

AGENDA

Denver Board of Water Commissioners

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

Wednesday, October 11, 2017 9:00 a.m.

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

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. Minutes from September 13, 2017 – Open
2. Minutes from September 27, 2017 – Open and Executive
3. Fourth Amendment to Gallagher Benefit Services Regarding Potential Outsourcing of Benefits Administration
4. Ratification of Construction Contract Change Orders and Amendments and Professional Services Agreement Amendments

B. Individual Approval Items

| | | |
|-------------------------------------------------------------|-------------------|------------|
| Four Mile Mitigation Bank Deed Restriction Resolution | Jessica Alexander | 15 minutes |
|-------------------------------------------------------------|-------------------|------------|

III. POLICY MATTERS

| | | |
|--------------------------------------------|----------------|------------|
| A. 2018 Financial Plan and Rate Process | Fletcher Davis | 30 minutes |
|--------------------------------------------|----------------|------------|

IV. EXECUTIVE UPDATE

A. CEO Update

B. CFO Update

C. Operations Update

V. BRIEFING PAPERS & REPORTS

A. Briefing Paper

1. Adoption of Limited Term Employee Classification

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: October 11, 2017

Board Item: II-A-3

Fourth Amendment to Gallagher Benefit Services Regarding Potential Outsourcing of Benefits Administration Contract # 16347A

Action by Consent

Individual Action

Summary:

Historically, Denver Water has administered employee benefits in-house, both manually and via its PeopleSoft system. Human Resource staff would like to explore outsourcing the administration of such benefits to a third-party administrator. The approach is similar to the administration of the 401k and 457 plans by Empower, and the administration of the pension plan by John Hancock in 2018.

Budget Information:

The total amount of this contract is \$735,000, and the term of the contract is January 1, 2016 to December 31, 2018. Funds for this service/contract will come from the 2017 budget for Compensation-1002060100 which has sufficient funds to pay the \$80,000 estimated to be needed in 2017.

Selection of Business Partner:

Denver Water issued a Request for Proposal (RFP) in 2015 for the HR Benefits Consultant Services, where it was posted on the Denver Water website, the Rocky Mountain E-Purchasing System and a notification was sent to the Small Business Enterprise (SBE) / Minority Women Business Enterprise (MWBE) trade organizations. Four consultants responded, none of which were MWBE. The vendor selection criteria included an evaluation of consultant's experience, employee qualifications, references, methodology and price. Denver Water interviewed the top two consultants and after evaluation selected the current consultant, Gallagher Benefit Services, Inc. as the firm proposing the best value and fit for Denver Water.

Recommendation:

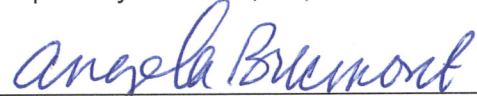
It is recommended that the Board approve the Fourth Amendment 16347A with Gallagher Benefits Services, Inc. for the outsourcing of benefits administration RFP process and for an addition of \$80,000 for a total amended contract amount not to exceed \$815,000.


Approvals:



Gail Cagle
Chief Human Resource Officer

Respectfully submitted,


for _____
James S. Lochhead
CEO/Manager



Angela Bricmont
Chief Finance Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 11, 2017

Board Item: II-A-4

Ratification of Construction Contract Change Orders and Amendments and Professional Services Agreement Amendments

Action by Consent

Action

Summary:


The attached are Construction Contracts Change Orders and Amendments and Professional Services Agreement Amendments for Board ratification for August 2017 through September 2017.

Recommendation:

It is recommended that the Board ratify these Construction Contract Change Orders and Amendments and Professional Services Agreement Amendments.

Approvals:

Respectfully submitted,

for 
Robert J. Mahoney
Chief Engineering Officer

for 
James S. Lochhead
CEO/Manager

RATIFICATION OF CONSTRUCTION CONTRACT

CHANGE ORDERS AND AMENDMENTS AND PROFESSIONAL SERVICES AGREEMENT AMENDMENTS

Pursuant to procedure previously established, the following Construction Contract Change Orders and Amendments and Professional Services Agreement Amendments are hereby submitted for Board ratification.

CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS

MOFFAT TREATMENT PLANT CENTRIFUGE DEWATERING SYSTEM

Contractor: Aslan Construction, Inc.
Change Order No. 5
Contract 15547A
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|--------------|
| ADD | \$ | 4,629.00 |
| Original Contract Amount: | \$ | 2,615,060.00 |
| Authorized Contract Amendments: | \$ | 31,924.00 |
| Authorized Change Orders: | \$ | 44,671.53 |
| Current Contract Amount: | \$ | 2,691,655.53 |
| Current Increase in Contract: | \$ | 4,629.00 |
| Revised Contract Amount: | \$ | 2,696,284.53 |
| Percentage of Total Amendments to Date: | | 1.22% |
| Percentage of Total Change Orders to Date: | | 1.89% |

CONSTRUCTION OF THE OPERATIONS COMPLEX REDEVELOPMENT PROJECT WORK PACKAGE NO. 1 – GENERAL CONDITION AND SITE WORK

Contractor: Mortenson Construction
Amendment No. 5
Contract 15630B
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|---------------|
| ADD | \$ | 8,091.00 |
| Original Contract Amount: | \$ | 24,227,536.00 |
| Authorized Contract Amendments: | \$ | 13,651,123.00 |
| Authorized Change Orders: | \$ | 144,031.00 |
| Current Contract Amount: | \$ | 38,022,690.00 |
| Current Increase in Contract: | \$ | 8,091.00 |
| Revised Contract Amount: | \$ | 38,030,781.00 |
| Percentage of Total Amendments to Date: | | 56.38% |
| Percentage of Total Change Orders to Date: | | 0.59% |

HILLCREST RESERVOIR BASIN REPLACEMENTS WORK PACKAGE NO. 3 – TANKS

Contractor: MWH Constructors
Amendment No. 1
Contract 15979D
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|---------------|
| ADD | \$ | 91,603.00 |
| Original Contract Amount: | \$ | 58,511,119.00 |
| Authorized Contract Amendments: | \$ | 0.00 |
| Authorized Change Orders: | \$ | 0.00 |
| Current Contract Amount: | \$ | 58,511,119.00 |
| Current Increase in Contract: | \$ | 91,603.00 |
| Revised Contract Amount: | \$ | 58,602,722.00 |
| Percentage of Total Amendments to Date: | | 0.16% |
| Percentage of Total Change Orders to Date: | | 0.00% |

MARSTON AND MOFFAT TREATMENT PLANTS CHLORINE SCRUBBER MODIFICATIONS

Contractor: Garney Construction
Change Order No. 2
Contract 16685A
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|--------------|
| DEDUCT | \$ | (\$5,644.00) |
| Original Contract Amount: | \$ | 523,000.00 |
| Authorized Contract Amendments: | \$ | 22,893.00 |
| Authorized Change Orders: | \$ | 3,068.00 |
| Current Contract Amount: | \$ | 548,961.00 |
| Current Decrease in Contract: | \$ | (\$5,644.00) |
| Revised Contract Amount: | \$ | 543,317.00 |
| Percentage of Total Amendments to Date: | | 4.38% |
| Percentage of Total Change Orders to Date: | | -0.49% |

GROSS DAM AND STRONTIA SPRINGS DAM FOUNDATION DRAIN CLEANING

Contractor: Beartooth Jetting and Video Inspection, LLC
Change Order No. 1
Contract 17023A
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|------------|
| ADD | \$ | 15,513.90 |
| Original Contract Amount: | \$ | 320,120.00 |
| Authorized Contract Amendments: | \$ | 0.00 |
| Authorized Change Orders: | \$ | 0.00 |
| Current Contract Amount: | \$ | 320,120.00 |
| Current Increase in Contract: | \$ | 15,513.90 |
| Revised Contract Amount: | \$ | 335,633.90 |
| Percentage of Total Amendments to Date: | | 0.00% |
| Percentage of Total Change Orders to Date: | | 4.85% |

CHEESMAN ROCK STABILIZATION

Contractor: Harrison Western Construction Corporation, Inc.
Amendment No. 1
Contract 17117A
Scope: Scope of work change.

| | | |
|--------------------------------------------|----|------------|
| ADD | \$ | 48,900.00 |
| Original Contract Amount: | \$ | 211,000.00 |
| Authorized Contract Amendments: | \$ | 0.00 |
| Authorized Change Orders: | \$ | 0.00 |
| Current Contract Amount: | \$ | 211,000.00 |
| Current Increase in Contract: | \$ | 48,900.00 |
| Revised Contract Amount: | \$ | 259,900.00 |
| Percentage of Total Amendments to Date: | | 23.18% |
| Percentage of Total Change Orders to Date: | | 0.00% |

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 11, 2017

Board Item: II-B-1

Four Mile Mitigation Bank Deed Restriction Resolution

Action by Consent

Individual Action

Summary:

Mitigation banks are a federally-approved means of compensating for wetland impacts regulated under Section 404 of the Clean Water Act. Mitigation banks are wetland areas that are restored, enhanced, created or preserved with the express purpose of providing required compensation for future wetland impacts. To use a bank, a Section 404 permit recipient withdraws sufficient credits from the bank to offset wetland losses resulting from permitted activities. Most commonly, credits are purchased from a third-party bank; however, entities can develop banks specifically for their own use. Such "single-party" banks are commonly created by agencies such as Colorado Department of Transportation, which have a frequent need for compensatory mitigation. The Four Mile Creek Fen Mitigation Bank ("Bank") has been designed as a single-party bank for use by Denver Water to meet its own regulatory compliance needs.

In 2003, Denver Water initiated the process to create a wetlands mitigation bank on its Four Mile Ranch property in Park County. The Ranch was acquired in connection with the requirement of cessation of the property's irrigation rights associated with our Four Mile Creek decree. The property was never utilized in Denver Water's operations and is currently surrounded by the BLM. The bank enabling instrument to commence the project was approved by the U.S. Army Corps of Engineers ("Corps") on August 30, 2007. Construction of the Bank was completed in 2010. Post-construction monitoring was completed in 2014. In total, the Bank was designed to restore and enhance 68.1 acres of extremely rich fen and associated mineral soil wetland, which equates to approximately 54 credits. In April of 2017, the Corps approved the availability of 27.11 credits for withdrawal or use out of the 54 credits in total. Before Denver Water can apply these credits to offset wetland impacts at Gross Reservoir from the Moffat Collection System Project, one remaining condition of the 2007 BEI must be met, which is to establish a long-term protection instrument for the wetland mitigation credits that will preserve and maintain the Bank's unique wetlands.

The Bank boundary is defined as a Preserve Area that includes a total of 116 acres of jurisdictional fen and mineral soil wetlands, including an upland buffer. To ensure the Bank's long-term protection, the 2007 BEI requires a binding covenant running with the land be placed on title, which limits uses within the Preserve Area to those conservation uses necessary to accomplish preservation, maintenance, and repair among other Corps-approved uses. The creation, operation, and maintenance of the Bank has not and will not impact Denver Water's portfolio of water rights or operation of its collection system.

Budget Information:

There are no funds associated with this Resolution; however, the Bank's credits are valued at approximately \$100,000 per credit or \$5.4 million in total. Existing Denver Water staff will conduct long-term monitoring and maintenance of the Bank. The Corps will track the release and debit of credits at the Bank on its RIBITS website: <http://ribits.usace.army.mil>.

Recommendation:

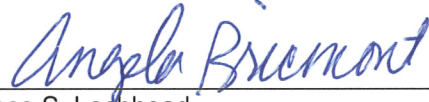
It is recommended that the Board approve the Resolution to declare 116 acres of property at the Four Mile Ranch site protected as a fen/wetland preserve area and restrict the use of said land in compliance with the Declaration of Restrictions pursuant to the 2007 BEI.

Approvals:



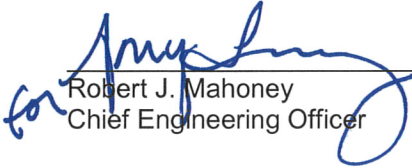
Michael E. King
Chief External Affairs Officer

Respectfully submitted,



for

James S. Lochhead
CEO/Manager



Robert J. Mahoney
Chief Engineering Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: 10/11/2017

Board Item: V-A-1

Briefing Paper for Adoption of Limited Term Employee Classification

Strategic Plan Alignment:

Lenses: Check all that this initiative addresses: Customer Centric Industry Leader Long-Term View

Summary:

Denver Water is involved in several large-scale initiatives and capital projects, like the Gross Reservoir Expansion project, for example, which require a multi-year but non-permanent staffing increase in both professional and non-professional positions. These staffing needs are not well served by Denver Water's current rules, which limit the duration of temporary employment. For projects that require years to complete, repeated hiring and training for new temporary personnel is inefficient and disruptive. This problem can be addressed if the Board were to create a new classification of civil service employees who are hired to work on specific time-limited projects; they would not be hired to provide ongoing services historically performed by permanent civil service employees. Limited Term Employees (LTE) is a standard industry practice among public sector peers which include the State of Colorado, City and County of Denver and the City of Fort Collins.

Background:

The Board's current policies provide a two-year limitation on workers hired through a staffing agency, and a four-month limitation on temporary (seasonal) employees hired directly by Denver Water. These durational limits protect Denver Water against various legal risks, including claims by temporary workers seeking the same pay, benefits, and job security provided to permanent employees. Limited Term Employees would not replace short-term seasonal employees, but would reduce the number of employees needed to fill positions currently filled by staffing agency workers, and, it is anticipated, the number of professional services agreements that are required to fill professional staffing needs on longer term projects.

The maximum two-year limitation on temporaries creates a staffing dilemma when Denver Water needs trained personnel to work on projects expected to take longer than two years. It is both inconvenient and inefficient to bring in new temporary employees mid-project.

An example of this problem is in the Cross Connection Control group, where, to satisfy a new regulatory requirement, 40,000+ site surveys must be conducted by 2020. The two year restraint on temporary employees slows the work because Cross Connection must train new temporary employees every two years. Being able to hire Limited Term Employees through project completion would eliminate these issues.

Under the proposed policies, LTE's would be hired to work only on longer-term projects that have a definite end, and only for the period during which the particular LTE's services are needed on the project.

Budget Information:

As shown below in Table 1 and Table 2, there is negligible cost difference between hiring temporary employees through a staffing agency and hiring Limited Term Employees. To estimate the relative cost difference, we made the following assumptions:

Assuming staffing agency overhead costs remain the same at 40%, it would cost between 1% less and 1% more to hire a LTE employee over the course of 3 years. This means that in some cases, it is actually more cost effective to hire the LTE over an agency employee.

In Table 1 and Table 2, the cost estimations use positions that would most likely be used in the project examples outlined in this briefing paper. In some ways, the cost comparisons for an engineer or senior engineer are more difficult to fully evaluate, as many times specialized positions would not be staffed through a staffing agency, but rather through a professional services contract, which has a total project cost rather than an hourly rate identified.

It should also be noted that the current average employee tenure is 11.5 years. A limited term staffing strategy would minimize the cost of hiring a permanent employee for a short term project.

Approach

LTEs would receive the same benefits as a regular employee, including vesting, right to receive their pension contribution in lump sum if they leave prior to vesting, credit for time of service should they successfully bid into a regular position, and property rights. The only difference is that the LTE has a termination date tied to the project timeline. LTEs are also subject to corrective action, including termination, in the same manner as other introductory and regular employees.


All requests for LTE would be made during the annual budgeting process. Each request must be accompanied by a strong business case, including project description and ROI for the LTE, and would be reviewed and approved by the CEO/Manager. In the event a Division Chief determines a need for LTEs outside of the regular budgeting process, he/she will prepare a justification and submit it to the Chief Human Resources Officer, who will review the request and make a recommendation to the CEO/Manager for consideration.

The Board will be presented with a proposed amendment to the Personnel Policies to create and define the Limited Term Employee classification within the next few Board meetings.

Owner(s):

Gail Cagle, Chief Human Resources Officer

Respectfully submitted,



Human Resources

- For LTEs who work five or more years, costs include base salary plus estimated benefits, which is the “fully burdened” cost of benefits including pension. (These LTEs would vest in the pension plan after five years, and would, at that point, receive 5 years of service credit.)
- For LTEs who work less than five years, costs include base salary plus estimated benefits (benefits not including pension costs).
- For all LTEs, costs after year one include an annual merit increase of 2.4%, which represents the average of merit increases across the organization.
- For Staffing Agency employees, costs include base salary + 40% markup; the costs include no merit or other pay increases during the term of temporary employment.
- Costs for both LTEs and Agency non-exempts (hourly workers) include 2 hours/week of overtime. (Note: Overtime is a variable cost that can be controlled through supervision.)

Based on these assumptions, Table 1 below compares the costs of two different Denver Water positions that may be used for the LTE purpose (one non-exempt and one exempt) **over 5 years**, of LTE and comparable agency employees (keeping in mind that each agency employee could work only for a maximum of 2 years):

Table 1:

| Estimated LTE/Staffing Agency Employee Costs Over Five Years | | |
|-----------------------------------------------------------------------------|--------------|--------------|
| | LTE | Agency* |
| Water Quality Tech \$25.34/hr <i>Full Time Regular Non-Exempt</i> | \$449,341.89 | \$393,649.20 |
| Engineer/Sr Engineer \$103,073/yr <i>Full Time Regular Exempt</i> | \$843,497.27 | \$721,511.00 |

* Agency markup rates are negotiated by contract. Contracts are currently 3 years long. As such, the average markup rates may increase in future years.

Assuming staffing agency overhead costs remain the same at 40%, it would cost between 14% - 17% more to hire a LTE employee over the course of 5 years than to use staffing agency employees.

However, because few Denver Water projects will take five years to complete, most LTEs will not stay with Denver Water long enough to vest in the pension plan, which impacts the “fully burdened” costs to Denver Water. Table 2 below compares the costs of the same two Denver Water positions **over 3 years**, using the same assumptions except LTEs’ “fully burdened” costs are base salary plus estimated benefits (based on benefits eligibility, no pension vesting).

Table 2:

| Estimated LTE/Staffing Agency Employee Costs Over Three Years* | | |
|-----------------------------------------------------------------------------|--------------|--------------|
| | LTE | Agency |
| Water Quality Tech \$25.34/hr <i>Full Time Regular Non-Exempt</i> | \$234,134.64 | \$236,189.52 |
| Engineer/Sr Engineer \$103,073/yr <i>Full Time Regular Exempt</i> | \$437,045.48 | \$432,906.60 |

* Agency markup rates are negotiated by contract. Contracts are currently 3 years long. As such, the average markup rates may increase in future years.