

RECORD OF PROCEEDINGS

MINUTES OF THE BOARD OF WATER COMMISSIONERS

OPEN SESSION

April 23, 2014

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, April 23, 2014, beginning at 9:26 a.m. in the Board Room, Room 309, 1600 West 12th 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
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
U. Sharma, Treasurer	P.B. Coleman, Chief Internal Auditor
M.K. Frishman, Attorney	M.E. Elliott, Assistant Director of Public Affairs – Government, Stakeholder Relations and Conservation
T. Cristiano, Manager of Rate Administration	B. Peters, Water Resource Engineer
T. Bryant, Controller	L. Kaatz, Environmental Scientist
D.M. Hamm, Staff Analyst	E. Helgeson, Finance Analyst
T.E. Lowe, Manager of Sales Administration	C. Cervantez, Contract Specialist

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J.S. Walker, Contracts Supervisor	M. Waage, Manager of Water Resource
S. Snyder, Special Projects Coordinator	Planning
M. O'Neill, Manager of Accounting	K. Riegle, Attorney
J. Plonsky, Accountant	D. Bennett, Environmental Scientist
J. Capps, Finance Analyst	S. Franey, Senior Internal Auditor
G. Zervos, Accountant	C. Ward, Senior Internal Auditor
L. Arbuckle, Accountant	A. Pokua-Nuako, Associate Finance Analyst
	M. Morrow, Senior Financial Analyst

Rod Filliben, KPMG
Erin Herlihy, KPMG

Commissioner Lucero 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.

Public Comment and Communications

Commissioner Lucero 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:

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1. **ITEM II-A-1: SECOND AMENDMENT TO AGREEMENT FOR CONSTRUCTION MANAGEMENT INSPECTION SERVICES AT Foothills Water Treatment Facility**

Approved the Second Amendment to Task Order Agreement 14325C with Hatch Mott MacDonald for construction management inspection services for the Electrical and HVAC Improvement Project at the Foothills Water Treatment Facility. The amendment extends the completion date for the work through September 5, 2014, and adds \$76,350.00, for a total amended contract amount not to exceed \$418,561.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "A."

2. **ITEM II-A-2: SECOND AMENDMENT TO AGREEMENT WITH PATTON BOGGS, LLP**

Approved the Second Amendment to Agreement 14118A with Patton Boggs, LLP, for consulting services related to permitting for the expansion of Gross Reservoir. The amendment extends the completion date for the work through April 30, 2016, and adds \$136,000.00, for a total amended contract amount not to exceed \$272,000.00. A copy of the amendment is attached to and incorporated in these Minutes as Exhibit "B."

3. **ITEM II-A-3: CONTRACT FOR TRANSPORTATION OF RESIDUALS**

Awarded Contract 15146A to Iron Woman Construction for transportation of residuals for the contract period April 11, 2014, through April 10, 2016, for a total contract amount not to exceed \$164,298.00, at the prices shown on the tabulation of bids attached to and incorporated in these Minutes as Exhibit "C."

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4. **ITEM II–B–1: 2014 HARRIMAN RESERVOIR RATES**

Approved increasing the rate per inch-right (share) of Harriman Reservoir's annual yield from \$38.58 to \$767.83 per year.

Mr. Cristiano and Mr. Peters explained that Denver Water provides raw water from Harriman Reservoir to six customers, who together receive 75 percent of the total yield. Denver Water paid \$4.5 million to rehabilitate the dam at the request of the customers. The rate increase will allow Denver Water to recover over an 80-year period the customers' share of the repair costs; Denver Water is responsible for the remaining 25 percent.

5. **ITEM II–B–2: MASTER ARCHITECT FOR OPERATIONS COMPLEX REDEVELOPMENT PROJECT**

Staff withdrew this Agenda Item.

6. **ITEM II–B–3: DESIGNATION OF FEMA GRANT COORDINATOR**

Authorized the Director of Finance or the Controller to execute a Grant Agreement with the State of Colorado, a Federal Funding Accountability and Transparency Act data report, and other documents required for Denver Water to receive reimbursement for eligible expenses it incurred to make repairs following the September 2013 floods.

7. **ITEM III–A: CLIMATE CHANGE AND FINANCIAL DISCLOSURES**

Mr. Lochhead and Ms. Kaatz described recent efforts by environmental groups to require credit- and bond-rating agencies to consider utilities' and municipalities' readiness for climate change as part of their determinations of creditworthiness. Ms. Kaatz provided a summary of findings, which is attached to and incorporated in these Minutes as Exhibit "D," from a meeting that included Denver Water representatives, the EPA, environmental groups, and financial agencies. The findings recognize that the agencies are more concerned with immediate issues, such as the ability to repay debt, than the

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long-term effects of climate change. Mr. Lochhead added that climate change is included in Denver Water's long-term planning process already. Ms. Kaatz plans to issue a white paper on this topic to inform other utilities nationwide. Her presentation is attached to and incorporated in these Minutes as Exhibit "E."

8. **ITEM IV-A-1: CEO REPORT**

Mr. Lochhead announced that the U.S. Army Corps of Engineers will release the Final Environmental Impact Statement for the expansion of Gross Reservoir on April 25, 2014. Additionally, he and other staff will be attending an event in Grand County on April 24, 2014, to celebrate the signing of the Colorado River Cooperative Agreement with the county, Trout Unlimited, Western Resource Advocates, Conservation Colorado, and other environmental groups.

Mr. Lochhead also discussed meetings he attended in Washington, D.C., with Ms. Wells, Ms. Covington, and Ms. Kaatz. They met with the EPA, Interior Department, and other federal officials to discuss sustainability, rules under the Clean Water Act, and regulations pertaining to water utilities. Mr. Lochhead and Ms. Covington also met with senators and representatives from Colorado to discuss the permitting status of the Gross Reservoir expansion and funding to manage demands in the Colorado River basin.

9. **ITEM IV-B-1: CFO REPORT: 2013 AUDITED FINANCIAL STATEMENTS**

The Board received the 2013 audited financial statements. Mr. O'Neill summarized the results, noting that Denver Water's total revenue in 2013 was down 15 percent and the total income before capital contributions was down 66 percent compared with the previous year due to changes in weather. Denver Water's net assets increased by 5 percent to approximately \$1.82 billion.

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Ms. Herlihy reported that KPMG, Denver Water's external auditor, issued a clean, unmodified opinion on Denver Water's financial statements, did not identify any material weaknesses or deficiencies in the statements, issued an independent accountants' report, and issued a required communications letter to the Board, the City Auditor, and Denver Water management.

Mr. Filliben of KPMG noted one control deficiency that was identified for 2013, in which a large payment due under the Colorado River Cooperative Agreement was not recorded as incurred in 2013 although final execution of the agreement occurred on September 26, 2013. Mr. Lochhead responded that staff will put controls in place to ensure any large payments are recorded in the year in which they accrue.

Commissioner Austin raised a question about a reference in the financial statements to Denver Water's protection under the Colorado Governmental Immunity Act. Since the financial statements had been released already, Mr. Filliben recommended incorporating Commissioner Austin's suggested change in the 2014 statements. Ms. Bricmont indicated that future financial statements will not be made public until the Board has reviewed them.

KPMG's presentation and findings are attached to and incorporated in these Minutes as Exhibits "F" and "G," respectively.

10. **ITEM IV-B-2: CFO REPORT: QUARTERLY FINANCIAL REPORTS**

The Board received the Quarterly Financial Reports for the First Quarter 2014, which are attached to and incorporated in these Minutes as Exhibit "H."

11. **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 "I."

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12. **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 "J."

No further business appearing, the Board voted unanimously to adjourn into Executive Session at 10:47 a.m.

EXECUTIVE SESSION

On Wednesday, April 23, 2014, commencing approximately at 10:57 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)
3. Personnel Matters § 24-6-402(4)(f)(I)

There being nothing further for the Board to consider, the Executive Session concluded at approximately 12:15 p.m.


Secretary


President