

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

OPEN SESSION

October 22, 2014

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, October 22, 2014, beginning at 9:10 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:

B.D. Good, <i>Acting</i> CEO/Manager	P.L. Wells, General Counsel
A.C. Brimont, Director of Finance	D.L. Little, Director of Planning
M.E. Elliott, <i>Acting</i> Director of Public Affairs	J.A. Anderson, Director of Customer Relations
R.J. Mahoney, Director of Engineering	T.J. Roode, Director of Operations and Maintenance
G. Cagle, Director of Human Resources	C.R. Dermody, Director of Information Technology
K. Bates, Attorney	P.A. Carey, Manager of Purchasing and Contracting
T. Cristiano, Manager of Rate Administration	P.B. Coleman, Chief Internal Auditor
T. Bryant, Controller	G. Fisher, Manager of Demand Planning
D.M. Hamm, Staff Analyst	D. Wyman, Distribution Projects Coordinator
T.E. Lowe, Distributor Relations Manager	Y. Her, Contracts Supervisor
S. Miller, Manager of Health Care and Benefits Administration	B. Maulis, Contract Specialist
	P. Arp, Contract Specialist

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

A. Chavez, Staff Analyst	B. Honeycutt, Conservation Specialist
D. Hughes, Engineer	S. Niemi, Senior Financial Analyst
P. Segura, Staff Analyst	J. Tejral, Manager of Water Conservation
J. Shaw, Conservation Specialist	E. Helgeson, Finance Analyst

Pat Fitzgerald, Platte Canyon Water
and Sanitation District

Commissioner Austin called the meeting to order.

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.

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: CONTRACT EXTENSION FOR ENTERPRISE SYSTEM INTEGRATION SERVICES**

Approved the First Amendment to Contract 15492A with Materials Software Systems, Inc., for the enterprise system integration services of Prasad Koukuntla. The amendment extends the contract through December 31, 2015, and adds \$207,740.00 for a total amended contract amount not to exceed \$289,340.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "A."

RECORD OF PROCEEDINGS

MINUTES
OF THE
BOARD OF WATER COMMISSIONERS

2. **ITEM II-A-2: AGREEMENT FOR CATERPILLAR PARTS AND SERVICES**

Approved Agreement 15656A with Wagner Equipment Co. for Caterpillar original equipment manufacturer parts and services for the contract period October 22, 2014, through December 31, 2017, for a total contract amount not to exceed \$150,000.00. A copy of the Agreement is attached to and incorporated in these Minutes as Exhibit "B."

3. **ITEM II-A-3: AGREEMENT FOR JOHN DEERE PARTS AND SERVICES**

Approved Agreement 15609A with Honnen Equipment Co. for John Deere original equipment manufacturer parts and services for the contract period October 22, 2014, through December 31, 2017, for a total contract amount not to exceed \$250,000.00. A copy of the Agreement is attached to and incorporated in these Minutes as Exhibit "C."

4. **ITEM II-A-4: FIRST AMENDMENT FOR OCCUPATIONAL MEDICINE PHYSICIAN SERVICES**

Approved the First Amendment to Agreement 14482A with Hugh H. Macaulay, III, M.D., for occupational medicine physician services. The amendment extends the agreement through December 31, 2016, and adds \$300,000.00 for a total amended contract amount not to exceed \$660,000.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "D."

5. **ITEM II-A-5: AGREEMENT WITH CDOT FOR RELOCATION AND BETTERMENT OF CONDUIT NO. 12**

Approved Agreement 15128C with the Colorado Department of Transportation for the relocation and betterment of Conduit No. 12 under U.S. Highway 6 and through Barnum Park South. The total contract amount

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

for Denver Water is not to exceed \$1,934,948.96. A copy of the agreement is attached to and incorporated in these Minutes as Exhibit "E."

6. **ITEM II-B-1: AGREEMENT WITH SOUTHWEST METROPOLITAN WATER AND SANITATION DISTRICT FOR COLLECTION OF DISTRICT SURCHARGE**

Approved Agreement 15714A with Southwest Metropolitan Water and Sanitation District, under which Denver Water will collect a surcharge on behalf of the District. The surcharge proceeds would fund long-term replacement of the District's infrastructure. A copy of the Agreement is attached to and incorporated in these Minutes as Exhibit "F."

7. **ITEM III-A: DENVER WATER CONSERVATION PLAN**

Mr. Tejral presented the Denver Water conservation plan, which is required to be updated every seven years under state law. He characterized the plan as aggressive in order to meet the goal of reducing water use by 22 percent by 2016, which equates to a maximum of 165 gallons of water per person per day. It also includes specific conservation plans and strategies for each class of customer. The plan will be available on the Denver Water web site for public comment for 60 days. Mr. Tejral's presentation is attached to and incorporated in these Minutes as Exhibit "G."

8. **ITEM III-B: RATE STRUCTURE STUDY**

Mr. Cristiano reported on the progress of the rate structure study. He explained the drivers of the study are the variable revenue Denver Water receives due to variable weather and the rate at which revenue declines in relation to reduced water demand and consumption. He noted that 93 percent of Denver Water's revenue is collected from rates. Additionally, the last comprehensive study on the rates was conducted in 1994; consumption patterns have changed dramatically since then.

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

To date, the study has involved an affordability study, a rate perception survey, and a Water Research Foundation workshop with peer utilities. Staff intends to analyze the data from those efforts and meet with a rates stakeholder committee whose members represent Denver Water's diverse customer base. Ms. Elliott spoke briefly about this advisory group that will provide input at specific stages during the rate study. In 2015 and 2016, staff expects to brief the Denver City Council and seek the Board's approval of a new rate structure.

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

9. **ITEM IV–A: CEO REPORT**

Mr. Good reported that a large portion of the organization is working on budgets for 2015 and will engage in calibration sessions to come up with a prioritized list of capital projects. Ms. Bricmont is working with the division directors to create the operating budget. Staff will present the budgets to the Board for a first review in November.

10. **ITEM IV–B: CFO REPORT**

Ms. Bricmont addressed plans to create a new central contingency fund for operating expenses for the entire organization. It would prevent the divisions from having their own separate contingency funds and is expected to result in less money being held for contingency purposes. Staff is considering putting \$5 million into the fund for 2015. Mr. Lochhead would be responsible for the new contingency fund, and all expenses paid from the fund in excess of \$100,000.00 would be subject to Board approval. The new fund would be separate from the revenue contingency reserve fund.

Commissioner Herzmark inquired about the need for the new contingency fund and how it would be used for payments that are anticipated under agreements such as the Colorado River Cooperative Agreement and the

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

WISE Project agreements. Ms. Bricmont responded that staff plans to budget for such payments and can use the contingency fund to hold the funds until payment is required, which could be years in the future.

Commissioner Tate questioned how unknown amounts that are foreseeable would be budgeted. Mr. Good responded that staff hopes to allocate enough money in the new contingency fund to cover known and unknown expenses and possibly emergencies.

11. **ITEM IV–B–1: CFO REPORT: QUARTERLY FINANCIAL REPORT**

The Board received the Quarterly Financial Report dated September 30, 2014, as set forth in Agenda Item IV-B-1, which is attached to and incorporated in these Minutes as Exhibit "I."

Commissioner Austin inquired about staffing levels in the Human Resources Division, based on a report showing the division is 18 percent over its budget for staff. Ms. Cagle explained that, in accordance with the strategy she presented to the Board earlier this year, the division has added four employees in the Training section and one employee in the Compensation section. The division now has no vacancies, and the new positions will be budgeted next year.

12. **ITEM IV–C: OPERATIONS REPORT**

Mr. Roode reported on an emergency exercise that was conducted two weeks ago at Dillon Reservoir to test the scenario of water overcoming the spillway and resulting in the evacuation of the Town of Silverthorne. Representatives from all of the local jurisdictions participated. A simultaneous scenario was tested at Green Mountain Reservoir.

Additionally, Mr. Roode mentioned a Lean event taking place this week to reduce the amount of space needed for the Machine Shop and the Metal Shop.

RECORD OF PROCEEDINGS

MINUTES
OF THE
BOARD OF WATER COMMISSIONERS

13. **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 "J."

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

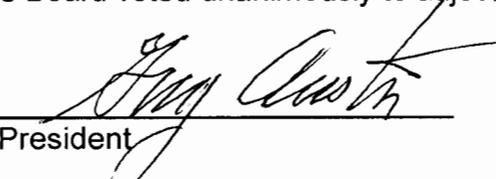
The Board received a calendar of upcoming community events to be attended by various staff, which is attached to and incorporated in these Minutes as Exhibit "K."

15. **ITEM V-C: REVIEW OF PROPERTY BURDENS AND DISPOSALS, THIRD QUARTER 2014**

The Board received a report for the Third Quarter 2014 of actions taken by the CEO/Manager or his designees under the authority granted to him by the Board to burden or dispose of Board property or involve an expenditure of \$10,000.00 or more, which is attached to and incorporated in these Minutes as Exhibit "L."

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


Secretary


President