

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

OPEN SESSION

October 28, 2015

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, October 28, 2015, 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:

H. Gregory Austin, President
John R. Lucero, First Vice President
Thomas A. Gougeon, Vice President
Paula Herzmark, Vice President
Penfield W. Tate, III, Vice President

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

J.S. Lochhead, CEO/Manager	P.L. Wells, General Counsel
A.C. Bricmont, Director of Finance	W. Bates, <i>Acting</i> Director of Planning
T.L. McGuire-Collier, <i>Acting</i> Director of Public Affairs	J.A. Anderson, Director of Customer Relations
B.D. Good, Deputy Manager of Organizational Improvement	T.J. Roode, Director of Operations and Maintenance
R.J. Mahoney, Director of Engineering	C.R. Dermody, Director of Information Technology
G. Cagle, Director of Human Resources	P.A. Carey, Manager of Purchasing and Contracting
U. Sharma, Treasurer	P.B. Coleman, Chief Internal Auditor
K. Bates, Attorney	M.E. Elliott, Assistant Director of Public Affairs – Government, Stakeholder Relations and Conservation
T. Cristiano, Manager of Budgets and Rates Administration	S.L. Chesney, Manager of Media and Executive Communications
T. Bryant, Controller	
D.M. Hamm, Staff Analyst	

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S. Snyder, Special Projects Coordinator	T. Thompson, Senior Media Relations Coordinator
W.C. Austin, Manager of Safety and Security	M. Price, Division Office Business Manager
J. Seagren, Distributor Relations Manager	J. Ross, Engineer
A. Turney, Chief of Distribution & Property Management	S. Franey, Sr. Internal Auditor
R. Stitt, Planner	C. Ward, Sr. Internal Auditor
J. Lorton, Manager of Accounting	R. Wirth, Finance Manager
R. DeCoursey, Finance Manager	B. Maulis, Contract Specialist
G. Rygh, System Manager of Water Distribution	J. Segal, Contract Specialist
S. Dominick, Water Resource Engineer	J. Dye, System Manager of Support Services
Y. Her, Contracts Supervisor	K. Petrik, Chief of Construction Management
B. Haskell, Construction Shop Foreman	B. Gogas, Planner
M. Sullivan, Trammell Crow	E. Cinchock, Office Management Assistant
A. Brown, Trammell Crow	G. Gulley, Engineer
M. Rockford, Rockford Gray	J. Wittler, Attorney
H. Lamair, High Line Canal Conservancy	E. Helgeson, Sr. Financial Analyst
J. Bickert, High Line Canal Conservancy	B. Mosher, Trammell Crow
D. McCreavy, Lockheed Martin	J. Bauer, Trammell Crow
	P. Fitzgerald, Platte Canyon Water & Sanitation District
	J. Ellsworth, High Line Canal Conservancy

Commissioner Austin called the meeting to order.

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Public Comment and Communications

Commissioner Austin 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.

Commissioner Austin stated that Item III-A would be discussed out of order.

1. **ITEM III-A: OCR UPDATE**

Mr. Ross introduced Mr. Mosher from Trammell Crow, who presented the OCR monthly project update. Mr. Mosher said that Trammell Crow is continuing to have discussions with the City & County of Denver and Metro Wastewater regarding permit fees, and that he hopes to present the pricing for Phase II (Admin. Bldg., Wellness, & Parking Structure) to the leadership team on November 2, 2015. He said that good progress is being made toward the geothermal, One Water, and solar aspects of the project. Mr. Good commented that although there may be a limited on-site solar facility, the majority of solar energy may occur offsite, potentially at a solar farm Xcel Energy that is planning to construct in the San Luis Valley. Mr. Mosher said that RNL Design has met the target of 12% MWBE for design with current sub-contracts for the project and will strive to exceed that goal as additional vendors are identified.

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

2. **ITEM II-A-1: CONTRACT 16379A WITH UNIFIRST CORP.**

Awarded contract 16379A to Unifirst Corp. for rental of mats, towels, mops, shop rags, coveralls, shirts and pants for the contract period December 1, 2015 to November 30, 2017 for a total contract amount not to exceed \$113,000.00. The Tabulation of Bids is attached to and incorporate in these Minutes as Exhibit A.

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3. **ITEM II-A-2: HAZARDOUS WASTE DISPOSAL CONTRACT**

Approved Contract 15933A with Clean Harbors Environmental Services for hazardous waste disposal services for the contract period October 28, 2015 to September 30, 2018 for a total contract amount not to exceed \$200,000.00.

4. **ITEM II-B-1: DESIGNATION OF SURPLUS PROPERTY AT PLATTE CAÑON RESERVOIR**

Ms. Turney introduced Mr. Mcreevy from Lockheed Martin and stated that Lockheed Martin has approached Denver Water with an offer to purchase 53 acres near Platte Cañon Reservoir. After discussion of certain site improvements, appraisal criteria and deed restrictions that Denver Water would require for such a transaction, the Board designated the acreage surplus property.

5. **ITEM II-B-2: PURCHASE OF SASAKI LAND AND FULTON DITCH SHARES AT LUPTON LAKES FOR AGRICULTURAL STUDIES AND POTENTIAL LONG TERM DOWNSTREAM RESERVOIR EXPANSION**

Approved Contract 16455 A and Contract 16455B for a total contract amount not to exceed \$2,862,000.00 plus closing costs for the purchase of the Sasaki Property, and authorized the CEO/Manager to enter into subsequent agreements necessary to acquire the property, subject to: 1) apprising the Board of any information discovered during the due diligence period; and 2) negotiation of an agreement acceptable to the Board's General Counsel.

Mr. Bates explained that Denver Water has a goal of developing 30,000 acre feet of downstream reservoir storage on the South Platte River, which was memorialized in the Colorado River Cooperative Agreement (CRCA). This planned-for 30,000 acre feet of storage is needed for two primary purposes: 1) replacement in exchange for Denver Water's diversions made upstream; and 2) replacement for diversions made at the recycle plant. As Denver Water seeks to implement "One Water" strategies, it is likely that additional replacement supplies will be needed to meet obligations to downstream

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senior water rights. To the extent One Water embraces precipitation harvesting, greywater and black water reuse, and such water is found to belong to downstream senior water rights, replacement supplies delivered from downstream storage will be needed beyond the 30,000 acre feet. The IRP will help inform how much additional storage will be required for One Water, as well as agricultural sharing arrangements and potable reuse. He said that by acquiring the property now, Denver Water would preserve its options for additional storage that may be needed in the future.

Mr. Stitt said the acquisition would include sand and gravel rights, surface rights, a well and irrigation rights by way of eight Fulton Ditch shares. The near-term plan would be to maintain the property's current agricultural production unless and until Denver Water determines it needs additional storage at the Lupton Lakes site.. Long-term, this acquisition could help with replacements for One Water efforts such as rainwater and storm water capture. However, if Denver Water ultimately decides additional storage is not required at this site, the property could be sold, and the property would retain its present attributes and attractiveness to other parties. Mr. Lochhead commented that this purchase presents Denver Water with an opportunity to explore alternate transfer methods for use of agricultural water rights, which are a topic of discussion for the state water plan.

Mr. Wittler explained that there is one drilling window and one operating well on the property. Commissioner Tate asked whether the offered purchase price contemplates costs of removing the drilling window. Mr. Wittler said that the project team is working with appraisers and outside counsel to properly assess that cost, and that an estimate was included in the project budget. The irrigation well would be available for Denver Water's use so long as the property continues to be used for agricultural purposes. Mr. Mahoney commented that the project team will continue to gather information about the project cost during the due diligence period and will share this information with the Board in December. The presentation is attached to and incorporated in these minutes as Exhibit B.

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6. **ITEM III-B: HIGH LINE CANAL UPDATE**

Ms. Lamair introduced Mr. Ellsworth and Mr. Bickert and presented the Board with an update on the High Line Canal Conservancy efforts towards the long term visioning project for the High Line Canal. She stated that the Conservancy will begin public outreach meetings next Spring. She said that the group has raised funds for the second phase of master planning and thanked Sally Covington and Commissioner Herzmark for their assistance developing public outreach and fundraising efforts. The Conservancy is building a clearinghouse of information about the High Line Canal and is working with each of the relevant jurisdictions to perform a comprehensive tree inventory. Commissioner Austin remarked that the Conservancy is good for all of the jurisdictions and inquired as to whether one entity has been identified to take ownership of the project. Ms. Lamair stated that it's important for the jurisdictions to feel the benefit from a united Conservancy working group, and that it's important to understand the future operation and purpose of the Canal before an owner is identified. The presentation is attached and incorporated in these minutes as Exhibit C.

7. **ITEM III-C: RATE STRUCTURE DISCUSSION**

Mr. Cristiano explained that because of past revenue volatility and changes in customer water usage, it has been necessary to reevaluate Denver Water's rate structure system. The goal is to develop a system with revenue stability and which contains tier thresholds that better represent current demand, while continuing to encourage conservation. He presented a proposed revised structure, which incorporates input from the rate structure review committee, the Distributor's Forum, and a customer rate perception survey. Mr. Cristiano said that a final revised rate structure will be presented to the Board in December. The presentation is attached to and incorporated in these minutes as Exhibit D.

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8. **ITEM III-D: 3RD QUARTER BUDGET PERFORMANCE AND FORECAST**

Ms. Bryant presented a financial report for the third quarter of 2015, reflecting actual spending vs. budgeted amounts and containing a forecast for fourth quarter spending by division. She described that revenues have fallen by \$31 million this year due to weather. She explained that this shortfall was mitigated by system development charge revenues. Ms. Bryant said that operating spending is expected to be approximately \$3 million under budget. Mr. Mahoney explained that the 2015 capital budget was developed through a new project filtering and prioritization process which allowed it to be very accurate.

Mr. Dermody presented a summary of the 2015 IT capital spending vs. budget and explained that hardware and software expenses were less than anticipated.

Commissioners Tate and Herzmark expressed appreciation for the level of detail in the presentation and requested that future quarterly financial reports also include investment performance information. The presentation is attached to and incorporated in these minutes as Exhibit E.

9. **ITEM IV-C: OPERATIONS REPORT**

Mr. Roode said that Operations & Maintenance conducted a successful emergency simulation exercise at Gross Reservoir.

10. **ITEM V-A: SCHEDULING OF FUTURE BOARD MEETINGS AND TENTATIVE DISCUSSION TOPICS**

The Board received the Schedule of Future Board Meetings and Tentative Discussion Topics, a copy of which is attached to and incorporated in these Minutes as Exhibit F. The start time for the November 4, 2015 meeting was moved to 10:00 a.m.

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11. **ITEM V-D: REVIEW OF PROPERTY BURDENS AND DISPOSALS –
THIRD QUARTER 2015**

The Board received a report of property burdens and disposals for the third quarter of 2015, a copy of which is attached to and incorporated in these minutes as Exhibit G.

12. **ITEM V-E: REPORTING OF STAFF ADMINISTERED
CONSTRUCTION CONTRACT CONTINGENCIES AND ALLOWANCES**

The Board received a report of staff administered construction contract contingencies and allowances, a copy of which is attached to and incorporated in these minutes as Exhibit H.

No further business appearing, the Board voted unanimously to adjourn into an Executive Session at approximately 11:52 a.m.

EXECUTIVE SESSION

On Wednesday, October 28, 2015, commencing approximately at 11:53 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. Litigation § 24-6-402(4)(b)
2. Security § 24-6-402(4)(d)

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There being nothing further for the Board to consider, the Executive Session concluded at approximately 12:02 p.m.


Secretary


President