

RECORD OF PROCEEDINGS
Minutes
of the
Board of Water Commissioners

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

Wednesday, October 10, 2018

Open Session

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, October 10, 2018, beginning at 9:00 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

Paula Herzmark, President
John R. Lucero, First Vice President
H. Gregory Austin, Vice President
Craig Jones, Vice President
Gary Reiff, Vice President

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

J. Lochhead, CEO/Manager	T. Han, IT Business Sr. Analyst
J. Anderson, Chief of Staff	J. Lorton, Accounting Manager
A. Bricmont, Chief Financial Officer	J. Martin, Project Engineer
J. Brody, General Counsel	C. Mbakogu, Division Sr. Analyst
G. Cagle, Chief Human Resources Officer	P. McCormick, Project Engineer
C. Dermody, Chief Information Officer	M. Mercier, Water Distribution Manager
B. Good, Chief Administrative Services Officer	R. Musick, Planner
M. King, Chief External Affairs Officer	G. Norris, Director HR – Organizational Development
A. Turney, Acting Chief Engineering Officer	L. Paule, HRIS Manager
T. Roode, Chief Operations and	S. Pegues, Water Distribution Manager
	C. Piper, Government Relations Manager
	M. Price, Director Support Operations

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

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



Maintenance Officer
S. Abram, Budget Manager
R. Angle, Finance Sr. Analyst
M. Aragon, Director Customer Relations
K. Bates, Attorney
W. Bates, Planning Manager
C. Brady, Engineer Sr.
G. Chapman, Employee Relations Manager
S. Chesney, Director Public Affairs
T. Cogan, Asset Manager
E. Cinchock, Division Analyst
F. Davis, Rates Manager
R. Davis, Finance Analyst
C. Dick, Engineer
D. Engleman, Total Rewards Sr. Administrator
C. Funk, Attorney
M. Garfield, Customer Relations Manager

S. Price, Engineering Manager
K. Riegle, Attorney
V. Roberts, Director Business Technology
G. Rygh, Director Water Distribution
J. Seagren, Distribution Relations Manager
U. Sharma, Treasurer
L. Southard, Sr. Administrative Assistant
J. Spitze, IT Manager
R. Stitt, Planner Lead
D. Walsh, Engineer Sr.
N. Cudahy, Green Mountain Water and Sanitation District
P. Fitzgerald, Platte Canyon Water and Sanitation District
C. Lane, Platte Canyon Water and Sanitation District
M. Moreau, Gallagher
R. Rhoades, Hazen-Sawyer
G. Zamensky, Black and Veatch

INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:07 a.m.

Public Comment and Communications

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

ACTION ITEMS

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

1. ITEM II-A-1: MINUTES OF SEPTEMBER 12, 2018

Approved the Minutes of the Open Session Meeting of September 12, 2018.

Approved the Minutes of the Executive Session of September 12, 2018.

2. ITEM II-A-2: MINUTES OF SEPTEMBER 26, 2018

Approved the Minutes of the Open Session Meeting of September 26, 2018.

Approved the Minutes of the Executive Session of September 26, 2018.

3. ITEM II-A-3: PURCHASE AND SALE AGREEMENT FOR FIVE SHARES OF NEVADA DITCH

Approved the purchase and sale agreement with Great Plains Water, LLC for acquisition of five shares of Nevada Ditch, for a total amount not to exceed \$3,000,000. Authorized the CEO/Manager to enter into subsequent amendments of the purchase and sale agreement and other agreements necessary to purchase the shares, subject to the approval of the Board's General Counsel.

Mr. Stitt explained that the decision to purchase the shares was based on the Nevada Ditch's proximity to Denver Water's South Platte system and the ability to divert the water at the Chatfield outlet manifold. This water can be used to recover return flows and can be exchanged for subsequent reuse. Prior to this purchase, Denver Water owned 50% of the Ditch shares for municipal use.

4. ITEM II-A-4: INTERGOVERNMENTAL AGREEMENT WITH TOWN OF MORRISON RELATED DISCHARGES UPSTREAM OF HARRIMAN DITCH

Approved Agreement 503509 with the Town of Morrison. This Agreement modifies a 1988 letter agreement related to pumping discharge above the Harriman Ditch. It requires that Denver Water be contacted if the Town of Morrison pumps its discharge above the Harriman Ditch, and removes the requirement for maximizing nitrification, as this condition is now required as part of the Town's normal operations to meet current effluent limits and ammonia monitoring that is part of the Town's permit from the Colorado Department of Public Health and Environment (CDPHE).

5. ITEM II-A-5: SECOND AMENDMENT TO CONTRACT 503012 FOR CHEMICAL FEED SYSTEMS DESIGN FOR MARSTON AND MOFFAT TREATMENT PLANTS

Approved the Second Amendment to Agreement 503012 with Brown and Caldwell for design services. The Amendment adds \$503,738, for a total amended contract amount not to exceed \$1,435,219.30.

6. ITEM II-B-1: RESOLUTION OPPOSING AMENDMENT 74 – JUST COMPENSATION FOR REDUCTION IN FAIR MARKET VALUE BY GOVERNMENT LAW OR REGULATION

Commissioner Austin made a motion, duly seconded, to revise paragraph five to state “to compensate private property owners for virtually any decrease in the fair market value of their property traceable to any rule or regulation of Denver Water....” That motion carried unanimously. The Board then approved the amended Resolution Opposing Amendment 74, which, if passed by the legislature, would amend the Colorado constitution’s ‘taking’ clause and require governments to award just compensation to private property owners when a law or regulation reduces the fair market value of the property. The proposed Amendment could have consequences for Denver Water, were it to enact drought restrictions, new plan-review requirements, or take similar action. The Resolution, which is attached to and incorporated in these Minutes as Exhibit A, will be posted on Denver Water’s website and a link will be provided through Denver Water’s ordinary social media channels.

POLICY MATTERS

7. ITEM III-A: FOOTHILLS UPDATE

Mr. Walsh presented the Board with a Project Update, a copy of which is attached to and incorporated in these Minutes as Exhibit B. He explained that this work is necessary to comply with the Lead and Copper Rule and CDPHE’s recent orthophosphate order.

8. ITEM III-B: ASSET MANAGEMENT STRATEGY

Mr. Roode and Mr. Rygh presented the Board with an Asset Management Strategy Overview, a copy of which is attached to and incorporated in these Minutes as Exhibit C. Asset Management consists of assessing the condition of all of Denver Water's assets, including: dams, conduits, mains, treatment plants, vaults, tanks and pump stations, and then deciding when to extend their useful lives or to replace them.

Mr. Roode explained that although it is very difficult to extend the useful life of water mains, Denver Water analyzes data about the mains and main breaks to predict how many mains will break over time and to develop options for managing this risk.

Mr. Rygh explained that Denver Water's stated service level is 15 or fewer main breaks per 100 miles of pipe per year. In 2008 the Board approved a change to Denver Water's main replacement process, with a goal of replacing 0.6% annually. Staff has been analyzing data and evaluating whether to increase this goal to 1% annually to avoid a higher density of breaks. Depending on the approach chosen to achieve this goal, more full-time employees, contractors and equipment may be necessary.

The Board requested additional information about costs and benefits and a resource plan for the various approaches.

9. ITEM III-C: GRE PROCUREMENT STRATEGY

Mr. Martin presented the Board with Project Delivery Methods for the Gross Reservoir Expansion Project, a copy of which is attached to and incorporated in these Minutes as Exhibit D. He explained four types of project delivery methods: 1) Design-Bid-Build (DBB); 2) Design-Build (DB); 3) Construction Manager General Contractor (CMGC); and 4) Construction Manager at Risk (CMAR). Denver Water utilizes the DBB process frequently for conduit projects because it is generally a linear process with well-defined scopes of work and lump sum costs. The DB method is one in which the owner contracts with one entity, under a single contract, to complete the design and construction of a project. The CMGC method involves procuring professional services from a contractor for input during the design phase. Upon completion of design, the contractor and owner negotiate a price for the construction contract, with the contractor acting as a general contractor to complete the construction work. The CMAR method

involves an owner procuring professional services from a construction manager to offer input during the design phase. Upon completion of design, the contractor and owner negotiate a price for the construction contract with a gross maximum price, and the construction manager acts as a general contractor to complete construction. Trade work is typically hard bid and self-performance is limited or not guaranteed.

After discussion, the Board agreed to eliminate the DB option from the Gross Reservoir Expansion project because it provides less owner control and is not optimal when a project must interface with regulatory agencies.

Mr. Martin explained that the project team reviewed data from the Federal Highway Administration, which has collected information on the use of CMGC and CMAR methods for major infrastructure projects throughout the United States. After reviewing the data, the team recommends the CMGC approach for the project due to its frequent usage in heavy civil engineering projects, lump sum/unit price contract process, and because the project will have limited work packages, a majority of the work will be self-performed, and the need for greater cost certainty for award growth and cost growth. This method also provides greater schedule certainty and a balanced risk allocation between the contractor and owner.

This method, and the contracting process, will be further discussed with the Board at the next Board meeting.

10.ITEM III-D: FIRST READING OF 2019 WATER RATES

Mr. Davis presented the Board with the 5-Year Financial Plan and Preliminary 2019 Rates, a copy of which is attached to and incorporated in these Minutes as Exhibit E. He noted that the Plan includes a 3% annual revenue adjustment, beginning February 1, 2019, a lower projected debt issuance due to higher than expected revenues in 2018, and lower inside-city rate increases due to higher than expected System Development Charge revenue.

Mr. Lochhead noted that the Plan includes no change to Denver Water's lead service line replacement program, assumes additional full-time employees for the asset management program and considers the possibility of drought restrictions.

The final 5-Year Financial Plan and 2019 Rates will be presented to the Board on November 14, 2018.

October 10, 2018

EXECUTIVE UPDATE

11.ITEM IV-C: OPERATIONS REPORT

Ms. Roberts presented the Board with a Business Technology Transformation update, a copy of which is attached to and incorporated in these Minutes as Exhibit F. She explained that between January and June, the Business Transformation Management Office (BTMO) staff has met with IT staff and business clients to create business cases for 2019 IT projects. In July, the BTMO staff worked with Business Technology System Managers to compare and measure the degree to which each case positively impacted related organizational metrics. In August and September, staff performed a capacity analysis to evaluate which projects could be completed in 2019 and developed a master timeline. The Executive Oversight Committee reviewed the information and approved seven projects, which will be presented to the Board in November.

BRIEFING PAPERS & REPORTS

12.ITEM V-A-1: BRIEFING PAPER FOR BUSINESS TECHNOLOGY TRANSFORMATION

The Board received a Briefing Paper for Business Technology Transformation, a copy of which is referred to in Board Item IV-C as Exhibit F.

13.ITEM V-A-2: BRIEFING PAPER FOR 2019 MERIT COMPENSATION STRATEGY

The Board received a Briefing Paper for the 2019 Merit Compensation Strategy, a copy of which is attached to and incorporated in these Minutes as Exhibit G.

14.ITEM V-A-3: BRIEFING PAPER FOR MEDICAL AND DENTAL PLANS

The Board received a Briefing Paper for the Medical and Dental Plans, a copy of which is attached to and incorporated in these Minutes as Exhibit H.

ADJOURNMENT


No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:21 a.m.

Executive Session


On Wednesday, October 10, 2018, commencing approximately at 11:25 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matters which are authorized by C.R.S. §24-6-402 or D.R.M.C. §2-34, were discussed during the Reconvened Executive Session:

1. Attorney-Client Matters C.R.S. §24-6-402(4)(b);
2. Confidential Matters C.R.S. §24-6-402(4)(c); and
3. Negotiations C.R.S. §24-6-402(4)(e).

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:52 a.m.

DocuSigned by:


 Secretary
 DocuSign ID: 3B884843F...

DocuSigned by:


 President
 DocuSign ID: 3B884843F...