

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

**Open Session**

**November 17, 2010**

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, November 17, 2010 beginning at 9:16 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:

**Penfield W. Tate, III, President**  
**John R. Lucero, First Vice President**  
**Paula Herzmark, Vice President**  
**H. Gregory Austin, 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
M. L. Bassett, Director of Public Affairs	G. Rygh, <i>Acting</i> Director of Operations & Maintenance
R. J. Mahoney, Director of Engineering	C. R. Dermody, Director of Information Technology
C. Elam-Floyd, Director of Human Resources	G. T. Malmberg, Sales Administrator
M. L. Walker, Attorney	T. L. McGuire-Collier, Manager of Community and Media Relations
D. Wyman, Engineering Specialist	J. Coleman, Rates Administration
J. Figurelli, Budget Analyst	J. A. Sloan, Community Affairs Specialist
S. Niemi, Rates Administration	T. Segura, Budget Analyst
P. Coleman, Manager of Internal Auditing	J. Martin, Engineer
M. Leister, Engineer	T. Cristiano, Manager of Rate Administration
S. Chesney, Community Affairs Specialist	G. Wilcox, Manager of Budgeting
M. Van Nostrand, Engineer	U. Sharma, Treasurer
W. C. Austin, Manager of Safety and Security	K. D. Kuykendoll, Budget Analyst
L. Billeter, Staff Analyst	S. Miller, Manager of Health Care Administration

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J. Miller, Engineer

Kim Calomino, Home Builders Association  
of Metro Denver

Joe Waters, Denver Resident

Hamid Zanjani, Denver Resident

Joe Anderson, Denver Resident

#### Media:

Eddie Castro, CBS4 News

Jerry Bell, KOA Radio

Commissioner Tate called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, Commissioner Gougeon was found to be absent for substantial cause and was excused.

Commissioner Tate explained that Staff would first make its presentation on both the Budget and Rates Agenda Items. Public comment regarding those items would follow the presentations.

Commissioner Tate then asked for comments from the public other than those related to the Budget or Rates.

#### **Public Comment**

Joe Anderson, a Denver resident, living in the Sloan's Lake area commented regarding the project by the City Parks Department to install a nonpotable irrigation system which would use waters of Sloan's Lake. Mr. Anderson opined that because of the small inflows to the lake, using water from the lake for park irrigation would effectively dry the lake up and it would no longer be useful for other public purposes.

Commissioner Tate thanked Mr. Anderson for his comments.

#### **Presentation on 2011 Budget**

Ms. Wilcox provided the Commissioners with a copy of the slides used in her presentation, a copy of which is attached to and incorporated in these Minutes as Exhibit "A." Ms. Wilcox commented regarding the change in the start of the Budget process and the timeline for completion and adoption of the Budget. The focus of the 2011 Budget will be on system reinvestment and protection of the water supply. The 2011 Budget will include expenditures for the recycled

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water system, forest health, installation of new inlet controls at Cheesman Reservoir, and dredging Strontia Springs Reservoir to recover the reservoir's constructed operational capacity. Ms. Wilcox outlined the program changes to the 2011 Budget and compared it with the 2009 Budget and the estimated 2010 Budget. Ms. Wilcox provided an explanation of the various components of the 2011 Budget. The proposed 2011 Budget totals \$342,456,000.

#### **Presentation on 2011 Water Rates**

Mr. Cristiano provided the Commissioners with copies of slides used in his presentation, a copy of which is attached to and incorporated in these Minutes as Exhibit "B." Mr. Cristiano noted the 2011 Revenue requirements are \$284 million, of which amount, \$247 million will be dependent upon water rate revenues. Using \$247 million of water rate revenues will require that the Board rely on \$16 million from its reserves. Mr. Cristiano then described the cost-of-service analysis that is undertaken to determine the rate requirement. He compared the existing and proposed 2011 rates for single family residential users for Inside the City, in Read-and-Bill and Total Service Contract areas. Mr. Cristiano then described the change of an average consumer's water bill from 2010. In response to questions from Commissioner Tate, Mr. Cristiano explained that 50% of all inside city single-family residential users use less than 11,000 gallons per month and that 10% of such users use more than 20,000 gallons in a typical month.

Commissioner Tate then invited members of the public to comment regarding the proposed 2011 Budget and Rates.

#### **PUBLIC COMMENT ON 2011 BUDGET AND PROPOSED RATES.**

Joe Anderson commented regarding the recent news reports that Denver Water would have a 10% increase in each of the next three years and questioned whether the Board was planning for a three year increase. Mr. Anderson also commented about the tier system for water charges.

Commissioner Tate responded that Denver Water's rate-setting process is an annual public process. Commissioner Tate commented that Denver Water's customers are heeding the conservation message, in that 90% of the residential users are staying within the first two blocks of the four block system.

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Joe Waters, a Denver Water customer, who had appeared at the Board's meeting November 10, again discussed the need for budget-based rates.

Commissioner Tate noted that when budget-based rates were first discussed, Denver Water did not have the infrastructure in place to support such a system. Ms. Bassett noted that the new CIS system would be able to accommodate a budget-based system. Currently, Denver Water works with individuals to address water usage questions.

Commissioner Tate thanked Messers Anderson and Waters for their comments. Commissioner Tate asked for any other comments from the public. 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 V-A-2: 2011 BUDGET**

Approved the proposed 2011 Budget, as summarized on the attached Exhibit "C." By adopting the Budget, the Board approved the 2011 Lease Payments on the outstanding certificates of participation.

2. **ITEM V-A-1: 2011 WATER RATES**

By a vote of 3-0, with Commissioner Lucero abstaining, approved proposed Water Rates for 2011, as are more particularly described in Rate Schedules 1, 2, 3, 4, 5, 6 and 7, copies of which are attached to and incorporated in these Minutes as Exhibit "D."

3. **ITEM V-A-3: CHANGE ORDER NO. 12 — RELOCATION OF CONDUIT NOS. 12 AND 18 — AT THE SOUTH PLATTE RIVER**

Approved Change Order No. 12 to the August 12, 2009 Contract with Lillard and Clark Construction Co., Inc., Contract 12019A, in the amount of \$88,814.90, which change order covers the final costs necessary to filter, treat and dispose of contaminated groundwater encountered during construction of Conduit No. 12, all as more particularly described on the

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Change Order, a copy of which is attached to and incorporated in these Minutes as Exhibit "E."

Mr. Wyman provided an update regarding the Pipe Relocation Project. The work of relocating Conduit No. 12 was undertaken at the request of the City, as a part of its South Platte River Project to lower the river bed. The City has agreed to reimburse costs for the conduit relocation pursuant to the terms of the July 8, 2009 Intergovernmental Agreement, Agreement No. 11986A. The total cost of the Conduit Project is \$1,978,693. Mr. Wyman explained the relocation of Conduit 18 will be undertaken by the City's contractor. Plans for the relocation are required to be approved by Denver Water. Additionally, Denver Water will provide construction inspection services to assure that the conduit is relocated according to Denver's requirements. Mr. Wyman noted that if the pipe relocation project is part of the City's overall contract, it removes a risk to Denver Water.

4. **ITEM V-A-4: AWARD OF CONTRACT FOR THE MARSTON HEADWORKS IMPROVEMENT PROJECT**

Authorized award of a contract to Stanek Constructors, Inc. for the Marston Headworks Improvement Project, at a cost of \$1,163,000.

Mr. Van Nostrand explained the project consists of constructing improvements to the alum and cationic polymer chemical systems, as well as major improvements to the potassium permanganate and sodium hydroxide chemical systems. The improvements will be constructed during the planned Marston Plant outage which will occur between January and April 2011. The Engineering and Inspection Services for the project will be provided by Carollo Engineers, pursuant the provisions of an Agreement on the Board's agenda as Item V-A-5. Mr. Van Nostrand explained the project had been reviewed by the City Building and Fire Departments, and that the final design incorporated additions made necessary as a result of the review of those two departments.

5. **ITEM V-A-5: FIRST AMENDMENT TO AGREEMENT WITH CAROLLO ENGINEERS FOR DESIGN OF THE MARSTON HEADWORKS IMPROVEMENT PROJECT**

Approved the First Amendment to the May 12, 2010 Agreement with Carollo

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Engineers to provide consulting engineering and inspection services for the Marston Headworks Improvement Project, at a cost of \$159,406 and a total amended contract amount of \$460,032 all as more particularly described in the First Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "F."

6. **ITEM V-A-6: CHANGE ORDER NO. 6 WITH GLOBAL DIVING AND SALVAGE, INC. FOR THE CHEESMAN UPSTREAM CONTROL PROJECT — PHASE 1**

Approved Change Order No. 6 to the October 29, 2009 Contract with Global Diving and Salvage, Inc., for the Cheesman Upstream Control Project – Phase 1, Contract 11577A, in the amount of \$1,411,148.23, for a total amended contract amount not to exceed \$15,030,001.03.

Mr. Martin provided an update regarding the Cheesman Upstream Control Project – Phase 1 effort specifically describing the work included in Change Order No. 6. Mr. Martin explained that all three gate installations are now complete, performance testing of the system was completed the first week of November and the project is under the control of the Denver Water Source of Supply Division. Mr. Martin explained that while a large portion of the work included in Change Order No. 6 was a result of the change under Work Change Directive No. 12, other items were also covered. Work Change Directive No. 12 was made necessary because of safety concerns involving the stability of the low level tunnel portal area which had masonry blocks, rather than competent rock. The conditions were unforeseen at the time the contract was awarded. Mr. Martin described the valve that had been replaced after 105 years of operation.

The leakage and seepage results directly impact Phase 2 operations which will consist of decommissioning seven 42-inch gate valves. Mr. Martin noted that one of the existing gate valves scheduled for decommissioning failed during the performance testing, but that failure is not critical to the continued operation of the Reservoir.

The Commissioners were appreciative of the presentation and complimented Mr. Martin on the success of the project.

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7. **ITEM V–A–7: FIRST AMENDMENT TO AGREEMENT WITH HDR ENGINEERING, INC. FOR THE CHEESMAN UPSTREAM CONTROL PROJECT — PHASE 1 CONSTRUCTION MANAGEMENT SERVICES**

Approved the First Amendment to the November 25, 2009 Agreement with HDR Engineering, Inc., for construction management services related to the Cheesman Upstream Control Project – Phase 1 Contract, Agreement No. 12699A, in the amount of \$105,000, for a total amended compensation not to exceed \$1,346,690, all as more particularly described in the First Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit “G.”

8. **ITEM V–A–8: FIRST AMENDMENT TO AGREEMENT WITH GBSM, INC. FOR THE DEVELOPMENT OF A STRATEGIC PLAN**

Approved the Second Amendment to the July 19, 2010 contract with GBSM, Inc., to assist Denver Water in development of a strategic plan, extending the contract deadline to June 15, 2011, and increasing the contract amount by \$100,000, for a total amended contract of \$163,000, all as more particularly described in the Second Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit “H.”

Mr. Lochhead and Mr. Little explained the amendment was necessary in order to utilize GBSM’s assistance for meetings scheduled with 65 employees classified as Direct Reports, and the Executive Team. Mr. Lochhead noted the December 1 meeting would be the first time that the described employees had met as a group.

Commissioner Tate raised a question regarding the procurement process, and the perception of that process, given the changes to the scope of the project after the initial contract.

9. **ITEM V–A–9: SELECTION OF INSURANCE BROKER/ADVISOR**

Approved entering into a contract with Arthur J. Gallagher Risk Management Services, Inc. to provide insurance brokerage and risk management advisory services to Denver Water for a three-year term at an annual fee of \$66,700.

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**Public Comment**

Hamid Zanjani, a Denver resident was recognized. Mr. Zanjani commented regarding the Tier system for water rates and the impact on users whose use was in the second and third tiers. Mr. Zanjani opined that beginning in early 2000, rates had been raised substantially because of the tier structure and that, although he was using less water, he was paying more for it. Mr. Zanjani opined that the current tier system needed to be revised to account for summer irrigation usage.

Commissioner Tate thanked Mr. Zanjani for his comments and explained that the efforts of the Board and Staff are to reduce consumption especially in the summer and that the use of the tier system is reviewed on an annual basis by the Board.

No further business appearing, the Board voted unanimously to adjourn into Executive Session at approximately 11:03 a.m.

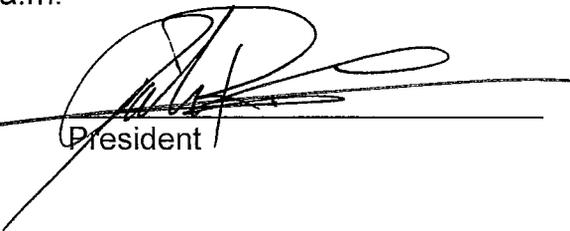
**EXECUTIVE SESSION**

On Wednesday, November 17, 2010, commencing approximately at 11:05 a.m. in the Manager's Office, located in the Administration Building, 1600 West 12th Avenue, Denver, Colorado, the Board of Water Commissioners met in Executive Session. The following matter which is authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34 was discussed during the Executive Session:

1. Attorney-Client § 24-6-402(4)(b)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:16 a.m.

  
Secretary

  
President