

AGENDA

Denver Board of Water Commissioners

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

Wednesday, December 11, 2019 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. Colorado State University Intergovernmental Agreement Consulting Services for Colorado Water Center Policy Programming – Contract 504252
2. Bond and Disclosure Counsel – Contracts 504168 and 504236
3. Denver Public Schools Northeast Bus Washing Facility Service Conversion from Potable to Recycled Water – Contract 504255

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B. Individual Approval Items

- | | | |
|--|-----------------|------------|
| 1. Approval of 2020 Budget | Stephanie Abram | 15 minutes |
| 2. NTP Update | Pete McCormick | 15 minutes |
| a. Site Wide Electrical Package GMP 6
for Northwater Treatment Plant –
Contract 504061 | | |
| 3. Appointment to Citizens Advisory
Committee West Slope Representative | Mike King | 5 minutes |

III. POLICY MATTERS

- | | | |
|---------------------------------|---------------|------------|
| A. OCR Update | Jeremy Ross | 10 minutes |
| B. Brand Campaign Update | Stacy Chesney | 30 minutes |

IV. EXECUTIVE UPDATE

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

V. BRIEFING PAPERS & REPORTS

A. Briefing Papers

- 1. 2020 Communications Team Plan
- 2. National Western Recycled Water Status Update

B. Reports

VI. ADJOURNMENT

VII. TRUSTEE MATTERS

VIII. EXECUTIVE SESSION

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

A. Confidential Report D.R.M.C. Sec. 2-34

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-A-1

Colorado State University Intergovernmental Agreement Consulting Services for Colorado Water Center Policy Programming Contract 504252

Action by Consent

Individual Action

Purpose and Background:

Colorado State University (CSU) and Denver Water are partnering in activities related to the redevelopment of the National Western Center. CSU is constructing a water center that will support programs related to water policy, research, innovation, and education. CSU and Denver Water have agreed to work together to evaluate options for creating policy programming and identified a need to secure external consulting services to provide neutral expertise on this matter. CSU and Denver Water jointly prepared the scope of work included in Contract 504252. CSU will lead and manage all procurement and contracting activities associated with these services and Denver Water will provide reimbursement to CSU. CSU intends to select a contractor in January 2020 and anticipates that work will be complete by June 2020. Denver Water will transfer funds to CSU by December 31, 2019 and CSU will use those funds to pay contractor invoices as specified in the intergovernmental agreement.

Budget and Schedule:

The total amount of this contract is not to exceed \$50,000 and the term of the contract is from December 4, 2019 to June 30, 2020. Funds will come from the 2019 budget for the National Western Operating business unit.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended that the Board approve Contract 504252 with CSU for consulting services for the contract period December 4, 2019 through June 30, 2020 for a total contract amount not to exceed \$50,000.

Approvals:

- | | |
|---|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input checked="" type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-A-2

Bond and Disclosure Counsel Contracts 504168 and 504236

Action by Consent

Individual Action

Purpose and Background:

Denver Water recently issued Request for Proposals (RFP) for bond and disclosure counsel services and considered proposals for each service separately or in any combination thereof. The Board has previously used separate law firms to act as bond counsel and disclosure counsel to ensure that multiple perspectives are considered. Denver Water staff is proposing two contracts, one with Butler Snow, LLP to serve as bond counsel and the second one with Stradling Yocca Carlson & Rauth, A Professional Corporation to serve as disclosure counsel for the Board's approval.

Denver Water requires bond and disclosure counsel services in connection with the issuance of revenue bond/notes and other securities. Debt is usually issued for funding capital improvements for water system projects and for refunding prior issues pursuant to the Denver Water's Master Bond Resolution. Generally, Denver Water issues debt on a competitive sale basis, but negotiated or private placement sales may be conducted as circumstances warrant.

Traditionally, bond counsel has advised Denver Water in structuring the issuance and sale of bonds, notes, certificates of participation, and other securities, as well as providing necessary legal assistance related to various financings. In addition, bond counsel participates in negotiating terms and drafting various documents, renders offering and tax opinions regarding the issuance of securities and verifies compliance with applicable federal, state, and municipal laws and regulations. Disclosure counsel is responsible for preparing preliminary and final official statements for Denver Water's bond issuance and other disclosure documents related to debt securities other than revenue bonds, advise on continuing disclosure requirements on outstanding debt, provide training to staff and the Board on the U.S. Security Exchange Commission's Rule 15c2-12 disclosure requirements as well as related regulations.

Both bond and disclosure counsel work closely with Denver Water's financing team that includes the Treasurer and her staff, the Office of General Counsel, Denver Water's financial advisor, registrars/paying agents, selected underwriting teams, underwriters' counsel, and other related parties. Occasionally, bond counsel will advise Denver Water's Board and/or its staff on debt-related, general municipal finance or tax-related issues (often not in connection with a current financing or offering), as well as assist in drafting debt-related positions on proposed legislation.

Budget and Schedule:

The total amount of these contracts is \$500,000 and the term of the contracts is January 1, 2020, to November 30, 2023. Funds for these contracts will come from the 2020 budget from the Debt business unit, which has sufficient funds to pay the \$120,000 estimated to be needed in 2020. The remaining \$380,000 will be budgeted in years 2021 through 2023.

Selection of Business Partner:

Denver Water issued an RFP for bond and disclosure counsel on September 13, 2019, posting the documents to Rocky Mountain E-Purchasing System (BidNet), Denver Water's website, and through direct email to known firms. The RFP was structured such that interested firms could submit proposals for 1) bond counsel 2) disclosure counsel or 3) both bond and disclosure counsel at their discretion. Denver Water received six proposals, all of which submitted rates for both bond and disclosure counsel. None of the six proposals received identified as Small/Minority and Women-owned Business Enterprise (S/MWBE) firms.

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Denver Water's evaluation team selected four firms for interviews. The evaluation team recommends awarding Butler Snow, LLP, bond counsel services and Stradling Yocca Carlson & Rauth, A Professional Corporation, disclosure counsel services, as each provides the best value to Denver Water respectively, based on the RFP's evaluation criteria of experience, staffing plan, pricing, professionalism and understanding of the work.

S/MWBE Information:

There was no S/MWBE goal established for this procurement.

Recommendation:

It is recommended that the Board approve the following two agreements:

1. Contract 504168 with Butler Snow, LLP for bond counsel for the contract period of January 1, 2020 to November 30, 2023.
2. Contract 504236 with Stradling Yocca Carlson & Rauth, A Professional Corporation for disclosure counsel for the contract period of January 1, 2020 to November 30, 2023.

Approvals:

- | | |
|---|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input checked="" type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-A-3

Denver Public Schools Northeast Bus Washing Facility Service Conversion from Potable to Recycled Water Contract 504255

Action by Consent

Individual Action

Purpose and Background:

In 2013, Denver Water led an effort to add vehicle washing as an approved use under Colorado's recycled water regulations.

Denver Public Schools (DPS) has identified their bus washing facility for conversion from potable to recycled water. The total recycled water demand at the facility is around 4.5 acre-feet annually, which includes vehicle washing and irrigation. This would be the first customer in Denver Water's service area to use recycled water for vehicle washing. DPS has agreed to partner to provide funding to perform design, construction, and research activities. The research activities are a unique element of this partnership and would result in data that could be used to convert other vehicle washing facilities from potable to recycled water service. If we have other wash facilities, we have the potential to save up to 250-acre feet per year (AFY).

Recycled water service conversions are considered new supply projects since the conversion reduces demand on potable water. New supply projects currently range from \$15,000 to \$35,000 per acre-foot. Denver Water's contribution to this project is \$20,000, resulting in a cost of \$4,600/AFY. DPS will complete all work associated with this contract and will invoice Denver Water for reimbursement. All costs outside of the Denver Water \$20,000 contribution will be DPS' responsibility.

Budget and Schedule:

The total amount of this contract is \$20,000 and the term of the contract is December 11, 2019 to December 31, 2019. Funds for this service/contract will come from the 2019 budget for Recycled Distribution Program business unit, which has sufficient funds.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended that the Board approve Contract 504255 with DPS for conversion of DPS' Northeast Bus Terminal Washing Facility to recycled water for the contract period December 11 through December 31, 2019 for a total contract amount not to exceed \$20,000.

Approvals:

- | | |
|--|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input checked="" type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

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DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-B-1

Approval of 2020 Budget

Action by Consent

Individual Action

Purpose and Background:

The 2020 Organizational Business Plan is developed annually and presented to the Board in July. The Business Plan priorities serve as the foundation for the development of the annual budget. Following this, a recommendation on the overall revenue adjustment was developed and used to set targets for the 2020 budget. The Board was presented with the proposed 2020 budget at the November Budget Workshop.

The 2020 budget reflects the financial strategy presented to the Board during the financial planning presentations in July and September 2019. The 2020 budget includes revenue of \$368,000,000 a planned bond issuance of \$140,000,000 and \$487,000,000 of budgeted expenditures.

A summary of the 2020 budget is below:

DENVER WATER - 2020 BUDGET				
<i>\$ in thousands</i>	2019 Current Budget	2020 Proposed Budget	2019-2020 Budget Change	% Budget Change
Water sales	296,208	306,147	9,939	3.4%
Hydropower	4,196	3,872	(324)	-7.7%
Special assessments and fees	6,980	6,940	(40)	-0.6%
SDC revenue and Contributions	50,674	38,017	(12,657)	-25.0%
All other revenue	15,139	13,453	(1,686)	-11.1%
TOTAL REVENUE	\$ 373,197	\$ 368,429	\$ (4,768)	-1.3%
Proceeds from debt	60,000	140,000	80,000	133.3%
TOTAL SOURCES OF FUNDS	\$ 433,197	\$ 508,429	\$ 75,232	17.4%
Salaries and Benefits	123,507	129,358	5,851	4.7%
Professional and Purchased Services	42,551	43,950	1,399	3.3%
Materials, Supplies, and Chemicals	17,754	19,461	1,707	9.6%
Travel, Training, and Conferences	1,587	1,392	(195)	-12.3%
Other Expense	1,287	1,143	(144)	-11.2%
TOTAL OPERATING w/o PROJECTS	\$ 186,687	\$ 195,304	\$ 8,618	4.6%
Information Technology Projects	4,553	4,527	(26)	-0.6%
Systems and Programs Projects	16,377	20,903	4,526	27.6%
Operating Projects	20,930	\$ 25,430	4,500	21.5%
TOTAL OPERATING COSTS	\$ 207,617	220,734	\$ 13,118	6.3%
Information Technology Projects	815	156	(659)	-80.8%
Systems and Programs Projects	252,752	219,690	(33,063)	-13.1%
TOTAL CAPITAL	\$ 253,567	\$ 219,846	\$ (33,721)	-13.3%
Interest expense	25,498	26,243	745	2.9%
Principal payments	22,151	19,926	(2,225)	-10.0%
DEBT SERVICE	\$ 47,649	\$ 46,169	\$ (1,480)	-3.1%
TOTAL USES OF FUNDS	\$ 508,833	\$ 486,749	\$ (22,084)	-4.3%

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Budget and Schedule:

There is no budgetary impact for this item.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended that the Board approve the proposed 2020 budget as summarized in this board item.

Approvals:

- | | |
|---|---|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input checked="" type="checkbox"/> Julie Anderson, Chief of Staff | <input type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-B-2a

Site Wide Electrical Work Package GMP 6 for Northwater Treatment Plant Contract 504061

Action by Consent

Individual Action

Purpose and Background:

The purpose of this board item is to execute the Site Wide Electrical Work Package (WP), also known as GMP 6, under the construction services agreement with Kiewit Infrastructure Co. (Contract 503388) in support of advancing the Northwater Treatment Plant (NTP) project through construction. The work for GMP 6 includes:

- Furnish and install all electrical, instrumentation and controls, and buildings and structures including: grounding, conduit, wire and cable, equipment, interior lighting, power, and controls.
- Furnish and install site lighting and overhead power, site-wide communications, lightning protection, cathodic protection, security systems, site-wide electrical transmission and distribution including connection to United Power substation, switchgear, unit substations, site-wide instruments, panels, controls, and integration.
- Facilities commissioning and startup services for all installed equipment and systems.
Furnish, install, and maintain temporary electrical power for the duration of NTP construction.

Budget and Schedule:

The GMP 6 baseline budget is \$60,270,607 which includes an owner contingency of \$3,500,000. The estimate at completion, based on scope shifts from future GMPs that have occurred since the budget was established, is \$58,316,649. The cost of WP 6 is \$58,316,648.74 which includes owner and contractor contingencies and allowances, which equals the estimate at completion. The NTP business unit for 2019 through 2024 includes sufficient funds for GMP 6.

The project's estimated costs remain within the approved project budget.

Contingencies and Allowances:

As part of GMP 6, Kiewit Infrastructure Co. is assuming risks related to subcontractor performance, scope gaps, weather event clean-up, procurement delays, safety, and quality, which have been carried as contractor contingency in the amount of \$2,356,000. Risks associated with permanent power connections to existing facilities, staff shortages and relocations, United Power connection requirements, burying the existing communications line, extended warranty requirements, facilities commissioning and startup additional needs, National Electric Code version changes by the authority having jurisdiction during construction, removal of temporary power infrastructure post-construction, and additional valve actuator requirements have been carried as allowances in the amount of \$3,112,324.

This results in a total contractor contingency allocated to date of \$9,086,837.66, leaving \$18,913,162.30 of unallocated contractor contingency out of an overall \$28,000,000 budget.

Consistent with Contract 503388, Denver Water assumes risks associated with differing site conditions and design changes, for which a \$1,750,000 allocation of owner contingency is requested as part of GMP 6. This allocation results in \$12,563,400 remaining in the \$20,000,000 owner contingency budget.

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Selection of Business Partner:

Kiewit Infrastructure Co. was previously selected through a competitive selection process and contracted through Contract 503388, which was executed by the Board on September 26, 2018. The GMP 6 work was procured through competitive bid and will be completed by Sturgeon Electric Company Inc. as the general contractor.

S/MWBE Information:

The Minority and Women-owned Business Enterprise (MWBE) participation goal for GMP 6 was initially established at 9.8%. Based on the outcome of bids, MWBE participation for GMP 6 is anticipated to exceed the established goal at 13.2%. Based on the increased MWBE participation on this and other previously contracted GMPs, NTP remains on track to meet or exceed the overall 8% goal for construction.

Recommendation:

It is recommended that the Board approve proposed Contract 504061 with Kiewit Infrastructure Co. for GMP 6 for the contract period of December 11, 2019 to May 28, 2024, with a total not to exceed cost of \$58,316,648.74 including owner contingency.

Approvals:

- | | |
|---|--|
| <input checked="" type="checkbox"/> James S. Lochhead, CEO/Manager | <input type="checkbox"/> Brian D. Good, Chief Administrative Officer |
| <input type="checkbox"/> Julie Anderson, Chief of Staff | <input type="checkbox"/> Mike King, Chief External Affairs Officer |
| <input type="checkbox"/> Jessica R. Brody, General Counsel | <input checked="" type="checkbox"/> Robert J. Mahoney, Chief Engineering Officer |
| <input checked="" type="checkbox"/> Angela C. Bricmont, Chief Financial Officer | <input checked="" type="checkbox"/> Thomas J. Roode, Chief Operations Officer |

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: II-B-3

Appointment to the Citizens Advisory Committee West Slope Representative

Action by Consent

Individual Action

Purpose and Background:

Denver Water's Citizens Advisory Committee (CAC) is a 10-member volunteer committee that advises Denver Water staff and the Board on a variety of issues while encouraging and coordinating public participation in the organization's policymaking process.

The CAC was created as a result of the 1979 Foothills Agreement that, among other terms of the agreement, required Denver Water to form a citizens group charged with representing public interests in specific categories of stakeholder groups, including two West Slope representatives. The CAC recommends candidates to the Board and the Board has appointing authority for the CAC.

On November 20, 2019 the Board appointed Gary Wilkinson, who resides in Summit County, to fill one of the West Slope representative vacancies. The CAC bylaws were subsequently amended to allow the "West Slope representatives to reside in Summit, Grand, Eagle, Mesa, Delta, Montrose or Garfield Counties, but both may not reside in the same county."

Using the same applicant pool and considering the county residency of the candidate appointed November 20, 2019 the CAC is recommending the Board appoint either Alan Hassler or Mark Schneider as the second West Slope representative. The applications for the candidates are attached for reference.

Budget and Schedule:

There is no budgetary impact for this item.

S/MWBE Information:

Small/Minority and Women-owned Business Enterprise goals are not applicable for this item.

Recommendation:

It is recommended the Board support the CAC's nominations and appoint either Alan Hassler or Mark Schneider.

Approvals:

- James S. Lochhead, CEO/Manager
- Julie Anderson, Chief of Staff
- Jessica R. Brody, General Counsel
- Angela C. Bricmont, Chief Financial Officer

- Brian D. Good, Chief Administrative Officer
- Mike King, Chief External Affairs Officer
- Robert J. Mahoney, Chief Engineering Officer
- Thomas J. Roode, Chief Operations Officer

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DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: V-A-1

Briefing Paper for 2020 Communications Team Plan

Strategic Plan Alignment

Lenses: Customer Centric Industry Leader Long-Term View

The Communications team aligns its work with Denver Water's Strategic Plan, particularly the Inspired People and Trusted Reputation perspectives.

We play an integral role in developing Inspired People. The Communications team partners closely with Human Resources, the Executive Team and leadership across the organization to communicate in ways that are clear, concise and transparent and delivered within the context of our values.

We lead the effort to ensure we establish and maintain a Trusted Reputation. Denver Water's Strategic Plan calls for an organization with satisfied and supported customers. This is achieved through proactive, consistent and transparent communications, both internally and externally, to earn the support and trust of our customers and employees.

We position Denver Water as the public's trusted source on water through our engaging and holistic communications approach that includes traditional and social media, publication development, presentations, tours and more.

Summary

The Communications team goal is to establish Denver Water as the trusted source on all things water by showcasing the people, vision and expertise to build trust among our employees, customers and stakeholders. This is achieved by:

- Inspiring our employees.
- Enhancing perception among current customers and stakeholders about their connection to water and Denver Water.
- Increasing engagement with our community and stakeholders to better communicate the value of water.
- Minimizing negative responses to topics like increased rates, construction activities, water quality challenges, water shortages and emergencies by providing awareness and expectation-setting.

Background

In 2018, the internal, executive and media communications groups within Public Affairs merged to establish Denver Water's Communications team.

Using the Strategic Plan as a foundation, the Communications team follows a content journalism approach that allows the team to operate as a newsroom to build a strong brand reputation. This approach has continually evolved since its inception at Denver Water in 2014, and the Communications team has established this process to ensure we're proactively communicating important issues, in real time, across all of our internal and external communication channels through messages tailored to each audience segment.

The Communications team provides internal and external communication strategy and delivery. This includes:

- Content: Overseeing the storytelling, video, photography, editing and message development for the organization.
- Media: Leading traditional and social media strategy and execution.
- Employees: Working closely with Human Resources and organizational leaders to strategize and produce internal and executive communications.
- Community: Developing the communications response for all emergencies and proactively engaging with the community through tours, presentations and social media.

Approach

Employees: Denver Water has a robust internal communications program that engages all employees, giving them the knowledge and inspiration to help the organization realize its vision through the work done every day, at every level. Denver Water leadership, Executive Team and Human Resources personnel have clear internal communications roles that are executable and support the goals of the Internal Communications Plan.

Major initiatives and issues management: The Communications team communicates about policy decisions, issues, and initiatives supporting Denver Water's goal to be the public's trusted source on water. Issues can range anywhere from communicating about major capital projects and lead service line replacements to drought restrictions and water rate increases. The Communications team relies on strong internal coordination and effective processes, including developing issue-specific communications plans and a crisis communications plan, to remain ready, flexible and proactive as issues arise and evolve.

Consistent, continuous and positive presence: The Communications team helps to develop an organization with satisfied and supportive customers and strategically effective relationships as highlighted in the Strategic Plan. The team works to establish Denver Water as the public's trusted source on water topics and issues. We do this through our content journalism approach, focused on the story, not the channel, when developing organizational communications and sharing with each audience segment.

Owner(s) Travis Thompson, External Affairs

Attachments 2020 Communications Team Plan

Respectfully submitted,

Travis Thompson, Communications Manager Mike King, Chief External Affairs Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 11, 2019

Board Item: V-A-2

Briefing Paper Update on National Western Center Recycled Water Design

Strategic Plan Alignment

Lenses: X Customer Centric X Long-Term View
The National Western Center redevelopment project represents an ongoing opportunity for Denver Water to engage as a community partner to support efficient water use on site. It also presents an opportunity to make informed decisions with our partners that will have long-term impacts.

Summary

The City and County of Denver (City) is undertaking the capital construction associated with the redevelopment of the 250-acre National Western Center (NWC), including necessary infrastructure for utility services. Denver Water and the City entered into an intergovernmental agreement (IGA) related to recycled water infrastructure funding at NWC. This paper summarizes the current project status and options to proceed.

Background

On July 10, 2019 the Board approved an IGA with the City to financially contribute to recycled water infrastructure at NWC. The IGA included approval milestones, financial thresholds, and capped Denver Water's contribution at \$2,600,000.

In addition to the infrastructure cost within NWC, Denver Water would also need to construct a main extension to provide service from an existing conduit to the NWC. The length of this extension is approximately 4,800 feet and estimated to cost an additional \$3,000,000. This extension is currently not included in the long-term capital budget and will not be constructed unless enough demand is available to warrant construction. Therefore, if recycled water infrastructure is constructed inside NWC, it will be served by potable water until or unless recycled water service becomes available.

Denver Water's recycled water system is an alternative source of supply and available to offset potable water demands. One key element used to evaluate the feasibility of recycled water projects is the cost per acre foot (\$/AF). This cost is compared to other supply development options to determine project priority. Recycled water projects currently included in the long-term capital budget range from \$5,000-\$10,000/AF.

At the time of IGA approval, the City had identified approximately 165 acre-feet/year (AF/yr) of recycled water demand, which resulted in a project cost of approximately \$15,000/AF. The maximum threshold written in the IGA for this project is \$20,000/AF.

Approximately 70% of the original 165 AF of demand was estimated to be associated with a centralized utility plant (CUP) to provide sitewide heating and cooling. The CUP was anticipated to have year-round demand with low consumptive use (i.e., recycled water returns to the recycled water system for further reuse). Low consumptive uses are beneficial to reusable water supplies and year-round demand provides operational benefits.

The City is currently in negotiations for a public-private partnership to build, own, and operate the CUP. These negotiations are expected to be complete by the beginning of 2020 and have resulted in substantial scope changes and decreased recycled water demands.

Additionally, the IGA required that all City-owned facilities adopt water efficiency standards that are more progressive than current building codes. The incorporation of these standards has also contributed to demand reductions.

Current demands at NWC are estimated to be approximately 25 AF/yr, with CUP demands less than 10 AF/yr. These estimates are approximately 85% lower than original figures. Eighty percent of current demand estimates are anticipated to occur between May and October and are highly consumptive (e.g., the recycled water does not return to the recycled water system). Highly consumptive uses limit the number of reuse cycles for reusable water supplies.

The NWC team is finalizing capital cost estimates for recycled water infrastructure. Early indicators show that capital costs will be at least \$1,000,000, which would result in a minimum project cost of \$40,000/AF for NWC only.

The additional \$3,000,000 main extension that would be required to connect the NWC to recycled water service could potentially serve two nearby parks. These parks currently have an annual demand of approximately 220 AF/yr. Historic water use data shows that outdoor irrigation demands have decreased approximately 30% in the last 20 years and this trend is expected to continue.

Depending on future water use trends and final construction numbers, the total cost of combining the NWC and the main extension projects could range from \$16,000-\$31,000/AF.

Additional non-monetary considerations are outlined below:

- Denver Water is planning to participate in the Colorado State University (CSU) water building and there are expectations and perception considerations associated with making recycled water available at the building;
- The CSU water building is planning to be the first customer to use Denver Water's recycled water for in-building toilet flushing;
- The NWC design team has indicated that project stakeholders are supportive of recycled water use across campus.

The NWC team has requested a decision regarding Denver Water funding by December 20, 2019.

Budget

This project is currently budgeted for 2020 and 2021. Any board direction will be reflected in future budget modifications and incorporation into future budget cycles.

Alternatives

Alternative 1: Provide full funding for NWC recycled water infrastructure

Providing full funding would enable the project to move forward and support NWC project stakeholders desire for recycled water on site. It would also create the opportunity for recycled water to be made available for demonstration purposes at the CSU water building. If this project is constructed, there is the potential to create a stranded or underutilized asset. Funding this project at full cost does not meet standard evaluation criteria for recycled water projects. Providing funding could create a perception that Denver Water is willing to fund other developments. There are other customers who have contracts with Denver Water for recycled water service that have not yet been fulfilled; prioritizing the NWC project over these outstanding contracts could further strain these customer relationships.

Alternative 2: Provide \$500k to reflect \$20,000/AF cost threshold

Providing partial funding would demonstrate a commitment to the project and align with IGA terms. Since no other funding sources have been identified, there is a chance the project would not be constructed. This alternative would allow NWC stakeholders to evaluate other non-potable water source options that align with this funding level and desired project goals for the site and CSU water building.

Alternative 3: Do not provide any additional funding

Exiting funding obligations would likely result in the project not being constructed. This option eliminates the risk of constructing a stranded asset and overpaying for a recycled water project. It also eliminates the risk that the development community perceives a willingness from Denver Water to fund development.

Approach

Obtain direction from board on how to proceed.

Owner(s)

Abigail Antolovich, External Affairs; Mike King, External Affairs; Tom Roode, Operations & Maintenance

Attachments

July 10, 2019 board item

Respectfully submitted,

Abigail Antolovich, Manager

Mike King, Chief External Affairs Officer