

AGENDA

Denver Board of Water Commissioners

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

Wednesday, May 9, 2018 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

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. Minutes from April 11, 2018 - Open and Executive
2. Minutes from April 25, 2018 - Open and Executive
3. From Forests to Faucets: Colorado State Forest Service Agreement for Private Lands Management – Contract # 503316
4. Denver International Airport 2018 Vault and Cathodic Protection Improvements – Contract # 503034
5. Contract with ADP for Third Party Administration Services for Health and Welfare Benefits Administration - Contract # 503248

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6. Recommended Revision to Personnel Policies - Section 12-2-(5) Pay After Successful Bid into a Lower Pay Grade
7. Renewal of Expiring Insurance Policies
8. Ratification of Construction Contract Change Orders and Amendments and Professional Services Agreement Amendments

B. Individual Approval Items

1. Update of the Cash Reserve Policy	Angela Bricmont	10 minutes
2. Update of the Debt Management Policy	Angela Bricmont	10 minutes
3. Update of the Investment Policy for the Water Works Fund Portfolio	Angela Bricmont	10 minutes

III. POLICY MATTERS

A. First Quarter Performance Report	Jim Lochhead	75 minutes
B. NorthWater Treatment Plant	Pete McCormick	10 minutes

IV. EXECUTIVE UPDATE

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

V. BRIEFING PAPERS & REPORTS

- A. Briefing Paper**
 1. Legislative Update
 2. Water Efficiency Plan

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: May 9, 2018

Board Item: II-A-3

From Forests to Faucets: Colorado State Forest Service Agreement for Private Lands Management Contract # 503316

Action by Consent

Individual Action

Summary:

Since 2010, the From Forests to Faucets Partnership (Partnership) has been a successful collaborative partnership between Denver Water and the U.S. Forest Service (USFS). This Partnership is important to Denver Water in protecting and improving the health of our priority watersheds. The goals of the Partnership are to implement forest and watershed health projects to reduce the risk of catastrophic wildfire, and restore forests impacted by catastrophic wildfire events in Denver Water's priority watersheds. By reducing the risk of catastrophic wildfire in Denver Water's priority watersheds, we are protecting our water supply facilities and source water quality.

An expanded Partnership program was approved by the Board on December 14, 2016. The Partnership program was initiated by a Memorandum of Understanding (MOU) with the USFS, Colorado State Forest Service (CSFS), and Natural Resources Conservation Service (NRCS). Under the expanded Partnership, Denver Water would invest \$16.5 million in forest and watershed health, which would be matched at least dollar for dollar by USFS, CSFS, and NRCS for a total value of the partnership of over \$33,000,000.00 (see Briefing Paper V-A-2 from March 14, 2018). The goal of the Partnership program is to treat approximately 40,000 acres within critical watersheds identified as "Zones of Concern."

This agreement with the CSFS for \$4,000,000.00 is from the MOU's committed funds as part of the From Forests to Faucets Partnership. The focus of this agreement is to conduct forest restoration and wildfire risk reduction projects on private lands within Zones of Concern, to complement the work being done through the USFS on National Forest lands.

Budget Information:

We anticipate that we will pay the CSFS approximately \$500,000.00 for work completed in 2018. The remainder of this agreement will be paid in subsequent years as the work is completed. As of the first quarter 2018, we are currently forecasting \$2,800,000.00 for the total From Forests to Faucets program in 2018. Since the inception of the December 14, 2016 MOU, Denver Water has spent \$3,441,603.00.

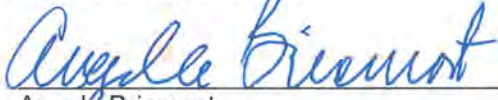
Recommendation:

It is recommended that the Board approve contract 503316 with CSFS for forest health and wildfire risk reduction for the contract period April 25, 2018 through March 31, 2023 for a total contract amount not to exceed \$4,000,000.00.

Approvals:

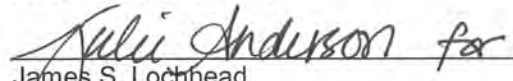


Mike King
Chief of External Affairs



Angela Bricmont
Chief Financial Officer

Respectfully submitted,



James S. Lochhead
CEO/Manager

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: II-A-4

Denver International Airport 2018 Vault and Cathodic Protection Improvements Contract 503034

Action by Consent

Individual Action

Summary:

Denver International Airport (DIA) has been in operation for 23 years and has proven to be a harsh environment for maintaining utility infrastructure. Soils in the DIA region are highly corrosive and poor drainage conditions allow water and de-icing fluid to accumulate and deteriorate existing utility vaults.

The annual DIA vault improvements program includes replacement of existing vault access hatches that have failed, or are prone to failure, and replacement of corroding ladders. The failing hatches are extremely heavy, which creates an unsafe condition for Operations and Maintenance crews. The annual DIA cathodic improvements program involves testing and repairs to prevent corrosion and provide cathodic protection to Denver Water's existing distribution pipelines. The 2018 work includes eight vaults and twenty-six cathodic protection sites.

Budget Information:

This construction contract value is \$1,142,752.74, and the term of the contract is May 9, 2018 to November 16, 2018. Internal labor and Consultant design payments are estimated to be \$100,000 bringing the forecasted total expenditure for the combined projects to \$1,242,752.74. Funds for this contract will come from the 2018 budget for the DIA Vault Improvements and the DIA Cathodic Protection Improvements Programs, which have funds of \$1,146,266.00 available to pay for work required in 2018. A variance of \$96,486.74 was approved by the System Managers to account for this difference.

Selection of Business Partner:

Denver Water solicited bids from four General Contractors that were prequalified to perform vault improvements work at DIA. This contract was an unrestricted bid process using Invitation to Bids on the QuestCDN platform. On April 26, 2018, bids were received from three General Contractors. Interstate Highway Construction, Inc. was selected based on the lowest cost bid.


S/MWBE Information:

A 5% Minority and Women Business Enterprise (MWBE) participation goal required for the construction portion of the project. Interstate Highway Construction, Inc. achieved 5.08% participation.

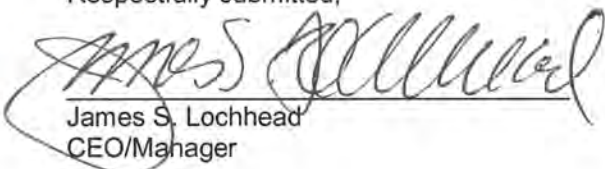
Recommendation:


It is recommended that the Board approve Contract 503034 with Interstate Highway Construction, Inc. for the Denver International Airport 2018 Vault and Cathodic Protection Improvements for the contract period of May 9, 2018 to November 16, 2018 for a total contract amount not to exceed \$1,142,752.74.

Approvals:


Robert J. Mahoney
Chief Engineering Officer

Respectfully submitted,


James S. Lochhead
CEO/Manager


Angela Bricmont
Chief Finance Officer

Board of Water Commissioners
 City & County of Denver
 Bid Date: April 26, 2018 at 10:00 a.m.

Bid Tabulation
 DENVER INTERNATIONAL AIRPORT
 2018 VAULT AND CATHODIC PROTECTION IMPROVEMENTS
 CONTRACT 503034

Item	Work & Material	Engineer's Opinion of Probable Construction Cost		Interstate Highway Construction, Inc.		Flatiron Construction Corp.		R&D Pipeline Construction, Inc.	
		Total Amount		Total Amount		Total Amount		Total Amount	
1	DENVER INTERNATIONAL AIRPORT 2018 VAULT IMPROVEMENTS (Sheets: C-1, C-2, C-3, C-4, C-5, C-6, C-7, S-1, S-2 and E-5)	\$ 900,000.00		\$ 919,592.58		\$ 1,150,000.00		\$ 1,231,709.00	
2	CATHODIC PROTECTION IMPROVEMENTS (Sheets: E-1, E-2, E-3, E-4, E-5, E-6, E-7 and E-8)	\$ 210,000.00		\$ 223,160.16		\$ 235,000.00		\$ 286,164.00	
Total Bid		\$ 1,110,000.00		\$ 1,142,752.74		\$ 1,385,000.00		\$ 1,517,873.00	
MWBE 5%				5.08%		5.05%		6.29%	
SURETY				Federal Insurance Company		Liberty Mutual Insurance Company		Employers Mutual Casualty Company	

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: 5/9/18

Board Item: II-A-5

Contract With ADP for Third Party Administration Services for Health and Welfare Benefits Administration Contract #503248

Action by Consent

Individual Action

Summary:

In alignment with Grant Thornton's (GT) recommendation to move to service oriented IT systems, Denver Water has begun outsourcing routine administrative functions that can be better performed by external service vendors at lower costs. Beginning in January 2018, pension plan administration was outsourced to John Hancock, followed by the outsourcing of FMLA administration to UNUM effective July 1, 2018. This Board Item is proposing the outsourcing of benefits administration. Outsourcing these functions will allow us to reduce the scope of our current project to implement a new Enterprise Resource Planning solution in line with GT's recommendations and our Business Technology Roadmap.

Health and Welfare benefit plans and services (benefits administration) are currently administered in-house through manual processes and systems (PeopleSoft). The current administrative process is cumbersome, time-intensive and laborious for HR, IT, employees and retirees, with a high risk for error and requires manual record retention.

A Request for Proposal was issued for the purpose of selecting an outsourcing solution partner to provide Benefits Administration services. Our goal is to offer exceptional service to employees and retirees, enhance privacy and confidentiality, expanded tools for making benefit coverage decisions based on family needs and employee risk tolerance.

The Request for Proposal (RFP) process included a discovery phase to document Denver Water's benefit plan designs, administrative processes and practices, current technology and requirements for an outsourced solution. The discovery information determined the focal points for the RFP and provided the guidance for the system demonstrations conducted with the finalist service provider firms: ADP, Empyrean and Hodges-Mace.

Budget Information:

Denver Water estimates the current in-house Benefits Administration annual costs to be approximately \$322,000, including \$197,000 for HRIS and IT system support and upgrades, as well as approximately \$125,000 (1 FTE) of other internal administrative support over time.

The term of the contract is for a five-year period May 9, 2018 through May 31, 2023. Based on the proposals received the total maximum estimate of this contract is \$761,858, including implementation costs, estimated change order fees and monthly administration fees. Funds for this contract will come from the 2018 Human Resources Division budget, which will have sufficient funds to pay the \$125,000 estimated to be needed in 2018. The remaining \$636,858 will be budgeted in years 2019 – 2023.

	Annual Estimated Cost	5 Years Estimated Cost
Current In-house Administration	\$322,000	\$1,610,000
Third Party Administration	\$146,985	\$761,858
Estimated Savings	\$185,015	\$848,142

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Selection of Business Partner:

In 2017 the Board authorized Denver Water to contract with Gallagher Benefit Services to assist with the development of a request for proposal for outsourced Benefits Administration services. Gallagher Benefit Services solicited responses from a number of third party administrators, and the RFP was posted on the Rocky Mountain E-Purchasing System and Denver Water's website. Four vendors submitted proposals with estimated annual fees, not including implementation costs, ranging from \$76,951 to \$155,432.

Finalist firms were interviewed by employees from Human Resources, Finance and IT divisions. In the interview process, it was determined that all finalist firms have the requisite expertise to deliver the Benefit Administration services requested. Services provided by the finalist firms, include but are not limited to, employee websites with online benefit enrollment (including open enrollment), family status event changes and call centers.

After extensive review of the proposals, finalist interviews, system demonstrations, additional follow up conversations, reference checks and internal deliberations, the executive/selection team agreed to recommend ADP as the third-party administrator for Benefit Plan Administration. General factors supporting the recommendation of ADP include enhanced services (intuitive employee online enrollment system with behavior-based decision support tools, mobile application for "anytime" access, call center support, dependent verification services, and elimination of paper enrollment), enhanced plan sponsor services (eligibility date interfaces to insurance carriers, ACA reporting and compliance services, analytic reporting, broader communication tools), and appropriate annual fees for the services quoted.

S/MWBE Information:

No S/MWBE submitted a RFP.

Recommendation: Based upon the RFP selection process, it is recommended that the Board approve entering into a contract with ADP to provide third-party benefit administrative services for the contract period May 9, 2018 through May 31, 2023 for a total contract amount not to exceed \$761,858.

Approvals:



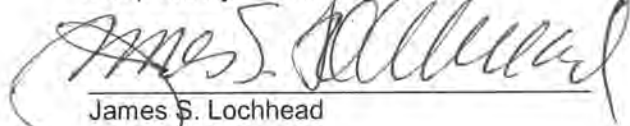
Gail Cagle
Chief Human Resources Officer

Mary Faulkner for Gail Cagle



Angela Bricmont
Chief Finance Officer

Respectfully submitted,



James S. Lochhead
CEO/Manager

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: II-A-6

Recommended Revision to the Personnel Policies – Section 12-2-(5) Pay After Successful Bid into a Lower Pay Grade

Action by Consent

Individual Action

Summary:

The recommended change to Section 12-2-(5)(d) of the *Personnel Policies* would allow an employee to receive a pay increase or no change in rate of pay upon successfully bidding into a position in a lower pay grade. This occurs on occasion because Denver Water is a relatively small, flat organization, and employees often have limited opportunities to grow in their own career track. To seek career development, some bid on entry level jobs in a different career track. The current policy does not address a successful bid into a lower pay grade, and as a result, employees seeking a career move face a 5% pay cut regardless of current pay and experience. To encourage employees to look for career development opportunities throughout all divisions, the recommended policy change would allow these employees' pay rate to remain the same, or, in appropriate circumstances, to be increased.

Budget Information:

The recommended policy change should have no budget impact.

Recommendation:

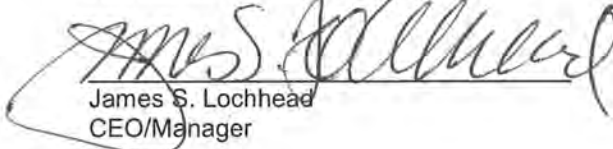
It is recommended that the Board adopt the recommended changes to the *Personnel Policies* described in the attachment, to become effective upon adoption by the Board.

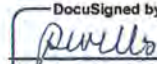
Approvals:

DocuSigned by:

Gail Cagle CA242F...
Chief Human Resources Officer

Respectfully submitted,


James S. Lochhead
CEO/Manager

DocuSigned by:

Patricia J. Wells
General Counsel

Attachment to Board Item No. 6
(Board Meeting Date: May 9, 2018)

12-2-(5) Pay After Demotion.

(a) Demotion after Corrective Action. The pay of an employee demoted as a result of corrective action will be set by the Chief but must be reduced at least 5%.

(b) Demotion after a Promotion. The pay of an employee demoted after a promotion ~~for failure to obtain, including an employee who has failed to obtain~~ a required license, certification or degree during a required period of time after a promotion, will be reduced to the rate the employee would have been paid had the promotion not occurred.

(c) Demotion at the Request of Employee. The pay of an employee demoted at the employee's request will be reduced at least 5% provided it does not fall below the minimum or exceed the maximum of the lower pay grade. Human Resources may approve a demotion without a pay decrease when circumstances warrant, including when an employee is demoted as a result of a request for reasonable accommodation due to disability.

(d) Successful Bid into a Lower Pay Grade. The pay of an employee who has successfully bid into a lower pay grade will be determined based on criteria including the new pay grade, education, experience, specialized knowledge, internal equity and external market factors, as determined by Human Resources and the Chief of the division into which the employee successfully bid and may result in either a decrease or no change in pay.

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: II-A-7

Renewal of Expiring Insurance Policies

Action by Consent

Individual Action

Summary:

Staff submitted a briefing paper to the Board at the April 25, 2018 meeting outlining Denver Water's insurance strategy and the need to renew insurance policies for property and equipment, utility excess liability, fiduciary and crime policies expiring on June 1, 2018. The Board's broker/advisor, Arthur J. Gallagher, ("AJG") also presented to the Board the current program structure, the factors considered in developing the structure, the public-sector market, the determination of coverage types, amounts and deductible/retention and historical history of the Board's policies. Below is a schedule providing a cost comparison for this year and last year, the coverage amounts, deductible/retention amounts, and providers for each coverage.

Budget Information:

The total amount of this purchase is \$584,094, and the term of the policies are June 1, 2018 to June 1, 2019. Funds for these insurance policies will come from the 2018 budget for the Risk Management Business Unit, which has sufficient funds to pay the total term amount of \$584,094.

Selection of Business Partner:

AJG markets the Board's insurance requirements every 3 to 5 years or sooner if market conditions are favorable. AJG approaches insurance carriers that write policies for utilities and requests price quotes based on information provided by Denver Water staff. Four carriers quoted prices for property and equipment insurance and another four quoted prices for utility excess liability. Three of the quotes for utility excess liability required minimum premiums of \$100,000 or greater. Fiduciary coverage was marketed in 2017 and crime is in the second year of a three-year term.

S/MWBE Information:

No goal has been established for this type of service.

Recommendation:

It is recommended that the Board approve the renewal of the insurance policies with XL Catlin for property and equipment, Argonaut for utility excess liability, and Travelers for crime and fiduciary insurance. The total amount of this renewal is \$584,094.

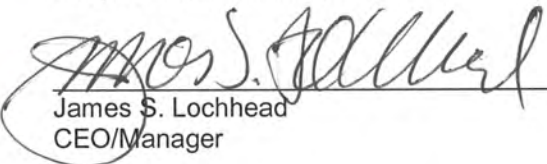
Insurance Type	Insurer	Coverage Limit	Deductible/ Retention	2018 Premium	2017 Premium	% Change
Property & Equipment	XL Catlin	\$500MM ¹	\$100,000	\$483,900	\$464,855	4.1%
Excess Liability	Argonaut	\$10MM	\$1MM	\$75,994	\$71,685	6.0%
Fiduciary	Travelers	\$10MM	\$50,000	\$19,500	\$19,000	2.6%
Crime	Travelers	\$2MM	\$25,000	\$4,700	\$4,700	0.0%


¹ Coverage varies from \$25 million to \$500 million and is dependent on type of property, cause of damage, flood plain location and various other contingencies.

Approvals:


 Brian Good
 Chief Administrative Officer

Respectfully submitted,


 James S. Lochhead
 CEO/Manager


 Angela Brimont
 Chief Finance Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: II-A-8

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 March 2018 through April 2018.

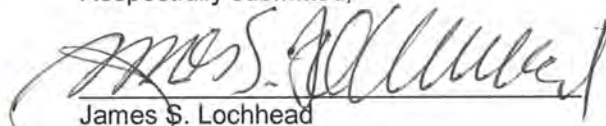
Recommendation:

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

Approvals:


Robert J. Mahoney
Chief Engineering Officer

Respectfully submitted,


James S. Lochhead
CEO/Manager

This list of Change Orders and Amendments is required per the September 13, 2017 resolution which raised the CEO's signing authority to \$750,000. These requirements may be modified by a future Board resolution.

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

CHATFIELD PUMP STATION MODIFICATIONS

Contractor: Sturgeon Electric Company
Change Order No. 1
Contract 16900A/501509
Scope: Scope of work change

Project Duration: 2017-2018
Project Description: Electrical improvements to reduce the arc flash hazards, the replacement of obsolete variable frequency drives, yard piping and vault improvements, and the upgrading of heating and ventilation systems.
Project Construction Budget: \$3,560,090.00
Change Order Description: Install two Denver Water supplied 12-inch butterfly valves in the pump station and wet tap the 36-inch and 16-inch water lines. The existing valves were leaking and needed to be replaced, and the wet taps were installed to prevent a disruption of services to customers.

ADD	\$	7,468.28
Original Contract Amount:	\$	3,560,090.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	0.00
Current Contract Amount:	\$	3,560,090.00
Current Increase in Contract:	\$	7,468.28
Revised Contract Amount:	\$	3,567,558.28
Percentage of Total Amendments to Date:		0.21%
Percentage of Total Change Orders to Date:		0.00%

DRWSP NORTH AND SOUTH COMPLEX WATER QUALITY IMPROVEMENTS PROJECT

Contractor: Brown and Caldwell
Change Order No. 2
Contract 17203A/501794
Scope: Scope of work change

Project Duration: 2017-2018
Project Description: Design/build contract to install aerators and associated equipment to four downstream reservoirs to improve the water quality in the impoundments.
Project Construction Budget: \$3,375,962.00
Change Order Description: Replace synthetic oil in compressors with food grade oil to mitigate potential water quality issues, and install grating in front of entrances to the compressor buildings for safety reasons.

ADD	\$	9,057.17
Original Contract Amount:	\$	3,375,962.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	8,413.05
Current Contract Amount:	\$	3,384,375.05
Current Increase in Contract:	\$	9,057.17
Revised Contract Amount:	\$	3,393,432.22
Percentage of Total Amendments to Date:		0.00%
Percentage of Total Change Orders to Date:		0.52%

2017 ROOF REPLACEMENTS

Contractor: Central States Roofing & Insulating Co., Inc.
Change Order No. 2
Contract 16981A/503019
Scope: Scope of work change

Project Duration: 2017-2018

Project Description: Replace the roofs at the following facilities: Building No. 16 on the main campus; the Moffat Water Treatment Plant Chlorine and Filter Building roofs, 56th Avenue Pump Station; West Belleview Pump Station; Kassler Storage Shed, Cherry Creek Garage; and the Upper Assistant's Caretakers House at Gross Reservoir. Building No. 16 and Moffat Water Treatment Plant work were amended to this contract at O&M's request, protect current renovations, and to protect the facility following the 2017 hailstorm, respectively.

Project Construction Budget: \$229,113.00

Change Order Description: Raise Building No. 16's parapet wall three inches to comply with Denver County's Roofing Code. The need to raise the roof structure was not evident until after demolition.

ADD	\$	8,793.00
Original Contract Amount:	\$	229,113.00
Authorized Contract Amendments:	\$	182,237.50
Authorized Change Orders:	\$	4,956.50
Current Contract Amount:	\$	416,307.00
Current Increase in Contract:	\$	8,793.00
Revised Contract Amount:	\$	425,100.00
Percentage of Total Amendments to Date:		79.54%
Percentage of Total Change Orders to Date:		6.00%

HIGHLANDS PUMP STATION RENOVATION

Contractor: Bosco Constructors
Change Order No. 2
Contract 16930A/503024
Scope: Scope of work change

Project Duration: 2017-2018

Project Description: Highlands Pump Station Renovation which includes modifications to the pumping system and electrical equipment.

Project Construction Budget: \$2,692,052.00

Change Order Description: This change order includes seven items as referenced in Change Order No. 2. The two largest items totaling \$47,000 includes the removal and disposal of a section of coal tar enamel coating on an old existing line, and the procurement and installation of a new power distribution panel with additional buckets. The existing motor control center did not have enough spare buckets for the new installation, which could not be determined until construction due to the requirement for an electrical outage.

ADD	\$	64,874.00
Original Contract Amount:	\$	2,692,052.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	4,742.00
Current Contract Amount:	\$	2,696,794.00
Current Increase in Contract:	\$	64,874.00
Revised Contract Amount:	\$	2,761,668.00
Percentage of Total Amendments to Date:		0.00%
Percentage of Total Change Orders to Date:		2.59%

2017 MAIN REPLACEMENTS

Contractor: T. Lowell Construction, Inc.
Amendment No. 1
Contract 16692A/503026
Scope: Scope of work change

Project Duration: 2017-2018

Project Description: This high risk and visible project consists of replacing 5,120 feet of 12-inch main in Colorado Blvd. from Colfax Ave. to 26th Ave, 975 feet of 12-inch main in Montview Blvd. from Colorado Blvd. to Bellaire St, and 680 feet of 8-inch main in 17th Ave from Colorado Blvd. to Jackson St. In Littleton, replace 5,440 feet of 12-inch main in Quail St, Powers St, and Oak St.

Project Construction Budget: \$4,800,000.00

Change Order Description: This additional work was to furnish and replace a section of Conduit No. 70 that was damaged by an Xcel Energy contractor. This repair was an emergency situation, so it was amended into this existing contract to expedite the repairs needed to get the conduit back in service. These costs were based on time and materials at the time the project was competitively bid. Reimbursement of the cost of this amendment will be pursued from the parties responsible for damaging the conduit.

ADD	\$	142,415.19
Original Contract Amount:	\$	4,800,000.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	165,501.60
Current Contract Amount:	\$	4,965,501.60
Current Increase in Contract:	\$	142,415.19
Revised Contract Amount:	\$	5,107,916.79
Percentage of Total Amendments to Date:		2.97%
Percentage of Total Change Orders to Date:		3.45%

2017 MAIN REPLACEMENTS

Contractor: T. Lowell Construction, Inc.
Change Order No. 2
Contract 16692A/503026
Scope: Scope of work change

Project Duration: 2017-2018

Project Description: This high risk and visible project consists of replacing 5,120 feet of 12-inch main in Colorado Blvd. from Colfax Ave. to 26th Ave, 975 feet of 12-inch main in Montview Blvd. from Colorado Blvd. to Bellaire St, and 680 feet of 8-inch main in 17th Ave from Colorado Blvd. to Jackson St. In Littleton, replace 5,440 feet of 12-inch main in Quail St, Powers St, and Oak St.

Project Construction Budget: \$4,800,000.00

Change Order Description: The additional work relates to avoiding, or where necessary, removing buried trolley tracks located in conflict with the installation of the new main. In addition, there were several layers of pavement located under the existing pavement that ran for 430 feet that required removal. Lessons learned concluded that metal detection for trolley tracks will be conducted for future projects in this area.

ADD	\$	73,141.46
Original Contract Amount:	\$	4,800,000.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	165,501.60
Current Contract Amount:	\$	4,965,501.60
Current Increase in Contract:	\$	73,141.46
Revised Contract Amount:	\$	5,038,643.06
Percentage of Total Amendments to Date:		0.00%
Percentage of Total Change Orders to Date:		4.97%

2017 MAIN REPLACEMENTS

Contractor: T. Lowell Construction, Inc.
Change Order No. 3
Contract 16692A/503026
Scope: Scope of work change

Project Duration: 2017-2018

Project Description: This high risk and visible project consists of replacing 5,120 feet of 12-inch main in Colorado Blvd. from Colfax Ave. to 26th Ave, 975 feet of 12-inch main in Montview Blvd. from Colorado Blvd. to Bellaire St, and 680 feet of 8-inch main in 17th Ave from Colorado Blvd. to Jackson St. In Littleton, replace 5,440 feet of 12-inch main in Quail St, Powers St, and Oak St.

Project Construction Budget: \$4,800,000.00

Change Order Description: This additional work includes demolishing more trolley tracks that were encountered further down Colorado Blvd, and repairing a leak found on an existing gate valve. Also, there is a deduction for eliminating a portion of asphalt paving where the county was going to be installing new pavement.

DEDUCT	\$	(45,835.72)
Original Contract Amount:	\$	4,800,000.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	165,501.60
Current Contract Amount:	\$	4,965,501.60
Current Decrease in Contract:	\$	(45,835.72)
Revised Contract Amount:	\$	4,919,665.88
Percentage of Total Amendments to Date:		0.00%
Percentage of Total Change Orders to Date:		2.49%

LUPTON LAKES GROUNDWATER CUTOFF WALLS

Contractor: Great Lakes Groundwater Cutoff Walls
Change Order No. 2
Contract 16402A/503027
Scope: Scope of work change

Project Duration: 2016-2018

Project Description: Install groundwater cutoff wall and reclamation slopes in future downstream reservoir Lupton Lakes North Cell.

Project Construction Budget: \$3,984,955.00

Change Order Description: The addition below includes contract work on both the North and South Cells to add a gate requested by O&M that will allow access on the northwest corner of the property.

ADD	\$	4,707.50
Original Contract Amount:	\$	3,984,955.00
Authorized Contract Amendments:	\$	5,883,746.00
Authorized Change Orders:	\$	0.00
Current Contract Amount:	\$	9,868,701.00
Current Increase in Contract:	\$	4,707.50
Revised Contract Amount:	\$	9,873,408.50
Percentage of Total Amendments to Date:		147.65%
Percentage of Total Change Orders to Date:		0.12%

HILLCREST RESERVOIR BASIN REPLACEMENTS WORK PACKAGE NO. 3 -TANKS

Contractor: MWH Constructors, Inc.
Amendment No. 3
Contract 15979D/503072
Scope: Scope of work change

Project Duration: 2016-2019

Project Description: Hillcrest Reservoir Basin Replacements Work Package No. 3 - Tanks
Project Construction Budget: \$58,511,119.00, The overall project has a total Board Approved budget of \$100,000,000.00 plus \$2,000,000.00 in contingencies.

Change Order Description: This amendment consists of replacing the existing 84-inch concrete pipe that has reached the end of its useful life as demonstrated by collapsing when uncovered to complete a connection. The addition of this amendment still falls within the \$100,000,000.00 approved budget.

A briefing on the project will be presented to the Board in June 2018.

ADD	\$	552,903.00
Original Contract Amount:	\$	58,511,119.00
Authorized Contract Amendments:	\$	91,603.00
Authorized Change Orders:	\$	0.00
Current Contract Amount:	\$	58,602,722.00
Current Increase in Contract:	\$	552,903.00
Revised Contract Amount:	\$	59,155,625.00
Percentage of Total Amendments to Date:		1.10%
Percentage of Total Change Orders to Date:		0.00%

HILLCREST RESERVOIR BASIN REPLACEMENTS WORK PACKAGE NO. 3 -TANKS

Contractor: MWH Constructors, Inc.
Change Order No. 2
Contract 15979D/503075
Scope: Scope of work change

Project Duration: 2016-2019

Project Description: Hillcrest Reservoir Basin Replacements Work Package No. 3 - Tanks
Project Construction Budget: \$58,511,119.00, The overall project has a total Board Approved budget of \$100,000,000.00 plus \$2,000,000.00 in contingencies.

Change Order Description: The final location of the new pump station (Work Package No. 4) was not known at the Work Package No. 3 bid time, consequently this anticipated and budgeted change order consists of final modifications on the Conduit 29 connection which include additional large pipe, valves, and appurtenances. Final pricing of this anticipated change order still falls within the project's approved budget.

A briefing on the project will be presented to the Board in June 2018.

ADD	\$	564,317.00
Original Contract Amount:	\$	58,511,119.00
Authorized Contract Amendments:	\$	91,603.00
Authorized Change Orders:	\$	0.00
Current Contract Amount:	\$	58,602,722.00
Current Increase in Contract:	\$	564,317.00
Revised Contract Amount:	\$	59,167,039.00
Percentage of Total Amendments to Date:		0.16%
Percentage of Total Change Orders to Date:		0.96%

MARSTON TREATMENT PLANT BACKWASH TANK NO. 2 RELINING

Contractor: The Gateway Company of Utah, LLC
Change Order No. 1
Contract 503112
Scope: Scope of work change

Project Duration: 2018

Project Description: Relining of Marston Treatment Plant Backwash Tank #2

Project Construction Budget: \$211,550.00

Change Order Description: This is a deductive change that reconciles the \$25,000 contingency for the project.

DEDUCT	\$	(24,760.24)
Original Contract Amount:	\$	211,550.00
Authorized Contract Amendments:	\$	0.00
Authorized Change Orders:	\$	0.00
Current Contract Amount:	\$	211,550.00
Current Decrease in Contract:	\$	(24,760.24)
Revised Contract Amount:	\$	186,789.76
Percentage of Total Amendments to Date:		0.00%
Percentage of Total Change Orders to Date:		(11.70)%

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: 05/09/2018

Board Item: II-B-1

Update of the Cash Reserve Policy

Action by Consent

Individual Action

Summary:

The Cash Reserve Policy (the "Policy") contains descriptions of reserve types, target levels, events or conditions prompting the use of the reserves and indicates periodic review dates for balances. The 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. The document tasks the Chief Finance Officer with setting up cash reserve targets and development of operating guidelines to implement this policy. The Cash Reserve Guidelines outline detailed target reserve formulas to be used as benchmarks during the financial planning process.

The Policy is subject to review annually by the Chief Finance Officer to determine whether modifications to the current policy statement are necessary. The policy currently in effect was approved by the Board on December 14, 2011. Following the most recent review, which included examination by the Board's Financial Advisor, George K. Baum & Company, the staff is recommending a few changes to policy, the most significant of which are outlined below:

- 1) *Expand the policy to include reserves for grants and other legally restricted reserves;*
- 2) *Re-categorize operating cash reserves as Board-restricted and designated reserves;*
- 3) *Update guidelines for Capital Reserve to reflect current practice;*
- 4) *Update policy review procedures and frequency.*

Attached to this board item are redlined and clean copies of the policy.

Recommendation:

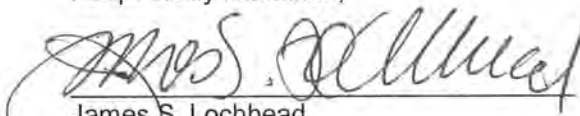
It is recommended that the Board approve the attached amended Cash Reserve Policy.

Approvals:

FOY


Angela Bricmont
Chief Finance Officer

Respectfully submitted,



James S. Lochhead
CEO/Manager

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: 05/09/2018

Board Item: II-B-2

Update of the Debt Management Policy

Action by Consent

Individual Action

Summary:

The Debt Management Policy (the "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. The policy provides guidelines on the types of expenditures that are appropriate for debt financing and establishes general debt guidelines for use of revenue bonds, loans, lines of credit, capital leases and other debt instruments. In general, debt may be used to fund capital improvements and to refund existing debt.

The Policy is subject to review annually by the Chief Finance Officer to determine whether modifications to the current policy statement are necessary. The policy currently in effect was approved by the Board on July 24, 2013. Following the most recent review, which included examination by the Board's Financial Advisor, George K. Baum & Company and comparisons with peer utilities, the staff is recommending a few changes to policy, the most significant of which are outlined below:

- 1) *Confirm the commitment to maintaining strong credit ratings without defining the credit rating level;*
- 2) *Increase the debt ratio target from 40% to 45% to reflect increasing capital needs in the near future;*
- 3) *Update a debt coverage target to a minimum of 1.8x of the annual debt service to reflect the current practice;*
- 4) *Add a requirement for Board's approval of borrowing programs while delegating to the CFO the authority to carry out the approved programs to reflect the current practice;*
- 5) *Update policy review procedures and frequency.*

Attached to this board item are redlined and clean copies of the policy.

Recommendation:

It is recommended that the Board approve the attached amended Debt Management Policy.

Approvals:

F0Y

Cisha Sharma

Angela Bricmont
Chief Finance Officer

Respectfully submitted,

James S. Lochhead

James S. Lochhead
CEO/Manager

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: 05/09/2018

Board Item: II-B-3

Update of the Investment Policy for the Water Works Fund Portfolio

Action by Consent

Individual Action

Summary:

The Investment Policy Statement (the "IPS") for the Water Works Fund (the "WWF") portfolio applies to all monetary assets used by the Board as an operating fund and reserve funds, including restricted accounts such as unspent proceeds of bond sales and debt service accounts. The investment of the funds must be accomplished in conformance with federal, state, and other legal requirements, including section 10.1.7 of the Charter of The City and County of Denver and Title 24 Article 75 Part 6 of the Colorado Revised Statutes which outlines that the legal investments of public funds shall be followed in matters not specifically addressed in this document. In addition to the governing authority, the policy identifies the investment objectives of the fund (preservation of principal, liquidity and yield), standards of care, broker selection criteria, safekeeping and custody and internal control requirements for the portfolio.

The IPS is subject to review annually by the Chief Finance Officer to determine whether modifications to the current policy statement are necessary. The policy currently in effect was approved by the Board on August 26, 2015. Following the most recent review, which included comparisons with policies in place at similar local governmental entities and the Colorado Revised Statutes, the staff is recommending a few changes to policy, the most significant of which are outlined below:

- 1) *Expand the policy to include definitions of permitted investments;*
- 2) *Modify credit rating requirements by allowing ratings by any two of the nationally recognized statistical rating organizations, in line with the provisions contained in the Colorado Revised Statutes;*
- 3) *Clarify maximum concentration requirements to limit investments in money market mutual funds and local government investment pools to 5% of the portfolio for each fund trust company; and*
- 4) *Update policy review procedures and frequency.*

Attached to this board item are redlined and clean copies of the policy.

Recommendation:

It is recommended that the Board approve the attached amended Water Works Fund Investment Policy.

Approvals:

FOO
Usha
Sharma

Angela Bricmont
Chief Finance Officer

Respectfully submitted,

James S. Lochhead

James S. Lochhead
CEO/Manager

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: V-A-1

Briefing Paper for Legislative Update

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

Leading up to May 9, the last day of the Legislative Session, we will be working on the following issues:

HB18-1053 Reclaimed Water Use for Marijuana Cultivation – The bill sponsor, Representative Hansen, had proposed one last amendment in an attempt to satisfy the marijuana industry. While his amendment was agreeable to Denver Water, the marijuana industry rejected it. He was able to get the amendment added to the bill anyway in the House. As a result, the marijuana industry has put significant pressure on the Senate to defeat the bill. Between this and what we suspect are larger political motivations, we fear the bill will die in the Senate. We will continue to lobby in support. **Position: SUPPORT**

HB18-1215 Safe Disposal Naturally Occur Radioactive Material – Technologically enhanced, naturally occurring, radioactive materials (TENORMs) are concentrated in residuals as part of the water and wastewater treatment processes. These residuals need to be disposed of and are currently regulated under a guidance. This guidance is overseen by the Colorado Department of Public Health and Environment (CDPHE). CDPHE would like to create a regulation instead of a guidance. This bill, which includes most of the water industry's sideboards to the regulation process, will be defeated in the Senate. Neither the CDPHE nor the oil and gas industry like the bill. They believe the level of scientific study included in the bill goes too far and will cost too much. Their alternative is SB18-245, described below. **Position: AMEND**

SB18-245 Allow Natural Occurring Radioactive Material Rules – In lieu of HB18-1215, the Senate has introduced this bill that simply strikes the prohibition on making rules for TENORMs, which is the preferred position of CDPHE and the oil and gas industry. Water and wastewater entities are negotiating to see if some sideboards can be amended onto this bill that are agreeable to the proponents. **Position: AMEND**

SB18-167 Enforce Requirements 811 Locate Underground Facilities – Attempts to amend this bill to retain the current "tier" structure failed on the Senate floor, and the bill passed on a voice vote. It appears that this bill will get out of the Senate. We continue to ask for an amendment to expand the limited exemption from "to-be-created Safety Commission" to include our distributors by adding the language, "political subdivisions of the State." **Position: AMEND**

SB18-275 Evaluate Prerequisites Seaplane Operation In Colorado – This bill is a new attempt to chip away at the prohibition of seaplanes landing on lakes and reservoirs in Colorado. This iteration of the concept would do three things. First, it would direct the Department of Natural Resources to develop a seaplane-inspection protocol. Second, it

would set up a stakeholder process between seaplane owners, DNR and water users to discuss the potential piloting of landing seaplanes on reservoirs. Third, it explicitly calls out the use of seaplanes for emergencies such as firefighting. **Position: OPPOSE**

Background See attached "Report on 2018 Legislation"

Budget N/A

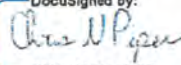
Alternatives N/A

Approach See attached "Report on 2018 Legislation"

Owner(s) Chris Piper, Government Relations, External Affairs

Attachments Report on 2018 Legislation

Respectfully submitted,

DocuSigned by:


Chris Piper
Manager of Government Relations

DocuSigned by:


Mike King
Chief External Affairs Officer

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: May 9, 2018

Board Item: V-A-2

Water Efficiency Plan Update

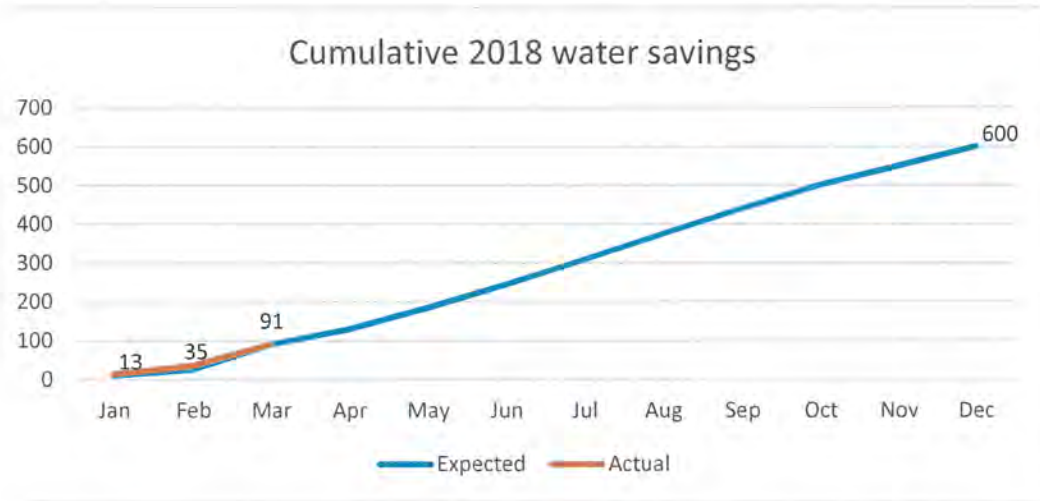
Strategic Plan Alignment

Lenses: Customer Centric Industry Leader Long-Term View

The Water Efficiency Plan falls under the excellent operations perspective of Denver Water's Strategic Plan and supports our objective of having a visionary, adaptable, long-range planning approach that considers the challenges of a warming climate and ensures diversity in supply delivery and efficiency in water use.

Summary

Water Efficiency Plan projects are currently on track to reach the 2018 water-savings target of 600 acre-feet (AF). The Water Efficiency Plan incorporates a portfolio of programs that can be adjusted as needed to respond to factors such as drought, customer participation and program cost.



Background

2018 is the first year of Denver Water's five-year Water Efficiency Plan. The Water Efficiency Plan is being implemented by offering specific solutions to customers whose water use is above efficiency benchmarks. The five-year program goal is 3,400 AF with a total target implementation cost of \$2,000 per AF.

Budget

The 2018 budget is \$1.9 million, with a total, five-year program cost of \$6.8 million including materials, services, reimbursements and staff time. The Q1 budget for the plan implementation was expected to be \$740,000, versus the actual spending which was \$470,000. This was primarily due to underspending on ultra-high-efficiency toilet rebates. The number of rebates processed was below target due

to transitioning from mass marketing to targeted communications for inefficient customers and lowering the rebate amount from \$150 to \$100. A direct mail campaign was initiated as a countermeasure to increase outreach to inefficient customers and accelerate water savings from other programs.

Approach

The water-efficiency programs approved by the Board in 2017 were grouped into projects based on scope and staffing. Each project is tracked based on progress, schedule and costs. Aggregate, cumulative water savings are reported monthly. The projected water savings for the first quarter of 2018 was 90 AF and actual savings was 91 AF. The projection for the second quarter is 167 AF of water savings with a cumulative savings of 258 AF as of June 30. The attachment outlines the programs that have been launched in Q1, year-to-date water savings, programs planned for launch in Q2 and Q2 water-savings projections.

A key support mechanism for successful implementation of the Water Efficiency Plan is an electronic communication tool that can be used to provide water-use data directly to individual customers (designated as Communicating Efficiency in the attached table). This tool will allow Denver Water to reach specific customers whose use exceeds benchmarks for efficient water use and who will benefit most from water efficiency programs. This communication tool can also be used for other Denver Water customer outreach such as street work, lead service lines, backflow maintenance and more.

The 2018 pilot will target approximately 30,000 customers chosen because they represent a good mix of demographics, lot size and water consumption. The goal is to send monthly personalized water efficiency reports to customers. The model has been implemented by other companies like Xcel Energy, which provides individual energy-efficiency information along with comparisons, so similar households can view options for improving efficiency. Efficient customers will receive general water efficiency information, such as watering tips and links to TAP stories about water efficiency. Inefficient customers will receive offers for ultra-high-efficiency toilet rebates, smart controller and nozzle rebates and links to landscape profiles and TAP stories featuring water efficiency tips. The targeted email campaign is a critical element of the Water Efficiency Plan and will be launched in Q2 of 2018.

Owner(s) Jeff Tejral - Water Resource Strategy

Attachments Q1 WEP Board Update Details

Respectfully submitted,



Jeff Tejral
Public Affairs Manager



Mike King
Chief External Affairs Officer

2018 Q1/Q2 Project update - Water savings, milestones and next steps

	Programs or approach	Q1 water savings	Q1 spending	Q2 projected water savings	Milestones achieved	Next steps
Direct fixture installs	Installation of water-saving fixtures for inefficient residential and income-qualified customers	2 AF	\$1,000	58 AF	Contracts with materials and service providers are secured and customer outreach is initiated	Outreach to low-income customers and increase efficient fixture installations at multifamily sites
Rebates	Water efficient fixtures are available to all customers	32 AF	\$93,000	38 AF	Launched 2018 rebate program via website	Targeted communication to inefficient customers in pilot areas
Single-family Audits	Audit homes of inefficient customers and provide recommendations for reducing water use	3 AF	\$3,000	4 AF	Rapid Improvement Event resulted in a process that will enable all Customer Service Field staff to perform audits in less time	Assess need to change irrigation audits
Denver Parks IGA	Cost share with Denver Parks to improve water efficiency	42 AF	\$368,000	42 AF	Provided reimbursement for central controller as part of the IGA	Monitor water use to verify water savings
Communicating efficiency	Program provides a mechanism to communicate water use and efficiency programs to single family residential customers and informational water budgets for commercial and multifamily residential customers	12 AF	\$3,000	5 AF	Created communication product for initial outreach to 30,000 customers via opt-in approach	Test communication product for initial outreach to 30,000 customers via opt-in approach Continuing to engage 450 commercial customers (~1,200 accounts) via email starting in June
Landscape change	Engage single-family, residential customers in retrofitting existing landscape to more water-efficient, living landscapes	NA	\$0	6 AF	540 gardens sold through April 9	Evaluate water savings methodology to better reflect lag time in water savings realization
Commercial, industrial and institutional (CII) customer goals	Continue to engage CII customers to determine water-efficiency benchmarks and create work plans	NA	NA	NA	Public-spaces stakeholder group developed proposed benchmarks	Provide benchmarking recommendations to the Board in Q3 of 2018
System development credit pilot	Engage new development to be 25 percent more efficient than current standards	NA	\$3,000	14 AF	Six new development projects in progress	Four sites to be inspected and completed by end of June
	Totals	91 AF	\$471,000	167 AF	Q1 = \$5,200 / AF	