

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

#### OPEN SESSION

June 24, 2015

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, June 24, 2015, beginning at 9:13 a.m. in the Board Room, Room 309, 1600 West 12<sup>th</sup> Avenue, Denver, Colorado. Members of the Board present during portions of 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	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
M.K. Frishman, Attorney	P.B. Coleman, Chief Internal Auditor
T. Cristiano, Manager of Rate Administration	A. Chavez, Staff Analyst
T. Bryant, Controller	Y. Her, Contracts Supervisor
D.M. Hamm, Staff Analyst	B. Maulis, Contract Specialist
J. Seagren, Distributor Relations Manager	M. Wittern, Community Relations Specialist
	S. Niemi, Senior Financial Analyst

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M. Faulkner, Talent Acquisition Manager	E. Helgeson, Senior Financial Analyst
A. Montez, Human Resources Specialist	M. Larson, IT Project Manager
L. Robinson, Human Resources Specialist	C. Martinez, IT Senior Application Developer
J. Spaulding, HR Technician	V. Nealey, Human Resources Specialist
A. Ingram, Contract Specialist	M. Schuette, Business/Technical Intern
L. Dennis, Engineer	L. Leonard, O&M Intern
M. Almond, Construction Project Manager	M. Grayson, Business/Technical Intern
R. Pence, Business/Technical Intern	J. Allen, O&M Intern
R. Gallen, Business/Technical Intern	L. Grody, Business/Technical Intern
J. Nealer, Legal Intern	M. Casali, Business/Technical Intern
L. Oliva, O&M Intern	S. Hallam-Eames, Business/Technical Intern
C. Caltagirone, Business/Technical Intern	C. Moody, Business/Technical Intern
T. Jamieson-Lucy, O&M Intern	A. Iwashko, Business/Technical Intern
J. Soldano, Business/Technical Intern	M. Swisher, Business/Technical Intern
	R. Holschuh, O&M Intern
	I. Mora, Business/Technical Intern

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.

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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: CONTRACT FOR TRENCH ROTOMILLING**

Awarded Contract 16036A to TMT Cutters, Inc., for trench rotomilling services for the contract period July 1, 2015, through June 30, 2018, for a total contract amount not to exceed \$225,000.00.

2. **ITEM II–A–2: FOURTH AMENDMENT TO CONTRACT FOR HAULING SERVICES**

Approved the Fourth Amendment to Contract 14027A with Toby Cordova's Trucking LLC for hauling services. The amendment extends the contract through December 31, 2015, and adds \$640,000.00 for a total amended contract amount not to exceed \$3,990,000.00.

3. **ITEM II–A–3: FIRST AMENDMENT TO CONTRACT FOR PRESSURE REGULATING VALVES**

Approved the First Amendment to Contract 15520A with Border Marketing, Inc., for pressure regulating valves. The amendment extends the contract through February 29, 2016, and adds \$115,000.00 for a total amended contract amount not to exceed \$210,542.04.

4. **ITEM II–A–4: ANNUAL CONTRACTS SCHEDULED TO RENEW AND/OR REQUIRE ADDITIONAL FUNDING IN 3<sup>RD</sup> QUARTER 2015**

Approved the Fifth Authorization for Additional Contract Funds and/or New Effective Dates for IT Annual Renewals Only for Contract 08470B with Datalink Corporation for annual maintenance and support of Tidal Software. The authorization extends the contract through September 27, 2016, and adds \$36,050.00 for a total amended contract amount not to exceed \$127,214.52.

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5. **ITEM II-B-1: LEASE OF BACKHOES**

Ratified Contract 15661F with John Deere Financial for a two-year lease of 16 backhoes through February 25, 2017, for a total contract amount not to exceed \$526,054.40.

Mr. Roode explained it was determined that rental of new backhoes would be less costly than continuing to maintain Denver Water's aging fleet of backhoes. After the two-year rental, Denver Water will have the option to purchase the equipment.

6. **ITEM II-B-2: LEARNING MANAGEMENT SYSTEM SUBSCRIPTION AND IMPLEMENTATION SERVICES**

At the request of staff, this item was withdrawn from the agenda.

7. **ITEM II-B-3: AMENDMENT NO. 01 TO CONTRACT FOR 2015 PIPE REHABILITATION**

Approved Amendment No. 01 to Contract 15906A with Mainlining America, LLC, for the 2015 Pipe Rehabilitation Project. The amendment adds \$957,222.55 for a total amended contract amount not to exceed \$4,489,382.10.

Ms. Dennis and Mr. Almond explained the amendment will reduce the amount of pipe to be rehabilitated under the contract to allow for replacement of customers' lead and galvanized service lines from the rehabilitated distribution main to the meter pit. Their presentation is attached to and incorporated in these Minutes as Exhibit "A."

8. **ITEM II-B-4: CONTRACT FOR TREE AND SHRUB MAINTENANCE AND REMOVAL**

Awarded Contract 16043B to The Davey Tree Expert Company, Contract 16043C to Swingle Lawn, Tree & Landscape Care, and Contract 16043D to

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Gilbert's Tree Service, Inc., for tree and shrub maintenance and removal for the contract period July 1, 2015, through October 31, 2017. The contracts will be paid under Contract 16043A, with a total contract amount not to exceed \$250,000.00 for all three. A copy of the tabulation of bids is attached to and incorporated in these Minutes as Exhibit "B."

#### 9. **ITEM III-A: RATE STRUCTURE STUDY**

Mr. Cristiano provided an update on the rate structure study. The Rate Structure Review Committee provided its recommendations to the Board on May 27, 2015. Staff is gathering more detail on the possible rate structures and will hold three meetings with the Board to discuss the different rate classes. Additionally, staff will provide a white paper on the committee's recommendations, the assumptions used, a detailed analysis of the structures, and customer impacts.

Mr. Cristiano presented examples of policy questions for the Board, as shown in the presentation attached to and incorporated in these Minutes as Exhibit "C." He also noted that Denver Water has retained a consultant to conduct a peer review and that staff will continue to keep the distributors updated on the study's progress.

Mr. Fitzgerald, representing the Distributors Forum and the Rates and Fees Technical Advisory Committee ("TAC"), thanked the Board and staff for the opportunity to participate in the rate study. He explained the distributors have reviewed the Rate Structure Review Committee's recommendations. The distributors and the TAC established many of the same rate structure goals and objectives as the committee; however, they did not rate conservation as highly as the committee did. Mr. Fitzgerald also discussed how the recommendations of the distributors' forum and the TAC differ from those of the committee, as described in their letter to the Board dated June 17, 2015, a copy of which is attached to and incorporated in these Minutes as Exhibit "D."

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Commissioner Austin and Mr. Lochhead expressed appreciation for the distributors and thanked Mr. Fitzgerald for working with Denver Water's staff.

10. **ITEM III-B: DIVERSITY/MILITARY/COLLEGE OUTREACH**

Ms. Faulkner provided an update on Human Resources' diversity, military, and college outreach efforts, including participation at job fairs; working with military, veterans', and community organizations; building relationships with schools; and partnering with Denver Water's youth education program. She also introduced the students participating in Denver Water's first official internship program.

Human Resources' talent team will continue to improve Denver Water's career web site and the career development program for current employees. The team also has identified an opportunity to partner with the Emily Griffith School's new technology building near Denver Water's Operations Complex as staff prepares a proposal to launch a new apprenticeship program in Denver Water's trades.

The Commissioners and Mr. Lochhead complimented Human Resources on its work and continuous improvement.

Ms. Faulkner's presentation is attached to and incorporated in these Minutes as Exhibit "E."

11. **ITEM IV-A: CEO REPORT**

Mr. Lochhead reported he and Ms. Cagle have held six employee forums, at which they discussed the Operations Complex Redevelopment Project, the ongoing compensation study, and recent changes to pay policies and the defined contribution plans. They also have addressed ongoing discussions about the defined benefit plan and employee leave policies; staff is studying various alternatives to propose to the Board, but Mr. Lochhead said he assured employees that no decisions have been made yet.

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He also discussed the work over the last several years by the upper Colorado River Basin states and the State of Colorado to develop a strategy to avoid a compact call by the lower basin states. He emphasized the importance of these efforts in protecting the security of Denver Water's Colorado River supplies. Ms. Wells added that the Colorado Water Conservation Board is working on an action plan for the new state water plan, including a statement that the state will direct the efforts to avoid a deficit under the Colorado River Compact, rather than focusing only on the response to a potential compact call.

Mr. Lochhead reminded the Board of the recent system conservation agreement Denver Water reached with other water utilities and the federal government to fund \$11 million of pilot programs to increase water in Lake Powell and Lake Mead. The upper basin has agreed to administer the program and issued a request for proposals for pilot projects. It received a number of responses from Wyoming, Colorado, and the lower basin states, which should be fully funded and will begin this summer and next year.

Lastly, Mr. Lochhead mentioned staff working on the Gross Reservoir expansion project recently met with Colorado Springs staff to learn about a similar project underway there.

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

Ms. Bryant reported that billed revenue is down compared with budgeted revenue. However, some of that decrease has been mitigated by an increase in receipt of system development charges.

Mr. Helgeson said revenues were down \$6.6 million through the end of May 2015. The projections for June show revenues down by \$20 million, which would make this year on pace to be the lowest billed consumption year since 1981. Mr. Helgeson said the worst case scenario, based on every month of the year having its historically lowest billed consumption, would have revenues down by \$40 million by the end of 2015. However, he noted

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the weather has warmed and Denver Water's three biggest revenue months are still ahead.

Ms. Bryant said that expenses are slightly under budget for this time of year, which includes lower expenses for chemicals, some of which may be attributed to customers using less treated water. Staff expects expenses to increase later this year for capital projects, which have seen some delays due to the wet weather. Large capital projects in progress include the Hillcrest Treated Water Storage Tanks and Pump Station, which is a \$100 million project, and work at Marston Forebay and Antero Reservoir.

Ms. Bricmont explained that Denver Water has the ability to draw down cash reserves, tap into a line of credit, delay projects, and impose a surcharge if deemed necessary due to lost revenue. No debt issuance is planned until the first or second quarter of 2016. Ms. Bricmont also said the system and program managers will provide a mid-year update and staff will present the financial plan this summer.

Lastly, Ms. Bryant announced that Mr. Cristiano is the new Manager of Budgets and Rates Administration.

#### 13. **ITEM IV–C: OPERATIONS REPORT**

Mr. Roode reported on the high flows and impacts to Denver Water's system resulting from the recent wet weather. Denver Water's facilities are in Condition C, which means infrastructure may be in danger of flooding. In the South Platte River system, all reservoirs have been full and have spilled this year. Dillon Reservoir is not full; staff is managing the flows to let out as much water as possible without creating problems for bridges downstream. Denver Water's emergency managers are working in coordination with Summit County.

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Antero Reservoir must be fully drained by August 5, 2015, for upcoming work on the dam, but the water is being released slowly to avoid floods in the South Platte River.

At Eleven Mile Reservoir, the Forest Service closed the canyon to recreation for safety reasons. There has been some damage to the road in the canyon, which Denver Water will be required to repair.

In Waterton Canyon, the Conduit 157 Last Chance Diversion and Gage Station was inundated and will need to be remediated. Additionally, the High Line Canal Diversion structure failed and will need to be rebuilt in the fall.

Mr. Mahoney added that water overtopped the embankments of the two southernmost cells of the North Reservoir Complex. Staff is determining whether to armor the slopes for future flood events. He also noted that the State of Colorado has inspected the recent work at Marston Forebay and will allow it to be filled to 5,537 feet, where it can collect water being released from Antero Reservoir.

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

14. **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 "G."

15. **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 "H."

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

**EXECUTIVE SESSION**

On Wednesday, June 24, 2015, commencing at 11:01 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. 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 11:09 a.m.

  
Secretary

  
President