

Celebrating Our Growth

Popular Annual Financial Report
for the fiscal year ending December 31, 2023



Letter from the **CEO**

Since 1961, Metro Water Recovery (Metro) has provided a cost-effective solution to water recovery to the growing Denver metropolitan area. For more than 60 years, the smartest, most dedicated people in the business have ensured the critical need for clean water has been met, and 2023 was no different.

A major highlight to this forward-thinking year was an update to our strategic plan to focus on three foundational pillars: Our People, Our Communities, and Our Work. Adopted by our board, this update will guide Metro's work over the next several years. In 2023, we also took our commitment to provide transparent and accessible financial information a step further.

For the first time in Metro history, I am honored to present our inaugural Popular Annual Financial Report (Report) for the fiscal year ending December 31, 2023. Based on our Annual Comprehensive Financial Report, this Report was created to ensure financial transparency to our ratepayers, residents, connectors, government agencies, and other invested parties in an easy-to-understand format.

Telling the complete story of who we are has never been more important. I hope that the Report highlights the fair and equitable ways we are managing our most precious resources. If you have any questions or comments, please feel free to contact Metro's Administrative Services Department.

Sincerely,



William J. "Mickey" Conway
Chief Executive Officer (CEO)

The information in this report summarizes Metro's financial position based on the detailed financial statements found within the 2023 Annual Comprehensive Financial Report. The financial statements were prepared in conformance with Generally Accepted Accounting Principles (GAPP) and audited by an independent accounting firm, receiving an unmodified (clean) opinion. The numbers in this report are presented in an unaudited non-GAAP format. The financial information for Metro's fiduciary fund, Pension Trust Fund, is excluded from this report.



Our People

Metro Water Recovery (Metro) was formed under Colorado law in 1961. Metro is the largest water and resource recovery agency in the Rocky Mountain West. Our employees are the heart of Metro, and we aim to empower them to be agents of change, driving our vision forward for a sustainable future.

Mission

To protect the region’s health and environment by cleaning water and recovering resources.

Vision

To be a leader, an innovative clean water partner, and a great place to work.

Values

Excellence, Collaboration, Inclusion, Integrity.

Metro has experienced consistent growth in full-time-equivalent (FTE) employees over the past few years. In 2021, Metro had 405.75 FTEs. This was followed by an increase to 429.75 FTEs in 2022, with further growth to 437 FTEs in 2023. Out of Metro’s 14 departments, seven saw increases in FTEs from 2022-2023, five experienced decreases in FTEs, and two had the same number of FTEs in 2023 as in 2022.

Employees by department in 2023



Leadership

Metro is governed by a Board of Directors. Working alongside our CEO and key organizational leaders, the Board guides Metro’s strategic direction, supports our mission, and represents the communities we serve.



Officers of the Board

Delbert Smith: Treasurer

Andrew Johnston: Chair

Sarah Niyork: Chair Pro Tem

Jo Ann Giddings: Secretary

Members of the Board

Curt Aldstadt

Peter Baertlein*

Bonnie Baird**

Greg Baker

Mike Barrett

Clint Blackhurst**

Travis Bogan**

Philip Burgi

Nadine Caldwell

John Chavez

David Councilman

Deborah Crisp

Clark Davenport

James DeHerrera

Robert Duncanson*

Mary Gearhart

Jo Ann Giddings

Joan Iler

Sharon Israel**

Andrew Johnston

Janet Kieler

Craig Kocian

Laura Kroeger

Kathy Laurienti*

Doug Lazure

Bob LeGare

Marena Lertch**

Charles Long*

Martin Majors

Charlie Miller

Jamie Miller

Sarah Niyork

Steve Pott*

Bill Ray*

Josh Redman**

Thomas Roode**

Robert Roth*

Kim Schoen*

Greg Sekera

Delbert Smith

Peter Spanberger

Mary Beth Susman

Amerigo Svaldi

Dennis Towndrow

Scott Twombly

Jennifer Williams

Ronald Younger

*retired during 2023; **joined during 2023

Organizational Leaders

William Conway: CEO

Emily Jackson: Chief Legal Officer

Liam Cavanaugh: Deputy CEO and Chief Operating Officer

Dawn Ambrosio: Chief Strategy Officer

Colleen Dempsey: Chief Human Resources Officer

Molly Kostelecky: Chief Financial Officer

Sherman Papke: Chief Technical Officer

Tanja Rauch-Williams: Chief Innovation Officer

Martin Alvis: Director of Operations

Kimberly Cowan: Director of NTP Operations and Maintenance

Shawn Fredrickson: Director of Information Technology

Daniel Freedman: Director of Technology and Innovation

Perry Holland: Director of Comprehensive Planning

Andrew Nelson: Director of Engineering

Jennifer Robinett: Director of Environmental Services

Patrick Stanley: Director of Resource Recovery and Reuse

Orren West: Director of Maintenance





Our Communities

In 2023, we expanded our partnerships, and we now serve approximately 2.2 million people across an 817-square-mile service area. Working with local governments, comprised of municipalities and special districts, we clean millions of gallons of water every day to be suitable for agriculture, aquatic life, recreation, and water supply.

Economic Condition and Outlook

Metro is located in the largest metropolitan area in Colorado. This economic region has experienced significant population and economic growth over the past decade. Economic indicators as of December 2023 demonstrate that growth will continue in the region. Colorado continues to see growth in labor and consumer spending habits. Inflation was one major disruption to the economy in 2022, and it continued to provide significant price pressure throughout 2023. The Federal Reserve adopted interest rate increases throughout 2022 and the first half of 2023 to combat inflation. Some economists predict a pullback on rate hikes in 2024 as inflation has been stable through the last half of 2023.

Metro experienced the impacts of these economic trends in 2023. We continue to experience higher prices for materials, fuels, chemicals, and utilities, as well as significant increases in capital project costs. Local unemployment rates remain low, which has led to labor shortages accompanied by higher-than-average turnover rates.

Fortunately, Metro's sewer connection charge revenue in 2023 was not affected by the economic conditions. Construction in our service area continued at the same pace in 2023 as it did in 2022, and Metro received final buy-in of sewer connection charges from the City of Brighton. Therefore, the sewer connection charge revenues received were more than projected.

Metro continues to track a variety of economic factors that may impact future operations and budget projections. For example, wages and benefits are increasing at higher rates; and Metro is also watching prices of chemicals, utilities, and maintenance contracts as supply chain and inflationary pressures continue throughout the region.

About Our Customers

Number of Wastewater Customers



20,197

new sewer connections
in 2023



23 Municipalities

with voting representation on
the Metro Board of Directors



27 Special connectors

without voting representation
on the Metro Board of Directors



12 Connectors to connectors

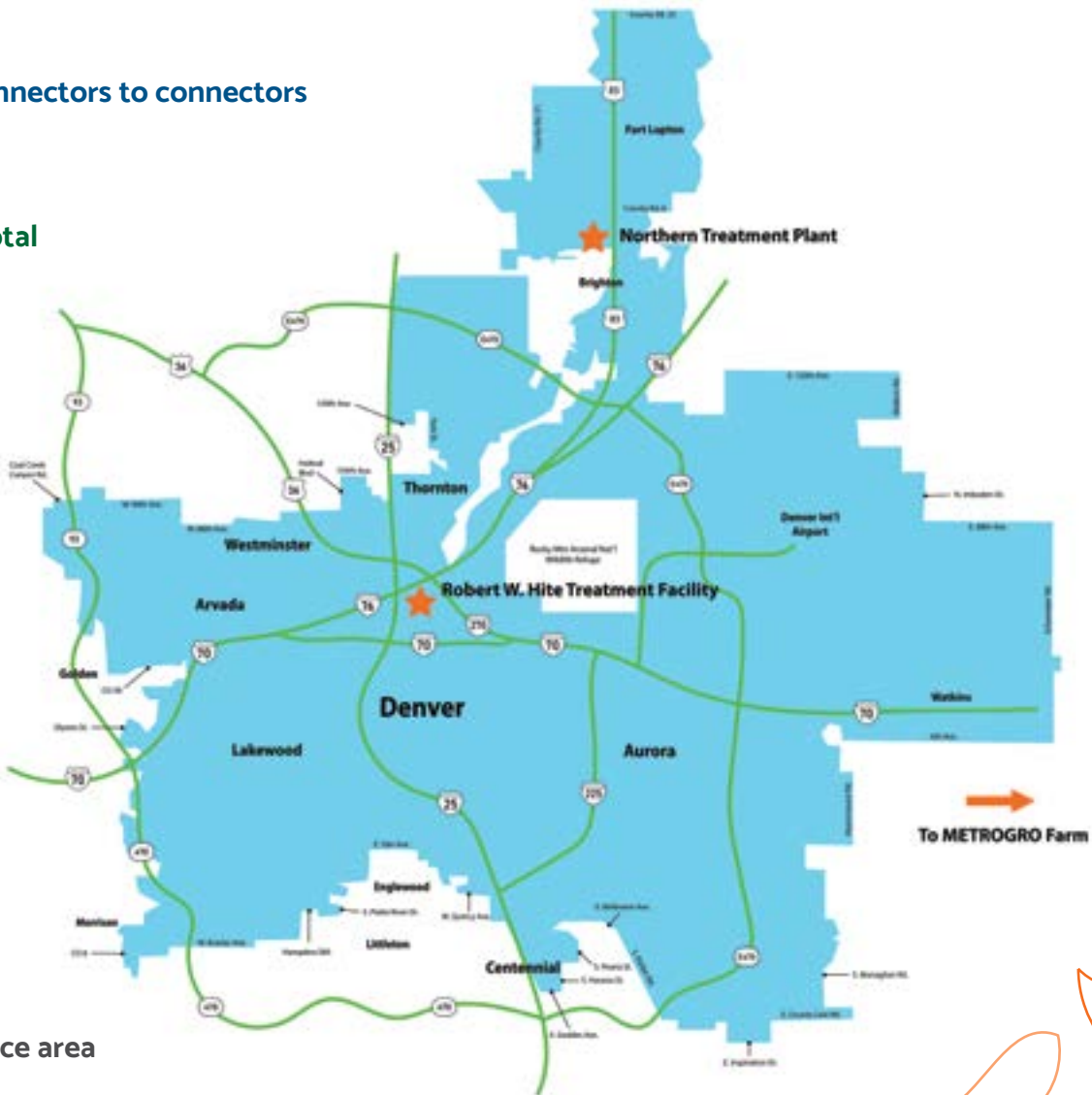


62 Total



\$5,120

cost per single family
residential equivalent



Map of our service area

[Visit our website for more information on our connectors.](#)



Our Work

Metro delivers high-quality services by continuously innovating and investing in our processes. These efforts enable us to uphold the highest standards of safety, financial stewardship, and environmental sustainability.



Treatment Capacity

249

million gallons per day



Average Flow Treated

141

million gallons per day



Biosolids Distributed

31,718

dry tons



Energy Produced Through Cogeneration

40,773,600

kilowatt hours



2023 Condensed Summary of Net Position

	December 31		
	2023	2022 as restated	2021
Unrestricted assets	\$354,633,942	\$321,271,313	\$290,932,737
Restricted assets	\$68,584,408	\$91,876,496	\$158,979,363
Capital assets, net	\$1,362,512,613	\$1,344,421,901	\$1,288,670,362
Total assets	\$1,785,730,963	\$1,757,569,710	\$1,738,582,462
Deferred outflows of resources	\$10,999,438	\$15,953,224	\$10,854,526
Current liabilities	\$67,570,919	\$70,884,826	\$56,020,850
Noncurrent liabilities	\$615,507,006	\$654,709,033	\$661,753,416
Total liabilities	\$683,077,925	\$725,593,859	\$717,774,266
Deferred inflows of resources	\$6,986,733	\$5,600,254	\$19,446,823
Net investment in capital assets	\$775,236,672	\$752,323,636	\$732,181,785
Restricted - bonds	\$62,460,754	\$60,847,191	\$64,549,179
Restricted - board of directors	\$56,066,525	\$53,374,463	\$50,786,056
Unrestricted, as restated	\$212,901,792	\$175,783,531	\$164,698,879
Total net position	\$1,106,665,743	\$1,042,328,821	\$1,012,215,899

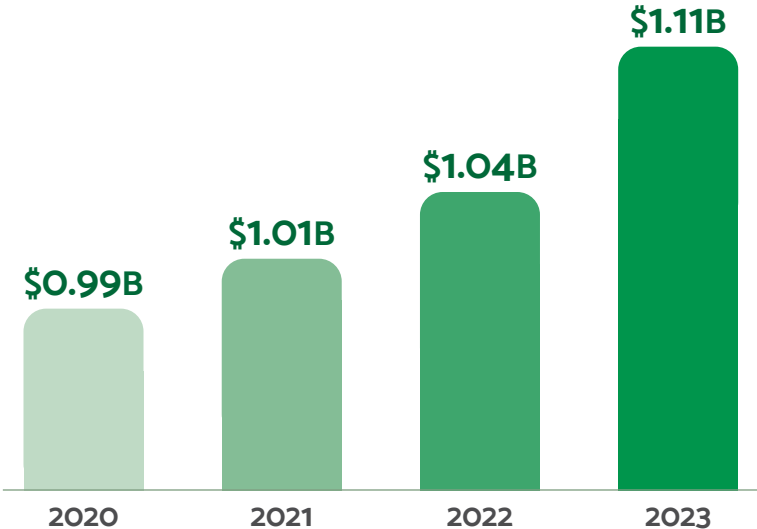
2023 Summary of Revenue, Expenses, and Changes in Net Position

	December 31		
	2023	2022 as restated	2021
Annual charges to connectors	\$145,057,122	\$138,149,640	\$135,440,824
Land application revenue	\$177,419	\$95,276	\$88,620
Other operating revenue	\$4,212,401	\$2,772,569	\$1,734,820
Total operating revenue	\$149,446,942	\$141,017,485	\$137,264,264
Investment revenue (expense)	\$16,816,216	(\$8,647,961)	(\$2,134,013)
Intergovernmental revenue	\$1,803,674	\$1,795,393	\$1,804,018
Total revenue	\$168,066,832	\$134,164,917	\$136,934,269
Operations and maintenance expenses	\$53,656,205	\$50,500,329	\$41,891,912
Technical management and support	\$27,124,728	\$25,209,376	\$23,129,976
Administrative and general	\$33,122,827	\$28,666,329	\$24,478,492
Depreciation and amortization	\$69,307,077	\$62,931,919	\$60,407,766
Total operating expenses	\$183,210,837	\$167,307,953	\$149,908,146
Interest expense	\$17,740,168	\$18,447,618	\$18,677,902
Other expense (revenue)	\$6,190,098	(\$35,245)	\$1,444,230
Total nonoperating expenses	\$23,930,266	\$18,412,373	\$20,122,132
Total expenses	\$207,141,103	\$185,720,326	\$170,030,278
(Loss) before capital contributions	(\$39,074,271)	(\$51,555,409)	(\$33,096,009)
Capital contribution - sewer connection fees	\$103,411,193	\$81,668,331	\$59,198,692
Increase in net position	\$64,336,922	\$30,112,922	\$26,102,683
Beginning net position	\$1,042,328,821	\$1,012,215,899	\$986,113,216
Ending net position	\$1,106,665,743	\$1,042,328,821	\$1,012,215,899

Net Position

Net position provides an overview of Metro’s assets, liabilities, and equity. In essence, it shows the resources available to Metro for future use. Over the past few years, Metro has seen consistent growth in our net position.

Total net position over time



► In essence, net position shows the resources available to Metro for future use.

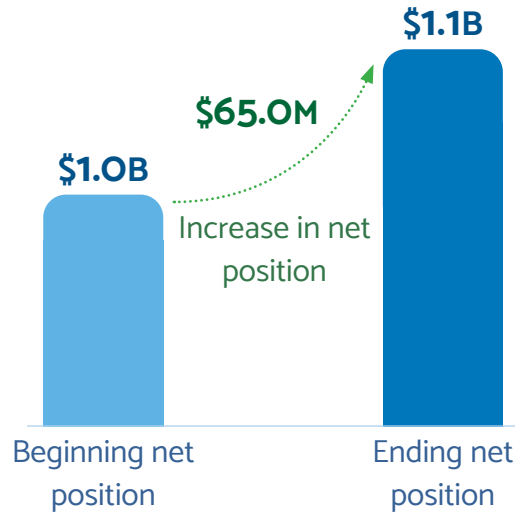
Net position increased \$65 million to \$1.11 billion in 2023. This increase was primarily due to the receipt of \$103 million in sewer connection fees, reduced by net loss (revenue minus expenses) of \$39 million.

Restricted assets decreased by \$23 million, mainly as a result of spending down bond proceeds from 2020.

Noncurrent liabilities decreased by \$39 million, primarily due to the principal payments on outstanding bonds.

The charts on the previous pages summarize Metro’s net position for 2023 and changes in net position. [More detailed statements of net position and changes in net position can be found in our Annual Comprehensive Financial Report, available on our website.](#)

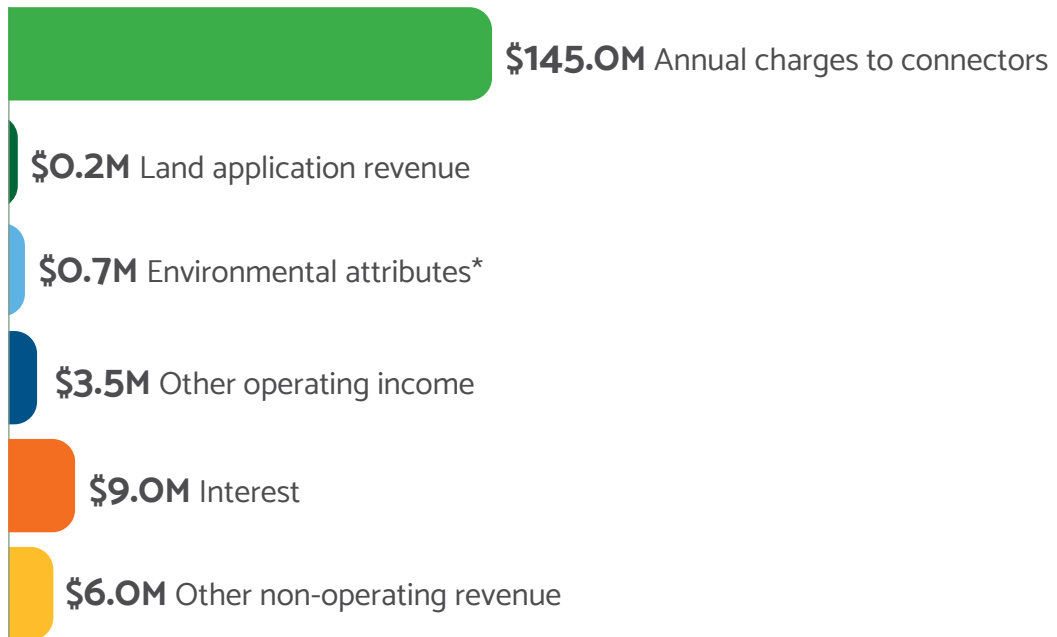
Change in Net Position



Revenue

Total revenue for 2023 increased by approximately \$34 million, up 25.4 percent from 2022. Operating revenue increased by \$8.4 million, primarily due to the increase in annual charge revenue, which was an overall rate increase of 5.0 percent from 2022. Sewer connection fees increased by approximately \$22 million, or 26.6 percent, totaling \$103 million. This increase was primarily a result of the final buy-in payment from a connector. Investment revenue increased by \$25 million due to unrealized gains on investments resulting from the significant increase in bond values.

Revenue breakdown

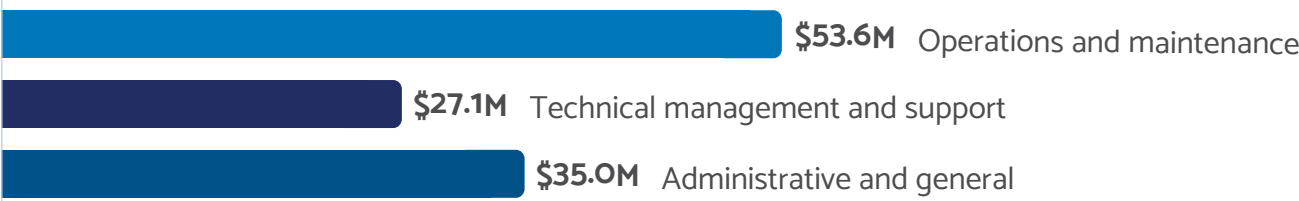


*Environmental attribute revenue is income from the sale of carbon offset credits.

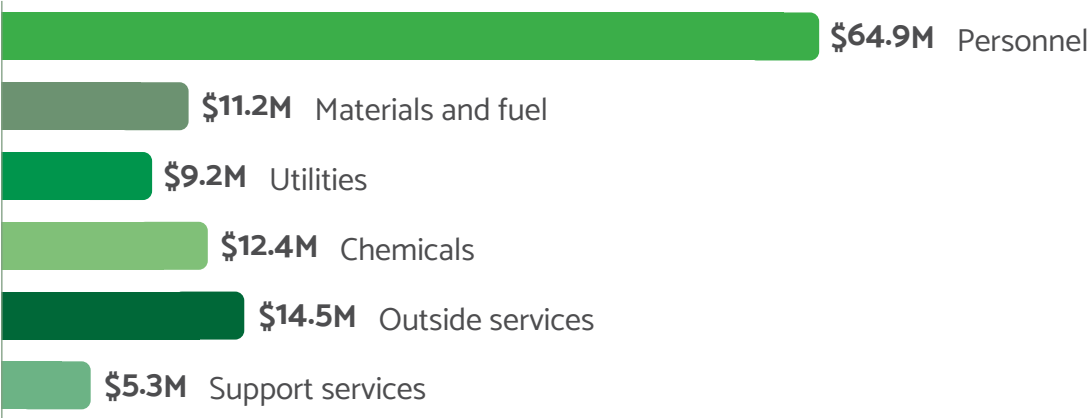
Expenses

Total expenses increased by approximately \$21 million, up 11.3 percent from 2022. This included an increase of \$15 million in operating costs, primarily due to inflationary factors, and an additional increase of \$6 million in other non-operating expenses.

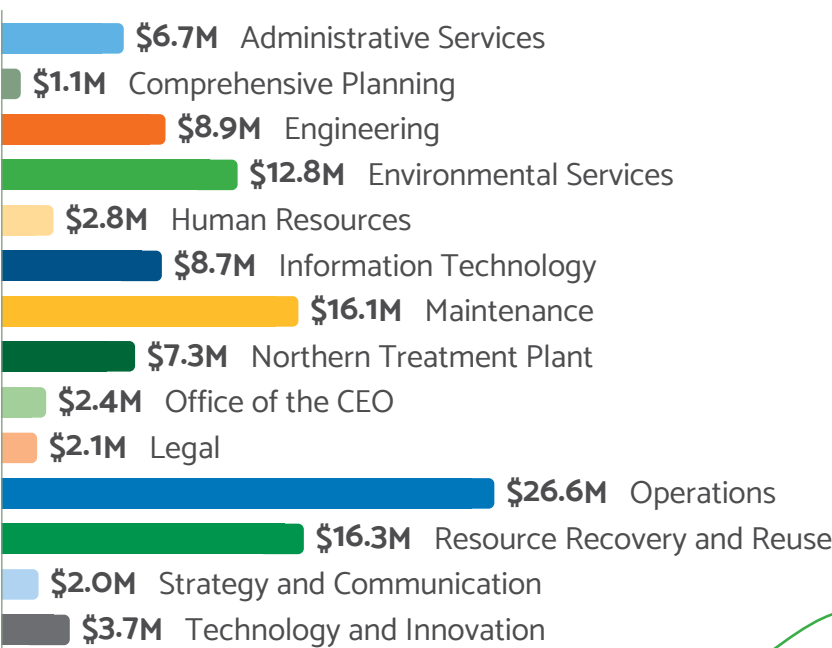
Expense breakdown by function



Expense breakdown by type



Expense breakdown by department



Long-Term Debt Summary

As of December 31, 2023, Metro’s long-term debt consisted of approximately \$567 million in bonds payable.

Metro’s underlying bond ratings

Standard & Poor’s

AAA

▶ The AAA rating means that we have extremely strong capacity to meet our financial commitments.

Moody’s Investors Services

Aa1

▶ An Aa1 rating means that Metro has high-quality and very low credit risk.

Total outstanding improvement bonds and refunding bonds

Issue	Date issued	Amount issued	December 31	
			2023	2022
2009B Sewer Improvement Bonds	08-27-09	\$187,380,000	\$94,195,000	\$94,195,000
2019A Sewer Refunding Bonds	05-17-19	\$72,830,000	\$15,995,000	\$31,235,000
2019B Sewer Refunding Bonds	12-10-19	\$332,770,000	\$310,000,000	\$323,345,000
2020A Sewer Improvement Bonds	10-27-20	\$146,545,000	\$146,545,000	\$146,545,000
Plus premium on 2019A Bonds			\$791,368	\$2,147,999
Plus premium on 2020A Bonds			\$12,238,875	\$12,824,000
Total			\$579,765,243	\$610,291,999

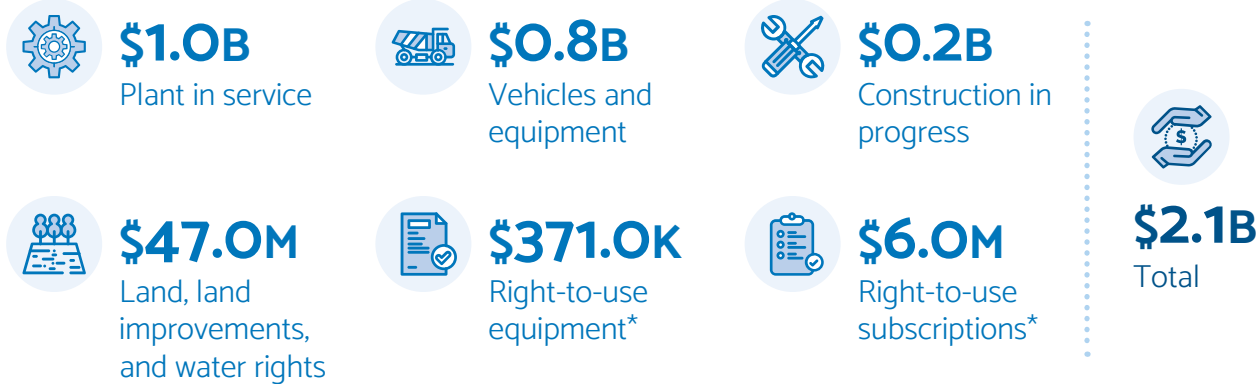
Capital Asset Summary

Metro saw an \$18 million increase in net capital assets in 2023, bringing our investment in capital assets to \$1.362 billion. This increase was primarily due to approximately \$93 million in additions to construction projects already in progress. This was offset by the completion of other projects and by \$62 million in depreciation expenses.

The following project costs were incurred in 2023: Sand Creek and Second Creek Interceptors - \$29 million, Interceptor Rehabilitation - \$9 million, South Thornton Lift Station - \$12 million, and Sludge Processing Building - \$11 million. The remaining \$32 million was a result of additions to numerous smaller projects.

Construction in progress decreased by \$24 million in 2023. The \$93 million in additions to construction in progress was offset by \$108 million in completed projects, such as improvements to the solids processing building.

2023 Capital Assets



*Right-to-use indicates non-cancelable leases or other use agreements where Metro maintains a right to use assets belonging to other entities.

This report presented key highlights of our financial position. [For detailed financial statements and disclosures, refer to our Annual Comprehensive Financial Report, which is available on our website at https://www.metrowaterrecovery.com/about-us/budgets-reports/.](https://www.metrowaterrecovery.com/about-us/budgets-reports/)



METRO
WATER
RECOVERY®

We get your water.



6450 York St.
Denver, CO 80219
Phone 303-286-3000

MetroWaterRecovery.com

