

**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, August 8, 2018

Open Session/Plan Sponsor Meeting

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, August 8, 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.S. Lochhead, CEO/Manager	A. Joseph, Attorney
J.A. Anderson, Chief of Staff	K. Knoll, Public Affairs Manager
A.C. Bricmont, Chief Financial Officer	J. Lorton, Accounting Manager
J. Brody, General Counsel	P. McCoy, IT Applications Developer
G. Cagle, Chief Human Resources Officer	J. Mitchell, Finance Sr. Analyst
C.R. Dermody, Chief Information Officer	N. Poncelet, Director Water Quality - Treatment
B. Good, Chief Administrative Services Officer	S. Price, Engineer Manager
M. King, Chief External Affairs Officer	G. Rosenschein, Attorney
R. Mahoney, Chief Engineering Officer	G. Rygh, Director Water Distribution
M. Price, <i>Acting</i> Chief Operations and Maintenance Officer	J. Seagren, Distribution Relations Manager
P.L. Wells, General Counsel Emeritus	U. Sharma, Treasurer
	J. Shaw, Community Relations Sr. Specialist

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

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



S. Abram, Budget Manager
B. Balley, Engineer Sr.
K. Bates, Attorney
C. Brady, Engineer Sr.
A. Carmosino, Engineer Associate
S. Chesney, Director Public Affairs
A. Chotiner, Business Operations Manager
P. Coleman, Chief Internal Auditor
C. Davis, Engineering Specialist
F. Davis, Rates Manager
E. Decker, Director IT Projects
C. Fikan, Finance Tech
A. Flori, Engineer
P. Freeman, Finance Sr. Analyst
M. Hollenbaugh, Security Supervisor

J. Spitze, IT Manager
H. Stauffer, Community Relations Specialist
J. Taussig, Director EMSS
D.R. Walsh, Engineer Sr.
J. Walter, Finance Analyst
A. Woodrow, Community Relations Specialist
D. Irish, Southgate Water and Sanitation District
C. Lane, South Platte Water and Sanitation District
T. Lowe, Bancroft Clover Water and Sanitation District
A. Santos, Stantec

INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:16 a.m. Upon motion regularly made, seconded and unanimously carried, Commissioner Lucero was found to be absent for substantial cause and was excused. Commissioner Lucero later joined the meeting at 9:25 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.

Introductions, Awards, and Ceremonies

Mr. Lochhead introduced and welcomed Denver Water's new General Counsel, Jessica Brody. She previously worked for the City and County of Denver, and has a breadth of experience and knowledge in many areas that Denver Water encounters. Ms. Brody remarked that it is her honor to be part of the Denver Water team.

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 JULY 11, 2018

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

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

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

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

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

3. ITEM II-A-3: AMENDMENT TO SUMMIT COUNTY AGREEMENT FOR SILVERTHORNE WATER USE AS OUTLINED IN CRCA ARTICLE III.B.17 – CONTRACT 500152-2

Approved the Amendment to Contract 500152 with Summit County to implement Article III.B.17 of the Colorado River Cooperative Agreement.

4. ITEM II-A-4: WEST BELLEVIEW PUMP STATION SURGE TANK INSTALLATION – CONTRACT 503038

Approved Contract 503038 with Velocity Contractors, Inc. for completion of West Belleview Pump Station Surge Tank Installation for the contract period of August 8, 2018 through May 24, 2019, for a total contract amount not to exceed \$970,304.

5. ITEM II-A-5: 2018 CATHODIC PROTECTION IMPROVEMENTS – CONTRACT 503177

Approved Contract 503177 with Kantex Companies for the 2018 Cathodic Protection Improvements project for the contract period of August 8, 2018 through December 6, 2019, for a total contract amount not to exceed \$1,335,727.

6. ITEM II-B-1: RESOLUTION OF THE BOARD APPROVING REDUCTION IN FORCE

Adopted a Resolution approving a Reduction in Force and related severance benefits pertaining to the IT Division. A copy of the Resolution is attached to and incorporated in these Minutes as Exhibit A.

Mr. Dermody explained that in 2016 Denver Water engaged an outside consultant, Grant Thornton, to conduct a strategic assessment of IT and develop a business strategy consistent with the Strategic Plan, emerging technology and business needs. The outcome included recommendations for reductions of expenditures, transition to cloud-based support, as well as a 50 - 80% reduction in application development staff and a 25% reduction in client support staff.

Denver Water has incorporated several of the recommendations via the development of the Business Technology Management Office and has achieved a significant reduction in staffing through attrition. However, to meet the goal of a 50%-80% staff reduction in application development, it is necessary to implement a Reduction in Force of seven positions.

IT leadership, along with staff from Human Resources and the Office of General Counsel followed a thoughtful and rigorous process in accordance with Denver Water's Personnel Policies.

Commissioner Herzmark remarked that the Board greatly appreciates the deliberations and care that were taken over the last two years to be sure that decisions have been correct for the organization and have been handled in a manner that is best for affected employees.

7. ITEM II-B-2: CRCA ARTICLE III PAYMENTS

Approved the 2018 payment of \$5.5 million in accordance with Articles III.B.4, III.B.6.a and III.F.2.a of the Colorado River Cooperative Agreement (CRCA) to avoid net additional costs to Denver Water, currently estimated to be \$28,000 per quarter.

Ms. Wells explained that these payments were triggered by resolution of Blue River Decree (BRD) issues, which occurred in Water Division 5 on March 9, 2018 and by the expiration of time to appeal the entry of final judgment and decree. Under Articles III.B.4 and III.B.6.a, the Town of Dillon, Town of Silverthorne, Town of Frisco/Frisco Sanitation District, Town of Breckenridge, Summit County and four small water districts will share \$4.5 million in equal parts. the Grand Valley Fund, which is controlled by six Grand Valley signatories to the CRCA will receive \$1 million.

Although Denver Water originally agreed to make such payments in the first quarter of the budget year following resolution of the BRD issues, Denver

Water's Treasury section recommended making the payments sooner to avoid additional costs, estimated to be \$28,000 per quarter, due to inflation.

POLICY MATTERS

8. ITEM III-A: Foothills Treatment Plant Process/Mechanical Project

Mr. Walsh presented the Board with an Update of the Foothills Treatment Plant Process/Mechanical Project, a copy of which is attached to and incorporated in these Minutes as Exhibit B. The work encompasses regulatory, safety/sustainability, maintenance and redundancy/reliability components. Because of the need to coordinate scopes of work on site and the need to complete the work during the planned outage period of November 2018 to mid-April 2019, staff chose a CMAR contract process. The project is on track for its \$10 million budget, with \$3 million dedicated for the installation of a phosphate feed system, in anticipation of the need to comply with the Colorado Department of Public Health and Environment's (CDPHE) recent corrosion control order, as well as sodium hydroxide improvements.

9. ITEM III-B: Stakeholder Relations

Ms. Knoll provided information regarding the Community Relations team and the 2018 Community Relations Plan, copies of which are attached to and incorporated in these Minutes as Exhibits C and D respectively. The Public Affairs section as a whole is responsible for building relationships with customers and building support for the services Denver Water provides, and Community Relations supports this work by proactively raising awareness of such services, developing customer advocacy and providing support to staff so that they can complete projects effectively.

Recent work included education and outreach to the Westwood Unidos group to help them understand the value of drinking tap water, work with the Greenway Foundation to build support for the Gross Reservoir Enlargement Project, and work with communities along the High Line Canal. Customer Relations also engages with staff on long-term capital projects, such as the Northwater Treatment Plant, in an effort to develop communications, mitigate issues for the public and build and community support.

10. ITEM III-C: 2ND QUARTER PERFORMANCE REPORT

The Board received the 2nd Quarter 2018 Performance Report and the 2nd Quarter 2018 Performance Report Appendix, copies of which are attached to and incorporated in these Minutes as Exhibits E and F, respectively. Mr. Lochhead reviewed the Executive Summary, noting: 1) the Executive Team developed the 2019 Work Plan; 2) the revised CEO Expenditure Authority and variance matrix has been implemented throughout Denver Water; 3) the Business Technology Transformation office is utilizing Choosing by Advantages methodology for prioritizing IT business cases; 4) the Integrated Resource Plan 2065 is complete and staff is developing the Adaptive Plan; 5) design for the North System Renewal project is at the 30 - 60% phase; 6) the Inter-governmental Agreement with Colorado State University for the National Western project will come to the Board on August 22nd; and 6) staff is beginning 6-S events to prepare to move to the new Administration Building next year.

Mr. Lochhead also noted the following organizational challenges: 1) staff is formulating ways to understand and respond to the semi-annual employee engagement survey score, which was accompanied by concerns about capacity and pay; 2) Denver Water entered a Memorandum of Understanding with CDPHE to study the most effective corrosion control methodology for lead service lines and will continue to evaluate a process for eliminating those lines in its system; and 3) continued activity and discussion toward drought planning in the Colorado River basin.

Ms. Anderson reviewed the Balanced Scorecard, highlighting that the operating cost per account continues to trend below the target, finances are trending within the target range, leadership engagement is above the target and social media content impressions continue to exceed expectations.

Ms. Abram reviewed the Financial Report, noting that water sales are 6% above the budgeted amount, revenues are \$41 million below budget because Denver Water did not issue a line of credit, and the employee vacancy rate is 5%, due to competitiveness in the marketplace and retirements. Operating costs are \$7.8 million over budget, in part due to payments triggered by portions of the Colorado River Cooperative Agreement.

EXECUTIVE UPDATE

11. ITEM IV-A: CEO UPDATE

Mr. Lochhead reported that employees enjoyed the annual Summerfest celebration/picnic on July 27th and that the contents of the time capsule were revealed to employees on August 6th, which was Denver Water's 100th anniversary.

Mayor Hancock invited Mr. Lochhead to participate in the Denveright initiative, which focuses on outreach and planning to develop a more inclusive, connected and healthy city, and includes evaluation of issues such as neighborhood gentrification, density development and transit. On September 21st, the Board will meet to discuss similar topics.

BRIEFING PAPERS & REPORTS

12. ITEM V-A-1: COMMUNITY RELATIONS STRATEGY

The Board received a Briefing Paper about Community Relations Strategy, a copy of which is attached to and incorporated in these Minutes as Exhibit G.

ADJOURNMENT


No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 10:44 a.m.


Executive Session

On Wednesday, August 8, 2018 commencing approximately at 10:50 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 C.R.S. § 24-6-402(4)(b)
2. Security C.R.S. § 24-6-402(4)(d)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:08 a.m.

DocuSigned by:

Secretary

DocuSigned by:

President