

**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 10, 2017

Open Session

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, May 10, 2017, 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
Thomas A. Gougeon, Vice President
Penfield W. Tate, III, Vice President

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

J.A. Anderson, Chief of Staff	P. Freeman, Finance Sr. Analyst
G. Cagle, Chief Human Resources Officer	D. Hamm, Division Analyst
S. Covington, Chief Public Affairs Officer	Y. Her, Contract Supervisor
C.R. Dermody, Chief Information Officer	S. Kahler, Finance Sr. Analyst
M. King, Chief Planning Officer	P. Galarnneau, Finance Sr. Tech.
K. Legg, <i>Acting</i> Chief Administrative Services Officer	R. Gallen, Contract Specialist
J.S. Lochhead, CEO/Manager	A. Mays, Finance Supervisor
R.J. Mahoney, Chief Engineering Officer	J. Mitchell, Finance Sr. Analyst
T.J. Roode, Chief Operations and Maintenance Officer	C. Piper, Public Affairs Manager
U. Sharma, <i>Acting</i> Chief Financial Officer	S. Price, Engineering Manager
P.L. Wells, General Counsel	J. Seagren, Distribution Relations Manager
S. Abram, Budget Manager	D. Shable, Engineer Sr.
M. Almond, Construction Project Manager	R. Slade, Planner Sr.
	J. Tejral, Public Affairs Manager
	C. White, Finance Associate Analyst

M. Aragon, Director Customer Relations
A. Aslamy, Finance Analyst
J. Baker, Safety Specialist
M. Barela, Finance Supervisor
K. Bates, Attorney
L. Boss, Finance Sr. Tech.
T. Bryant, Controller
P. Carey, Procurement Manager
A. Chavez, Contract Specialist
P. Coleman, Chief Internal Auditor
U. Daly, Finance Associate Analyst
S. Dominick, Engineer Sr.

D. Winter, Organizational Improvement
Manager
R. Wirth, Finance Supervisor
D. Beckwith, Western Resource Advocates
J. Bushong, Clifton Larson Allen
R. Edson, WaterSmart
P. Fitzgerald, Platte Canyon Water &
Sanitation District
C. Lane, Platte Canyon Water & Sanitation
District
S. Lucero, City & County of Denver
A. Quinn, Platte Canyon Water & Sanitation
District

INTRODUCTORY BUSINESS

Commissioner Herzmark called the meeting to order at 9:12 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 APRIL 12, 2017

The Minutes of the Regular Meeting of April 12, 2017 were approved, as amended.

The Minutes of the Executive Session of April 12, 2017 were approved.

2. ITEM II-A-2: MINUTES OF APRIL 26, 2017

The Minutes of the Regular Meeting of April 26, 2017 were approved.

3. ITEM II-A-3: CONTRACT 17031A ERT'S & REGISTERS

Approved Contracts 17031A-C with Badger Meter, Inc., d/b/a National Meter & Automation and Finish Line Systems, LLC for ERT's and registers for the contract period of June 1, 2017 through May 31, 2020, for a total contract amount not to exceed \$3,800,000.

4. ITEM II-A-4 CONTRACT 17043A PROPANE FOR SOS FACILITIES

Approved Contract 17043A with Hill Enterprises, Inc., d/b/a Hill Petroleum for propane delivery for the contract period of June 1, 2017 through May 31, 2020, for a total contract amount not to exceed \$350,000.

5. ITEM II-A-5: CONTRACT 17044A AQUATIC NUISANCE SPECIES INSPECTIONS

Approved Contract 17044A with Colorado Parks and Wildlife for a one-year period, for a total contract amount not to exceed \$300,000.

6. ITEM II-A-6: CONTRACT 16402A AMENDMENT NO. 3 WITH GREAT LAKES ENVIRONMENTAL & INFRASTRUCTURE LLC FOR LUPTON LAKES GROUNDWATER CUTOFF WALLS

Approved the Third Amendment to Contract 16402A with GLEI for construction of reclamation slopes. The Amendment extends the contract period through November 30, 2017, and adds \$4,998,396, for a total amended contract amount not to exceed \$9,868,701.

7. ITEM II-A-7: 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, 2017 as follows:

1. Change Order No. 2 to Contract 15547A with Aslan Construction, Inc.;
2. Amendment No. 3 to Contract 15630B with Mortenson Construction;
3. Change Order No. 6 to Contract 15736A with Concrete Works of Colorado, Inc.;
4. Change Order No. 3 to Contract 16114A with Moltz Construction, Inc.;

5. Change Order No. 1 to Contract 16458A with Concrete Works of Colorado, Inc.;
6. Change Order No. 1 to Contract 16575A with Underground Infrastructure Technologies;
7. Change Order No. 1 to Contract 16659A with Guarantee Electrical Contracting;
8. Change Order No. 1 to Contract 16685A with Garney Construction; and
9. Amendment No. 1 to Contract 16449A with 701 Osage Owner, LLC

all as more particularly described in the attachment to Agenda Item ITEM II-7.

8. ITEM II-B-1: 2016 AUDITED FINANCIAL STATEMENTS

The Board accepted the audited 2016 Comprehensive Annual Financial Report (CAFR), a copy of which is attached to and incorporated into these Minutes as Exhibit A. Ms. Lorton thanked the Finance Division staff for its great team effort to complete the CAFR, while simultaneously working to implement ORCA and on other important projects.

Ms. Bushong, of Clifton Allen Larson (CLA) explained elements of the CAFR, including CLA's opinion letter, which is attached to and incorporated in these Minutes as Exhibit B. She stated that the Independent Auditors' Report, located within the CAFR, is an unmodified opinion, which means that Denver Water's financial statements are free from material misstatements. Ms. Bushong briefly explained various elements of the CAFR, noting that cash levels are fairly consistent with the prior year, investments have increased due to bond issuance, construction expenses increased due to Denver Water's numerous active projects, operating revenues increased due to the change in rate structure and increased consumption, and salaries and pension expenses increased, all resulting in the operating income being very consistent with that of 2015. The year 2016 saw no new changes to either accounting policy or GASB standards. Denver Water's largest liability are its bonds, with incremental debt payment obligations.

Ms. Bushong explained that GASB 68 required employers to state their net pension liabilities on financial statements, and that due to Denver Water's decision to reduce the discount rate from 7.5% to 7.25%, its net pension liability increased from \$46 million to \$72 million.

In response to a question from Commissioner Tate, she said that CLA found Denver Water's management and staff to be prepared and accommodating to the auditors, and that no significant deficiencies were found.

Ms. Bushong presented the Board with a Management Letter, which is attached to and incorporated in these Minutes as Exhibit C. The letter reflects that CLA reviewed and found no issues with the ORCA conversion, and found no significant issues during a review of IT access controls. CLA recommends that Denver Water centralize its procurement process. Finally, The CLA benefits auditing team found issued an unmodified opinion for all of Denver Water's benefits plans.

Mr. Lochhead congratulated the Finance Division for its work on the audit, recent bond issuance, and ORCA simultaneously. He noted that in a recent meeting with CLA, the team was lauded for being transparent, open, and prepared at all times.

POLICY MATTERS

9. ITEM III-A: WATER EFFICIENCY PLAN

Mr. Tejral presented the Board with a Draft Water Efficiency Plan, a copy of which is attached to and incorporated in these Minutes as Exhibit D. He showed the Board a presentation of Water Efficiency Plan Recommendations, which is attached to and incorporated into these Minutes as Exhibit E. Mr. Tejral noted that ten years ago the Board began Denver Water's journey to become leaders in water conservation, and that as a result of the Use Only What You Need marketing campaign, the performance of more than 40,000 water audits, the provision of incentives for consumers to implement water conserving fixtures, as well as the passage of legislation requiring efficient fixtures, Denver Water met its conservation goals.

The Draft Plan encompasses a five-year period, and would shift from a gallons-per-day-consumption goal to one that focuses on the number of gallons per day that an individual should strive to meet or beat for particular uses, thus encouraging individuals to become integral players in the water system. The purpose of this shift is to align with the Strategic Plan's customer-centric vision.

Mr. Tejral recognized Ms. Lucero, Ms. Quinn, and Mr. Beckwith and thanked them for their participation in the Water Efficiency Working Group. Ms. Lucero, from the Denver Office of Sustainability, said that from the City's perspective,

this has been a great partnership. She explained that the Draft Plan recommends: 1) indoor usage of 40 gallons per day per person in single family residential units; 2) outdoor usage of 12 gallons per square foot annually at single family residential units; 3) indoor usage of 40 gallons per day per person in multi-family residential units; 4) outdoor usage of 12 gallons per day per square foot in a multi-family residential unit; and 5) outdoor usage of 13 gallons per day per square foot in public spaces, such as parks and schools. Additionally, the Working Group plans to partner with commercial and industrial facilities to understand their consumption patterns and develop appropriate recommendations.

The Working Group anticipates that these behavioral changes can be achieved through increased education and development of policies that are useful and inspiring to motivate people to conserve. Mr. Tejral stated that it is the Group's intention to have the Plan interconnect with water efficiencies that become part of Denver Water's long-term planning.

Mr. Beckwith, of Western Resource Advocates stated that the Working Group is an important example of leadership in the water world, and that he appreciates Denver Water's leadership. He said that the Group's process has been inclusive and responsive, with all members feeling that they have been heard. He encouraged Denver Water to consider adopting even loftier goals than those in the Draft Plan.

Commissioner Lucero thanked the Group for their volunteer work and stated that he appreciates the Draft Plan. In response to a question from Commissioner Austin, Mr. Tejral stated that the 12 gallons per day per square foot of water recommended for outdoor residential customers is below the current recommendations for turf grass, and that with such a water budget, consumers would need to allocate the resources within their landscape to different types of landscape to achieve the goal. Commissioner Gougeon remarked that he appreciates the shift in the Plan's approach, but cautioned the Group not to become fixed on the definition of "efficient" in light of changing technologies which should trigger reevaluation of that term. In response to a question from Commissioner Herzmark, Mr. Tejral said that the communication strategy will begin next week with a meeting of the Citizen's Advisory Committee.

Commissioner Tate expressed concern changing the message from conservation to individual efficiency could cause the broader community to perceive that Denver Water has abandoned its efforts to build a culture of

Group not underestimate the success of the Use Only What You Need campaign.

Mr. Lochhead remarked that despite the success Denver Water has achieved, conservation connotes sacrifice and has the potential to result in pushback. He said that the new approach permits analysis of the whole water system, and lets Denver Water communicate with individuals with targeted relevant information. For example, if a customer is already meeting efficiency goals, Denver Water can encourage him to continue, and if another customer needs assistance, Denver Water can educate him on his usage as well as methods for improvement.

Commissioner Herzmark thanked the Working Group for its excellent work. In response to a question from Commissioner Herzmark, Ms. Covington said that Public Affairs has completed a pilot project communicating with residents new to the Denver-metro area.

Commissioner Lucero left the meeting at 10:50 a.m.

10. ITEM III-B: FIRST QUARTER COMPREHENSIVE ORGANIZATIONAL REPORT

Mr. Lochhead introduced the First Quarter 2017 Reporting Package, a copy of which is attached to and incorporated in these Minutes as Exhibit F. He said that the report is intended to be a deep dive into the organization's reporting and priorities. He reminded the Board beginning in 2018, staff and the Board will move to a two-year budget cycle, which is intended to allow the Board to shift its focus away from individual Board items and contracts, toward policy and strategic conversations. Comprehensive reporting is necessary to support this shift, and going forward, once the Board approves a two-year budget it will be notified of exceptions, as will continue to be asked to approve intergovernmental agreements, land, water and property acquisitions, and will receive organizational reporting on initiatives and project status. In the future, the comprehensive report will be expanded to include SMWBE, contract, risk, and audit reporting.

Ms. Anderson guided the Board through the report, explaining the dashboard, footnotes, and metrics. Ms. Covington commented that she expects to receive the updated customer survey metric in June and Mr. Roode explained that the customer outage hours metric was higher than expected due to a large main break at the beginning of the year. Ms. Abram said that the fiscal responsibility metric is expected to be in line toward the end of the year.

Ms. Anderson said that staff spent time with Aquaterra, from Alberta, Canada, who were interested in Denver Water's leadership with the LEAN methodology. It was a good opportunity to share Denver Water's continuous improvement program, which continues to grow and thrive.

Ms. Her explained that the Procurement Value Stream began in September, 2016 with the goal to reduce cycle time, lower costs and incrementally improve the administrative process. The group has also been working closely with the ORCA team to identify gaps and address items in an internal audit report. They will refresh in June to move toward a centralized procurement system.

Mr. Baker reported on the Safety Value Stream, which has focused on what happens prior to accidents/injuries and then on automobile backing accidents. A third Rapid Improvement Event will be scheduled for personal protective equipment.

Mr. Roode reported on the Water Distribution Value Stream, which focused on hydrant repairs and valves. The result is a 73% reduction in hydrant backlog. Additionally, the Water Quality Value Stream focused on design of the new lab facility.

Ms. Covington reported on the Customer Experience Value Stream, which started to improve customer satisfaction, moved toward work with dense developments and recently focused on distributor relations. As a result, customer complaints and inquiries have been reduced.

Ms. Abram guided the Board through the financial portion of the report, noting that revenues, operating expenses, major expense categories, capital expenses, and division expenses are within the expected ranges, with one exception for the Forests to Faucets initiative.

Staff will continue to enhance the quarterly reports with feedback from the Board.

BRIEFING PAPERS & REPORTS

11. ITEM V-A-1: LEGISLATIVE UPDATE

The Board received a Legislative Update Briefing Paper, a copy of which is attached to and incorporated into these Minutes as Exhibit G.

12. ITEM V-A-2: PROPERTY AND CASUALTY INSURANCE RENEWAL AND REPLACEMENT

The Board received a Briefing Paper on Property and Casualty Insurance Renewal and Replacement, a copy of which is attached to and incorporated into these Minutes as Exhibit H. Commissioner Austin requested that a more detailed schedule of coverages and costs be provided to the Board at a future date.

ADJOURNMENT

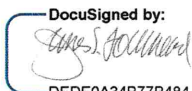
No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:50 a.m.

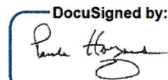
EXECUTIVE SESSION

On Wednesday, May 10, 2017 , commencing approximately at 11:50 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. Property Transactions § 24-6-402(4)(a)
2. Attorney-Client Matters § 24-6-402(4)(b)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:58 a.m.

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 Secretary

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 President