

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

#### OPEN SESSION

December 10, 2014

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, December 10, 2014, beginning at 9:10 a.m. in the Board Room, Room 309, 1600 West 12<sup>th</sup> Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

**H. Gregory Austin, President**  
**John R. Lucero, First 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	D.L. Little, Director of Planning
S.C. Covington, 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
M.K. Frishman, Attorney	M.E. Elliott, Assistant Director of Public Affairs – Government, Stakeholder Relations and Conservation
T. Bryant, Controller	M. Price, Division Office Business Manager
D.M. Hamm, Staff Analyst	D. Kennedy, Environmental Scientist
B. Bates, Manager of Water Rights Protection	J. Plonsky, Accountant
J. Wittler, Attorney	
C. Good, Water Resource Engineer	

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M. Nealey, Hydraulic Engineer	A. Strasser, Manager of Treated Water Planning
A. Ingram, Contract Specialist	
T. Lechtenberg, Engineering/ Systems Technician	Y. Her, Contracts Supervisor
A. Turney, Chief of Distribution and Property Management	A. Chavez, Staff Analyst
L. Likes, Appraiser-Negotiator	A. Rettig, Finance Manager/Supervisor
B. Wedll, Purchasing Agent	P. Daukas, Manager of Environmental Planning
S. Miller, Manager of Benefits and Health Care Administration	J. Figurelli, Senior Financial Analyst
J. Bogner, Finance Analyst	T. Segura, Senior Budget Application Support Specialist
J. Bandy, Water Resource Engineer	K. Kuykendoll, Staff Analyst
R. Decourcey, Finance Manager/ Supervisor	A. Novander, Law Clerk
Susan Matthews, Colorado State Forest Service	John Warford, Cherry Creek Valley Water and Sanitation District
Claire Harper, U.S. Forest Service	Rob Jennejalua, Emerson
Bryan Wood, HDR Engineering, Inc.	Bob Knueven, Industrial Chemicals

Commissioner Austin called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, Commissioners Gougeon and Herzmark were found to be absent for substantial cause and were excused.

**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.

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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 OPEN MEETINGS**

The reading of the Minutes of the Regular Meetings of November 12, 2014, and November 19, 2014, was dispensed with and such Minutes were approved.

**2. ITEM II-A-2: MINUTES OF EXECUTIVE SESSIONS**

The Minutes of the Executive Sessions of November 12, 2014, and November 19, 2014, were approved.

**3. ITEM II-A-3: EMPLOYEES ELIGIBLE FOR REGULAR STATUS**

The following employees were classified as regular employees of the Board, with all rights and privileges thereof, effective December 1, 2014, unless otherwise noted:

<b>Employee Name</b>	<b>Employment Date</b>	<b>Division/Section</b>
Tafoya, Jr., Daniel D.	2014-05-12	Customer Relations Division Customer Care, #460
Williams, Pamela R.	2014-05-19	Customer Relations Division Customer Care, #460
Hunter, John B.	2014-05-05	Engineering Division Project Surveyor, #241
Davis, Annette Tr.	2014-06-03	Human Resources Division Employee Health Services, #425
Fry, Jessica A.	2014-06-03	Human Resources Division Organizational Development & Training, #424
Dawson, Terril C.	2014-05-19	Information Technology Division Administration & Operations, #176

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Fraser, Lori J.	2014-05-27	Legal Division Legal, #050
McCreer, Donald W.	2014-06-03	Operations and Maintenance Division South Platte Area, #530
Dudas, Katherine D.	2014-05-19	Public Affairs Division Communications and Marketing, #021

4. **ITEM II-A-4: THIRD AUTHORIZATION FOR ADDITIONAL CONTRACT FUNDS FOR HEAVY EQUIPMENT RENTAL**

Approved the Third Authorization for Additional Contract Funds for Contracts 13633B, 13633C, and 13633D with Honnen Equipment Company, Power Motive Corporation, and Power Equipment Company, respectively, for rental of heavy equipment. The authorization adds \$425,000.00 to Contract 13633A for the benefit of all three contracts and for a total amended contract amount not to exceed \$1,560,000.00. A copy of the authorization is attached to and incorporated in these Minutes as Exhibit "A."

5. **ITEM II-A-5: THIRD AMENDMENT TO CONTRACT FOR LEAN CONSULTING SERVICES**

Approved the Third Amendment to Contract 13913A with Simpler North America, LLC, for Lean consulting services. The amendment extends the contract through December 31, 2015, and adds \$428,230.00 for a total amended contract amount not to exceed \$1,616,898.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "B."

Commissioner Tate inquired whether the agreement would terminate at the end of 2015. Mr. Good responded that the consultant's services would be needed for a couple of more years to coach and train Denver Water's Lean program staff. However, during that time, the consultant's workload will continue to be reduced.

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6. **ITEM II-A-6: CONTRACT FOR AIR RELEASE AND VACUUM VALVES – CYLINDRICAL**

Awarded Contract 15667A to Ferguson Enterprises, Inc., for air release and vacuum valves for the contract period November 1, 2014, through October 31, 2016, for a total contract amount not to exceed \$200,000.00. A copy of the Contract is attached to and incorporated in these Minutes as Exhibit "C."

7. **ITEM II-A-7: THIRD AMENDMENT TO CONTRACT FOR ATTENDED AND UNATTENDED CRANE RENTAL SERVICES**

Approved the Third Amendment to Contract 13455A with Terry's Crane and Rigging, Inc., for rental of attended and unattended cranes. The amendment adds \$60,000.00 for a total amended contract amount not to exceed \$160,000.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "D."

8. **ITEM II-A-8: 2015 BENEFIT INSURANCE RENEWALS**

Approved the following benefit insurance renewals through December 31, 2015:

Second Amendment to Contract 05778C and Third Amendment to Contract 05924A with Cigna Health and Life Insurance Company for administrative fees of approximately \$860,000;

Eighth Amendment to Contract 05778B with Cigna Health and Life Insurance Company for Individual Stop Loss of \$285,000.00 at a rate of \$1,441,702.00 per year;

Amendments to Contracts 06716A and 06717A with Delta Dental for administrative fees of approximately \$48,700.00;

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First Amendment to Agreement 05899A with Superior Vision Services, Inc., for administrative fees of approximately \$18,800.00;

Amendment to Life and Long Term Disability Insurance Agreement 10685A with The Lincoln National Life Insurance Company for basic life and basic accidental death and dismemberment ("AD&D") coverage of approximately \$260,000.00, optional life and AD&D coverage at no cost to Denver Water, short-term disability coverage at no cost to Denver Water, and long-term disability coverage of approximately \$356,000.00; and

Amendment Number 4 to the Administrative Services Agreements 10790A and 10791A with PayFlex Systems USA, Inc., for flexible spending, account administration, COBRA, and retiree billing services for a total cost of approximately \$33,000.00,

all as more particularly described in the attachment to Agenda Item II-A-8, which is attached to and incorporated in these Minutes as Exhibit "E."

9. **ITEM II-A-9: SELECTION OF INVESTMENT CONSULTANT FOR DEFINED CONTRIBUTION PLANS**

Approved Agreement 15732A with Cook Street Consulting, Inc., for investment advisory services for the defined contribution plans included in Denver Water's Retirement Program at a retainer of \$12,500.00 per quarter through December 31, 2017. A copy of the Agreement is attached to and incorporated in these Minutes as Exhibit "F."

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10. **ITEM II-A-10: WATER QUALITY OPERATIONAL STUDY**

Approved Agreement 15796A with HDR Engineering, Inc., for a water quality hydraulic model and study for a total contract amount not to exceed \$547,033.00. Mr. Little explained the study will expand the capability of Denver Water's existing hydraulic model to deal with water quality issues in the collection system, which Denver Water would correct. A copy of the Agreement is attached to and incorporated in these Minutes as Exhibit "G."

11. **ITEM II-A-11: RATIFICATION OF CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified Construction Contract Change Orders and Amendments to Agreements authorized in November 2014 as follows:

Change Order No. 5 to Contract 14107A with Ludvik Electric Company for the 56<sup>th</sup> Avenue Pump Station and Reservoir Switchyard Replacement;

Change Order No. 4 to Contract 14913A with T. Lowell Construction, Inc., for the Tanabe Reservoir Outlet and Interconnect;

Change Order No. 1 to Contract 14977H with M.A. Mortenson for Foothills Treatment Plant – Paving of Roads and Parking Lots;

Change Order No. 2 to Contract 15022A with T. Lowell Construction, Inc., for the Moffat Tunnel Collection System – Siphon No. 1 Replacement;

Change Order No. 2 to Contract 15056A with Tezak Heavy Equipment Co., Inc., for Antero Dam Rehabilitation, Phase II;

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Change Order No. 1 to Contract 15143A with Layne Heavy Civil for Conduit No. 74 – Relocation from Smith Road from Sand Creek to Havana Street;

Change Order No. 1 to Contract 15187A with Moltz Construction, Inc., for the Cherry Hills Pump Station Modifications;

Change Order No. 1 to Contract 15253A with Concrete Works of Colorado, Inc., for the S. Platte Collection System – North Complex Outlet;

Change Order No. 1 to Contract 15416A with Concrete Works of Colorado, Inc., for the 64<sup>th</sup> Avenue Pump Station and Decentralization Facility Roadway Improvements;

Seventh Amendment to Agreement 11358B with Tibco Software Inc. for Annual Maintenance and Support for Middleware Software;

Seventh Amendment to Agreement 11424A with Iconics for Annual Renewal and Upgrade for Genesis32 licensing;

First Amendment to Task Order Agreement 14332G with Kumar & Associates, Inc., for the Jim Creek Siphon Replacement; and

First Amendment to Agreement 15185A with The Regents of the University of Colorado at Boulder for Bench Scale Testing Services for the Northern System Renewal Water Treatment Upgrades Project,

all as more particularly described in the attachment to Agenda Item II-A-11, which is attached to and incorporated in these Minutes as Exhibit "H."

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12. **ITEM II-B-1: COLLECTION AGREEMENT WITH U.S. FOREST SERVICE FOR FOREST TREATMENTS ON NATIONAL FOREST LAND IN DENVER WATER'S WATERSHEDS**

Approved the Collection Agreement (Contract 15752A) between the City and County of Denver, acting by and through its Board of Water Commissioners, and the USDA, Forest Service Rocky Mountain Region, for the contribution of funds from Denver Water to the U.S. Forest Service to improve forest and watershed health on National Forest System Lands within the Upper South Platte, South Platte River Headwaters, St. Vrain, Colorado River Headwaters, and Blue River Watersheds. Denver Water will make a total contribution of \$4,245,872.00 under the agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "I."

Mr. Kennedy explained this is the fifth agreement with the U.S. Forest Service for forest treatments in Denver Water's watersheds under a memorandum of understanding that will expire in July 2015. Under the five agreements, Denver Water has committed a total of \$14.85 million to the Forest Service's efforts. To date, more than 24,000 acres of federal forest land have been treated, and 725,000 tons of biomass have been removed. With the additional work under the fifth agreement, the total treated area will rise to 44,000 acres.

Mr. Kennedy's presentation for Agenda Items II-B-1 and II-B-2 is attached to and incorporated in these Minutes as Exhibit "J."

13. **ITEM II-B-2: SERVICES AGREEMENT WITH COLORADO STATE FOREST SERVICE FOR FOREST TREATMENTS ON NON-FEDERAL LANDS IN DENVER WATER'S ZONES OF CONCERN**

Approved the Services Agreement (Contract 15802A) with the Board of Governors of the Colorado State University System, acting by and through Colorado State University, for forest treatments on non-federal lands in

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Denver Water's zones of concern. A copy of the agreement is attached to and incorporated in these Minutes as Exhibit "K."

Mr. Kennedy explained this is the second such agreement with the Colorado State Forest Service. To support the forest treatment efforts, Denver Water will contribute \$1.65 million over the next five years, which will be contingent on a 100 percent match by other entities including federal, state, and local governments and non-profit, private, and corporate entities. With the additional contributions, it is anticipated that 2,150 acres of non-federal lands in Denver Water's zones of concern will be treated.

**14. ITEM II-B-3: BIG LAKE DITCH STUDY AGREEMENT AND FUNDING AGREEMENT**

Approved Agreement 15801A with Bishop-Brogden Associates, Inc., for a study of the Big Lake Ditch to identify possible operational alternatives for Denver Water's ownership interests in the ditch, for a total contract amount not to exceed \$180,200.00. A copy of the agreement is attached to and incorporated in these Minutes as Exhibit "L."

The Board also approved Inter-Governmental Agreement 15801B with the Board of County Commissioners of the County of Grand for joint funding of the study. Grand County will reimburse Denver Water for 50 percent of the study's costs up to \$100,000.00. A copy of the agreement is attached to and incorporated in these Minutes as Exhibit "M."

Mr. Clay Good presented the agreements and explained that beginning in 1963 Denver Water purchased water rights in the Big Lake Ditch to preserve Denver Water's yield in the Williams Fork River. The ditch extends 40 miles from its headgate and is used to irrigate hay meadows in Grand County. Denver Water also entered into water agreements with ditch users to allow their continued irrigation from the ditch as well as storage by Denver Water in Williams Fork Reservoir.

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The study is required under the Colorado River Cooperative Agreement for the purposes of maintaining the historic agricultural uses of the ditch so as to maximize the environmental benefits while substantially preserving Denver Water's yield.

Mr. Good's presentation is attached to and incorporated in these Minutes as Exhibit "N."

15. **ITEM II-B-4: CONTRACT TO PURCHASE TOLL PROPERTY IN DENVER WATER'S WATERSHED**

Approved Contract for Sale of Real Estate 15779A with The Conservation Fund to purchase 539 acres of the Toll Property in Gilpin County for a total contract amount not to exceed \$850,000.00. A copy of the contract is attached to and incorporated in these Minutes as Exhibit "O."

Mr. Little discussed the purchase of the property, which is bordered by U.S. Forest Service land and the James Peak Wilderness Area. Denver Water will purchase 11 separate parcels, which can be retained for a potential future exchange with the U.S. Forest Service or other opportunities. The parcels sit in the South Boulder Creek Basin, which is the watershed for Gross and Ralston Reservoirs.

The appraised value of the parcels is \$1.92 million; Denver Water's purchase price is \$850,000.00. Denver Water will deposit \$50,000.00 in earnest money from the 2014 budget and will pay the balance at the closing on February 27, 2015. The Board will be asked to approve an increase of \$800,000.00 to the 2015 budget, which is expected to be approved December 17, 2014, for purposes of this purchase.

16. **ITEM III-A: 2015 PROPOSED BUDGET**

Ms. Bricmont summarized the process that was used to determine the proposed budget for 2015. Staff developed the budget based on historic

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spending, known changes, and the addition of organizational priorities such as the Organizational Reporting and Communications Alignment project and the Operations Complex Redevelopment. Staff will review non-prioritized projects again in the first quarter of 2015 to determine whether and when to add any of them to the budget.

Ms. Bryant discussed the proposed budget. The total of \$343 million includes increases to debt service and \$92 million in prioritized capital and operating projects. The budget for salaries and benefits has not changed since 2013 due to removal of vacant positions. Ms. Bryant reviewed the capital projects and respective budgets by system: collection, treatment, distribution, and expansion. She also explained that a new system has been added for operations support of the four other systems. Lastly, Ms. Bryant presented revenue and expenditure projections for 2015; a net cash flow of \$10 million is projected.

Staff will seek the Board's approval of the 2015 budget at the Board meeting on December 17, 2014. The presentation is attached to and incorporated in these Minutes as Exhibit "P."

#### 17. **ITEM IV-A: CEO REPORT**

Mr. Lochhead reported on his participation in a recent forum in Las Vegas, Nevada, on the need for flexibility in response to drought.

He also noted the announcement by the Governor of the proposed state water plan, which includes reports by all basins in the state. He indicated Denver Water staff believes the plan is a good start but that the state needs to work on an action plan on how it will implement the strategies in the state water plan. He opined that many of the strategies will face hurdles.

Mr. Lochhead also gave an update on his participation in efforts to prevent deterioration of storage levels in Lake Powell by entering into a system conservation agreement for the Colorado River. He reported that a

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commission of the Upper Colorado River would be announcing a resolution supporting this work. He also reminded the Board of Denver Water's partnership with the Central Arizona Project, the Southern Nevada Water Authority, and the Metropolitan Water District of Southern California to fund \$11 million of pilot projects for demand management on the river. The partnership is working with the agricultural and environmental communities to develop the pilot projects, and there is some interest by farmers in Colorado. Additionally, Mr. Lochhead has been working with the offices of Senators Harry Reid, Dianne Feinstein, Mark Udall, and Michael Bennet to pass legislation that would allow the Department of Interior to provide funding for the pilot projects and water conservation agreements. The lower basin states of the Colorado River also will be announcing an agreement to provide 1.5 to 3 million acre-feet of water to Lake Mead by 2019.

Mr. Lochhead and Ms. Cagle have been holding forums with employees to roll out the Total Rewards philosophy. They have explained the long-term financial challenges the retirement program is facing and their intent to explore alternatives in an open and collaborative way with employees. Mr. Lochhead said it will take time for a consultant to develop alternatives. Staff will present to the Board an implementation plan for Total Rewards in January 2015.

Lastly, Mr. Lochhead discussed a forum he attended that was held by the Mayor of Denver for developers in the metropolitan area. They discussed opportunities for Denver Water and the developers to work together, such as reviewing the required size of Denver Water's easements, system development charges, and the challenge of metering in clustered developments.

#### 18. **ITEM IV-B: CFO REPORT**

Mr. Plonsky announced Denver Water's receipt of a \$5.8 million check from the City of Denver's wastewater management division for the final payment of

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deferred costs the City owed to Denver Water for the Customer Care & Billing project.

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

Ms. Anderson discussed a recent change to the practice of offering customers a check to pay for restoration of their landscaping when it is damaged by Denver Water crews. Staff learned that some customers were accepting the money without completing the restoration work required under Denver Water's permit from the City of Denver. Therefore, staff has decided to limit this practice to only small projects of Denver Water that do not require a City permit. Until the change, Denver Water paid customers about \$10,000.00 for restoration of their landscaping this year.

Additionally, Ms. Anderson told the Board of a recent power outage that impacted 1,100 customers of Xcel Energy and shut down Denver Water's Customer Care call center for 3.5 hours. Mr. Dermody noted that the outage damaged a router and some telephones, which will need to be replaced.

20. **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, which is attached to and incorporated in these Minutes as Exhibit "Q."

21. **ITEM V-B: EVENT CALENDAR**

The Board received a calendar of upcoming community events to be attended by various staff, which is attached to and incorporated in these Minutes as Exhibit "R."

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22. **ITEM V-C: REPORTING OF STAFF-ADMINISTERED  
CONSTRUCTION CONTRACT CONTINGENCY AMOUNTS**

The Board received the Project Contingency Reports for the Ashland Reservoir Replacement – Construction Project under Contract 14063B, the Conduit 16 Replacement & Conduit 22 Abandonment – Design Project under Contract 14978A, the Foothills Treatment Plant Switchgear Project under Contract 13474A, and the Foothills Treatment Plant HVAC Project under Contract 14011A, all of which are attached to and incorporated in these Minutes as Exhibit “S.”

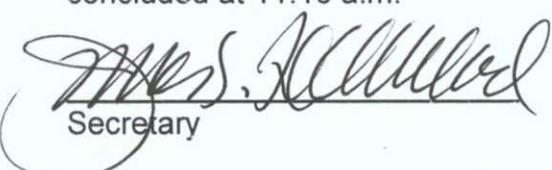
No further business appearing, the Board voted unanimously to adjourn into Executive Session at 10:30 a.m.

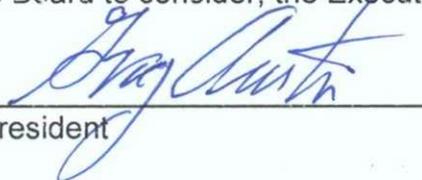
**EXECUTIVE SESSION**

On Wednesday, December 10, 2014, commencing at 10:30 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. Attorney-Client Matters § 24-6-402(4)(b)

There being nothing further for the Board to consider, the Executive Session concluded at 11:10 a.m.

  
Secretary

  
President