

# AGENDA

## Denver Board of Water Commissioners

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

**Wednesday, March 28, 2018 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

#### D. Legislative Update

### 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. Asphalt and Concrete Paving - Contract # 503109

#### B. Individual Approval Items

### III. POLICY MATTERS

<b>A. OCR Update</b>	Jeremy Ross	20 minutes
<b>B. Business Technology Transition</b>	Virginia Roberts	10 minutes
<b>C. Drought Watch Report</b>	Dave Bennett	15 minutes

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

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



#### **IV. EXECUTIVE UPDATE**

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

#### **V. BRIEFING PAPERS & REPORTS**

- A. Briefing Paper**
  - 1. Legislative Update
  - 2. IT Governance
  - 3. Financial Policies
- B. Report**

#### **VI. ADJOURNMENT**

#### **VII. TRUSTEE MATTERS**

- 1. Meeting of Denver Board of Water Commissioners Acting as Plan Sponsor of the Employees' Retirement Plan, 401(k) Plan and 457 Plan

#### **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: March 28, 2018

Board Item: 2  
Board Item: II-A-1

## Asphalt and Concrete Paving Contract # 503109

Action by Consent

Individual Action

### **Purpose:**

Denver Water requires a contractor to perform street paving restoration for damage to streets, curbs, gutters and sidewalks caused by unplanned repairs such as water main breaks and planned replacement and repair projects. The work under this contract significantly impacts customer satisfaction as reflected by the quarterly customer survey. The ability to complete paving as soon as Denver Water crews are complete and the quality of the restoration work are two major factors that affect customer satisfaction. Significant planning and coordination is required to ensure this contractor can follow Denver Water crews as soon as possible minimizing the disruption to neighborhoods. The work must be performed during all seasons and around the clock, requiring a contractor with significant resources for materials, equipment and labor. After completion of a competitive RFP, it is recommended the Board approve contracting with Colorado Asphalt Services, Inc. to provide asphalt and concrete paving services.

### **Budget and Schedule:**

The total amount of this contract is proposed to be \$24,000,000 based on projecting historical spend for this service of \$610,000 per month for the duration of the contract and including an approximate 10% contingency. The term of the contract is proposed to run from April 1, 2018 to March 31, 2021. A three year contracting period is recommended to avoid annual contract change-over expense and disruption of the work that has such a large customer impact. In order to mitigate potential lost opportunities of more frequently bidding this work, the contract establishes unit pricing for the types of work and defines quarterly price adjustments, both upward and downward, tied to market benchmarks to account for major market fluctuations. With this approach, Denver Water shares some of the risk of market fluctuations and therefore, fewer contingencies are included in contractor bids.

Funding for this contract in the amount of \$6,000,000 has been budgeted in the 2018 Water Distribution budget. The remaining \$18,000,000 will be budgeted with an equal distribution in years 2019, 2020 and 2021. There are many variables that can affect the usage of this contract including the amount of unplanned work, changes in the planned work for the last two years of the contract, market changes in commodities, variable paving requirements from each jurisdiction and the pace of Denver Water crews. During development of the future years annual budget, the previous year's actual spend against the contract will be highlighted as compared to these projections and deviations from this plan will be identified for the Board. At any time during the three year contract period, the Board has the ability to start a new bidding process and terminate this contract.

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

Denver Water issued a Request for Proposals (RFP) 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. Contractors were required to meet the requirements of City of Denver's prequalification program for paving services. Denver Water received two proposals; none were S/M/WBE. Colorado Asphalt Services, Inc. was selected based on ability to obtain asphalt and concrete material off season and after hours with demonstrated supplier resiliency, ability to resource crews after hours with variable workload, quality of past work, price, experience and understanding of the work. Colorado Asphalt Services, Inc. was the successful bidder the last two times this service was bid and held three year contracts. Brannan Sand and Gravel was the successful bidder prior to these contracts.

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

This contract has been determined to fall within the O&M Construction Related MWBE program, which has an overall 2018 target of 30% MWBE participation. Through the end of 2017, participation for this program was at


24%. MWBE participation targets are not set on an individual contract basis in this program, however effort was made to create opportunities for participation in this contract. This included evaluation of bidding multiple smaller contracts for this service. Because of the high level of planning and coordination between Denver Water crews and the contractors providing this service, it was determined this approach would have too great an impact on customers. Instead, the approach utilized by the Engineering Division for Capital Projects was utilized to encourage good faith efforts by the prime contractors to subcontract with MWBE firms for portions of the work.

The recommended bidder is Colorado Asphalt Services, Inc. which is neither a SBE nor a certified MWBE. However, they have proposed to achieve approximately 25% completion of the contract work with subcontracted MWBEs. While this requirement is not binding in the contract, significant MWBE participation should be achieved. The actual participation will be monitored through the duration of the contract and reported to the Board during quarterly budget updates.

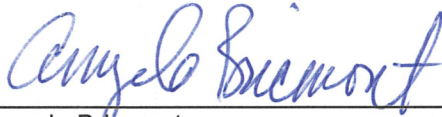
**Recommendation:**

It is recommended that the Board approve Contract 503109 with Colorado Asphalt Services, Inc. for asphalt and concrete paving for the contract period April 1, 2018 to March 31, 2021 for a total contract amount not to exceed \$24,000,000.00.

**Approvals:**

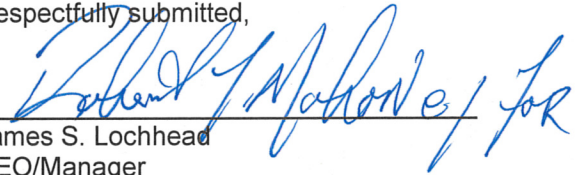


Thomas J. Roode  
Chief Operations Maintenance Officer



Angela Bricmont  
Chief Finance Officer

Respectfully submitted,



James S. Lochhead  
CEO/Manager

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: March 28, 2018

Board Item: V-A-1

## Briefing Paper for Legislative Update

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### Strategic Plan Alignment

Lenses:  Customer Centric  Industry Leader  Long-Term View

GOAL: Play a key role in issues important to our success by advocating the interests of Denver Water in legislative and regulatory matters, specifically by proactively lobbying the Colorado General Assembly.

### Summary

**HB18-1069 Reclaimed Water Use for Toilet Flushing** – This bill passed the House Appropriations Committee on Friday, March 16. **Recommendation: Support**

**SB18-167 Enforce Requirements 811 Locate Underground Facilities** – We are still waiting to hear from the proponents' working group if they will accept our proposed amendments to the bill. These amendments would add a fix to the definition of local government as it applies to a limited exemption from the new Safety Commission, and a goals based progress report prior to full implementation of the conversion from Tier II to Tier I. **Recommendation: Oppose unless amended**

**HB18-1215 Safe Disposal Naturally Occur Radioactive Material** – The Water Utility Council amendment language was taken under consideration and redrafted as part of a strike-below amendment that includes provisions that Representative Arndt wants included that are specific to the oil and gas industry. We are reviewing the amendment as drafted. **Recommendation: Oppose unless amended**

### Background

See attached "Report on 2018 Legislation"

### Budget

N/A

### Alternatives

N/A

### Approach

See attached "Report on 2018 Legislation"

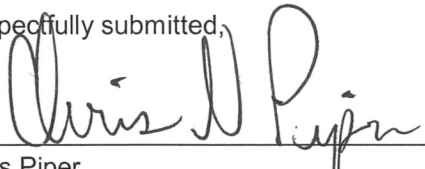
### Owner(s)

Chris Piper, Government Relations, External Affairs

### Attachments

Report on 2018 Legislation

Respectfully submitted,



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Chris Piper  
Manager of Government Relations



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Mike King  
Chief of External Affairs

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: March 28, 2018

Board Item: V-A-2

## Briefing Paper for IT Governance

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### Strategic Plan Alignment

Lenses:  Customer Centric  Industry Leader  Long-Term View

This effort aligns with the Strong Financials and Excellent Operations perspectives of Denver Water's Strategic Plan as Denver Water seeks to make more responsible IT investment choices and lower IT spend to align with industry peers. Our plan is to achieve this target state through a business-driven governance process that aligns decisions with the Strategic Plan and compares alternatives to find cost-effective solutions.

### Summary

Several actions have been taken to strengthen the IT governance process at Denver Water based on the recommendations of an external consultant. This governance process recognizes that funds available to achieve Denver Water's Strategic Plan are limited and IT investments must be prioritized through healthy debate and tough choices to ensure our customers receive the best possible service at the lowest possible rate.

### Background

Denver Water contracted the advisory services of Grant Thornton (GT) in 2017 to assess its IT strategy and benchmark spending against similar organizations. GT's IT Strategy Review recommended several changes aimed at improving the efficiency and effectiveness of IT at Denver Water. Key directives included: new IT advancement principles to guide decision making, a revised IT governance model and a gradual reduction of overall IT spend. A five-year roadmap was created to implement those recommendations. *(For full details of GT's recommendations, please reference the complete IT Strategy Review attached to this briefing.)*

### Approach

This paper provides an update on the progress of several tasks on the five-year roadmap:

- Adopt Key Performance Indicators for IT
- Establish a Business Technology Management Office (BTMO)
- Establish a Value Management Process
- Establish a Software Asset Management (SAM) Process
- Establish an Executive Oversight Committee (EOC)
- Board Authorization of IT Strategy, Updates and Annual Plan
- Migrate to an Enterprise Resource Planning (ERP) software solution

*(The complete five-year roadmap, and status of each task, has been attached.)*

### ***IT Key Performance Indicators***

Key Performance Indicators were recommended by GT to form the foundation of an effective governance framework. The following KPIs are now tracked against targets on a Business Technology Balanced Scorecard (sample attached):

- IT Project Performance – reflects the monthly percentage of current year IT projects meeting schedule, scope and cost expectations
- IT Spend Per User – an operational viewpoint that relates total IT spend to the number of Denver Water employees using technology solutions to perform their job functions
- IT Spend as a % of Revenue – a quarterly financial viewpoint that relates IT expenses to total Denver Water revenue
- % of Projects that Meet or Exceed Expected Benefits – a measurement of the success in realizing the value expressed in approved business cases performed after completion of IT projects

### ***Business Technology Management Office***

The formation of a BTMO directly beneath the Chief of Staff was recommended by GT to reinforce ownership of IT investments across the organization's divisions. A Director was hired to lead the BTMO and an internal transfer filled an Analyst role to assist. A Rapid Improvement Event (RIE) in December set the stage for the BTMO's standard work. *(Please reference attached Standard Work for BTMO Meetings.)* The BTMO guides Division requestors through the process of developing a business case, which has been revised from last year to include: a value verification plan, a longer-term cost projection, a Denver Water strategic perspectives alignment worksheet, use of the Choosing By Advantages (CBA) tool to examine multiple alternatives when appropriate and an assessment of IT project risk. The business case development process also includes: problem statement and target state using Lean "A3 thinking", alignment with GT's recommended advancement principles and a worksheet to help identify all impacted stakeholders to be included in the process. *(A sample business case, with associated worksheets and Executive Summary, has been attached.)*

Three Business Technology System Managers (BTSMs) have been named from across the organization to prioritize and recommend new IT investments. A fourth BTSM represents IT's supporting technology requests, but does not vote on group recommendations or decisions. The BTSMs meet twice monthly to review business cases and manage scope changes to approved projects in progress. BTSMs make recommendations to approve or deny changes to the current year's work plan based on strategic alignment and budgetary and operational impact. After evaluating all submitted business cases for consideration in next year's budget, BTSMs will recommend the approval of a subset of those cases that are deemed more impactful and strategically aligned than others. *(Please reference the attached Overview of IT Governance Process.)*

### ***Value Management***

GT recommended ownership of a new value management process to reside within the BTMO. The value management process is performed before, during and after each IT project's implementation. The business case is used to justify a proposed project's selection. The value validation plan is a required element of the business case designed to articulate expected benefits to help gauge level of impact to the

case designed to articulate expected benefits to help gauge level of impact to the organization against other proposed cases. An approved case enables scope management during project implementation by providing a baseline to evaluate proposed changes against. The BTSMs use the expected benefits captured in the case to reject proposed changes that threaten the realization of expected benefits. The BTMO will work with the organization after the project is implemented to verify that the expected benefits have been realized. The business case value verification plan defines a schedule for taking quantitative and qualitative measurements to perform this evaluation.

### ***Software Asset Management***

GT recommended the creation of a formal Software Asset Management (SAM) process to reduce software costs and limit risk associated with ownership and use of software assets. A RIE was held in early March to enhance the standard work of the existing IT Asset Management team (ITAM). ITAM will administer this process in partnership with the BTMO. An overall analysis of exiting software titles owned by Denver Water has been initiated. The expected outcomes are: to identify appropriate business ownership for justification, find multiple titles with similar functionality that has the potential to be satisfied with a single title and create a schedule to evaluate all titles that allows adequate lead time for change management prior to the expiration date of the software title's contract.

### ***Executive Oversight Committee***

GT's report included a recommendation to create an Executive Oversight Committee (EOC) within the Executive Team to provide guidance during the execution of the IT governance model, demonstrate visible business-driven ownership of technology and highest-level alignment across the organization. The EOC reviews and provides final approval of BTSM recommendations for next year's budget, and individual changes to the current year's work plan over \$10,000. The EOC will provide additional oversight by reviewing the outcome of all BTMO/BTSM activities and IT project forecast-to-budget performance quarterly.

### ***Board Authorization of IT Strategy, Updates and Annual Plan***

The GT report recommended that the Board of Water Commissioners review and approve IT strategy and associated annual work plans. The reporting structure necessary to satisfy these recommendations is currently a work in progress. We expect to incorporate relative information within existing annual Board Budget Workshops and quarterly Performance Reviews. Report formats will closely mirror what is in place today for the Systems & Programs process governing capital improvement projects to provide consistency to the Board. Project performance indicators of adherence to scope, schedule and budget will be included to demonstrate areas of concern along with an explanation of mitigation actions underway.

The BTMO maintains a visual reporting area within the Administration Building to promote transparency in the IT governance process to all employees. This area contains information on submitted business cases, project performance of current year prioritized IT projects, a schedule of planned value verification activities and the results of those findings after they are completed.



### ***Enterprise Resource Planning***

GT recommended the replacement of Denver Water's existing software titles supporting financial and human capital management functions with an alternative consolidated solution commonly referred to in the market as an Enterprise Resource Planning application (ERP). This recommendation aligns with their new advancement principles and the directive to reduce IT spend. An initiative of this size warrants significant planning, and to that end the BTMO is leading an effort to select and utilize the advisory services of a consulting firm experienced with similar replacement initiatives. This engagement is expected to produce an understanding of our requirements and to explore alternatives available to meet them. An internal analysis of high-value business processes within scope will be conducted concurrently using CI tools. It is expected that the consultant engagement will begin by the end of June.

### **Owner(s)**

Virginia Roberts, BTMO Director – Manager & Staff

### **Attachments**

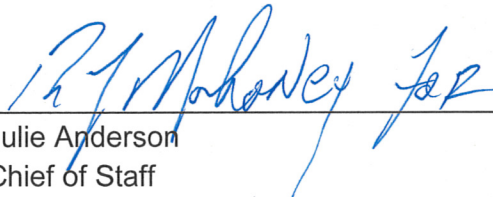
Several documents mentioned in this paper have been attached, as well as several artifacts from the IT Governance process to illustrate the rigor applied.

- IT Strategy Review: Final Report & Recommendations (Grant Thornton)
- Five-Year Roadmap Status Report
- Sample Business Technology Balanced Scorecard
- Standard Work for BTMO Meetings
- Sample Business Case
- Sample Business Case Executive Summary
- Overview of IT Governance Process

Respectfully submitted,



Virginia Roberts  
Director, Business Technology Management  
Office



Julie Anderson  
Chief of Staff

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: March 28, 2018

Board Item: V-A-3

## Briefing Paper for Financial Policies

### **Strategic Plan Alignment:**

The Board establishes financial policies that constitute the basic framework for the financial management of Denver Water. These policies serve as a foundation for long-term financial planning, rate setting and annual budgeting and directly support the "Strong Financials" objective of the Strategic Plan that states, "We maintain a strong control environment by effectively tracking, managing and transparently reporting our financial resources, transactions and performance".

Lenses:  Customer Centric  Industry Leader  Long-Term View

### **Summary:**

The Board delegated implementation of financial policies, as well as development of operating guidelines to the CFO. The CFO is also tasked with regular review of the policies for continued appropriateness and recommending policy changes to the Board as needed. Several of the policies are due for Board's review this year. Given the recent addition of new Board members, it is anticipated that all financial policies currently in place will be presented to the Board for review as shown below. We will be requesting Board feedback on the preferred frequency of review, as we present each policy.

### **Background:**

The major financial policies that govern cash reserves, investments, debt issuance, debt compliance, pension assets and pension funding are summarized below. The appendices attached to this paper include these policy documents.

Policy	Summary	Last update	Current policy on Board Review	Expected Board review date
Water Works Fund Fund Investment Policy	This policy applies to all monetary assets of the Water Works Fund used by the Board as an operating fund or a reserve fund. The policy identifies the governing authority, the investment objectives of the fund (liquidity and yield), the standards of care, safekeeping and custody, authorized brokers and dealers and internal control requirements.	08/26/2015	CFO and Treasurer to review at least once a year	04/11/2018
DB Plan Investment Policy	This policy applies to all monetary assets of the Employees' Retirement Plan of Denver Board of Water Commissioners ("DB Plan"). The policy identifies the investment objective of the Plan (the actuarial rate of return and prudent risk management), fiduciary standard governing the management of assets, delegation of duties, asset allocation, investment discretion of investment managers and performance review standards.	09/28/2016	CFO to review at least once a year	04/11/2018

Cash Reserve Policy	This policy allows the Board to maintain adequate flexibility in terms of cash balances while maintaining sufficient reserves as required from a legal or operational perspective. It contains descriptions of reserve types, target levels, events or conditions prompting the use of the reserves and indicates periodic review dates for balances. Additionally, Cash Reserve Guidelines, attached to the policy, are used during the financial planning process. These guidelines outline detailed target reserve formulas and summarize reserve guidelines from rating agencies and/or industry standards to be used as benchmarks during the financial planning process.	12/14/2011	CFO to review at least once a year. Comprehensive (Board) review at least every 5 years.	06/27/2018
Debt Management Policy	This policy summarizes the objectives and practices of debt management to ensure Denver Water has the ability to repay its debt obligations, is able to maintain appropriate levels of financial flexibility, seek optimal financing options for capital and manage interest rate risk while maintaining Denver Water's credit rating. The policy provides guidelines on the type of expenditures that are appropriate for debt financing and establishes general debt guidelines. In general, debt may be used to fund capital improvements and to refund existing debt.	07/24/2013	CFO to review at least once a year. A comprehensive (Board) review at least every 5 years	06/27/2018
401K Plan Investment Policy	These policies apply to the Supplemental Retirements Savings Plan and the Deferred Compensation Plan. The purpose of the documents is to document the policies to be applied by the CFO in the process of selection, supervision, monitoring and evaluation of investment options to be made available to Plan participants	03/12/2014	Not specified	08/29/2018
457 Plan Investment Policy				
Post-Issuance Debt Compliance Policy	The objective of the Post-Issuance Debt Compliance Policy is to ensure compliance with federal tax law with regard to the Board's debt. The Policy assigns the responsibility for monitoring compliance and maintaining records. Additionally, it authorizes the retention of rebate analysts and other professionals to file necessary tax forms.	07/14/2010	Regular reviews by the Bond Counsel retained by the Board.	09/12/2018
Pension Funding Policy	The objective of the Pension Funding Policy is to create sustainable funding of the Employees' Retirement Plan by providing sufficient assets to pay all benefits promised under the Plan and by minimizing the volatility of contribution payments from year to year. The policy also establishes funding guidelines and summarizes main actuarial methods used to estimate plan liabilities.	07/12/2017	Not specified	

**Owner(s):**


Finance is the owner of these policies and is responsible for periodic review and revision.

**Attachments:**

- Current financial policies

Respectfully submitted,

Usha Sharma

  
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Treasurer

Angela Bricmont

  
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Chief Finance Officer