
MULTI-YEAR PROJECTS - TOTAL PROJECT OVERVIEW				
Includes applied labor	**Prior Year(s) Actuals**	**2021 Budget**	**Future Year(s) Projected**	**Projected Total**
Northwater TP	$ 199,018	$ 125,000	$ 190,043	$ 514,061
Lead Program	84,326	66,616	514,300	665,242
ALSLR	*72,693*	*57,968*	*449,300*	*579,961*
Lead Line Svcs Program	*11,633*	*8,648*	*65,000*	*85,281*
Gross Reservoir Expansion	60,413	20,586	TBD	TBD
Water Resources Center	2,460	19,748	5,324	27,532
Water Resources Center	*2,068*	*16,718*	*5,324*	*24,110*
Quivas Building Renovation	*392*	*3,030*	-	*3,422*
Chatfield Reallocation Orphan Shares	-	15,000	-	15,000
Conduit 16&22 Replacement	61,685	13,500	2,700	77,885
Hillcrest Reservoir Basin Replacements & Pump Station Modifications	98,255	11,419	-	109,674
Lupton Lakes Inlet/Outlet Fac	1,030	11,300	-	12,330
Marston PS Elec.& Mech. Upgrds	12,138	877	15	13,030
SPECIFIC TERM PROJECTS - TOTAL PROJECT OVERVIEW				
Includes applied labor	**Prior Year(s) Actuals**	**2021 Budget**	**Future Year(s) Projected**	**Projected Total**
Main Replacements / Improvements (2019 - 2023 per Asset Management Plan)	$ 44,470	$ 22,000	$ 57,900	$ 124,370
Vehicle Replacements (5 year total - includes no prior year costs)	-	5,202	18,800	24,002

DENVER WATER

PROJECT DETAIL
2021 BUDGET
(in thousands of dollars)

Project Name	System	Type	2021 Budget
Northwater TP	Treatment	Capital	$ 125,000
ALSLR	Other	Capital	$ 57,968
Main Replacements/Improvements	Distribution	Capital	$ 22,000
Gross Reservoir Expansion	Collection	Capital	$ 20,586
Water Resources Center	Operations Support	Capital	$ 16,718
Chatfield Reallocation Orphan	Expansion	Capital	$ 15,000
Conduit 16&22 Replacement	Distribution	Capital	$ 13,500
Hillcrest PS Modifications	Distribution	Capital	$ 11,419
Lupton Lakes Inlet/Outlet Fac	Expansion	Capital	$ 11,300
Roberts Tun El&C & 2nd Hydro	Collection	Capital	$ 8,872
Lead Line Svcs Program	Distribution	Capital	$ 8,648
Vehicle Replacements	Operations Support	Capital	$ 5,202
Ralston Dam Modifications	Collection	Capital	$ 4,432
Moffat Tunnel East Portal Stil	Collection	Capital	$ 3,400
Quivas Building Renovation	Operations Support	Capital	$ 3,030
Clarkson PS Renovations	Distribution	Capital	$ 2,760
Forest to Faucets	Expansion	Operating	$ 2,500
2021/22 Vault Modifications	Distribution	Capital	$ 2,413
Ralston Spilwy Under Drn Rpr	Collection	Capital	$ 2,168
2020/21 Vault Modifications	Distribution	Capital	$ 2,000
Conduit Valve Replacements	Distribution	Capital	$ 1,300
C-39 Tap Removals	Distribution	Capital	$ 1,296
SCADA Network Design & Config	Information Technology	Operating	$ 1,141
Foothills Conversion to Liquid	Treatment	Capital	$ 1,089
Aquifer Store and Recovy Pilot	Expansion	Operating	$ 1,012
DIA Vault Program	Distribution	Capital	$ 1,000
CC&B Upgrade to 2.8	Information Technology	Capital	$ 968
Chatfield Reallocation	Expansion	Capital	$ 950
Cond 94 Rep & Valve Rep	Distribution	Capital	$ 946
Marston PS Elec.& Mech. Upgrds	Distribution	Capital	$ 877
FH TP Flter Media&Underdrn Rpl	Treatment	Capital	$ 800
Aerial Crossing Replacements	Distribution	Capital	$ 750
Unplanned Expense Work	Other	Operating	$ 750
South System Facility Plan	Treatment	Capital	$ 739
C-10,109,116,124,138 Corrosion	Distribution	Capital	$ 712
Moffat Tunnel Lining Repair	Collection	Operating	$ 700
Fire Hydrant Replacement	Distribution	Capital	$ 700
Water Rights	Expansion	Capital	$ 700
Conduit Inspections	Distribution	Operating	$ 650
CCaaS	Information Technology	Operating	$ 617
Dillon Fiber Optic Line	Collection	Capital	$ 569
Hazeltine Final Grading	Expansion	Capital	$ 552
HVAC Replacement Program	Operations Support	Capital	$ 524
Sensus Master Meter Replacemen	Expansion	Operating	$ 500
S Platte Sys Res Developmen	Expansion	Operating	$ 500
WEP-Rebates	Expansion	Operating	$ 484
South Boulder Canal - Hwy 72	Collection	Capital	$ 400
Specialized Main Improvements	Distribution	Capital	$ 369
Chatfield & Cherry Hills PS	Distribution	Capital	$ 367
WISE Project with Aurora	Expansion	Capital	$ 350
Roof Maint. Repair & Replaceme	Operations Support	Operating	$ 350

DENVER WATER

PROJECT DETAIL
2021 BUDGET
(in thousands of dollars)

Project Name	System	Type	2021 Budget
Broomfield and Montclair PS Ca	Distribution	Capital	$ 300
Williams Fork Dam Access Road	Collection	Capital	$ 277
C-115 Corrosion Protection	Distribution	Capital	$ 261
Dillon Bridge Demo & Rebuild	Collection	Capital	$ 257
DIA Electrically Shorted Pipin	Distribution	Operating	$ 250
No-Fault Main Break Program	Operations Support	Operating	$ 250
Emerg Capital Unplanned Proj	Other	Capital	$ 250
Foothills Res. Crack Seal Rep	Treatment	Operating	$ 250
Rcycl Plnt conct to Mtro Waste	Expansion	Capital	$ 250
Strontia-Elec & Cntrl Upgrade	Collection	Capital	$ 242
Strontia Springs Intake Fixed	Collection	Capital	$ 225
Enterprise Reporting Tool	Information Technology	Operating	$ 221
24-7 Managed Detection & Resp.	Information Technology	Operating	$ 211
New Clinic Software	Information Technology	Operating	$ 202
Elevenmile Outlet Works Valve	Collection	Capital	$ 201
C17 Clean & Bypass Gates	Distribution	Capital	$ 173
Upgrade Remaining 2012 Servers	Information Technology	Operating	$ 168
C-306 Ext to Fairmount Cemeter	Distribution	Capital	$ 156
Upgrade DA, VPN, and MFA Proje	Information Technology	Operating	$ 152
C-13,40,53,89,107,& 141 Corros	Distribution	Capital	$ 151
Last Chance Diversion Replacem	Collection	Capital	$ 150
Recycled Distribution Program	Expansion	Capital	$ 150
Secure Configuration Managemen	Information Technology	Operating	$ 125
Foothills Drainage Improvement	Treatment	Capital	$ 122
Foothills Alkalinity Addition	Treatment	Capital	$ 121
Phase II Bare Metal	Information Technology	Operating	$ 119
Oracle 19c	Information Technology	Operating	$ 118
C94 Assessment and Repairs	Distribution	Capital	$ 115
Application Whitelisting	Information Technology	Operating	$ 109
Lares-07 Segment security zone	Information Technology	Operating	$ 109
Misc Small Pmpg & Storage Proj	Distribution	Capital	$ 100
Customer Self Service Platform	Information Technology	Operating	$ 97
Main Replacement Planning	Information Technology	Operating	$ 96
2022/23 Vault Modifications	Distribution	Capital	$ 93
Domain Functional Upgrade	Information Technology	Operating	$ 92
Moffat Parshall Flume Replacem	Treatment	Capital	$ 87
Replace PRV - misc	Distribution	Capital	$ 75
Moffat Chemical Containment	Treatment	Operating	$ 75
Moffat Lime Batch Mixing Sys	Treatment	Capital	$ 75
Edge Chromium	Information Technology	Operating	$ 70
Patch & Vulnerability Mgmt	Information Technology	Operating	$ 69
Foothills Replace Filter Panel	Treatment	Capital	$ 65
Upgrade Maximo to 7.6	Information Technology	Operating	$ 65
DRWSP North Complex EI&C	Expansion	Capital	$ 60
Upgrade ADFS Project	Information Technology	Operating	$ 59
McQueary Diversion Dam Concret	Collection	Operating	$ 51
C-10 Exposure at Massey Creek	Distribution	Capital	$ 50
Meadow Creek System Improvemen	Collection	Operating	$ 50
Smith Road PS Analysis	Distribution	Operating	$ 50
City Ditch Improvements	Collection	Capital	$ 50
PLC Replacement: Moffat MIXP	Information Technology	Operating	$ 47

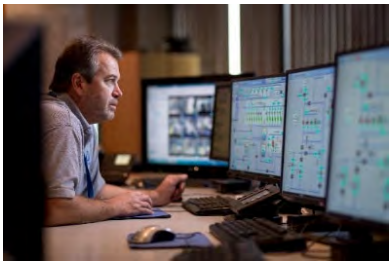
DENVER WATER

PROJECT DETAIL
2021 BUDGET
(in thousands of dollars)

Project Name	System	Type	2021 Budget
Marston Raw Water Valve Batter	Treatment	Capital	$ 43
PLC Replacement: FH Headworks	Information Technology	Operating	$ 42
Moffat Clear Water Res #4 CP	Treatment	Capital	$ 40
Intune	Information Technology	Operating	$ 39
PLC Replacement: Foothills Alu	Information Technology	Operating	$ 38
WEP-SFR Audit	Expansion	Operating	$ 37
Bancroft Clover Analysis	Distribution	Operating	$ 35
Moffat Pulsafeeder Metering	Treatment	Capital	$ 35
Capital Hill C-18 Filling Valv	Collection	Operating	$ 34
Weathertrac Irrigation Control	Operations Support	Capital	$ 30
Recycling Upgrade CL2 Scrubber	Treatment	Capital	$ 28
WEP-Communicate Efficiency	Expansion	Operating	$ 26
Howe Haller A&B Water Quality	Expansion	Capital	$ 25
North Complex Hazeltine Water	Expansion	Capital	$ 25
Strontia Sedimentation Study	Collection	Operating	$ 25
Moffat Apple Tree Valve Replac	Treatment	Capital	$ 22
Rcycl TP- BAF Aeration Imprvmt	Treatment	Capital	$ 21
Moffat WTP Hydro Feasibility S	Collection	Operating	$ 21
WEP-SDC Efficiency Credits	Expansion	Operating	$ 19
56th Ave Filling Valve Vault	Collection	Operating	$ 18
Windows Feature Upgrade 21-03	Information Technology	Operating	$ 18
WEP-SFR Outdoor Lndscp chng	Expansion	Operating	$ 16
PLC Replacement: Moffat DC1	Information Technology	Operating	$ 15
InfoWater Pro Upgrade	Information Technology	Operating	$ 15
Lares-13 NAC Implementation	Information Technology	Operating	$ 12
Dillon Control House HPU	Collection	Capital	$ 10
PLC Replacement: Moffat DC2	Information Technology	Operating	$ 10
CO 811 Locates Ticketing	Information Technology	Operating	$ 10
Advanced Data Governance	Information Technology	Operating	$ 8
Main Relocations	Distribution	Capital	$ 5
Windows 20-03 Feature Upgrade	Information Technology	Operating	$ 0
All Projects Total			**$ 369,461**

SUMMARY BY SYSTEM	2021 Budget
Collection	$ 42,738
Distribution	$ 73,520
Expansion	$ 34,457
Operations Support	$ 26,103
Other	$ 58,968
Treatment	$ 128,612
Information Technology	$ 5,062
Total	**$ 369,461**

SUMMARY BY TYPE	2021 Budget
Capital	$ 356,713
Operating	$ 12,748
Total	**$ 369,461**



CAPITAL PROJECT UPDATES

Gross Reservoir Expansion Project

Securing our future ability to provide safe, reliable water

The Gross Reservoir Expansion Project is a major component of Denver Water's long-term, multipronged approach to deliver safe, reliable water to the more than 1.5 million residents in our service area today and many of the projected millions who will call Colorado home in the decades to come.

The project will raise the height of the existing dam by 131 feet, which will allow the capacity of the reservoir to increase. Once permits are secured, we expect construction to take place in phases. The project website, www.grossreservoir.org, details expansion plans, permit information, construction and schedule.

The design phase of the Gross Reservoir Expansion Project is expected to wrap up by mid-2021 and will be followed by four years of construction. The project involves raising the existing 340-foot-tall Gross Dam by an additional 131 feet, which will increase the capacity of the reservoir by 77,000 acre-feet and includes 5,000 acre-feet of storage dedicated to South Boulder Creek flows that will be managed by the cities of Boulder and Lafayette.

The FERC order, along with the permitting conditions put in place by CDPHE and the U.S. Army Corps of Engineers, further commits Denver Water to implementing environmental improvements by putting in place measures evaluated in the environmental assessment issued in February 2018. The project relies on the expansion of an existing footprint — without the placement of a new dam, reservoir or diversion structure; it also benefits from an original design that anticipated eventual expansion. Increasing the capacity of Gross Reservoir was a specific and formal recommendation from the environmental community as an alternative to construction of the proposed Two Forks Reservoir in the 1980s.

Denver Water has committed more than $20 million to more than 60 different environmental mitigation and enhancement projects that create new habitat and flow protections to rivers and streams on both sides of the Continental Divide because of the Gross Reservoir Expansion Project. According to Colorado elected officials, those commitments will have a net environmental benefit for the state's water quality. This project has earned the support of major environmental groups including Colorado Trout Unlimited, The Greenway Foundation and Western Resource Advocates; local, state, and federal elected officials (including Colorado's last five governors); and major business and economic development groups, among others.

An expanded Gross Reservoir is critical to Denver Water's multi-pronged approach — including efficient water use, reuse and responsibly sourcing new storage — to improve system balance and resiliency while contributing to water security for the more than 1.5 million people in the Denver metro area.

North System Renewal

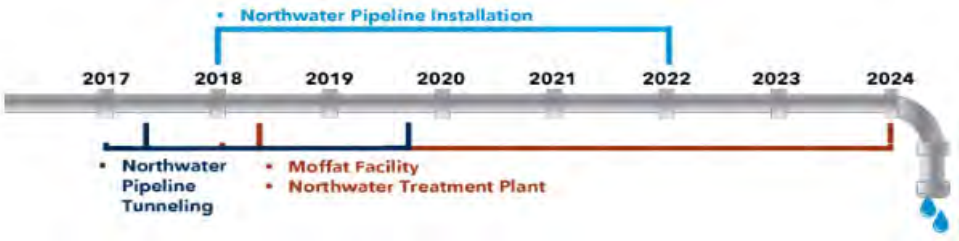
Improving the safety and reliability of our aging system

Denver Water's North System brings snowmelt from the mountains through reservoirs, pipelines and a treatment plant to produce clean, great-tasting drinking water. Denver Water is upgrading and modernizing the northern portion of our water system. We are building a new water treatment plant, installing a new pipeline and redeveloping our Moffat Treatment Plant. When finished, the system will be more resilient and adaptable to changing demands for water now and into the future.

Denver Water's North System was constructed in the 1930s, when the surrounding area was mostly farmland. Now, 80 years later, the North System is reaching the end of its lifespan. The North System's pipelines and valves need to be replaced. The new treatment plant will feature updated technology, and the existing Moffat Treatment Plant will be repurposed into a distribution site.

Project components:

- Northwater Treatment Plant (NTP) — A new, state-of-the-art water treatment plant is being built next to Ralston Reservoir, north of Golden in Jefferson County. NTP will be capable of treating up to 75 million gallons of water a day and will be equipped with disinfection technology that will provide more flexibility to react to changes in water quality.
- Northwater Pipeline — A 66-inch diameter pipeline is being installed, replacing one of the two existing pipelines, running 8.5 miles between Ralston Reservoir and the Moffat Treatment Plant. The new pipeline will transport treated water from NTP to the Moffat Facility for distribution.
- Moffat Treatment Plant — The Moffat Treatment Plant will continue to treat water, but at a reduced capacity. Water treated at NTP will be sent to the Moffat facility, via the Northwater Pipeline, where it will be stored and distributed to customers.



**Construction began October 2017. As with any project, the schedule depends on several factors and will be updated as construction progresses.*

Hillcrest Storage Tank Replacement

Durable design, less susceptibility to leaks

To maintain safety at the Hillcrest water storage facility and improve its reliability, Denver Water is making major upgrades through work estimated to run through 2021.

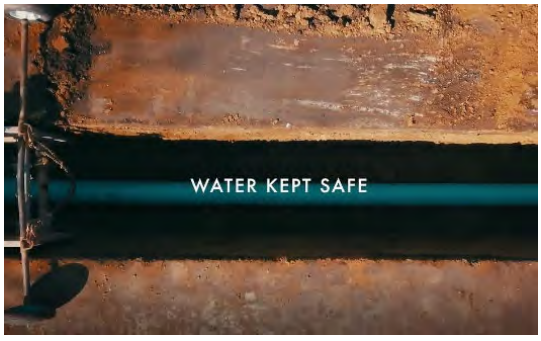
Denver Water developed the Hillcrest water storage facility in the early 1960s to replace several small, temporary pumping stations and improve the ability to reliably serve the burgeoning population of southeast Denver. Since then, the area's population has continued to grow, placing increasing demand on the storage and pumping facilities on top of the wear and tear expected to come with age.

The major upgrades this project brings to the Hillcrest facility are an important part of Denver Water's plan for continued reliable water service to the southeast Denver area.

Pipe Replacement and Lead Reduction Program Work Areas

Proactive pipe work keeps the water flowing

Denver Water replaces water mains for various reasons, including repairing or avoiding main breaks, replacing corroded pipe, alleviating water quality problems, increasing available hydrant flow and improving area delivery.



Aerial view of pipe section in Denver Water's system. Denver Water has more than 3,000 miles of pipe.

The water distribution system contains more than 3,000 miles of water mains, and Denver Water crews install or replace an average of 106,000 feet of pipe a year with a goal of replacing 140,000 feet of pipe a year by 2024.

Replacements are done for various reasons, including repairing or avoiding main breaks, replacing corroded pipe, alleviating water quality problems, increasing available hydrant flow and improving area delivery. All of these are important to maintaining the water distribution system.

Lead Reduction Program

Getting the Lead Out

The primary source of lead in drinking water is customer-owned lead service lines, the pipe that brings water from the water main in the street to the plumbing in the home. Denver Water estimates there are 64,000-84,000 properties that may have lead service lines in its service area. It will take 15 years to replace all of them. The Lead Reduction Program will replace customer-owned lead service lines with copper service lines at no direct charge to the customer.

- Because property owners, not Denver Water, own water service lines, information on what they are made of is inconsistent and scattered among a variety of sources. So, Denver Water has been developing a comprehensive inventory of known and suspected lead services lines using a combination of property records (homes built before 1951 are more likely to have lead service lines), water quality tests and visual inspections of service lines.
- While Denver Water currently replaces approximately 1,000 lead service lines a year, the Lead Reduction Program will accelerate this effort to replace all lead service lines within the next 15 years.
- We'll be working on a neighborhood-by-neighborhood basis, factoring in those who are most vulnerable and at-risk from lead exposure, underserved areas and planned construction activities.
- In addition to prioritizing geographic areas, we are also prioritizing individual properties throughout the city that serve large numbers of at-risk individuals, such as schools and daycare facilities.

WATER RATES AND USAGE

DENVER WATER

WATER RATES

The Denver Board of Water Commissioners adopted rate changes to help pay for our new Lead Reduction Program that launched in January 2020. The rate change took effect January 1, 2021 and increased monthly bills for most single-family customers by less than 70 cents if they use water at similar volumes to 2020.

The program will replace an estimated 64,000 to 84,000 customer-owned lead service lines with lead-free lines over 15 years at no direct charge to the customer. Denver Water's rates are designed to help pay for this and other critical projects to keep our system operating efficiently.

There are about 100 major projects identified in our five-year capital plan, including the Lead Reduction Program, pipe replacements and water treatment facility upgrades. All our costs, including day-to-day operations and unplanned work, such as main breaks, are paid for by rates, fees and other sources, such as bond and hydropower sales, not taxes.

In response to the economic consequences of the pandemic in our community, Denver Water cut costs for 2021 and the rate increase has been scaled back to cover only what's needed for our new Lead Reduction Program. The program, which started in January 2020, will reduce the risk of lead getting into drinking water from customer-owned lead service lines and internal plumbing that may contain lead.

Our employees continue their around-the-clock work running a large, intricate system that spans 13 counties across Colorado. With a five-year, $1.5 billion capital plan, we're staying on top of the upgrades and new projects needed to keep this system operating efficiently.

Our proactive and strategic approach includes replacing more than 100,000 feet of water pipe each year, upgrading and replacing aging infrastructure and planning for a future that includes more extreme weather patterns.

To keep water affordable and to encourage efficiency, Denver Water's rate structure includes three tiers based on how much water is used by customers Indoor water use — for bathing, cooking and flushing toilets — is essential for

human life and is charged at the lowest rate. Efficient outdoor water use is charged in the second tier (middle rate), followed by additional outdoor water use in the third tier (highest rate). In addition to variable charges based on water use, the rate structure also includes a monthly fixed charge based on water meter size.

We are slightly increasing the monthly fixed charge on bills in 2021 to ensure we recover 20% of our revenue from fixed charges, which helps us even out our revenue stream over the year. This also allows for reduced reliance on revenues that are based on how much water customers use, which has become increasingly difficult to predict in recent years given more frequent weather fluctuations.

For most residential customers who have a 3/4-inch meter, the fixed monthly charge will increase 33 cents, to $16.46 per month. Denver residents that have a 3/4-inch meter, and use 102,000 gallons of water in 2021, will see a monthly bill increase of about 70 cents.

For suburban customers who use 102,000 gallons, the monthly bill will rise by between 45 cents and 54 cents under an agreement between Denver Water and its suburban distributor partners for 2021 to share costs associated with the Lead Reduction Program.

Denver Water will always encourage customers to be efficient with their water use.

Using less water here means more water can be kept in the mountain reservoirs, rivers and streams that fish live in and Coloradans enjoy. And using less water also can lower your monthly water bills, saving money.

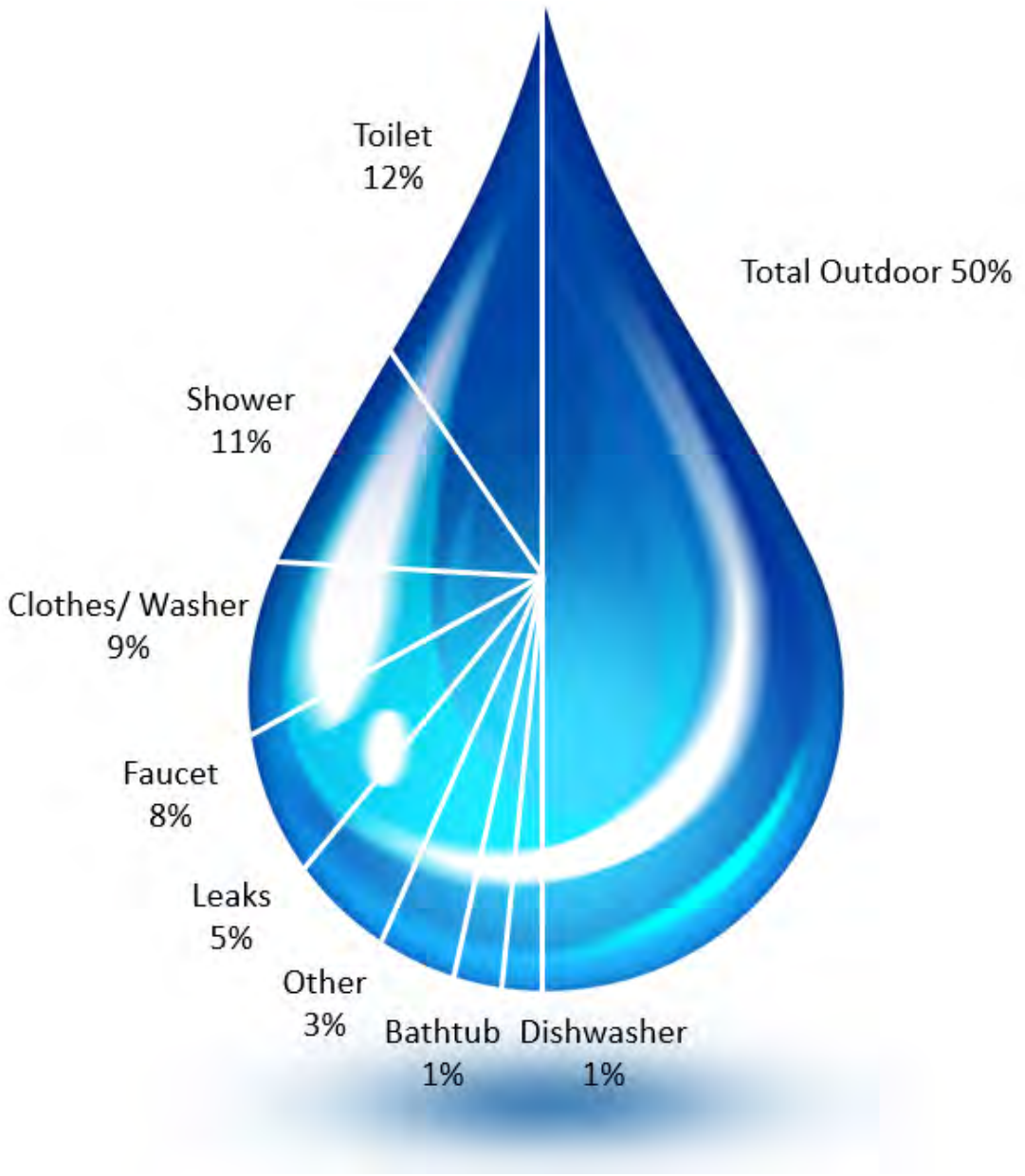
On the heels of a hot, dry summer and fall, Denver Water's supply and drought experts meet regularly and keep a close watch on weather forecasts, drought levels and soil conditions in the state's mountains. Winter is a critical time for Denver's water supply, which starts as snow.

Panoramic view of Northwater Treatment Plant taken by Water Treatment Engineer Peter J. McCormack

WATER USAGE

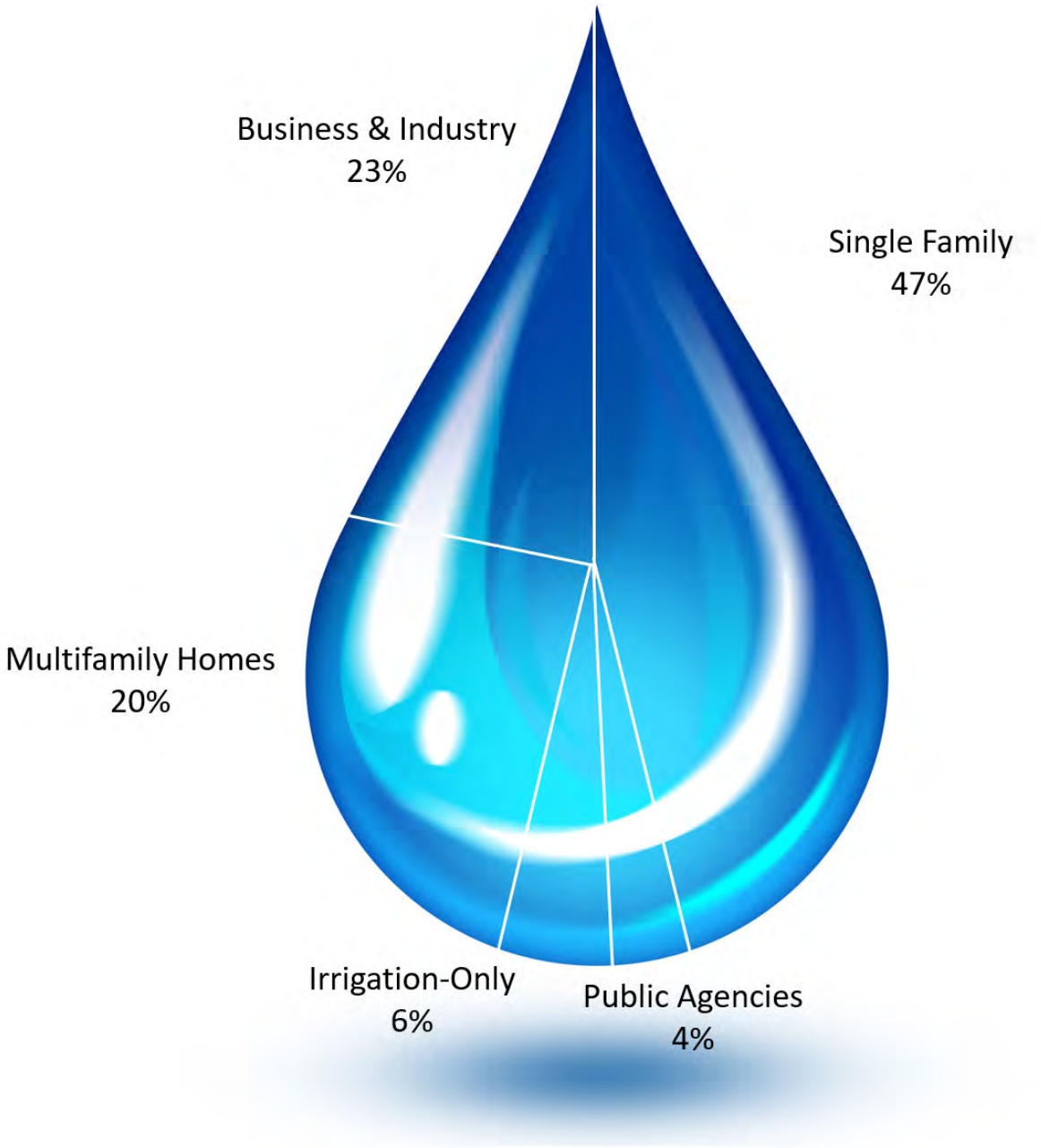
Residential Usage

Denver Water analyzes how customers use water now and how that use may change in the future. By researching customer water-use patterns, Denver Water can better plan for an adequate supply of clean, reliable water well into the future.

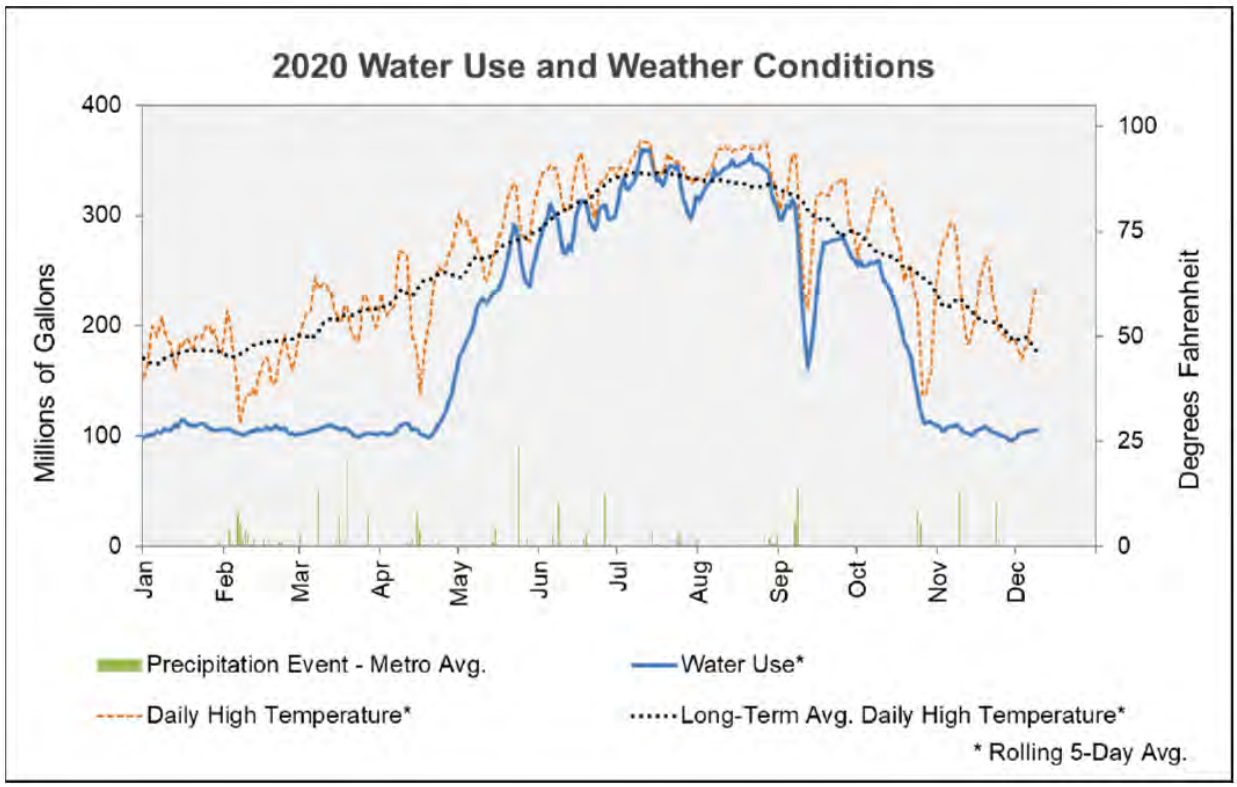


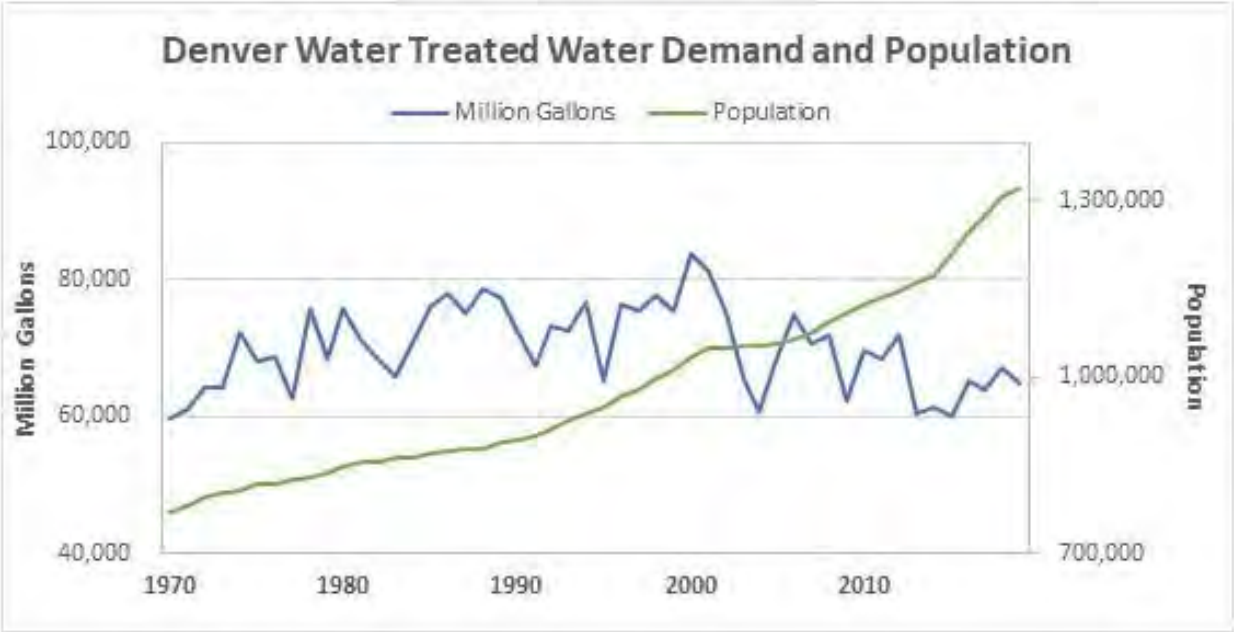
Usage by Category

Predicting the future needs for Denver Water's service area depends on growth in population and employment, improvements in water fixture technology, and changes to land use, among other variables.



Water use from year to year is heavily influenced by the weather. About half of single-family residential water use is outdoors, and a hot, dry year can mean customers use more water than usual. Denver Water serves about a quarter of the state's population but uses less than two percent of all water, treated and untreated, in Colorado.





WATER SHORTAGE PREPAREDNESS

Cheesman Reservoir - 2002 drought

The weather in this area constantly fluctuates, but it's typically very dry.
Denver receives an average of 15 inches of precipitation each year, which is about a fourth of the precipitation a tropical city such as Miami receives.

We've also experienced several severe droughts in the past that have challenged our water system and depleted our supply. Because of that, Denver Water has a detailed drought-response plan in place.

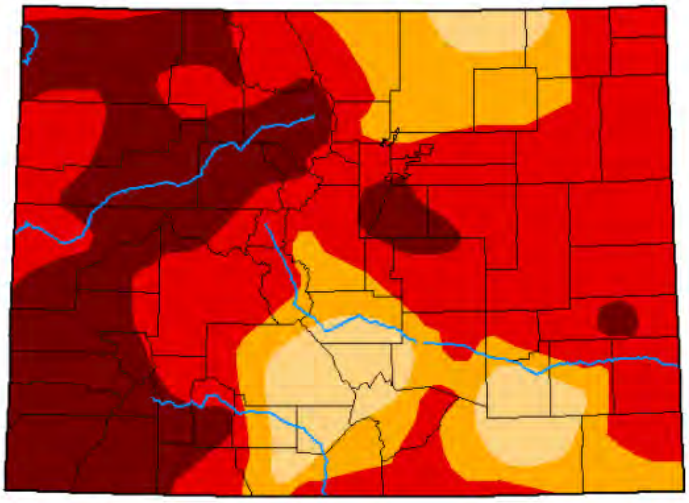
Stages of Drought Response

Denver Water's Drought Response Plan details drought severity indicators, response actions and program elements. Denver Water's primary response to drought is to restrict customers' water use so supplies will last as long as possible and be available for the most essential uses. Four different stages of drought response are outlined:

- **Drought Watch:** A Drought Watch will increase communication to customers that water supplies are below average, conditions are dry, and continued dry weather could lead to mandatory watering restrictions.
- **Stage 1 Drought:** A Stage 1 drought response imposes mandatory watering restrictions and requires effort on the part of customers.
- **Stage 2 Drought:** A Stage 2 drought response imposes a ban on lawn watering for Denver Water's customers. Stage 2 drought restrictions are severe and will likely result in damage to or loss of landscapes.
- **Stage 3 Drought:** If conditions warrant, Denver Water may implement a rationing program for an indefinite period to ensure, to the extent possible, that there is adequate water for essential uses.

Sun seen through wildfire smoke, 2020

The following images show the Colorado drought monitor from January 2021 and 2020 comparatively:



January 12, 2021
(Released Thursday, Jan. 14, 2021)
Valid 7 a.m. EST

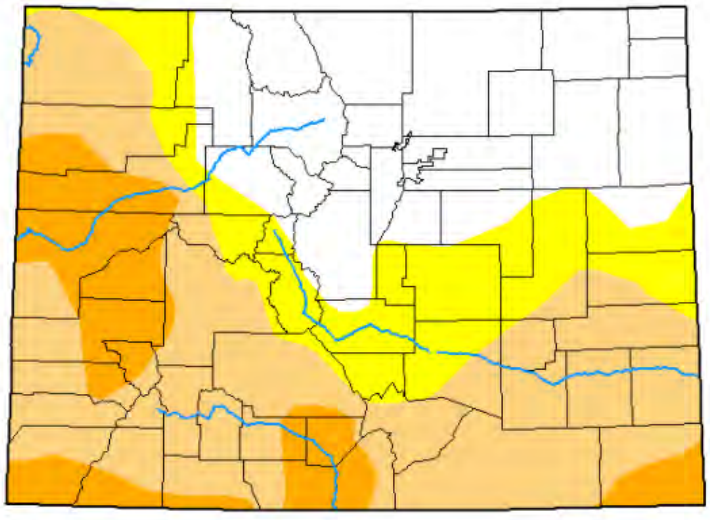
Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	0.00	100.00	100.00	91.03	73.63	27.59
Last Week 01-05-2021	0.00	100.00	100.00	93.73	76.17	27.60
3 Months Ago 10-13-2020	0.00	100.00	100.00	97.23	59.23	16.72
Start of Calendar Year 12-29-2020	0.00	100.00	100.00	93.73	76.17	27.60
Start of Water Year 09-29-2020	0.00	100.00	99.29	89.35	52.88	2.64
One Year Ago 01-14-2020	31.72	68.28	51.19	13.84	0.00	0.00

Intensity:
None
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to https://droughtmonitor.unl.edu/About.aspx

Author:
Deborah Bathke
National Drought Mitigation Center



January 14, 2020
(Released Thursday, Jan. 16, 2020)
Valid 7 a.m. EST

Drought Conditions (Percent Area)

	None	D0-D4	D1-D4	D2-D4	D3-D4	D4
Current	31.72	68.28	51.19	13.84	0.00	0.00
Last Week 01-07-2020	31.72	68.28	51.19	13.84	0.00	0.00
3 Months Ago 10-15-2019	25.44	74.56	37.01	11.23	0.00	0.00
Start of Calendar Year 12-31-2019	31.72	68.28	51.19	20.11	0.00	0.00
Start of Water Year 10-01-2019	30.14	69.86	27.53	0.00	0.00	0.00
One Year Ago 01-15-2019	15.91	84.09	68.49	53.00	25.35	10.51

Intensity:
None
D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. For more information on the Drought Monitor, go to https://droughtmonitor.unl.edu/About.aspx

Author:
Curtis Riganti
National Drought Mitigation Center

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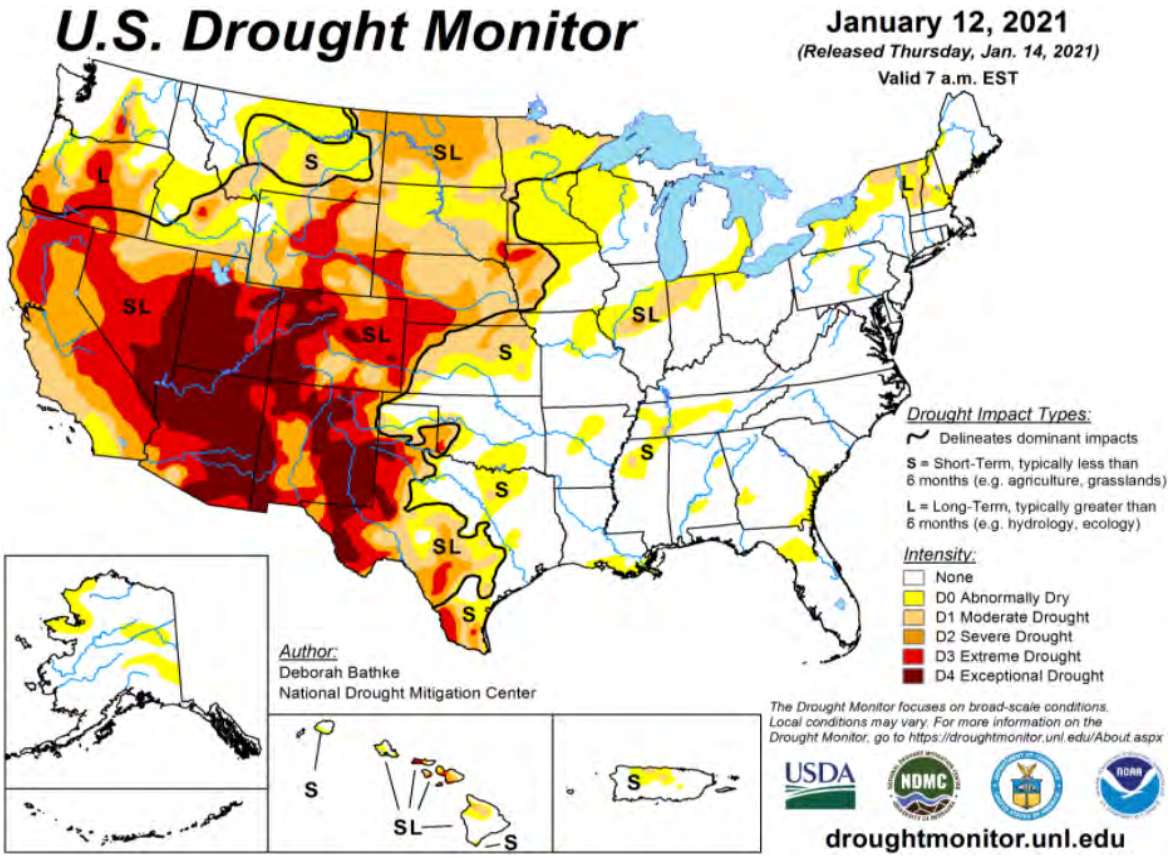
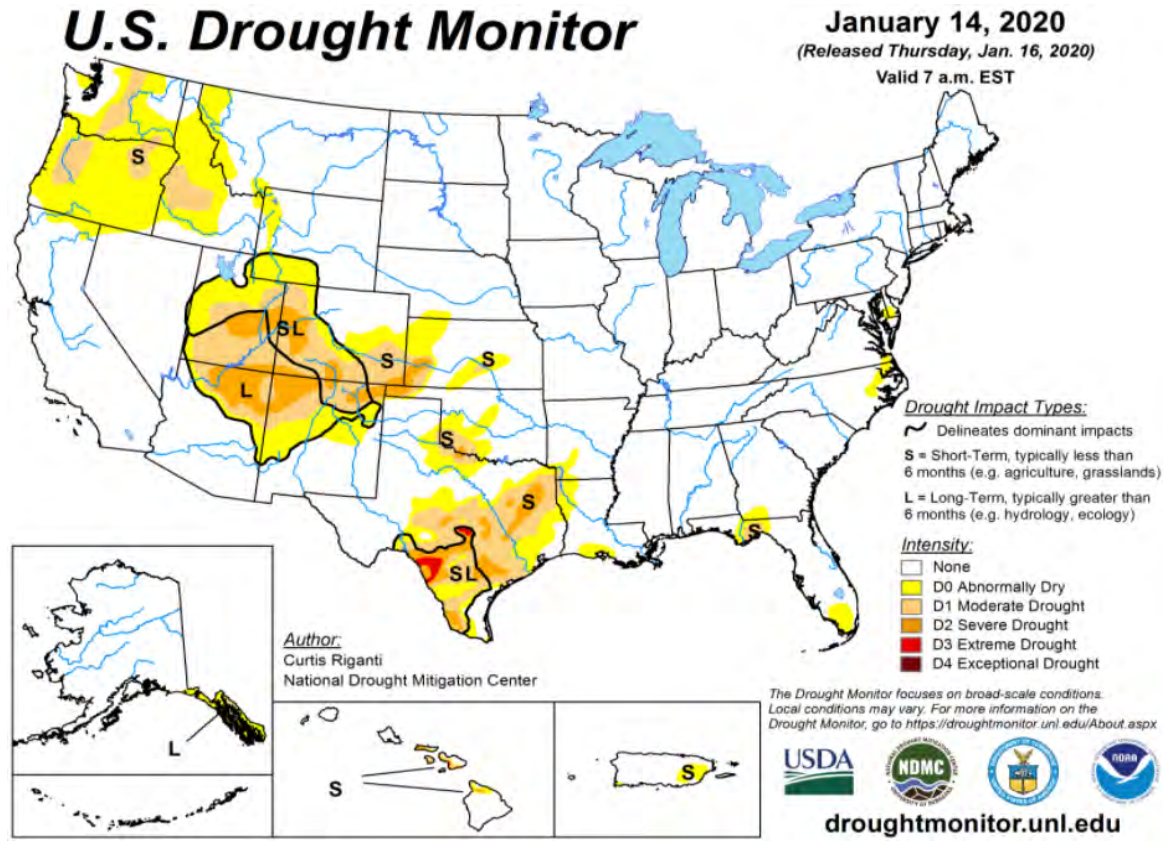


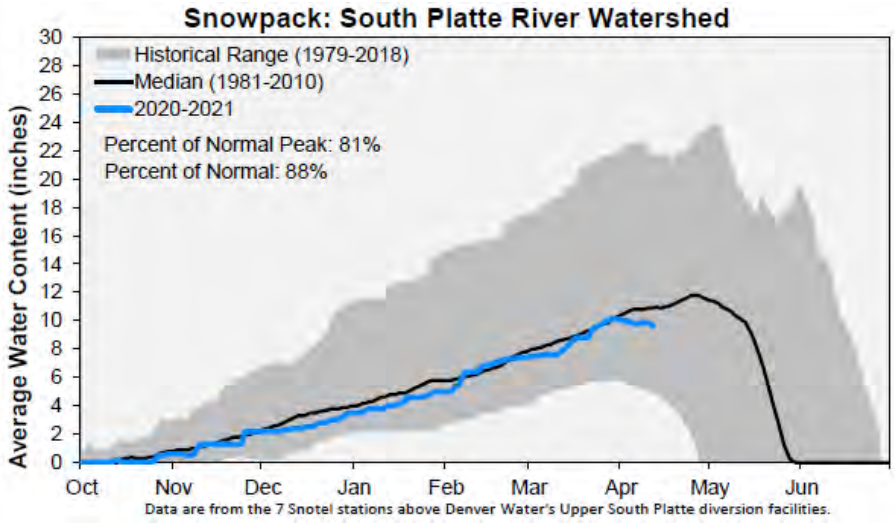


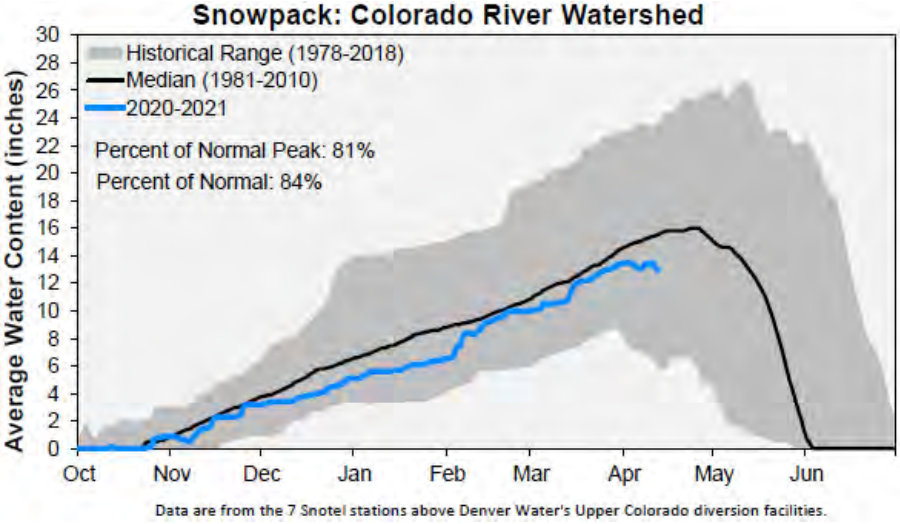
Current Conditions

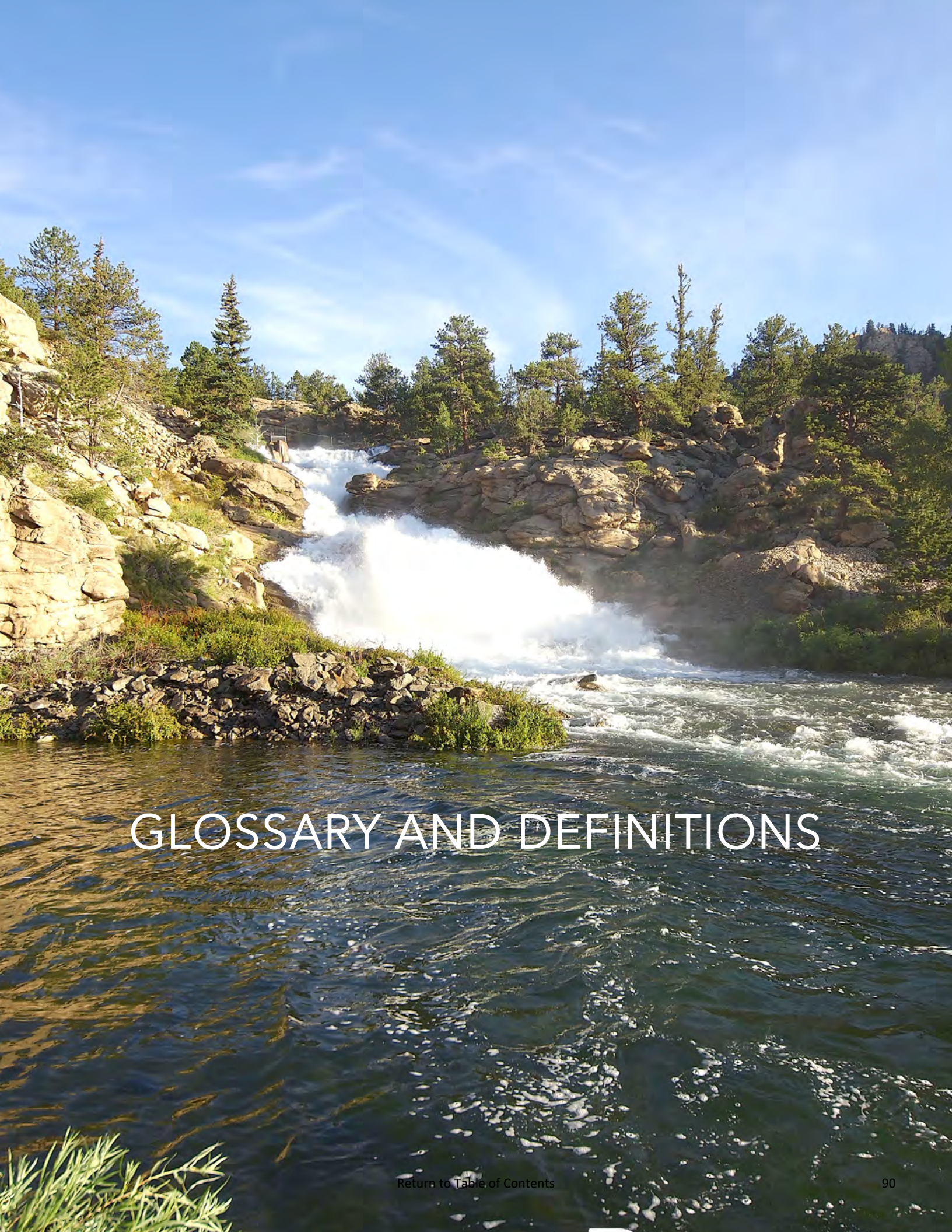
Denver Water diligently collects and analyzes data from throughout our system to help us better understand where our water supply and demand stand. All data is preliminary and subject to change.

Colorado is coming off a very dry year, with a dry spring and a monsoon-less summer compounding an ongoing deficit in soil moisture. Dry mountain soils are expected to absorb a significant portion of the spring runoff before the water can reach our reservoirs. Water must replenish the ground before it slides down the hills and winds up in streams, rivers and reservoirs. As of April 2021, high elevation snowpack had improved in both the Colorado River and South Platte collection systems and is near normal. Reservoir storage is 76% full. Normal reservoir storage is 79% full, expected peak storage in July is approximately 95% full.

Denver Water, along with water utilities across Colorado, will keep watching the skies for more wet storms. Enjoy the bounty, but don't let down your vigilance. Residents will need to continue being smart about irrigation.







GLOSSARY AND DEFINITIONS

GLOSSARY AND DEFINITIONS

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.

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

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 budget basis in which revenues are recorded when they become available and expenditures are recorded at the time liabilities are incurred.

bonds
Debt instruments. According to Denver Water's charter, the Board may issue revenue bonds that are secured solely by their revenue.

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
Expenditure having a depreciable life of over one year and a cost over $50,000.

capital policy
Initial acquisition costs of assets are capitalized if they have a service life of more than one year and a cost of $50,000 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 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% of the next year's operating costs; the greater of average annual amortization cost or 2% of current total capital assets (before depreciation) for replacement capital and equipment purchases; 50% of expected annual debt service for next year; $10 million in exposure reserve.

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

CREA Results
An organization that acts as a cultural broker, building the assets of the immigrant community in Colorado by increasing health equity and economic security. CREA Results partnered with Denver Water to promote its Lead Reduction Program.

customer service area (CSA)
The region in which customers are provided and delivered professional, helpful, high quality services and assistance before, during, and after the customer's requirements are met.

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.

division
Largest organizational unit reporting to the CEO/Manager.

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

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.

Governmental Accounting Standards Board (GASB)
A board that establishes the generally accepted accounting principles for state and local governmental units.

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

integrated resource
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.

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

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 Chief 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.

long-term debt
Debt with a maturity of more than one year from date reported.

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.

Owner's Contingency spend forecast
The amount of funds included in the contract that represents the Owner's best estimate of funds to provide for unforeseen circumstances or conditions that may arise during the construction of the project.

principal and interest requirements
As used in the debt guidelines, interest requirements plus the current portion of long-term debt.

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 consideration of alternative means to accomplish these criteria. It also provides a control device for higher level management and cuts across organizational lines. Resources are allocated along program lines and across organizational lines.

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

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.

refunds
Includes system development charge refunds and customer refunds.

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.

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.

Supplier Diversity Program
Denver Water's Supplier Diversity Program seeks to provide small businesses and businesses owned by minorities and women an opportunity to work for Denver Water as contractors, subcontractors and suppliers. In selecting suppliers, contractors and subcontractors, Denver Water actively works to cultivate an environment that provides opportunities as well as transparency and advocacy for small, minority and women-owned businesses.

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.

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

vertical value stream
A visual tool that displays all critical steps in a specific process and easily quantifies the time and volume in each stage.

ACRONYM GLOSSARY

CAFR
Comprehensive Annual Financial Report

CDPHE

CO811
the state mandated utility locate requirements

CREA
Community, Research, Education and Awareness.

CSA
Customer Service Area

E-Team
Executive Team

EPMO
Enterprise Project Management Office

FERC
Federal Energy Regulatory Commission

FTE
Full Time Employment

GAAP
Generally Accepted Accounting Principles

GASB
Governmental Accounting Standards Board

IRP
Integrated Resource Plan

LTE
Limited Term Employment

MGD
Million Gallons per Day

M
Million

K
Thousand

NTP
Northwater Treatment Plant

OCR
Operations Complex Redevelopment

OGC
The Office of General Council

SDC
System Development Charges

SDWA
Safe Drinking Water Act

VS
Value Stream

WS
Workshop

WRP
Water Resource Planning

WTP
Water Treatment Plant