

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

October 26, 2011

A duly called regular meeting of the Board of Water Commissioners was held Wednesday, October 26, 2011, commencing approximately at 8:00 a.m. Pursuant to Notice the first matter for discussion was in Executive Session which was held in the CEO/Manager's Office, located in the Administration Building, 1600 West 12th Avenue, Denver, Colorado. The following matter which is authorized by C.R.S. § 24-6-402 or D.R.M.C. § 2-34 was discussed during the initial Executive Session:

1. Quarterly Report of the Internal Auditor C.R.S. § 24-6-402 (4)(c)

The Executive Session was recessed at approximately 9:00 a.m. The Commissioners then convened in the Board Room.

Open Session

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, October 26, 2011 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:

John R. Lucero, President
H. Gregory Austin, 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:

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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, Special Assistant to the CEO/Manager	T. Roode, Interim Director of Operations and Maintenance
R. J. Mahoney, Director of Engineering	R. L. Riggs, <i>Acting</i> Director of Information Technology
C. Elam-Floyd, Director of Human Resources	G. T. Malmberg, Sales Administrator
P. Coleman, Manager of Internal Auditing	M. L. Walker, Attorney
P. A. Carey, Manager of Purchasing and Contracting	R. W. Weber, Engineer
S.A. Miller, Manager of Healthcare and Benefits Administration	
K. O. Balu, Human Resource Specialist	T.K. Segura, Budget Analyst
D. Wyman, Distribution Projects Coordinator	M. A. Trujillo, Engineering Specialist
J. H. Bambei, Jr., Chief of Engineering	M. Leister, Chief of Construction Management
D. Hamm, Staff Analyst	J. Light, Engineer
K. S. Oligney, IT Manager Enterprise Infrastructure	J. A. Landis, Finance
U. Sharma, Treasurer	J. A. Figurelli, Budget Analyst
S. N. Niemi, Rate Analyst	J. M. Barbier, Engineer
T. Cristiano, Manager of Rate Administration	B. J. Scott, Contractor - Information Technology Division
T. Lowe, Distributor Services Supervisor	R. G. Steger, Manager of Raw Water Supply

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C. Piper, Intergovernmental Affairs
Coordinator

Kim Calamino, Home Builders
Association

Commissioner Lucero called the meeting to order and noted the meeting scheduled for October 12, 2011 had been cancelled due to a lack of quorum.

Upon motion regularly made, seconded and unanimously carried, the reading of the *Minutes of the Regular Meetings of September 14 and September 28, 2011* was dispensed with and such Minutes were approved.

Upon motion regularly made, seconded and unanimously carried, the Minutes of the Executive Sessions of September 14 and 28, 2011 were approved.

Public Comment

Commissioner Lucero invited members of the public to comment to the Board on any matters not included in the Agenda for the meeting. There was no response.

Introduction of Employees

Ms. Bricmont introduced and the Commissioners welcomed Mr. Paul Carey, the newly appointed Manager of Purchasing and Contracting.

Ceremonies

Commissioner Lucero recognized John Bambei, Chief of Engineering, and explained he had recently received the 2011 Stephen D. Bechtel Pipeline Engineering Award from the American Society of Engineers. Mr. Lucero and Mr. Lochhead noted that Mr. Bambei was recognized for exceptional service in the advancement of pipeline engineering through his efforts in the fields of research, planning, design and construction.

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Ms. Elam-Floyd introduced Kathy Balu, of the Human Resources Division who was recently recognized by the American Water Works Association for her service to the Get Into Water! Advisory Council. Ms. Balu's efforts with the Human Resource Work Group in the areas of compensation and employment were noted. Ms. Elam-Floyd also explained that Ms. Balu had assisted in developing relationships with Red Rocks Community College and the Emily Griffith Technical College for training individuals interested in working in the water industry.

Mr. Lochhead reported Historic Denver would be recognizing Denver Water's recently constructed Einfeldt Decentralization Station for maintaining the historic design and character of the pump station and surrounding University Park neighborhood at its annual meeting.

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-1: HUMAN RESOURCE CHANGES**

Approved the human resource changes set forth in Agenda Item V-A-1 dated October 12, 2011, a copy of which is attached to and incorporated in these Minutes as Exhibit "A," effective the pay period ending **September 30, 2011**, unless otherwise noted.

2. **ITEM V-A-2: EMPLOYEE ELIGIBLE FOR REGULAR STATUS**

The following employee was classified as a regular employee of the Board, with all rights and privileges thereof, effective **October 1, 2011**, unless otherwise noted:

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Employee Name	Employment Date	Retirement Plan Participation Date	Division/Section
Crystal Cervantez^	08/16/2010	03/19/2011 ^Exclude Prior Service as Temporary Status 08/16/2010 to 03/18/2011	Purchasing #130

3. ITEM V-A-3: AUTHORIZATION OF ADDITIONAL FUNDS AND EXTENSION OF CONTRACT FOR AIR RELEASE AND VACUUM BREAK VALVES

Authorized extension of the annual contract with Ferguson Enterprises, Inc. to supply Denver Water's requirements of air release valves and vacuum break valves, Contract No. 13266A, thru October 31, 2012 for an additional \$95,000, and an amended total compensation not to exceed \$185,000.

4. ITEM V-A-4: AUTHORIZATION OF ADDITIONAL FUNDS AND EXTENSION OF CONTRACT FOR TRENCH SHORING EQUIPMENT RENTALS

Authorized extension of the annual contract with United Rentals Northwest, Inc., to provide trench shoring equipment for use in large excavations, Contract 13265A, through March 31, 2012, for an additional \$120,000, and a total amended compensation amount not to exceed \$220,000.

5. ITEM V-A-5: AUTHORIZATION OF ADDITIONAL FUNDS AND EXTENSION OF CONTRACT FOR GATE AND TAPPING VALVES

Authorized extension of the annual contract with Mueller Company, Ltd. to furnish Denver Water's requirements of resilient-seated gate valves and tapping valves, Contract 13206A, through October 31, 2012, for an additional \$350,000, and a total amended contract amount not to exceed \$750,000.

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6. **ITEM V-A-6: AUTHORIZATION OF ADDITIONAL FUNDS FOR RENTAL OF HEAVY EQUIPMENT**

Authorized additional funds in the amount of \$45,000 for the lease of heavy equipment under agreements with Honnen Equipment Company, Power Equipment Company and Worldwide Rental, for a total amended authorization not to exceed \$645,000.

7. **ITEM V-A-7: CONTRACTS FOR LEASE OF HEAVY EQUIPMENT**

Authorized entering into Lease Agreements with Honnen Equipment Company, Power Equipment Company and Power Motive Corporation, for the rental of heavy equipment on an as-needed basis, for the contract period November 1, 2011 through October 31, 2013, at a total amount not to exceed \$660,000.

8. **ITEM V-A-9: COOPERATIVE STREAM GAUGING PROGRAM WITH THE US GEOLOGICAL SURVEY**

Approved entering into an Intergovernmental Agreement with the U.S.G.S. to provide joint funding for the operation of 25 gauging stations, as are listed in the IGA, a copy of which is attached to and incorporated in these Minutes as Exhibit "B" for the period October 1, 2011 through December 31, 2012, at a net cost to Denver Water of \$273,118.

9. **ITEM V-A-11: INTERGOVERNMENTAL AGREEMENT WITH THE CITY AND COUNTY OF DENVER FOR THE BROADWAY RECONSTRUCTION, PHASE III**

Authorized execution of an Intergovernmental Agreement with the City and County of Denver, regarding the sharing of costs for replacement of lead service lines in conjunction with the Phase III Broadway Reconstruction Project, all as more particularly described in the Intergovernmental Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "C."

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10. **ITEM V-A-15: RATIFICATION OF CONSTRUCTION CONTRACT CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified construction contract change orders and amendments to agreements authorized by the CEO/Manager in September 2011, as follows:

Change Order No. 1 to the contract with BT Construction for the Dunes Reservoir Outlet Works, Contract 12582;

Change Order No. 1 to the contract with Jennison Construction Co., Inc., for the Foothills Chain and Flight Equipment Replacement Project, Contract 12750A;

Change Order No. 4 to the contract with Sturgeon Electric for the Lone Tree and Highlands Generators, Contract 12961A;

Change Order No. 3 to the Contract with Iron Woman Construction and Environmental Services for installation of 16-inch mains at West 1st Avenue and Holland Street and West 6th Avenue and Hoyt Street, necessary to provide service to the Denver Federal Center, Contract 13215A;

Eighth Amendment to Agreement with Wong Strauch Architects for the Wynetka Decentralization Station, Agreement 11542A;

Fifth Amendment to Task Order Agreement with Weston Solutions, Inc., for the security modifications at Dillon Dam, Agreement 12518B;

First Amendment to Agreement with Jviation for design services for the Taxiway A-A Vault Project, Agreement 13491A;

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Seventh Amendment to Master Lease Agreement with LRC Leasing, LLC, Contract 13020A; and

Third Amendment to Agreement with Sempera Professional Services, LLC for the design, development and deployment of the Mobile Workforce, Contract 13019A,

all as more particularly described in the Attachment to Agenda Item V-A-15, dated September 12, 2011, a copy of which is attached to and incorporated in these Minutes as Exhibit "D."

11. **ITEM V-A-17: RATIFICATION OF CONTRACT AWARDS, CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified the following amendments to agreements, change orders and awards of contracts authorized by the CEO/Manager following cancellation of the October 12, 2011 Board Meeting:

Renewal of Excess Liability Insurance coverage with Chartis Insurance Company, pursuant to the contract with Arthur S. Gallagher Risk Management Services, Inc., Contract 13390A, at a cost of \$53,125;

Award of a contract to American West Construction, Inc., for removal and replacement of approximately 161 feet of 12-inch diameter ductile iron main crossing at Cherry Creek, at a cost of \$120,693;

Award of a contract to McDade-Woodcock, Inc., in the amount of \$678,770 for construction of generators and a closed transition system for the Marston Treatment Plant, Contract 13527A;

Contract with AECOM Technical Services, Inc., to provide construction administration services for the Conduit No. 13 internal seals and the 2010/2011 vault modification projects, at a cost of \$200,600, Contract 13032C;

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Task Order Agreement with Jacobs Engineering Group to provide construction management services for the Broomfield Pump Station Modification Project, at a cost of \$162,184, contract 13041D;

Change Order No. 1 in the amount of \$53,399 to the contract with Moltz Constructors for the Cheesman Dam Upstream Control Project, Phase 2, Contract 13099A; and

Amendment to the Equity Staffing Group Agreement, dated March 31, 2011, extending the contract to April 12, 2012, at an additional cost of \$105,000 for a total amended contract amount of \$204,680, Contract 13547A,

all as more particularly described in the Attachment to Agenda Item V-A-17, dated October 26, 2011, a copy of which is attached to and incorporated in these Minutes as Exhibit "E."

12. **ITEM V-A-18: CONTRACT FOR CONDUIT NO. 28 GROUNDBED AND RECTIFIER REPLACEMENT**

Authorized award of a contract to Paramount Construction, Inc. for the Conduit 28 Groundbed and Rectifier Replacement Project at a cost of \$151,949.

13. **ITEM V-C-1: ADOPTION OF PROPOSED 2012 SYSTEM DEVELOPMENT CHARGES**

By a vote of 3 to 2 with Commissioners Gougeon, Lucero and Tate voting "Aye" and Commissioners Austin and Herzmark voting "Nay", adopted 2012 System Development Charges, as more particularly described on the attached Exhibit "F."

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In voting "Nay" Commissioners Austin and Herzmark expressed concern that not including the full value of water rights of \$11,500 per acre-foot, as proposed by Staff, in the cost basis could result in a condition whereby existing ratepayers are subsidizing new growth.

Commissioners Gougeon, Lucero and Tate in voting "Aye" expressed concern that adopting the SDCs at the level proposed by Staff were higher than originally planned. Additionally, the impact of increasing the charge during the current economic condition needed to be factored in. The Commissioners all agreed that it would be necessary to continue to increase the charge to more accurately reflect the component of the change related to the value of the Board's water rights. The Commissioners asked that a Study Session be scheduled early in 2012 for an in-depth discussion of system development charges.

14. ITEM V-D-1: ADOPTION OF 2012 BUDGET

Approved the 2012 Budget as summarized on Board Item V-D-1, a copy of which is attached to and incorporated in these Minutes as Exhibit "G."

Ms. Bricmont introduced Ms. Tatum Segura and Ms. Jackie Figurelli. Ms. Segura presented the highlights of the 2012 budget, explaining both the development of the budget process and the incorporation of the Board's strategic plan priorities. Ms. Segura noted changes to the budget since the August 2011 Board workshop, and explained the budget includes issuance of approximately \$38 million in debt.

The Commissioners were complimentary of the budget process and the detail which had been provided as the budget was developed. Mr. Lochhead explained a more indepth process will be used for development of the 2013 budget and the proposed process will be outlined in a study session to be conducted in December.

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15. **ITEM V-E-1: CONTRACT EXTENSION WITH EDP RECRUITING SERVICES FOR PROJECT MANAGEMENT SERVICES**

By a vote of 4 to 1 with Commissioner Tate voting "Nay", approved the fifth amendment to the January 25, 2008 contract with EDP Recruiting Services, Inc., Contract 11489A, to provide the services of Vick Alejandro to serve as an IT Project Manager for the Windows 7 update project for a one year period at a cost not to exceed \$125,000.

16. **ITEM V-E-3: CONTRACT EXTENSION WITH SEMPERA PROFESSIONAL SERVICE FOR PEOPLESOFT DEVELOPMENT and SUPPORT SERVICES**

By a vote 4 to 1 with Commissioner Tate voting "Nay", approved extension of the June 2011 contract with Sempera Professional Services, Inc. to provide the services of Keith Panzer to assist IT staff in the development of PeopleSoft Applications needed for payroll, HR Administration, and Employee Benefits Administration for an additional six months at the current contract rate of \$100.00 per hour for a total cost of \$96,000.

17. **ITEM V-E-4: CONTRACT WITH INFOFUSION LLC FOR IT INFRASTRUCTURE SUPPORT SERVICES**

By a vote 4 to 1 with Commissioner Tate voting "Nay", approved entering into a contract with InfoFusion LLC to provide the services of Dave Cawdery to provide IT Infrastructure administration and configuration assistance necessary for the IT Disaster Recovery Project through 2013 at a cost not to exceed \$324,000.

18. **ITEM VI-B-1: DISCUSSION AND INFORMATION: 2012 PIPE REHABILITATION PROGRAM**

Jim Light provided an update regarding the 2011 Pipe Rehabilitation Program and the proposed 2012 project. Mr. Light explained that Mainlining Service, Inc. was the contractor for both 2010 and 2011. The 2010 contract with Mainlining provides for an extension for services in 2012 subject to the Board's approval. Mr. Light provided information regarding the amount of

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pipe rehabilitated in previous years and explained the proposed 2012 project includes lining and rehabilitating approximately 50,000 lineal feet of cast iron pipe. The Engineering staff will be prepared to extend the project by an additional 16,000 feet if additional funds are available and the initial work is able to be concluded in timely manner.

The consensus of the Commissioners was to extend the Mainlining Service contract for a third and final year with no unit price adjustments from 2011. Mr. Light explained that the contract documents will be negotiated and prepared for authorization by the Board in February 2012.

19. **ITEM VI-B-2: DISCUSSION AND INFORMATION: 2011 GENERAL ENGINEERING AND CONSTRUCTION MANAGEMENT ("On-Call") SERVICE CONTRACTS**

The Commissioners received a summary of the work contracted from January 2011 through September 2011 pursuant to "on-call" contracts both for design and construction management services. Copies of the reports are attached to and incorporated in these Minutes as Exhibits "H" and "I."

20. **ITEM VI-B-3: DISCUSSION AND INFORMATION: COST ALLOCATION REVIEW PROCESS SUMMARY**

Mr. Cristiano outlined the approach for revising the cost allocation portion of the rate model. A summary of the process is attached to and incorporated in these Minutes as Exhibit "J." Mr. Cristiano noted the cost allocation review needs to be completed by May 1, 2012 in order to begin timely preparation of the 2013 Financial Planning and rate study process.

21. **ITEM VI-B-4: DISCUSSION AND INFORMATION: LEGISLATIVE REPORT**

Mr. Piper reported that although the proposed plumbing legislation was not endorsed by the interim legislative water committee, Denver Water and other water users are working to build a statewide coalition in order to introduce the proposed legislation in the upcoming legislative process.

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22. **ITEM VI-F-1: DISCUSSION AND INFORMATION: INVESTMENT PORTFOLIO REPORT**

The Commissioners received the report, "Denver Water Investment Portfolio as of September 30, 2011" as set forth in Agenda Item VI-F-1, a copy of which is attached to and incorporated in these Minutes as Exhibit "K."

23. **ITEM VI-F-2: DISCUSSION AND INFORMATION: STATUS OF CONSULTANT AND CONTRACT SERVICES**

The Commissioners received reports titled "Status of Consultant Services" and "Status of Contract Work", copies of which are attached to and incorporated in these Minutes as Exhibit "L" and "M."

24. **ITEM VI-F-3: DISCUSSION AND INFORMATION: NEW CONTRACT SUMMARY**

The Commissioners reviewed the summary of contracts authorized by the CEO/Manager for the Third Quarter 2011 for amounts between \$10,000 and \$100,000, a copy of which is attached to and incorporated in these Minutes as Exhibit "N."

25. **ITEM VI-G-1: SCHEDULING OF FUTURE BOARD MEETINGS**

The Board confirmed that the regular meeting would take place on Wednesday, November 9, 2011, at 9:00 a.m. in the Board Room, Room 309, 1600 W. 12th Avenue, Denver, Colorado.

The Board confirmed a Study Session will take place on Wednesday, November 16, 2011 at 9:00 a.m. in the Board Room, Room 309, 1600 W. 12th Avenue, Denver Colorado.

No further business appearing, the Board voted unanimously to adjourn into Executive Session at approximately 11:00 a.m.

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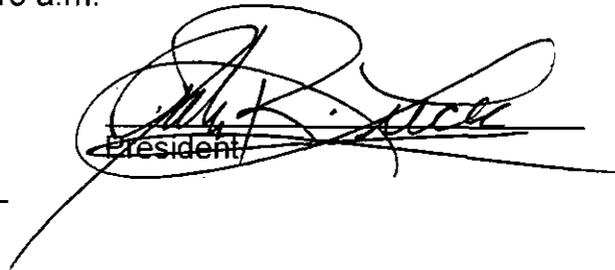
EXECUTIVE SESSION

On Wednesday, October 26, 2011, commencing approximately at 11:02 a.m. in the Board Room, 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 Matters § 24-6-402(4)(b)
2. Negotiations § 24-6-402(4)(e)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 11:18 a.m.


Secretary


President