

**RECORD OF PROCEEDINGS
MINUTES
of the
Board of Water Commissioners**

Denver Water Administration Building
1600 West 12th Avenue
Denver, CO
Board Room, Third Floor

Wednesday, January 25, 2017

Open Session

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, January 25, 2017, beginning at 9:00 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

Paula Herzmark, President
John R. Lucero, First Vice President
H. Gregory Austin, Vice President
Thomas A. Gougeon, Vice President
Penfield W. Tate, III, Vice President

Board employees and others present during portions of the meeting were:

J.A. Anderson, Chief of Staff	D.M. Hamm, Staff Analyst
A.C. Bricmont, Chief Financial Officer	J. Lorton, Accounting Manager
G. Cagle, Chief Human Resources Officer	J. Ross, Engineer Senior
S. Covington, Chief Public Affairs Officer	J. Seagren, Distributor Relations Manager
C.R. Dermody, Chief Information Officer	T. Bryant, Controller
B.D. Good, Chief Administrative Services Officer	J. Tolmich, Fleet Manager
M. King, Chief Planning Officer	P.A. Carey, Manager of Purchasing and Contracting
J.S. Lochhead, CEO/Manager	Amy Turney, Director Engineering - Property
A. Turney, <i>Acting</i> Chief Engineering Officer	C. Piper, Public Affairs Manager
T.J. Roode, Chief Operations and Maintenance Officer	R. Stitt, Planner Lead
P.L. Wells, General Counsel	M. Price, Director Business Operations
U. Sharma, Treasurer	G. Boothe, Real Estate Manager
D. Arnold, Attorney	J. Allen, Planner
	J. Light, Engineer Senior

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

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



J. Dye, Director Support Services
H. Her, Contract Supervisor
D. Hartkopf, District Manager, Green Mountain Water & Sanitation District
D. Kuntz, Mortenson
L. Ferguson, Trammel Crow
J. Adams, Trammel Crow
B. Mosher, Trammel Crow

A. Ingram, Contract Supervisor
S. Abram, Budget Manager
J. Luthye, Communication Specialist
A. Chavez, Contract Specialist
K. Knoll, Public Affairs Manager
S. Hall, Public Affairs Manager
R. DeCoursey, Finance Analyst
P.B. Coleman, Chief Internal Auditor

INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:21 a.m.

Public Comment and Communications

Commissioner Herzmark issued an invitation to members of the public to comment to the Board on any matters not included in the Agenda for the meeting. There was no response.

Introductions, Awards and Ceremonies

The Board recognized David Hartkopf for his 45 year tenure at Green Mountain Water and Sanitation District. He started his career at Green Mountain as a meter reader and worked his way up to manager of the district in 2001. He has modernized the district during his tenure and adopted industry standards. In recognition of his work and retirement, Commissioner Herzmark remarked that the Board of Water Commissioners is deeply grateful for his service and has been fortunate to have leaders like Mr. Hartkopf. Ms. Herzmark thanked Mr. Hartkopf for his cooperative relationship with Denver Water.

ACTION ITEMS

Upon motion regularly made, seconded and unanimously carried by the Commissioners then present, unless otherwise noted, the Board acted upon the following agenda items:

1. **ITEM II-A-1: CONTRACT 16988A COOPERATIVE STREAM GAUGING PROGRAM WITH THE U.S. GEOLOGICAL SURVEY**

Approved Contract 16988A with the U.S. Geological Survey for the operation of 27 gauging stations during the period of January 1, 2017 through December 31, 2017. The net contract expenditure will be \$249,727.

2. ITEM II-A-2: CONTRACT 16887A DIRECTIONAL DRILLING MACHINE

Approved Contract 16887A with Colorado Underground, LLC, d/b/a Ditch Witch of the Rockies, for rental and optional purchase of JT9 Directional Drilling Machines for the contract period of January 25, 2017 through January 31, 2020, for a total contract amount not to exceed \$150,000.

3. ITEM II-A-3: CONTRACT 16862A COLD PATCH ASPHALT

Approved Contracts 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.

4. ITEM II-A-4: CONTRACT 16040A FIRST AMENDMENT FOR NON-DESTRUCTIVE EXCAVATING, HYDRO-JETTING AND VACUUMING SERVICES

Approved the First Amendment to Contract 16040A with Locate Holdings, Inc., d/b/a USIC Locating Services, LLC, for locating and potholing services. The Amendment adds \$275,000, for a total amended contract amount not to exceed \$964,862.

5. ITEM II-A-5: CONTRACT 16036A FIRST AMENDMENT FOR TRENCH ROTOMILLING SERVICES

Approved the First Amendment to Contract 16036A with TMT Cutters, Inc. for trench rotomilling services. The Amendment adds \$130,000, for a total amended contract amount not to exceed \$355,000.

6. ITEM II-A-6: CONTRACT 16730A FIRST AMENDMENT TO AGREEMENT WITH LEGAL MARKETING & STAFFING

Approved the First Amendment to Contract 16730A with Legal Marketing & Staffing for continued litigation support services. The Amendment adds \$60,000, for a total amended contract amount not to exceed \$140,000.

7. ITEM II-A-7: CONTRACT 16885A MOXIE SOZO, LLC FOR GRAPHIC DESIGN SERVICES

Approved Contract 16885A with Moxie Sozo, LLC for design services for the contract period of February 1, 2017 through February 28, 2020, for a total contract amount not to exceed \$200,000.

POLICY MATTERS

8. ITEM III-A: OCR UPDATE

Ms. Adams presented the Board with an OCR update, a copy of which is attached to and incorporated in these Minutes as Exhibit A. Ms. Adams noted that Phase I remains on schedule, with a six-day delay on trade shops being the only exception.

Mortenson is near completion with Phase II GMP development and contract pricing. To date, 28% of costs have been expended. Twenty-four MWBE contractors have been hired for the project, with five being new to Mortenson, and four having received multiple awards. Seventy percent of subcontractors are prime subcontractors, with 30% being sub-tier. Ms. Adams stated that the MWBE communication plan has been updated to resolve any issues with the OCR team and provide a resolution plan. Mortenson anticipates exceeding the 18% MWBE goal.

Commissioner Tate remarked that the data and detail on MWBEs is helpful, and thanked Trammel Crow and Mortensen for establishing a system for MWBEs to resolve issues.

ACTION ITEMS

9. ITEM II-B-1: 2017 PURCHASE OF FLEET VEHICLES

Mr. Tolmich presented the Board with a recommended plan for purchasing fleet vehicles in 2017, a copy of which is attached to and incorporated in these Minutes as Exhibit B. He noted that the 2014 internal audit of the Fleet Section identified vehicle replacement rate as an issue. While optimal replacement rate for certain vehicles is on a six-year cycle, Denver Water is currently using a 6.6 year cycle. Denver Water's goal is to replace at the point where the resale value intersects with maintenance level. With the current improved replacement rate, Denver Water is realizing a better resale value and financial savings from reduced maintenance costs.

In response to inquiry from Commissioner Austin, Mr. Roode stated that each assets' optimal life cycle is reviewed in an effort to optimize the total cost of ownership. 6.6 years is an average life cycle across all vehicles, including heavy equipment.

Mr. Tolmich described other efforts Denver Water is taking to reduce fleet maintenance costs and realize increasing efficiency, including cross-training employees to reduce specialization, and reducing FTEs through attrition.

Denver Water is piloting a contract with Uber and Lyft. To date, the pilot appears to have reduced Denver Water employee work-related transportation costs by reducing parking costs and providing a cost effective transportation alternative.

Commissioners Herzmark and Gougeon said that they are impressed with these efforts.

10. ITEM II-B-2: RESOLUTION AUTHORIZING ACQUISITION OF A PERMANENT EASEMENT VIA EMINENT DOMAIN FOR CONDUIT 16

Approved the Resolution authorizing acquisition of a permanent easement via eminent domain for Conduit 16. A copy of the Resolution is attached to and incorporated in these Minutes as Exhibit C.

POLICY MATTERS

11. ITEM III-B: BUDGET PROCESS

Ms. Bricmont presented the Board with proposed changes to the Budget process. A copy of the presentation is attached to and incorporated in these Minutes as Exhibit D.

Ms. Bricmont stated that as a result of the implementation of ORCA, it is possible for Denver Water to change from an annual to a two-year budget cycle, while retaining the opportunity to adjust rates on an annual basis.

In response to inquiries from the Commissioners, Ms. Bricmont said that the Board would continue to receive the same level of reporting currently available, with detailed reporting available to illustrate month by month whether Denver Water is within a certain target percentage of the budget. If a target percentage is not met, the data will be reviewed to identify the reason for discrepancies. The Board would continue to have access to the budget dashboard and any changes to the capital budget, which would be presented to the Board on a quarterly basis.

After discussion, the Board declined to adopt a two year budgeting proposal at this time. Although the Commissioners support the concept and expressed a desire to test a two year budgeting process, they had concerns that ORCA

is still relatively new and would prefer to have more experience with its processes before changing the budget cycle.

Ms. Bricmont will consult with staff to determine whether a pilot or phased-in approach would be possible, and will return to the Board with further recommendations.

EXECUTIVE UPDATE

12. ITEM VI-A: GENERAL COUNSEL UPDATE

Ms. Wells briefed the Board on the recent *Busk Ivanhoe* decision which held that transmountain water may not be placed in storage if storage is not identified in the decree. There may be a legislative effort to address this decision.

Ms. Wells also briefed the Board on a recent Second Circuit Decision involving the water transfers rule. The Second Circuit issued a favorable decision upholding the EPA's water transfers rule, which exempts water conveyances from having to acquire a discharge permit under the Clean Water Act.

BRIEFING PAPERS & REPORTS

13. ITEM V-A-1: LEGISLATIVE UPDATE

The Board received a Legislative Update Briefing Paper, a copy of which is attached to and incorporated in these Minutes as Exhibit E.

14. ITEM V-A-2: LUPTON LAKES COMPLEX BROMLEY PROPERTY ACQUISITION – PARCEL 3

The Board received a Briefing Paper about the Lupton Lakes Complex Bromley Property Acquisition – Parcel 3, a copy of which is attached to and incorporated in these Minutes as Exhibit F.

15. ITEM V-A-3: 2017 DEBT FINANCING STRATEGY

The Board received a Briefing Paper on the 2017 Debt Financing Strategy, a copy of which is attached to and incorporated in these Minutes as Exhibit G.

16. ITEM V-A-4: OCR PROJECT FINANCING WITH GREEN BONDS

The Board received a Briefing Paper regarding the use of Green Bonds to finance the OCR project, a copy of which is attached to and incorporated in these Minutes as Exhibit G. Upon inquiry from the Commissioners, Ms. Bricmont stated that green bonds are independently verified and that administrative costs would be incurred, similar to those incurred with other types of bonds. Commissioner Austin inquired whether bond counsel would offer the same opinion. Commissioner Tate stated that he agrees with the green bond approach and that in his opinion, the administrative costs of the green bonds are not that great.

ADJOURNMENT

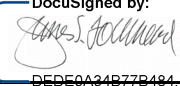
No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:00 a.m.

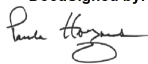
EXECUTIVE SESSION

On Wednesday, January 25, 2017 , commencing approximately at 11:10 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matters, which are authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34, were discussed during the Executive Session:

- 1. Attorney-Client Matters § 24-6-402(4)(b)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:50 a.m.

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Secretary

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President