

# AGENDA

## Denver Board of Water Commissioners

Denver Water Administration Building  
1600 West 12<sup>th</sup> Avenue  
Denver, CO  
Board Room, Third Floor

Wednesday, January 25, 2017 - 9:00 a.m.

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### I. INTRODUCTORY BUSINESS

#### A. Call to Order and Determination of Quorum

#### B. Public Comment and Communications

At this point in the agenda, the Board may allow members of the public to address the Board on any item of interest within the jurisdiction of the Board, and not on the agenda for action. Speakers wishing to address a specific Action Item will be invited to address the Board when the item is being considered. Three minutes are allowed for each person unless the President determines otherwise.

1. Distributor Communications
2. Citizen Advisory Committee Communications

#### C. Ceremonies, Awards and Introductions

1. Special Recognition: Dave Hartkopf, District Manager, Green Mountain Water & Sanitation District

### II. ACTION ITEMS

#### A. Consent Items

Items listed below are considered routine and may be enacted by one motion and vote. If any Board member desires discussion beyond explanatory questions, or corrections to the Minutes, the President may order that item to be considered in a separate motion and vote.

1. Contract 16988A Cooperative Stream Gauging Program with the U.S. Geological Survey
2. Contract 16887A Directional Drilling Machine
3. Contract 16862A Cold Patch Asphalt
4. Contract 16040A First Amendment for Non-Destructive Excavating, Hydro-Jetting and Vacuuming Services
5. Contract 16036A First Amendment for Trench Rotomilling Services

6. Contract 16730A First Amendment to Agreement with Legal Marketing & Staffing
7. Contract 16885A Moxie Sozo, LLC for Graphic Design Services

**B. Individual Approval Items**

- |   |              |           |
|---|--------------|-----------|
| 1. 2017 Purchase of Fleet Vehicles  | Jack Tolmich | 5 minutes |
| 2. Resolution Authorizing Acquisition of a Permanent Easement via Eminent Domain for Conduit 16 | Amy Turney   | 2 minutes |

**III. POLICY MATTERS**

- |                   |                 |            |
|-------------------|-----------------|------------|
| A. OCR Update     | Jeremy Ross     | 10 minutes |
| B. Budget Process | Angela Bricmont | 30 minutes |

**IV. EXECUTIVE UPDATE**

- A. CEO Update
- B. CFO Update
- C. Operations Update

**V. BRIEFING PAPERS & REPORTS**

**A. Briefing Paper**

1. Legislative Update
2. Lupton Lakes Complex Bromley Property Acquisition - Parcel 3
3. 2017 Debt Financing Strategy

**B. Report**

**VI. ADJOURNMENT**

**VII. TRUSTEE MATTERS**

**VIII. EXECUTIVE SESSION**

The Board may adjourn the regular meeting and reconvene in executive session on topics authorized by  
C.R.S. Sec. 24-6-402 or D.R.M.C Sec. 2-34.

A. Confidential Report § 24-6-402(4)

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25<sup>th</sup>, 2017

Board Item: II-A-1

## Cooperative Stream Gauging Program with the U.S. Geological Survey Contract# 16988A

Action by Consent

Individual Action

### **Summary:**

In order to help protect, develop and operate Denver Water's raw water system, the Board historically has obtained the assistance of the U. S. Geological Survey (USGS) for installation, operation and maintenance of certain stream gauging stations. This assistance has been made possible through annual cooperative agreements, the most recent of which expired on December 31, 2016.

### **Budget Information:**

Staff has sought ways to keep our expenditures in check. Seven different organizations will reimburse Denver Water a total of \$42,837 for 2017 stream gauging expenditures, which will make the net cost to Denver Water \$249,727.

Under this contract, USGS will operate and maintain 27 gauging stations for a 12 month period. \$330,000 has been included in the appropriate 2017 Planning budget for this agreement under 2009612007.621001. The USGS will invoice Denver Water quarterly, and the final invoice under this agreement will be paid in 2018. Expenditures for 2017 are anticipated to be \$291,891. Sufficient funds for these charges are included in the 2017 approved budget; additional funds will be budgeted in 2018 for the remaining amount.

### **Recommendation:**

It is recommended that the Board enter into the attached intergovernmental agreement with USGS for the operation of 27 gauging stations during the period January 1, 2017 through December 31, 2017. A list of the gauging stations is attached.

### **Approvals:**

Respectfully submitted,



Michael King  
Chief Planning Officer



James S. Lochhead  
CEO/Manager



Angela Bricmont  
Chief Financial Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-2

## Directional Drilling Machine Contract # 16887A

Action by Consent

Individual Action

### Summary:

As part of service line replacement, Denver Water digs trenches which can impact large trees, porches, walls and building structures. Utilizing boring services minimizes the damage to customer property and reduces the time required to complete the job. Denver Water currently contracts out all of our directional drilling needs with a contractor. We have determined that the majority of our boring needs are relatively simple and, with the right equipment, could be performed internally with existing staff. Denver Water would like to rent the directional drilling machine for a period of up to six months to validate the business case. If Denver Water makes the decision to purchase, 80% of the rental fees to that point will be applied towards the purchase. As a result, the majority of the contract funds will be spent in the first year with only extended warranty and vendor maintenance costs in the following years.

### Budget Information:

The total amount of this contract is \$150,000.00 and the term of the contract is January 25, 2017 through January 31, 2020. Funds for this service/contract will come from the 2017 budget for Service Line Replacements, which has sufficient funds to pay the \$113,000.00 estimated to be needed in 2017 if the decision is made to purchase. The remaining \$37,000.00 will be budgeted in years 2018, 2019 and 2020 as needed for extended maintenance and supplemental training.

### Selection of Business Partner:

Denver Water utilized National Joint Powers Alliance (NJPA) cooperative agreement 031014-CMW, which was competitively bid by the state of Minnesota in 2014.

### S/MWBE Information:

Colorado Underground, LLC dba Ditch Witch of the Rockies is not an SBE or an MWBE. O&M's current goal for MWBE participation in contracts is 15%.

### Recommendation:

It is recommended that the Board approve Contract 16887A with Colorado Underground, LLC dba Ditch Witch of the Rockies for the rental and optional purchase of the JT9 Directional Drilling Machine for the contract period of January 25, 2017 through January 31, 2020 for a total contract amount not to exceed \$150,000.00.

### Approvals:

  
\_\_\_\_\_  
Thomas J. Roode  
Chief Operations Maintenance Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Bricmont  
Chief Finance Officer



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-3

## Cold Patch Asphalt Contract # 16862A

Action by Consent

Individual Action

### Summary:

Denver Water uses cold patch asphalt to repair small sections of the street after repairs have been performed on Denver Water infrastructure. Denver Water's cold mix asphalt specifications are tied to CDOT's specifications, which limits volatile organic compounds (VOC) in the asphalt. This limits the cold patch materials that Denver Water can potentially use. The period of this contract was limited to two years to allow this material to be rebid in combination with other aggregate-related contracts expiring at the same time.

### Budget Information:

The total amount of this contract is \$2,500,000.00 and the term of the contract is January 25, 2017 through December 31, 2018. Funds for this service/contract will come from the 2017 budget for Warehouse stock, which has sufficient funds to pay the \$1,250,000.00 estimated to be needed in 2017. The remaining \$1,250,000.00 will be budgeted in 2018.

### Selection of Business Partner:

Denver Water issued an Invitation for Bids (IFB) to the public on the Rocky Mountain E-Purchasing System (BidNet), on Denver Water's website, and through notifications to the SBE and MWBE communities. Denver Water received two bids; neither were SBE nor MWBE. The bid was broken into two schedules, one for materials that can only be used in warmer conditions and one that can be used year round. Awards were made to both bidders as each was the lowest bidder on one of the two schedules.

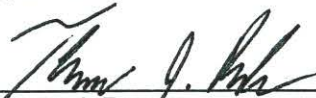
### S/MWBE Information:

O&M's current goal for MWBE participation in contracts is 15%.

### Recommendation:


It is recommended that the Board approve Contract 16862A (internal dollar contract), 16862B with Colorado Asphalt Services, Inc., and 16862C with Aggregate Industries WCR, Inc. for cold mix asphalt for the contract period of January 25, 2017 through December 31, 2018 for a total contract amount not to exceed \$2,500,000.00.

### Approvals:



Thomas J. Roode  
Chief Operations Maintenance Officer

Respectfully submitted,

  
James S. Lochhead  
CEO/Manager

Angela Bricmont  
Chief Finance Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-4

## First Amendment for Non-Destructive Excavating, Hydro-Jetting and Vacuuming Services Contract # 16040A

Action by Consent

Individual Action

### Summary:

Denver Water requires non-destructive excavating and hydro-jetting services to minimize the risk of hitting buried infrastructure during excavation for pipe replacement. Both Water Distribution and the Meter Shop require vacuum excavation for routine cleaning of large underground meter vaults due to pipe corrosion, mud, debris and ground water build up, which becomes hazardous to workers and prevents the repair of meters. The same vendor also provides potholing in order to minimize the risk of hitting buried infrastructure during excavation for pipe replacement and hydro-excavation. These services generally use all of the same equipment, and most vendors provide all the services listed. Since the time when this contract was initially scoped and bid, Water Distribution has begun using this service for reservoir cleaning and for increased service line replacements, neither of which were included in the original usage estimates.

### Budget Information:

The total amount of this contract is \$689,862.00 and the term of the contract is August 1, 2015 through July 31, 2017. Funds for this service/contract will come from the 2017 budget for Water Distribution and the Meter Shop, both of which has sufficient funds to pay the estimated \$275,000.00, to be needed through the remainder of the contract.

### Selection of Business Partner:

Denver Water issued an Invitation to bid to the public on the Rocky Mountain BidNet, Denver Water's website, notified the SBE and MWBE community and directly targeted known hydro excavation companies. Denver Water received 13 bids. Nohe were MWBE, six were SBE. Locate Holdings, Inc. was selected based on lowest bid for all required services.

### S/MWBE Information:

O&M's current goal for MWBE participation in contracts is 15%.

### Recommendation:

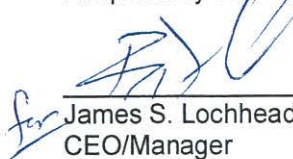
It is recommended that the Board approve the First Amendment to Contract 16040A with Locate Holdings, Inc. dba USIC Locating Services, LLC for locating and potholing services for an addition of \$275,000.00 for a total amended contract amount not to exceed \$964,862.00.

### Approvals:



Thomas J. Roode  
Chief Operations and Maintenance Officer

Respectfully submitted,



James S. Lochhead  
CEO/Manager



Angela Brichmont  
Chief Finance Officer



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-5

## First Amendment for Trench Rotomilling Services Contract # 16036A

Action by Consent

Individual Action

### Summary:

Denver Water uses trench rotomilling during street work related to repairs or installation of Denver Water infrastructure. Trench rotomilling is a process by which asphalt or concrete is reduced to a pulverized state, with the resulting pulverized material being of a consistency that allows it to be used as backfill. Cost savings are realized through reduced hauling of waste material. Usage rates over the last 18 months have been higher than those estimated in the original bid, resulting in a projected contract shortfall.

### Budget Information:

The total amount of this contract is \$225,000.00 and the term of the contract is July 1, 2015 through June 30, 2018. Funds for this service/contract will come from the 2017 budget for Water Distribution, which has sufficient funds to pay the \$120,000.00 estimated to be needed in 2017. The remaining \$60,000.00 will be budgeted in 2018.

### Selection of Business Partner:

In 2015, Denver Water issued an Invitation for Bid on the Rocky Mountain E-Purchasing System (BidNet), Denver Water's website, and notified the Small Business Enterprise (SBE)/Minority Women Business Enterprise (MWBE) trade organizations. Only two vendors responded. The vendor selection criteria included an evaluation of price, ability to do the work and past performance.

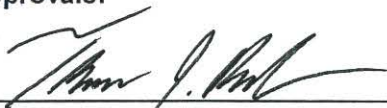
### S/MWBE Information:

O&M's current goal for MWBE participation in contracts is 15%.

### Recommendation:

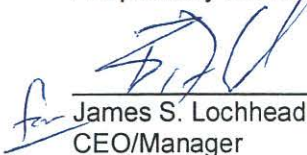
It is recommended that the Board approve the First Amendment to Contract 16036A with TMT Cutters, Inc. for trench rotomilling services for an addition of \$130,000.00 for a total amended contract amount not to exceed \$355,000.00.

### Approvals:



Thomas J. Roode  
Chief Operations Maintenance Officer

Respectfully submitted,



for James S. Lochhead  
CEO/Manager



Angela Bricmont  
Chief Finance Officer



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-6

## First Amendment to Agreement with Legal Marketing & Staffing Contract # 16730A

Action by Consent

Individual Action

### Summary:

Legal Marketing & Staffing provides temporary staff to the Board's Office of General Counsel for purposes of providing litigation support services, including paralegal and document management services. Due to extensive hours dedicated to preparing for trials in Water Division 1 and Water Division 5 in 2016, the budgeted amount under the Agreement is already running low. The compensation under this Agreement needs to be increased to allow the contract to be completed.

### Budget Information:

Funds for this service/contract will come from object account number 621060 in the 2017 budget for the Office of General Counsel. The compensation under the Agreement shall be increased by \$60,000, for a total compensation not to exceed \$140,000.

### Selection of Business Partner:

In February 2016, Denver Water issued a request for proposal ("RFP") to seven recruitment agencies for independent litigation support paralegal services. Four agencies responded to the RFP. After interviewing the four agencies, Legal Marketing & Staffing was selected as they provided a candidate whose experience was most closely aligned with the requirements expressed in the RFP. The original contract term extended through May 25, 2016, and the compensation was established at \$80,000.

### S/MWBE Information:


Legal Marketing & Staffing is a woman-owned business, and has begun the process of obtaining an MWBE Certification. Denver Water's current target for MWBE participation in goods and services contracts is 10%.

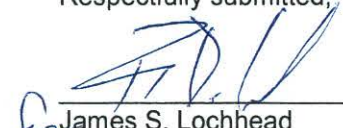
### Recommendation:

It is recommended that the Board approve the First Amendment to Agreement 16730A with Legal Marketing & Staffing for continued litigation support services, for an addition of \$60,000 for a total contract amount not to exceed \$140,000.

### Approvals:

Respectfully submitted,

  
\_\_\_\_\_  
Patricia L. Wells  
General Counsel

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Brichmont  
Chief Finance Office

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-A-7

## Contract with Moxie Sozo, LLC for Graphic Design Services Contract #16885A

Action by Consent

Individual Action

### **Summary:**

Denver Water uses a variety of communication channels to inform and engage both external audiences and employees. Public Affairs completed a rebranding process in 2015, and now has clear brand standards to align and inform graphic design for its communication projects. All Denver Water designs must meet the new brand standards, while engaging our customers and stakeholders through a professional, appealing look and feel.

While Denver Water has a full-time staff designer who completes much of the organization's day-to-day design work, a contracted designer is needed to produce monthly and annual print publications, create digital graphics and meet other design needs.

Denver Water had contracted with the same graphic designer since 2008, and through this partnership achieved a more aligned, branded suite of templates and designs. However, the organization's design needs have evolved, and Public Affairs is now seeking services to not only update, but also elevate the organization's print and electronic materials.

The new selected contractor, Moxie Sozo, LLC, provides the full spectrum of design services and has demonstrated experience providing designs that visually convey brand, vision and mission for a variety of organizations.

### **Budget Information:**

The total amount of this contract is \$200,000.00, and the term of the contract is Feb. 1, 2017 to Feb. 28, 2020. Funds for this contract will come from the 2017 budget for Organizational Communications, which has sufficient funds to pay the \$70,000.00 estimated to be needed in 2017. The remaining \$130,000.00 will be budgeted in years 2018, 2019 and 2020.

### **Selection of Business Partner:**

This competitive selection was done through a Request for Proposal ("RFP"). Purchasing's standard method for advertising is on Denver Water's website, on the Rocky Mountain E-Purchasing System (BidNet) and through direct email to the SBE/M/WBE Bid List. Additionally, 25 vendors were directly solicited by email. Of the 16 proposals we received, 13 were SBE/MWBE.

Moxie Sozo, LLC was selected based on experience, understanding of work, professional references, proposal rates and samples of work.

### **SBE/MWBE Information:**

Moxie Sozo, LLC is a small business per federal SBA guidelines. Denver Water's current target for small business contracts is 15%.

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

Integrity :: Vision :: Passion :: Excellence :: Respect



**Recommendation:**


It is recommended that the Board approve Contract #16885A with Moxie Sozo, LLC for design services for the contract period Feb. 1, 2017 to Feb. 28, 2020, for a total contract amount not to exceed \$200,000.00.

**Approvals:**

 FOR SC  
\_\_\_\_\_  
Sally Covington  
Chief Public Affairs Officer

Respectfully submitted,

  
\_\_\_\_\_  
James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Bridmont  
Chief Financial Officer



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-B-1

## 2017 Purchase of Fleet Vehicles

Action by Consent

Individual Action

### **Summary:**

Denver Water Fleet Operations submitted a 2017 Capital budget of \$6,500,000 to procure new equipment and vehicles. The amount requested will continue to allow Fleet Operations to align replacements with the strategic six year replacement cycle to minimize maintenance costs and maximize resale value. Some construction replacements will be traded at a value of \$500,000 to offset the purchase price while the remainder of the replacement units will be sent to auction. The requested replacement vehicles have an average age of 10.25 years and an average life-to-date maintenance cost of \$37,028 for the units being replaced. Fleet has standardized Denver Water equipment brands to gain efficiencies in standard work, operator efficiencies, increased uptime, and less parts downtime. This allows fleet to continue the reduction in operating cost of fleet services.

The individual breakdown of vehicle types to be purchased is as follows:

3/4 Ton Trucks	47	Dump Trucks	4	Motor Graders	2
1 Ton Trucks	6	Low Bed Tractor	1	Sweepers	1
Medium Duty Trucks	3	Backhoes	6	Skidsteers	2
Large Utility Trucks	4	Wheeled Loaders	3	Utility/Crew Trailers	8
Forklift	3	Excavator	1		

### **Budget Information:**

The total amount of planned purchases of vehicles and equipment in 2017 is \$6,500,000. Funds for these purchases will come from the 2017 budget for Fleet, which has sufficient funds.

### **Selection of Business Partner:**

Denver Water is using the NJPA (National Joint Powers Alliance) consortium contract for its construction equipment purchases and Fleet piggy-back awards from the State of Colorado for the large utility bodies and light duty trucks purchased. Purchasing will ensure all procurement procedures are aligned with Denver Water policy prior to issuing purchase orders to the selected piggy-back vendors.

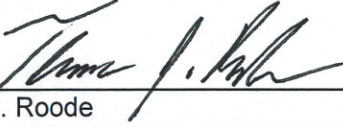
### **S/MWBE Information:**

O&M's current goal for MWBE participation in contracts is 15%.

**Recommendation:**

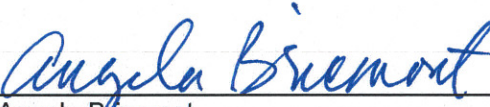
It is recommended that the Board authorize the execution of funds for the procurement of new vehicles and equipment between Jan 25, 2017 and Dec 31, 2017 for a total amount not to exceed \$6,500,000.

**Approvals:**

  
\_\_\_\_\_  
Thomas J. Roode  
Chief Operations Maintenance Officer

Respectfully submitted,

  
\_\_\_\_\_  
for James S. Lochhead  
CEO/Manager

  
\_\_\_\_\_  
Angela Bricmont  
Chief Finance Officer

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: II-B-2

## Resolution Authorizing Acquisition of a Permanent Easement via Eminent Domain for Conduit 16

Action by Consent

Individual Action

### Summary:

Denver Water has been negotiating for the last several months, without success, for the acquisition of a permanent easement for construction of the Conduit 16 replacement in Jefferson County. The easement area is two parcels of land totaling 24,180 square feet for the performance of construction-related activities, access, and storage.

On November 29, 2016, a final offer was sent to the property owner to purchase the easement for \$84,900, which is based on an appraisal by Charles Hegarty, MAI. The property owner has not responded to this offer.

### Budget Information:

The 2017 Budget for Conduit 16 and 22 Replacement Business Unit includes sufficient funds for the expected cost of this acquisition.

### Recommendation:


It is recommended that the Board adopt the Resolution authorizing eminent domain proceedings to acquire the described easement.

### Approvals:

Respectfully submitted,

  
Robert J. Mahoney  
Chief Engineering Officer

  
James S. Lochhead  
CEO/Manager

  
Angela Bricmont  
Chief Finance Officer

  
Patricia Wells  
Office of General Counsel



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: V-A-1

## Briefing Paper for Legislative Update

### **Summary:**

Within the first week of the Legislature, we are tracking nine bills of interest. We have one recommendation and several bills that are under analysis as of this writing. Below is a quick reference table of all new bills we are tracking since our last briefing. Details on bills we are tracking are provided in the attachment.

<b>Bill #</b>	<b>Title</b>	<b>Recommendation</b>
<a href="#">HB17-1001</a>	Employee Leave Attend Child's Academic Activities	Monitor
<a href="#">HB17-1008</a>	Graywater Regulation Exemption For Scientific Research	Support
<a href="#">HB17-1029</a>	Open Records Subject To Inspection Denial	Monitor
<a href="#">HB17-1030</a>	Update 1921 Irrigation District Law	Monitor
<a href="#">HB17-1033</a>	Colorado Water Conservation Board Grants Loans Dredge South Platte Basin Reservoirs	Monitor
<a href="#">SB17-026</a>	State Engineer Statutes Cleanup	Monitor
<a href="#">SB17-036</a>	Appellate Process Concerning Groundwater Decisions	Analyzing
<a href="#">SB17-049</a>	Exempt Drains Designated Groundwater Requirements	Analyzing
<a href="#">SB17-050</a>	Consolidate Forest Risk And Health Grant Programs	Analyzing

### **Owner(s):**

Chris Piper, Government Relations, Public Affairs

### **Attachments:**

Report on 2017 Legislation

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2016

Board Item: V-A-2

## Briefing Paper Lupton Lakes Complex Bromley Property Acquisition – Parcel 3

### Summary:

The Lupton Lakes Complex is comprised of two reservoirs (North Cell and South Cell); it is one of Denver Water's three downstream reservoir complexes. The northwest embankment and groundwater cutoff wall of the North Cell is located within Parcel 3, which is owned by the Theodore Shipman Living Trust and TRS Equities, LLC (collectively "Bromley"), as shown in Figure 1. Denver Water currently has a perpetual, exclusive easement for water storage on the eastern portion of Parcel 3 (Parcel 3a); acquisition of the west portion of Parcel 3 (Parcel 3b) will allow Denver Water to control the entirety of Parcel 3. The purchase of the entirety of Parcel 3 from Bromley will achieve the following benefits:

1. Precludes property development on Parcel 3b adjacent to the North Cell that may damage the structural integrity of the groundwater cutoff wall and surrounding embankment;
2. Allows permanent access for operations, maintenance, and inspection of the facility;
3. Eliminates the need to subdivide Parcel 3 as currently required in agreement documents;
4. Precludes property development immediately downstream of the North Cell, which reduces risk and design requirements associated with the State's dam hazard classification;
5. Provides property for an emergency spillway and alternate pump station location;
6. Allows future consideration of acquiring downstream Parcels 4 and 5, which could further reduce the State's dam hazard classification requirements.

### Background:

Bromley currently owns all of Parcel 3 near the North Cell. An Easement Deed, dated September 28, 2006, and a Joint Use Agreement between Denver Water and Bromley dated September 29, 2006, provides Denver Water with a perpetual, exclusive easement for water storage within the 8.05 acres shown as Parcel 3a. Bromley is to convey the fee title of Parcel 3a to Denver Water upon subdivision, leaving Bromley with the 8.5 acres located in Parcel 3b. Denver Water has a need to purchase Parcel 3b which, in conjunction with the terms of the Joint Use Agreement, would result in the acquisition of Parcel 3 in its entirety and eliminate the need to subdivide the property.

Denver Water hired Charles J. Hegarty, MAI, of Hegarty & Gerken, Inc. to perform an appraisal of Parcel 3b. The appraisal, dated November 22, 2016, estimated a most probable price of \$464,000. The appraised value was reviewed and agreed upon by Theodore Shipman of Bromley.

### Approach:

Water in the North Cell will be impounded by an embankment within Parcel 3 that stores water above the ground surface elevation immediately downstream on Parcel 3b. Maintaining and operating the embankment is considered critical for the safe operation of the Lupton Lakes Complex. Acquisition of Parcel 3b ensures Denver Water controls the property on the embankment and can preclude

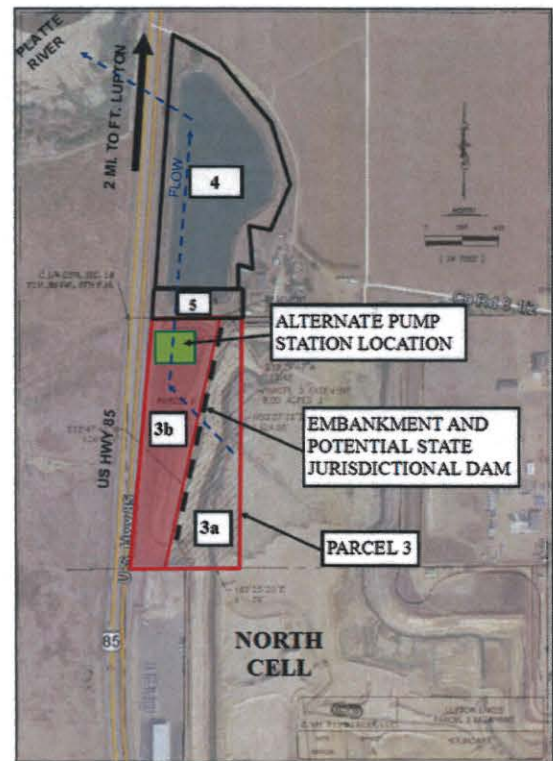


Figure 1 – North Cell and Bromley Parcels



development that may cause damage to the groundwater cutoff wall and surrounding embankment.

Also, conversations with the State Engineer's Office (SEO) confirmed the embankment within Parcel 3 will likely be considered a jurisdictional dam that requires a State hazard classification since it impounds water above the natural ground. Preventing downstream development will reduce the hazard classification, and reduce risk to human life in the event of a dam failure. A reduced hazard classification will decrease the cost associated with design, operation, inspection, and instrumentation.

In addition to risk reduction and improved operations, acquisition of Parcel 3 would provide an alternate location for an emergency spillway and pump station. Parcel 3 provides flexibility of the emergency spillway design and location, and an alternate pump station location might present a cost savings as hydraulic design progresses.

Following the procurement of Parcel 3, will be the assessment to acquire Parcels 4 and 5, located downstream and to the north of the North Cell, which are also owned by Bromley. Although the easement and subdivision issues are not at play, parcels 4 and 5 would allow Denver Water to further reduce the State's hazard classification by controlling the remainder of the downstream drainageway between the North Cell and the Platte River. Ownership of the entire downstream drainageway means dam failure breach flows may be entirely contained on Denver Water property and pose no threat to the public. Therefore, purchasing Parcels 4 and 5 would provide a path toward a "No Public Hazard" status with the State, thereby reducing future design requirements. Denver Water is still evaluating the expense and timing towards a possible acquisition of Parcels 4 and 5 and the Board will be briefed on the progress; however, Parcels 4 and 5 do not impact the more critical need to acquire Parcel 3.

**Budget Information:**

The Board will be presented with a Purchase and Sale agreement to acquire Parcel 3b with Bromley Mineral Holdings, LLC, at the appraised price of \$464,000 subject to marketable title, inspection, and survey. Table 1 summarizes the estimated total cost for the Lupton Lakes Complex and the appraised Parcel 3b value.

**Table 1 – Lupton Lakes Revised Cost Summary**

<b>Budget as of November, 2016</b>	<b>Current Estimated Cost</b>
Approved 2017 Budget	\$7,800,000
Estimated Total Lupton Lakes Facility Cost*	\$100,000,000 to \$120,000,000
<b>Bromley Parcel 3b Appraisal Value</b>	<b>\$464,000</b>

\*Represents the estimated total cost of the Lupton Lakes Complex from inception to completion, which includes past and future property acquisition, design, construction, and all other associated costs.



# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: January 25, 2017

Board Item: V-A-3

## Briefing Paper 2017 Debt Financing Strategy

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### **Summary:**

The objective of this briefing paper is to inform the Board about the 2017 financing strategy, timeline and actions that need to be taken over the next several months as staff prepares to issue over \$200 million in revenue bonds.

### **Background:**

Denver Water issues debt to finance both system expansion and larger dollar replacement projects. The financing strategy takes into consideration system development charges and participation revenues, level of cash reserves, and current and projected debt service coverage and leverage targets in determining the amount of new debt needed. For 2017, staff is proposing the issuance of \$160 million in green bonds to fund the remainder of the OCR project and \$45 million in non-OCR projects to be issued as traditional revenue bonds. The sustainability goals that will be achieved with the OCR project make it a prime candidate for the first Denver Water green bonds issuance. The decision on whether the entire \$160 million will be issued as green bonds will be determined after consultation with the OCR project team and our external financing team.

There are several benefits to Denver Water from the issuance of green bonds, some of which are listed below:

- Highlights Denver Water's leadership role in understanding and promoting sustainability in the state of Colorado
- It aligns with Denver Water values, environmental stewardship and the plan to be "the best water utility in the Nation"
- Attract potential new investors who have made a commitment to invest in sustainable investments
- Enhances Denver Water's image with customers, regulators, lenders and investors

A more detailed briefing paper on green bonds was presented to the Board on November 16, 2016.

### **Budget Information:**

The 2017 Debt Budget includes \$4.3 million in incremental debt service and \$0.8 million in debt issuance costs associated with new debt in 2017.

### **Approach:**

The 2017 bonds are anticipated to be sold during the second quarter. Staff is proposing a negotiated sale of the bonds due to the relative uniqueness of green bonds in the bond market and the advantage of focused marketing and additional reviews that can be obtained through a negotiated sale. A high level timeline for the issuance 2017 bonds is attached to this briefing paper. In order to meet the proposed timeline, staff will be moving forward to complete the following actions over the next several months:

- Finalize the structure of the 2017 bonds
- Issue RFP for underwriter
- Bring bond resolution to the Board for approval

**Owner(s):**

The issuance of the 2017 bonds is the responsibility of Finance in collaboration with multiple divisions throughout the organization. Finance will work closely with the sustainability office to develop a green bond framework and reporting structure, both during and after the issuance of green bonds.

**Attachments:**

Exhibit A: 2017 Bond issuance timeline