

RECORD OF PROCEEDINGS

**MINUTES
OF THE
BOARD OF WATER COMMISSIONERS**

Open Session

April 14, 2010

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, April 14, 2010 beginning at 9:30 a.m. in the Board Room, Room 309, 1600 West 12th Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

**Penfield W. Tate, III, President
John R. Lucero, First Vice President
Thomas A. Gougeon, Vice President
Paula Herzmark, Vice President
H. Gregory Austin, Vice President**

Board employees and others present during portions of the Meeting were:

H. J. Barry, Manager	P. L. Wells, General Counsel
D. B. LaFrance, Director of Finance	D. L. Little, Director of Planning
M. L. Bassett, Director of Public Affairs	R. J. Mahoney, Director of Engineering
B. D. Good, Director of Operations & Maintenance	C. R. Dermody, Director of Information Technology
C. Elam-Floyd, Director of Human Resources	James S. Lochhead, Manager/CEO Designate
S. Duncan, Intergovernmental Affairs Coordinator	T. Cristiano, Manager of Rate Administration
M. L. Walker, Attorney	P. Coleman, Manager of Internal Auditing
D. Arnold, Attorney	U. Sharma, Treasurer
K. Bates, Attorney	M. O'Neill, Manager of Accounting
G. Rosenschein, Attorney	G. Wilcox, Manager of Budgeting
G. T. Malmberg, Sales Administrator	G. Zervos, Accountant
J. H. Bambei, Jr., Chief of Engineering	L. Billeter, Staff Analyst

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M. Leister, Engineer	D. Hamm, Staff Analyst
J. Gaborek, Engineer	R. Hernandez, Purchasing
D. Wyman, Engineering	S. Chesney, Community Affairs
P. Daukas, Manager of Environmental Planning	S. Hall, Community Relations
C. Bramon, Inventory Control Coordinator	D. B. Engleman, Human Resources
B. Reum, Manager of Geospatial Information and Technology	R. Blauvelt, Customer Service Field Manager
E. Weeams, Superintendent of Maintenance	D. Weidenhamer, Manager of Warehouse Operations
D. Raitt, Construction Project Manager	S. Miller, Manager of Health Care Administration
Pat Fitzgerald, Distributor's Liaison Representative, Platte Canyon Water and Sanitation District and Southwest Metropolitan Water and Sanitation District	Jill Wurtz, Denver Parks and Recreation Clair Brown, Two Forks Cafeteria Don Sloop, CAC Becky Long, CAC
Jason Mumm, StepWise Utility Advisors	Steve Cook, NICOR
Jodie Cates, BKD	Travis Webb, BKD
Sarah Jones, BKD	

Commissioner Tate called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, the reading of the Minutes of the Regular Meeting of March 10, 2010 was dispensed with and such Minutes were approved.

Upon motion regularly made, seconded and unanimously carried, the Minutes of the Executive Sessions of March 10 and 24, 2010 were approved.

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Public Comment

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

Introduction of Employees

In response to Commissioner Tate's invitation, employees not normally attending Board meetings were introduced.

Introduction of New CEO/Manager

Commissioner Tate introduced and welcomed Mr. James S. Lochhead, new CEO/Manager of Denver Water and explained that Mr. Lochhead's appointment would be effective June 1, 2010. Mr. Lochhead thanked the Board for the opportunity and noted that he was looking forward to working with the Board and Staff.

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 April 14, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "A," effective the pay period beginning **March 6, 2010**, unless otherwise noted.

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

The following employees were classified as regular employees of the Board, with all rights and privileges thereof, effective April 1, 2010, unless otherwise noted:

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Employee Name	Employment Date	Retirement Plan Participation Date <small>Unless otherwise noted*</small>	Division/Section
Cherry Morgando	09/08/2009	09/08/2009	Design Drafting #216
Michael Sandoval	09/08/2009	09/08/2009	Design Drafting #216
Michael Leone*	10/02/2007	09/05/2009 *Exclude Prior Service as Project Status 10/02/2007 to 09/04/2009	Water Quality #230
Miguel Sanchez	07/01/2009	07/01/2009	Survey Field Crew #243
Landin LeBlanc	09/17/2009	09/17/2009	T&D Construction & Maintenance #710
Donna Brickhouse	09/08/2009	09/08/2009	Buildings Maintenance #870

3. ITEM V-A-3: CONTRACTS SCHEDULED TO RENEW AND/OR ADD FUNDING IN THE 2ND QUARTER OF 2010

Authorized extension and additional funding for the following annual contracts:

Contract with Insight Public Sector, Inc. to provide Microsoft Software through March 31, 2011, at an additional cost of \$150,000;

Contract with CAD-1 Inc. to provide AutoCAD Software through March 31, 2011, at an additional cost of \$5,000;

Contract with ORACLE Corporation to provide Database Software through May 31, 2011, at an additional cost of \$50,000; and

Contract with IBM Corporation to provide Maintenance Management Software through September 15, 2010, at an additional cost of \$2000,

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all as more particularly described in the Attachment to Agenda Item V-A-3, a copy of which is attached to and incorporated in these Minutes as Exhibit "B."

**4. ITEM V–A–4: IRRIGATION EFFICIENCY DEMAND-SIDE
MANAGEMENT AGREEMENT: ARAPAHOE COMMUNITY COLLEGE**

Approved entering into an Irrigation Efficiency – Demand-Side Management Agreement with Arapahoe Community College, located in the City of Littleton, to upgrade existing irrigation controllers, retrofit spray-heads and convert an existing tap to an irrigation-only tap, at a cost up to \$11,000 and authorized payment for actual water savings over a five-year period of a maximum amount of \$95,500, all as more particularly described in the Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "C."

In response to questions from the Commissioners, Ms. Bassett explained that payment for water savings are made over a five-year period. If a customer is not able to reach the stated goal, payments are not made. Ms. Bassett acknowledged that after the five-year period, there is no on-going verification program.

**5. ITEM V–A–5: IRRIGATION EFFICIENCY DEMAND-SIDE
MANAGEMENT AGREEMENT: LAKEWOOD CITY COMMONS**

Approved entering into an Irrigation Efficiency – Demand-Side Management Agreement with Lakewood City Commons, a retail shopping center located at the southwest corner of Alameda and Wadsworth in Lakewood, Colorado to upgrade an existing irrigation system at a cost not to exceed \$5500 and authorized payment for actual water savings over a five-year period of up to \$124,500, all as more particularly described in the Demand-Side Management Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "D."

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**6. ITEM V–A–6: FIRST AMENDMENT TO AGREEMENT WITH THE
BRENDLE GROUP, INC.**

Authorized Amendment of the October 22, 2008 Agreement with the Brendle Group, Inc., to provide indoor and outdoor water use assessments at three additional Denver Public School sites, four additional Jefferson County School sites and six Sheridan School District facilities, at an additional cost of \$41,988, and a total amended compensation not to exceed \$621,988, all as more particularly described in the First Amendment to Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "E."

**7. ITEM V–A–7: AUTHORIZATION OF ADDITIONAL FUNDS FOR FIRE
ALARM INSPECTIONS/PREVENTATIVE MAINTENANCE**

Authorized an additional \$65,000 under the February 1, 2007 Agreement with Integrated Safety Services, LLC to furnish fire alarm inspections/preventative maintenance through July 31, 2011, for a total amended contract not to exceed \$218,175.

**8. ITEM V–A–8: AUTHORIZATION OF ADDITIONAL FUNDS FOR
PEBBLE QUICKLIME AND HYDRATED LIME**

Authorized an additional \$200,000 under the February 14, 2007 Contract with Mississippi Lime Company to furnish Denver Water's requirements of pebble quicklime and hydrated lime through December 31, 2011, for a total amended contract amount not to exceed \$600,000.

**9. ITEM V–A–9: AUTHORIZATION OF ADDITIONAL FUNDS FOR
NETWORK & TELEPHONE CABLING SUPPORT**

Authorized additional funds in the amount of \$200,000 pursuant to the February 13, 2008 contract with American Datapath, Inc., Contract No.

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11284A to provide network and telephone cabling support maintenance through December 31, 2010, for the projects set forth on Agenda Item V-A-9, dated April 14, 2009, a copy of which is attached to and incorporated in these Minutes as Exhibit "F," for a total amended contract amount not to exceed \$340,000.

In response to questions from the Commissioners, Mr. Dermody acknowledged that while a number of the cabling projects were small, the cabling project for 555 Quivas and redoing the second floor of the Administration Building were larger projects for which bids were not sought. The Commissioners discussed the extent to which additional investments should be made in the Administration Building without first deciding when and whether to replace or remodel the building.

10. ITEM V-A-10: AUTHORIZATION OF ADDITIONAL FUNDS FOR STREET CLEANING SERVICES

Authorized \$100,000 of additional funds under the April 8, 2009 Contract with Metropolitan Janitorial Services, Inc., to provide street sweeping services through March 31, 2011, for a total amended contract not to exceed \$250,000.

11. ITEM V-A-11: ANNUAL CONTRACT FOR HAULING SERVICES

Authorized award of a contract to P&H Equipment to provide hauling services for the contract period March 1, 2010 through April 30, 2012, at the unit prices set forth on the Tabulation of Bidder's Proposal No. 12751A, dated January 19, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "G" for a total contract amount not to exceed \$1,600,000.

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**12. ITEM V–A–12: ANNUAL CONTRACT FOR MECHANICAL JOINT
DUCTILE IRON FITTINGS**

Authorized award of a contract to Star Pipe Products to furnish Denver Water's requirements of mechanical joint ductile iron fittings for the contract period April 1, 2010 through March 31, 2011, for a total contract amount not to exceed \$550,000.

**13. ITEM V–A–13: ANNUAL CONTRACT FOR DRY BARREL FIRE
HYDRANTS**

Authorized award of a contract to American Flow Control to provide Denver Water's requirements of dry-barrel fire hydrants and extension kits for the contract period April 1, 2010 through March 31, 2011, at the unit prices set forth in the Tabulation of Bidder's Proposal No. 12884A, dated March 18, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "H" for a total contract amount not to exceed \$425,000.

14. ITEM V–A–14: PURCHASE OF NEPTUNE REGISTERS

Authorized award of a contract to Finish Line System, LLC to furnish Denver Water's requirements of Neptune encoder registers for the contract period April 1, 2010 through January 31, 2013, at the unit prices set forth in the Tabulation of Bidder's Proposal No. 12911A, a copy of which is attached to and incorporated in these Minutes as Exhibit "I" for a total contract amount not to exceed \$3,500,000.

**15. ITEM V–A–15: CONTRACT FOR BUTTERFLY VALVES AND
ACTUATORS**

Authorized award of a contract to Val-Matic Valve & Manufacturing, to furnish butterfly valves and actuators, at the unit prices set forth in the Tabulation of

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Bidder's Proposal No. 1298A, dated April 5, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "J", for a total contract amount not to exceed \$375,443.73.

16. **ITEM V-A-16: CONTRACT EXTENSION WITH WIPRO, LIMITED FOR SOFTWARE INTEGRATION AND DEVELOPMENT SERVICES**

Approved Amendment to the January 1, 2008 contract with Wipro, Limited to continue to provide the services of these contractors, at the original hourly rates, to support system integration work and related activities for a one-year period at an additional cost of \$500,000, and an amended contract amount not to exceed \$1,130,000.

17. **ITEM V-A-17: CONTRACT EXTENSION WITH MALCOLM PIRNIE, INC. FOR SOFTWARE DEVELOPMENT SERVICES**

Approved extension of the November 17, 2009 contract with Malcolm Pirnie, Inc., to provide the services of Jerry Goetsch necessary to augment staffing in the Tier III New Solutions Section of the Information Technology Division for an additional 12 month period at the current rate of \$105 per hour for an additional amount of \$210,000 and a total amended contract amount not to exceed \$304,500.

In response to questions from Commissioner Lucero, Mr. Dermody opined that Information Technology Division Staff would be able to support the E-Map project without additional external support at the end of the one-year extension period.

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18. **ITEM V–A–18: ADDITIONAL FUNDS FOR PURCHASE & SUPPORT SERVICES OF MICROSOFT DESKTOP AND INFRASTRUCTURE SOFTWARE**

Approved Amendment of the January 1, 2004 Contract with Insight Public Sector, Inc., to cover third-year costs for new purchases and maintenance of Microsoft software at a cost of \$149,000, and a total amended contract amount of \$1,514,000.

19. **ITEM V–A–19: CONTRACT FOR SOUTH BOULDER DIVERSION CANAL ACCESS BRIDGE**

Authorized award of a contract to Manion Construction, Inc., to furnish and install the South Boulder Diversion Canal Access Bridge necessary for the Ralston Landslide Repair Project, at a cost of \$141,130.

20. **ITEM V–A–20: THIRD AMENDMENT TO AGREEMENT WITH WONG STRAUCH ARCHITECTS FOR EINFELDT DECENTRALIZATION STATION**

Approved the Third Amendment to the July 9, 2008 Agreement with Wong Strauch Architects, Contract 11783A, to provide services during construction for the new Einfeldt Decentralization Station at a cost of \$76,000, and a total amended contract amount of \$276,809, all as more particularly described in the Third Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "K."

21. **ITEM V–A–21: AGREEMENT WITH SDG INCORPORATED FOR FEASIBILITY STUDY FOR REPLACEMENT OF TANKS AT HILLCREST, HIGHLANDS AND ASHLAND**

Approved entering into an Agreement with SDG Incorporated in the form attached to and incorporated in these Minutes as Exhibit "L" to provide a

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feasibility study for the replacement of clear water reservoirs at Hillcrest, Highlands and Ashland, at a cost to the Board not to exceed \$265,129, with a completion date of December 31, 2010.

Mr. Mahoney explained that under the Agreement, Brown and Caldwell will provide independent peer review to SDG. Mr. Mahoney further explained that after the contractor provides a method of design and reconstruction of the clear water reservoirs at the three sites, the project estimates will be used to develop the ten-year budget. A similar agreement has previously been entered into with Bates Engineering for the design of the clear water reservoir at Lone Tree. If a design contract is determined to be required, it is the plan of Staff to amend the consultant's contract to provide the design services.

The Commissioners expressed concern that the proposed method of amending the feasibility contract for design services would unnecessarily eliminate a competitive environment for future work.

22. **ITEM V-A-22: CONTRACT FOR DE-ICE PAD VAULT IMPROVEMENTS AT DENVER INTERNATIONAL AIRPORT**

Authorized the award of a contract to Interstate Highway Construction, Inc. to furnish and install gravity drain lines for vaults on de-icing pads A, B and C at Denver International Airport at a cost not to exceed \$1,666,950.

Mr. Bambei explained the original design of the vaults assumed Denver Water would have regular access to the vaults for operation and maintenance. Subsequent to the time the vaults were constructed, the airport authority moved the location of plane de-icing from the gates to a specified area, which has a direct impact on Denver Water's vaults. The contractor will rebuild each of the affected vaults and construct gravity drain lines to eliminate build-up of glycol-based de-icing fluids. Denver Water will not be reimbursed for the cost of the improvements.

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**23. ITEM V–A–23: RATIFICATION OF CONSTRUCTION CONTRACT
CHANGE ORDERS AND AMENDMENTS TO AGREEMENTS**

Ratified Construction Contract Change Orders and Amendments to Agreements authorized by the Manager in February and March 2010 as follows:

Change Order No. 4 to Contract 11971A with American West Construction for the Howe-Haller Reservoir Mounding Drain Project;

Change Order No. 2 to Contract 11992C with Moltz Construction for the Marston Filter Plant No. 2 Upgrades;

Change Order Nos. 4 and 6 to Contract 12019A with Lillard and Clark Construction Co., Inc. for the relocation of Conduits 12 and 18;

Change Order Nos. 1 and 2 to Contract 12082A with Concrete Works of Colorado for the Cat Reservoir Drainage and Site Improvement Project;

Change Order No. 2 to Contract 12129A with American West Construction, LLC for the Miller Reservoir and Dam Completion Project;

Change Order No. 1 to Contract 12244A with GH Phipps Construction Companies for the HVAC Modifications at Marston Treatment Plant and the Recycling Plant;

Change Order No. to Contract 12290A with D&D Roofing, Inc. for the 2009 Marston and Moffat Roof Replacement and Repair Project;

Change Order No. to Contract 12422A with Lillard and Clark Construction Co., Inc. for the 2009/2010 Vault Modification Project;

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Change Order No. 1 to Contract 12745A with Premier Specialty Contractors, Inc. for the Moffat WTP Filter No. 3 Joint Repair Project;

Change Order Nos. 1 and 2 to Contract 12778A with Premier Specialty Contractors, Inc., for the Green Mountain Reservoir Concrete Repair Project;

First Amendment to Task Order Agreement 11109A with AECOM, USA, Inc., for the On-Line Operations and Maintenance Manual for the South Reservoir Complex;

First Amendment to Task Order Agreement 11119G with Integra Engineering for the Conduit Nos. 30 and 109 Relocation Project on West Quincy Avenue;

First Amendment to Task Order Agreement 11124I with Kumar & Associates, Inc. for a Geotechnical Study of the Jim Creek Siphon Project in the Fraser River Collection System;

Third Amendment to Task Order Agreement 11142B with Wiss, Janney, Elstner Associates, Inc. for architectural engineering and roof consulting services for the Marston Water Treatment Plant Facility;

First Amendment to Agreement 12132A with Underground Consulting Solutions, LLC for utility locates; and

First Amendment to Agreement 12651A with Western Weather Consultants, LLC for the weather modification agreement in the Winter Park area,

all as more particularly described in the attachment to Agenda Item V-A-23, a copy of which is attached to and incorporated in these Minutes as Exhibit "M."

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24. ITEM V-B-2: RESOLUTION OF THE DENVER BOARD OF WATER COMMISSIONERS REGARDING SELECTION OF A CEO/MANAGER

Adopted a Resolution, a copy of which is attached to and incorporated in these Minutes as Exhibit "N" selecting James S. Lochhead to be the CEO/Manager of Denver Water effective June 1, 2010.

The Commissioners recognized and welcomed Mr. Lochhead as the CEO/Manager.

25. ITEM V-B-1: REVISIONS TO PERSONNEL POLICY

By a vote of 4-1 with Commissioners Tate, Gougeon, Herzmark and Austin voting "Aye" and Commissioner Lucero voting "Nay", adopted revisions to the Personnel Policies in Chapter 6, Section 6-1-(2)-(e), 6-3-(2)-(a) and Section 11-2-(1)-(q) and Chapter 11, Section 11-2-1(m), all as more specifically described in Exhibit "O", attached to and incorporated in these Minutes, which changes were made necessary because of changes to State rules regarding medical marijuana.

Ms. Wells explained the Personnel Policies had previously been written to deal with illegal drugs. Because medical marijuana is no longer an illegal drug under State law, the definition in the Personnel Policies needed to be changed. Ms. Rosenschein explained if an employee operates heavy equipment or is required to drive for Denver Water and tests positive for marijuana, that employee would be subject to termination. Non-drivers and non-safety sensitive personnel testing positive for marijuana would be subject to corrective action, but termination was not mandatory.

Commissioner Herzmark opined that the use of marijuana would put people at risk, and explained Denver Health had a zero-tolerance policy. Commissioner Lucero explained he was voting no because the use of

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marijuana was still illegal under Federal law and he did not support changing the Personnel Policies to address the State change.

26. ITEM V–E–1: AMENDMENT TO CONSULTING SERVICES AGREEMENT WITH STEPWISE UTILITY ADVISORS, LLC

Authorized a Second Amendment to the November 17, 2008 Agreement with StepWise Utility Advisors to expand the Scope of Services, to extend the time for completion of services to December 31, 2011 and increase the contract amount by \$75,000 for a total amended contract amount of \$150,000, all as more particularly described in the Second Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "P."

Mr. LaFrance introduced Jason Mumm of StepWise Utility Advisors and explained that Denver Water and the City of Aurora had jointly engaged StepWise to provide financial and pricing analysis and to model financial implications of the various service scenarios of the WISE Project. Mr. LaFrance further explained that Aurora will reimburse Denver Water 50% of the costs of the contract. An outline of the amended Scope of Work was provided to the Commissioners and is attached to and incorporated in these Minutes as Exhibit "Q."

27. ITEM V–E–2: INTERGOVERNMENTAL AGREEMENT WITH NORTHWEST LAKEWOOD SANITATION DISTRICT

Approved entering into an Intergovernmental Agreement with Northwest Lakewood Sanitation District, which Agreement authorizes payment of \$223,846 to Northwest Lakewood in settlement of a long-standing dispute between the parties regarding sewer tap fees and waste water flows from Denver Water's Moffat Water Treatment Plant, all as more particularly described in the Intergovernmental Agreement, a copy of which is attached to and incorporated in these Minutes as Exhibit "R."

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Mr. LaFrance introduced Daniel Arnold, Denver Water attorney, who had worked on the issue and explained the Agreement settled a claim for damages, unpaid sewer tap-fees, excess flow rates over a 15 year period and the costs of constructing new facilities. As a part of the Settlement Agreement, the Board will be billed under a new billing methodology that takes into account the unique nature and character of the wastewater flows introduced into the District's facilities from the Board's Moffat Filter Plant.

28. ITEM V-E-3: CONTRACT FOR RECESSED METER PIT LIDS

Following extended discussion, tabled to the April 28 Study Session, consideration of a contract to acquire for recessed meter pit lids.

Commissioner Tate recognized Steve Cook of NICOR who protested the procurement document provided to potential bidders. Mr. Cook explained that the NICOR bid had been prepared based upon use of a specific clipping device. Mr. Cook opined the request for proposals should have explained a different clip could be provided by Denver Water and requested the opportunity to incorporate the clip into a separate design. The Commissioners requested that Staff provide a complete report to the Board describing the procurement process prior to the April 28 Study Session.

29. ITEM V-E-4: CONTRACT AMENDMENT WITH DENVER REGIONAL COUNCIL OF GOVERNMENTS (DRCOG) FOR 2010 ORTHO-PHOTOGRAPHY PROJECT

Authorized Amendment to the May 14, 2008 contract with Denver Regional Council of Governments to authorize payment of \$106,000 as Denver Water's share of the cost of acquisition of three-inch digital ortho-photography coverage for the Combined Service Area (248 square miles).

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Mr. Dermody introduced Brenda Reum, Manager of Geospatial Information and Technology, who provided samples of aerial photos using one-foot and three-inch ortho-photography. Ms. Reum explained that with improved resolution of aerial photography, Denver Water can more accurately classify and measure landscape features. The data is also expected to be used for Denver Water's mapping applications.

30. **ITEM V-E-5: CONTRACT TO PROVIDE DREDGING SERVICES FOR REMOVAL OF SEDIMENT IN STRONTIA SPRINGS RESERVOIR**

Authorized award of a contract to Severson Environmental Services, Inc., to provide dredging services for the removal of sediment in Strontia Springs Reservoir at a cost to the Board not to exceed \$30,046,500.

John Gaborek and Doug Raitt provided information to the Commissioners regarding the sediment load in Strontia Springs Reservoir and the contractor's proposed method of removal. Mr. Gaborek described some of the operational problems and concerns which would be encountered if the sediment is not removed. Mr. Gaborek also described the proposed method of removal and explained the contractor expects to remove 625,000 cubic yards of sediment by December 31, 2011. Under the terms of the contract, prior to the end of the project, the Board will be able to extend the contract for removal of additional material. Although 26 different dredging companies across the United States were contacted and five were pre-qualified, only one contractor submitted a proposal. Mr. Raitt outlined the costs included in the contract: \$10,000,000 for mobilization, \$2,000,000 for water treatment; and \$16,000,000 for dredging. Mr. Raitt explained the contract also includes a stand-by fee in the event that Denver Water requests that the contractor shut down for water turbidity or other issues. In response to questions from the Commissioners, Mr. Gaborek explained the City of Aurora is aware of the

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cost of the project and will be reimbursing a portion of the costs on a quarterly basis.

31. **ITEM V-E-6: APPROVAL OF CAFETERIA MANAGEMENT CONTRACT**

Mr. Barry explained that Denver Water owns and operates the cafeteria and the current onsite manager, Two Forks, Inc. charges a management fee and labor costs to Denver Water. Denver Water pays all direct costs of the operation and receives the receipts from food sales over the last few years. The cafeteria has experienced an operational deficit.

During consideration of the proposed agreement, the Commissioners objected to a three-year contract until an outside expert had reviewed the operation and determined whether there are ways to reduce the costs or alternatives to the current operation. In response to questions from the Commissioners, Ms. Miller explained that contractors had been solicited, and four had proposed. Of the four proposals, two were out of state and one in-state entity only did catering and had no experience with an on-site cafeteria.

Claire Brown, the current cafeteria manager, provided information regarding the subsidy, the number of meals provided, food prices and proposed changes to the operation which would eliminate some of the costs.

Following extended discussion, the Commissioners authorized a one-year contract with Two Forks, Inc. at a cost of \$175,000 and requested that Staff engage an outside consultant to advise the Board regarding the operation of the cafeteria, including ways to reduce operational costs.

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**32. ITEM V-E-7: CONTRACT WITH J. KENT STAFFING, INC. FOR
TEMPORARY EMPLOYEE AND PAYROLL SERVICES**

Approved entering into a Contract with J. Kent Staffing, Inc., to provide temporary employees as required by the Board through March 31, 2011, at a cost not to exceed \$495,000.

Ms. Elam-Floyd explained the need for temporary employees resulted in part because of recent changes to Denver Water policies governing temporary workers and the length of time those workers could be employed. Several Engineering projects were underway at the time the policy was enacted. Staff determined that individuals working on those projects would be retained through the temporary staffing agency. Ms. Elam-Floyd explained the funds for the temporary Engineering employees were included in the Engineering budget for those projects.

During the discussion of the need for former project employees and retirees for temporary staffing, the Commissioners requested that Staff investigate other less-costly ways to provide the necessary staffing. Commissioner Herzmark asked that Staff investigate the use of a category of employees referred to as intermittent employees who would be paid at an hourly rate with no benefits, which employee would be available to provide temporary staffing as needed.

**33. ITEM V-E-8: CHANGE ORDER NO. 7 WITH LILLARD & CLARK
CONSTRUCTION CO. FOR CONDUIT NO. 12 AND 18 — 48-INCH AND 54-
INCH STEEL PIPE RELOCATION AT THE SOUTH PLATTE RIVER**

Approved Change Order No. 7 to the August 12, 2009 contract with Lillard and Clark Construction Co., Inc. for the relocation of Conduit Nos. 12 and 18 at the South Platte River in the amount of \$283,780.41, for a total amended contract amount of \$2,111,343.91, and extending the completion date to June

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21, 2010, all as more particularly described in the Change Order, a copy of which is attached to and incorporated in these Minutes as Exhibit "S."

Don Wyman provided information to the Board regarding the ongoing project to relocate Conduits 12 and 18. The contract with Lillard and Clark is for the relocation of 500 feet of 48" and 54" pipe under the South Platte River. The project is made necessary by the City and County Denver's South Platte River Project, which will lower the river bed in the area of the conduit crossings. Because of ongoing delays caused by unanticipated environmental conditions, the project cost has expanded and the time for construction has extended into higher river flow conditions. Because of the high river flows, Denver Water will not move forward with the Conduit 18 relocation until the fall. Mr. Wyman discussed various alternatives for the relocation of Conduit 18.

34. ITEM VI-B-1: DISCUSSION AND INFORMATION: 2009 AUDITED FINANCIAL STATEMENTS

Mr. LaFrance explained the Commissioners had received copies of the 2009 Audited Financial Statements. The audit resulted in an unqualified (clean) opinion. Mr. LaFrance explained that the 2009 operating revenue decreased from the revenue realized in 2008, and that operating expenses were higher for 2009 than in previous years. Mr. LaFrance further explained the Staff and Board had cut the budget to manage cash flow and the 2009 net assets had increased over 2008. Mr. LaFrance then introduced Travis Webb, Jodie Cates and Sarah Jones of BKD, representatives of Denver Water's external auditor.

Ms. Cates noted there were no specific matters to be brought to the Board's attention regarding the new internal controls and reported the audit of the Retirement Plans would be provided to the Board in time for the May meeting. Both Ms. Cates and Mr. Webb complimented Denver Water Staff for their cooperation.

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35. ITEM VI-B-2: DISCUSSION AND INFORMATION: FINANCING TERMS OF COST SHARING AGREEMENT WITH SOUTH ADAMS COUNTY WATER AND SANITATION DISTRICT

Mr. LaFrance explained the briefing paper provided the framework for a cost-sharing agreement which was in negotiation with South Adams County Water and Sanitation District. Mr. LaFrance explained the parties have entered into numerous agreements regarding construction of the downstream reservoir project starting in 1997. By way of an April 2009 Agreement, the expenditures of both parties had been reconciled through 2008. The agreement currently under negotiation will address costs incurred beginning January 1, 2009 and is expected to include costs to complete the project. Mr. LaFrance noted the 2009 Agreement provided the terms of the proposed cost-sharing agreement would include an interest rate equal to Denver Water's cost of debt, plus 0.25%. Because South Adams will be making payments under the 2009 Agreement until 2014, payments under the agreement that is in negotiation would start in 2015 and be concluded by December 2020. A copy of the briefing statement is attached to and incorporated in these Minutes as Exhibit "T." The Commissioners asked that Staff provide information regarding the reservoir project at an early meeting.

36. ITEM VI-B-3: DISCUSSION AND INFORMATION: BUSINESS POINTS FOR DEVELOPMENT OF A FINANCING AGREEMENT BETWEEN THE CITY OF ARVADA AND DENVER WATER FOR THE MOFFAT COLLECTION SYSTEM PROJECT

Mr. LaFrance provided information to the Commissioners regarding a financing agreement between the Board and the City of Arvada for future water supply. The conditions are more fully described in a final draft Memorandum, dated February 18, 2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "U."

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Mr. LaFrance noted that the Board was scheduled to meet with the Arvada City Council on Thursday May 13 at the Arvada Center. The purpose of the dinner meeting is to further the relationship between the two governing bodies.

37. **ITEM VI-B-4: DISCUSSION AND INFORMATION: EAST CHERRY HILLS VILLAGE TOTAL SERVICE CONVERSION RECALIBRATED FINANCING TERMS**

Mr. LaFrance provided a briefing memorandum regarding the Total Service Conversion agreement with East Cherry Hills Water District, a copy of which is attached to and incorporated in these Minutes as Exhibit "V." East Cherry Hills Water District has requested that Denver Water provide \$70,000 of the funds which have been collected from the East Cherry Hills customers through a water surcharge to The District in order to pay outstanding amounts necessary to dissolve the District.

Following discussion, the Board agreed the \$70,000 of principal could be returned and the loan amount be recalculated as described in the briefing paper. The Commissioners requested that the term and the interest rate remain as originally negotiated.

38. **ITEM VI-B-5: DISCUSSION AND INFORMATION: LEGISLATIVE REPORT**

Ms. Duncan commented regarding House Bills 1398, 1368 and 1051.

39. **ITEM VI-F-1: DISCUSSION AND INFORMATION: STATUS OF THE INVESTMENT PORTFOLIO**

The Commissioners received the report, "Denver Water Investment Portfolio as of March 31, 2010" as set forth in Agenda Item VI-F-1 dated April 14,

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2010, a copy of which is attached to and incorporated in these Minutes as Exhibit "W."

40. **ITEM VI-F-3: DISCUSSION AND INFORMATION: BUDGET STATUS REPORT**

The Commissioners received the 2010 Year-to-Date Board Budget Status Summary for the period ending **March 31, 2010**, a copy of which is attached to and incorporated in these Minutes as Exhibit "X."

41. **ITEM VI-F-4: DISCUSSION AND INFORMATION: NEW CONTRACT SUMMARY**

The Commissioners received a report of contracts entered into in the First Quarter of 2010 for amounts between \$10,000 and \$100,000, a copy of which is attached to and incorporated in these Minutes as Exhibit "Y."

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

The Board confirmed a Study Session will take place on **Wednesday, April 28, 2010**, at **9:00 a.m.** in the Board Room, Room 309, 1600 W. 12th Avenue, Denver, Colorado. The Agenda for the meeting will be posted. A portion of the meeting will take place in Executive Session.

The Board will meet in Mediation on May 7 and 8 at Manor Vail, Vail, Colorado. The meetings are part of an on-going formal mediation to resolve issues that are the subject of litigation, and will take place in Executive Session.

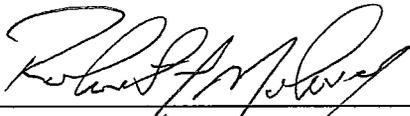
The Board will attend a dinner meeting with the Arvada City Council on May 13, 2010 at the Arvada Center in Arvada, Colorado. The meeting will be informal.

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The Board confirmed that the first regular meeting in May would take place on **Wednesday, May 12, 2010, at 9:15 a.m.** in the Board Room, Room 309, 1600 W. 12th Avenue, Denver, Colorado.

No further business appearing, the Board voted unanimously to adjourn the Meeting at approximately 1:00 p.m. There was no Executive Session.



Secretary



President

