

**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, May 9, 2018

Open Session

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, May 9, 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
Gary M. Reiff, Vice President
Craig Jones, Vice President

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

J.A. Anderson, Chief of Staff	D. Engleman, Total Rewards Administrator
A.C. Bricmont, Chief Financial Officer	M. Faulkner, Director HR
G. Cagle, Chief Human Resources Officer	C. Fikan, Finance Tech
C.R. Dermody, Chief Information Officer	P. Freeman, Finance Sr. Analyst
B.D. Good, Chief Administrative Services Officer	K. Knoll, Public Affairs Manager
M. King, Chief External Affairs Officer	J. Light, Engineer Sr.
J.S. Lochhead, CEO/Manager	J. Lorton, Accounting Manager
R.J. Mahoney, Chief Engineering Officer	P. McCormick, Project Engineer
T.J. Roode, Chief Operations and Maintenance Officer	J. Mitchell, Finance Sr. Analyst
P.L. Wells, General Counsel	C. Piper, Government Relations Manager
S. Abram, Budget Manager	S. Price, Engineering Manager
	A. Rettig, Finance Supervisor

R. Angle, Finance Sr. Analyst
A. Aslamy, Finance Sr. Analyst
K. Bates, Attorney
C. Burri, Environmental Lead Scientist
S. Chesney, Director Stakeholder Relations
A. Chotiner, Business Operations Manager
P. Coleman, Chief Internal Auditor
U. Daly, Finance Analyst
F. Davis, Rates Manager
R. Davis, Finance Analyst
L. Docheff, Finance Sr. Tech

V. Roberts, Director Business Technology
S. Tafoya, Finance Sr. Tech
J. Tejral, Public Affairs Manager
K. Urie, Environmental Scientist Supervisor
R. Wirth, Finance Supervisor
E. Barry, Gallagher
J. Crockett, Jacobs
C. Lane, South Platte Water & Sanitation
District
L. Suer, Jacobs

INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:22 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.

Legislative Update

Mr. Piper reported on the status of four pieces of legislation before the Colorado Legislature. HB18-1053 (Reclaimed Water Use for Marijuana Cultivation) failed in the Senate. Although HB18-1215 (Safe Disposal Naturally Occur Radioactive Material) was amended with terms that are agreeable to Denver Water, it failed in the Senate. SB18-167 (Enforce Requirements 811 Locate Underground Facilities) passed, and staff will analyze how to implement its requirements, especially with regard to Denver Water's distributor districts. Finally, SB18-275 (Evaluate Prerequisites Seaplane Operation in Colorado) was passed, containing mandates for the Department of Natural Resources to develop a seaplane inspection protocol. Denver Water opposes this mandate because it has concerns about aquatic species landing in waters, which may, in turn, affect its reservoirs.

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 APRIL 11, 2018

The Minutes of the Open Session Meeting of April 11, 2018 were approved.

The Minutes of the Executive Session of April 11, 2018 were approved.

2. ITEM II-A-2: MINUTES OF APRIL 25, 2018

The Minutes of the Open Session Meeting of April 25, 2018 were approved.

The Minutes of the Executive Session of April 25, 2018 were approved.

3. ITEM II-A-3: FROM FORESTS TO FAUCETS: COLORADO STATE FOREST SERVICE AGREEMENT FOR PRIVATE LANDS MANAGEMENT – CONTRACT 503316

Approved Contract 503316 with Colorado State Forest Service for forest health and wildfire risk reduction for the contract period of April 25, 2018 through March 31, 2023, for a total contract amount not to exceed \$4,000,000.

4. ITEM II-A-4: DENVER INTERNATIONAL AIRPORT 2018 VAULT AND CATHODIC PROTECTION IMPROVEMENTS – CONTRACT 503034

Approved 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 through November 16, 2018, for a total contract amount not to exceed \$1,142,752.74.

5. ITEM II-A-5: CONTRACT WITH ADP FOR THIRD PARTY ADMINISTRATION SERVICES FOR HEALTH AND WELFARE BENEFITS ADMINISTRATION – CONTRACT 503248

Approved Contract 503248 with ADP for third-party benefit administration services for the contract period of May 9, 2018 through May 31, 2023, for a total contract amount not to exceed \$761,858.

6. ITEM II-A-6: RECOMMENDED REVISION TO PERSONNEL POLICIES – SECTION 12-2-(5) PAY AFTER SUCCESSFUL BID INTO A LOWER PAY GRADE

Approved revision to Personnel Policies Section 12-2-(5) regarding pay after

successful bid into a lower pay grade, a copy of which is attached to and incorporated in these Minutes as Exhibit A.

7. ITEM II-A-7: RENEWAL OF EXPIRING INSURANCE POLICIES

Approved 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, for a total amount of \$584,094.

8. ITEM II-A-8: RATIFICATION OF CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS, AND PROFESSIONAL SERVICES AGREEMENT AMENDMENTS

Ratified Construction Contract Change Orders, Amendments, and Amendments to Agreements authorized in March and April, 2018, as follows:

1. Change Order No. 1 to Contract 16900A/501509 with Sturgeon Electric Company for Chatfield Pump Station Modifications;
2. Change Order No. 2 to Contract 17203A/501794 with Brown and Caldwell for DRWSP North and South Complex Water Quality Improvements Project;
3. Change Order No. 2 to Contract 16981A/503019 with Central States Roofing & Insulating Co., Inc. for 2017 Roof Replacements;
4. Change Order No. 2 to Contract 16930A/503024 with Bosco Constructors for Highlands Pump Station Renovation;
5. First Amendment to Contract 16692A/503026 with T. Lowell Construction, Inc., for 2017 Main Replacements;
6. Change Order No. 2 to Contract 16692A/503026 with T. Lowell Construction, Inc., for 2017 Main Replacements;
7. Change Order No. 3 to Contract 16692A/503026 with T. Lowell Construction, Inc., for 2017 Main Replacements;
8. Change Order No. 2 to Contract 16402A/503027 with Great Lakes Groundwater Cutoff Walls for Lupton Lakes Groundwater Cutoff Walls;

9. Third Amendment to Contract 15979A/503072 with MWH Constructors, Inc. for Hillcrest Reservoir Basin Replacements Work Package No. 3 – Tanks;
10. Change Order No. 2 to Contract 15979D/503075 with MWH Constructors, Inc., for Hillcrest Reservoir Basin Replacements Work Package No. 3 – Tanks; and
11. Change Order No. 1 to Contract 503112 with The Gateway Company of Utah, LLC for Marston Treatment Plant Backwash Tank No. 2 Relining,

all as more particularly described in the attachment to Agenda ITEM II-A-8.

9. ITEM II-B-1: UPDATE OF THE CASH RESERVE POLICY

After discussion of staff's recommendations for updating Denver Water's Cash Reserve Policy, the Board decided to postpone decision and requested staff to present it at a future time, within the context of a five year capital/cash/debt plan.

10. ITEM II-B-2: UPDATE OF THE DEBT MANAGEMENT POLICY

After discussion of staff's recommendations for updating Denver Water's Debt Management Policy, the Board decided to postpone decision and requested staff to present it at a future time, within the context of a five year capital/cash/debt plan that takes into consideration the possibility of issuing AAA- and AA-rated bonds, and a complete analysis of debt rates.

11. ITEM II-B-3: UPDATE OF THE INVESTMENT POLICY FOR THE WATER WORKS FUND PORTFOLIO

Approved an amended Water Works Fund Investment Policy, a copy of which is attached and incorporated in these Minutes as Exhibit B. Ms. Rettig explained that many of the investment decisions are driven by statutes and industry standards, with preservation of capital as the main objective. The changes expand the definition of instruments in which funds may be invested.

POLICY MATTERS

12. ITEM III-B: NORTHWATER TREATMENT PLANT

Mr. McCormick presented the Board with a Northwater Treatment Plant Update,

a copy of which is attached to and incorporated in these Minutes as Exhibit C. He explained that the project has been seven years in the making, including 12,000 working hours of analysis and design from 2011 to 2015. In 2015 the Board authorized design of capacity for 150 MGD, which was followed by work to develop the project, build the teams and design the first draft of the project. Then, in 2017 project staff shifted focus to two additional designs, with heavy focus on value engineering, an independent micro-grid and a sustainability analysis. Altogether, four treatment plant designs have been developed and analyzed, including a 150 MGD design that is fully modular, design for project disconnected from the grid, or as a net energy producer, and finally design for 75 MGD with redundancy and a highly sustainable design. This final design has undergone extensive analysis and will near the 30% design milestone, which will enable staff to lock in its scope and budget. He anticipates returning to the Board on May 23rd with changes to contract scopes of work to complete the work, and again in June or July with a completed cost-estimate analysis.

Mr. McCormick explained that during the early-to-mid stages of the project, an old coal mine was found beneath the surface. Ground penetrating radar was utilized to analyze the scope of the mine, as well as to locate shafts and calibrate with existing maps. Because the shafts drop 500 feet before they go horizontal, staff and contract engineers are confident that subsidence can be avoided by locating the facilities on ideal areas of the property.

Mr. Lochhead remarked that he feels excited that the team pushed the envelope on project design and reducing the facility footprint while increasing sustainability. He congratulated the team for its courage to continuously review their designs and project scope to find the best long-term solution, and noted that the design process, which included thought toward emerging contaminants and future regulations, and the philosophy of modularity places Denver Water in a leading role in the water industry.

13. ITEM III-A: FIRST QUARTER PERFORMANCE REPORT

The Board received Denver Water's First Quarter 2018 Performance Report, a copy of which is attached to and incorporated in these Minutes as Exhibit D.

While reviewing the Executive Summary, Mr. Lochhead reported that the executive team reviewed the Strategic Plan and the current status of progress in the four perspectives of Excellent Operations, Strong Financials, Inspired People and Trusted Reputation, concluding that all are in progress toward achievement, except for Inspired People relating to the recent net promoter score. They plan

to share the results of that process at the next Section Leaders meeting.

Highlights from the report include: 1) Staff is working collaboratively toward resolving the findings from the Internal Audit of Fiscal Responsibility, which covered 75 control objectives, as well as developing a management response and action plan. There were no substantial findings from the audit. One open item in the Fiscal Responsibility initiative is refinement of the delegation of spending authority from the Board to the CEO/Manager. 2) The Business Technology Transformation office's five year roadmap is on track, with new IT governance processes and reports underway, as well as outsourcing of employee benefits and exploration of outsourcing payroll functions. 3) One challenge staff currently faces is the Colorado Department of Public Health and Environment's (CDPHE) recent order requiring water treatment facilities to implement orthophosphate treatment by 2020. Staff will continue to discuss the costs and benefits associated with this approach with CDPHE staff, the governor, Representative DeGette and stakeholders, with a goal toward doing the right thing to keep the drinking water supply safe and the environment relatively unharmed. 4) Issues pertaining to the Colorado River continue to move forward. Recent letters from the Upper Basin states and Denver Water persuaded the Central Arizona Project to issue a statement of commitment to discuss how Arizona can move toward developing a drought contingency plan. If these discussions are not successful, the Department of the Interior is prepared to take action to impose shortages and avoid dire situations along the Colorado River. The last 19 years have been the driest of the last 1200 years along the River. 5) Denver Water conducted three customer surveys, which show good progress on street maintenance, continuous improvement and reductions operating costs per account. More members of the public are reviewing Denver Water's social media. Additionally, staff recently conducted a rapid improvement event for main break response, in order to reduce customer outage hours.

With regard to budgeted vs. actual expenditures, Denver Water is trending at slightly lower than the defined metric of +/- 2% for operating costs, and anticipates spending more than budgeted for capital projects through March, 2018. Systems and Program managers are currently forecasting 6.8% over budget, which is slightly higher than the defined metric of +/- 5% for projects. The procurement team will be further analyzing statistics of MWBE participation, with statistics on the number of participants, number of awards to new MWBE partners, the number of competitive selection contracts and the number of competitive selection waivers. The organization is on track to meet its MWBE and SBE goals for 2018.

Ms. Abram highlighted a few budget variances, including the removal of a \$60 million line of credit that is no longer needed, higher interest income than forecast, slightly higher wages due to fewer vacancies than predicted.

The Board commended staff on its work in 2018.

EXECUTIVE UPDATE

14. ITEM IV-A: CEO REPORT

Mr. Lochhead reported on the following: 1) Two weeks ago Denver Water and Colorado State University successfully sponsored a kickoff for the water policy center at the National Western site; 2) he attended a meeting of national foundations that are working to leverage their giving to water initiatives, speaking on sustainability initiatives; 3) he attended the Water Utility Climate Alliance meeting; he attended the Water Research Foundation's Executive Committee meeting; and 4) Denver Water has agreed to partner with the City and County of Denver in its efforts to support initiatives in the community of Rio San Luis Colorado in Mexico. Mr. King will meet that group to discuss Denver Water's engagement in that program.

15. ITEM IV-C: OPERATIONS REPORT

Mr. Roode reported on the Fleet Purchase program and clarified the intent of the action item from the February 28, 2018 Board meeting. Generally, staff has historically purchased vehicles from vendors utilizing other State bid processes, but without contracts in place with the vendor. Staff will be working with the Purchasing Section to develop standard forms of purchase orders that will comply with the fiscal responsibility requirements to achieve the program's goals for 2018 and make improvements to the overall process for 2019.

BRIEFING PAPERS & REPORTS

16. ITEM V-A-1: BRIEFING PAPER FOR LEGISLATIVE UPDATE

The Board received a Briefing Paper for the Legislative Update, a copy of which is attached to and incorporated in these Minutes as Exhibit E.

17.ITEM IV-A-2: WATER EFFICIENCY PLAN

The Board received a Water Efficiency Plan Briefing Paper, a copy of which is attached to and incorporated in these Minutes as Exhibit F.

ADJOURNMENT


No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:12 a.m.

Executive Session

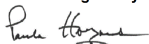
On Wednesday, May 9, 2018 , commencing approximately at 11:20 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matters which are authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34, were discussed during the Executive Session:

1. Attorney-Client Matters § 24-6-402(4)(b)
2. Security § 24-6-402(4)(d)
3. Personnel Matters § 24-6-402(4)(f)(I)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 12:00 p.m.

DocuSigned by:


 Secretary

DocuSigned by:


 President