

METRO WASTEWATER RECLAMATION DISTRICT

Minutes of the Regular Meeting of the Board of Directors April 16, 2019

The Board of Directors of the Metro Wastewater Reclamation District, in the Counties of Adams, Arapahoe, Douglas, Jefferson, and Weld, and the City and County of Denver, State of Colorado, met in regular session in the Board Room, 6450 York Street, Denver, Colorado, Tuesday, April 16, 2019, at 5:30 p.m.

Chairman Baertlein called the meeting to order.

1. ROLL CALL

Secretary Caldwell called the roll.

Officers Present:

Peter Baertlein, Denver
Scott Twombly, Thornton
Nadine Caldwell, Aurora

Chairman
Chairman Pro Tem
Secretary

Directors Present:

Philip Cipri, Berkeley
Thomas Colchin, Applewood
David Councilman, Pleasant View
John Dingess, Aurora
Robert Duncanson, Denver
Stephen Gay, Westminster
Mark Hunter, Lakewood
Joan Iler, Westridge
Kathryn Jensen, North Table Mountain
Andrew Johnston, Denver
Janet Kieler, Denver
Craig Kocian, Arvada
Ingrid Lindemann, Aurora
Charles Long, Thornton

Jim McClung, Alameda
Dan Mikesell, Aurora
Claude Off, East Lakewood
Christopher Pacheco, Denver
Barbara Puls, Denver
Bill Ray, Arvada
Ronald Sanchez, Crestview
Gerry Schulte, Lakewood
Delbert Smith, Bancroft-Clover
Peter Spanberger, Denver
Amerigo Svaldi, North Washington Street
Dennis Towndrow, North Pecos
Ronald Younger, Denver

Directors Absent:

Phil Burgi, Wheat Ridge
Martin Majors, Fruitdale
Michael Sapp, Denver

Kim Schoen, Brighton
Mary Beth Susman, Denver

Others Present:

Mickey Conway
Robert Thomas
Emily Jackson
Molly Kostelecky
Yvonne Kohlmeier
Brittany Peshek
Elaine Wizzard
Dan O'Connell

District Manager
Deputy Manager/Director of Environmental Services
General Counsel
Director of Administrative Services
Administrative Assistant
Executive Assistant
Associate General Counsel
RBC Capital Markets

2. PUBLIC COMMENT

There was no comment.

3. APPROVAL OF MINUTES

Chairman Baertlein asked if there were any corrections, deletions, or additions to the minutes of the Regular Meeting of the Board of Directors held March 19, 2019.

Director Younger moved and Director Ray seconded the motion to approve the minutes of the Regular Meeting of the Board of Directors held March 19, 2019.

The motion carried unanimously.

4. PROGRESS AND PROJECTION REPORTS

4.a Report by District Manager

District Manager Conway reviewed the written report and also noted the Metro District received an unmodified opinion with no material weaknesses or significant deficiencies following the 2018 audit performed by CliftonLarsenAllen (CLA) LLP. He reported on his positive meeting with Doug Benevento from the U.S. Environmental Protection Agency (EPA) in which they discussed the Optimal Corrosion Control Treatment (OCCT) litigation, and he noted that the City of Brighton finalized its connection to the Northern Treatment Plant (NTP) with the first influent to the NTP sent on April 10, 2019.

4.b Report by General Counsel

Ms. Jackson reviewed the written report and described the outreach campaign planned to increase public awareness and participation surrounding OCCT issues.

5. REPORTS OF OFFICERS AND COMMITTEES

Director Hunter, Chairman of the Audit Committee, reported on the meeting with CLA during the joint meeting of the Finance and Audit committees, and he described the issues brought before the Audit Committee to review.

There were no additions to the following meeting minutes:

Audit Committee	November 8, 2018
Operations Committee	April 2, 2019
Finance Committee	April 4, 2019
Executive Committee	April 9, 2019

6. NEW BUSINESS

Consent Agenda

6.a Consideration of a METROGRO Farm Permanent Easement with Intermountain Rural Electric Association

Director Dingess moved and Director Lindemann seconded the motion to adopt the following resolution:

WHEREAS, it is in the best interest of the Metro Wastewater Reclamation District, hereinafter referred to as the "Metro District," to grant a Utility Overhead and Underground Easement (Easement) to Intermountain Rural Electric Association

(IREA) to allow a power line to cross a small portion of the central property on the METROGRO Farm (Farm); and

WHEREAS, IREA is the electric service provider for the Farm and, as the Metro District has requested electric service, IREA has constructed and maintained power lines on the Farm to provide electricity for various farming activities including, in 2018, providing a 1.5-mile service extension on the central property of the Farm (Extended Metro Line); and

WHEREAS, the Farm's neighbor, Stacked Lazy Three Ranch, LLC (the Ranch), informed the Metro District and IREA of its interest in connecting to the Extended Metro Line to construct an approximately 500-foot extension across the Farm to facilities located to the west on the Ranch's property (Ranch Line); and

WHEREAS, because a portion of the Ranch Line is located on the Farm, on behalf of IREA, the Ranch requested the Metro District grant a perpetual non-exclusive Easement for the construction and continued operation, maintenance, inspection, repair, alteration, and replacement (collectively, Maintenance) of the Ranch Line; and

WHEREAS, as consideration for the Easement associated with the Ranch Line, the Ranch will compensate the Metro District a total of \$29,067 that includes (1) \$500 which is the fair market value for the Farm property impacted by the Easement, and (2) \$28,567 which is reimbursement for 50 percent of the Metro District's cost for the Extended Metro Line because the Ranch will receive an equal benefit from this service expansion; and

WHEREAS, Metro District staff recommends granting an Easement to IREA for Maintenance of the Ranch Line in exchange for the Ranch compensating the Metro District \$29,067; and

WHEREAS, the Operations and Finance Committees, after having reviewed the matter, recommend granting an Easement to IREA for Maintenance of the Ranch Line in exchange for the Ranch compensating the Metro District \$29,067; and

WHEREAS, the Executive Committee, after having reviewed the matter, concurs in the recommendation of the other Committees;

NOW, THEREFORE, BE IT RESOLVED that, subject to the Ranch compensating the Metro District \$29,067 for the Easement, the District Manager be and hereby is authorized to grant a Utility Overhead and Underground Easement to Intermountain Rural Electric Association for the construction and continued operation, maintenance, inspection, repair, alteration, and replacement of an overhead power transmission line on the Metro District's METROGRO Farm to the property boundary with the Stacked Lazy Three Ranch, LLC.

The motion carried unanimously.

6.b Consideration of Blower No. 8 Replacement Project (PAR 1357) Sole-Source Selection of Contractor, Preconstruction Services Agreement, Construction Contract Award, Sole-Source Equipment Purchase, and Funding Appropriation

Director Dingess moved and Director Lindemann seconded the motion to adopt the following resolution:

WHEREAS, it is in the best interest of the Metro Wastewater Reclamation District, hereinafter referred to as the "Metro District," to replace a blower in the Robert W. Hite Treatment Facility's (RWHTF) North Secondary Complex (NSEC) through the Blower No. 8 Replacement Project (Project); and

WHEREAS, on July 21, 2018, Blower No. 8, with a service life of more than 30 years, experienced a catastrophic failure and requires removal and replacement that includes demolition, design and installation of a new blower with appurtenances, and integration into the existing system; and

WHEREAS, due to time constraints associated with the insurance claim for the damaged blower, Metro District staff recommends (1) executing the Project through the Construction Manager-at-Risk (CMAR) project delivery method which consists of both an agreement for preconstruction services and a contract for construction services and (2) using a sole-source process to select a CMAR Contractor from the contractors already under contract and working on active projects at the RWHTF; and

WHEREAS, Metro District staff recommends the sole-source selection of Moltz Construction, Inc. (Moltz) as the CMAR Contractor to ensure the Metro District can meet the project schedule and allow sufficient time for demonstration and acceptance testing of the blower; and

WHEREAS, Metro District staff has negotiated a Preconstruction Service Agreement with Moltz, in the amount of \$3,100, and will negotiate a Construction Contract with Moltz, in an amount not to exceed \$725,000 for construction of the Project; and

WHEREAS, the single-stage integral-gear type technology used in the failed blower is becoming dated and requires a production lead time of approximately 52 weeks; and

WHEREAS, a direct-drive turbo blower currently used at the Metro District's Northern Treatment Plant is a newer technology offering more operational flexibility, a smaller footprint, and comparable energy efficiency at a lower installation cost and requires a production lead time of 30 weeks; and

WHEREAS, due to both time constraints and the opportunity to evaluate the direct-drive turbo blower technology at the RWHTF during a trial period, Metro District staff recommends installing a M1000 Turbo Blower as manufactured by APGN, Inc., dba APG Neuros (APGN), which is a direct-drive turbo blower, to replace Blower No. 8 at the RWHTF, with the option to purchase the blower after the trial period for \$980,000; and

WHEREAS, the Operations and Finance Committees, after having reviewed the matter, recommend (1) approving the sole-source selection of Moltz as the CMAR Contractor for preconstruction and construction phase services; (2) entering into a Preconstruction Services Agreement with Moltz in the amount of \$3,100; (3) entering into a Construction Contract with Moltz in an amount not to exceed \$725,000 for construction of the Project; and (4) entering into a sole-source agreement for the trial with an option to purchase an M1000 Turbo Blower as manufactured by APGN to replace Blower No. 8 at the RWHTF for \$980,000; and

WHEREAS, the Executive Committee, after having reviewed the matter, concurs in the recommendation of the other Committees;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors be and hereby approves the sole-source selection of Moltz Construction, Inc. (Moltz) as the Construction Manager-at-Risk (CMAR) Contractor to provide preconstruction and construction phase services for the Blower No. 8 Replacement Project (Project) at the Robert W. Hite Treatment Facility (RWHTF); and

BE IT FURTHER RESOLVED that the District Manager be and hereby is authorized to enter into a Preconstruction Services Agreement with Moltz as the CMAR Contractor, in the amount of \$3,100, to provide preconstruction phase services for the Project; and

BE IT FURTHER RESOLVED that the District Manager be and hereby is authorized to enter into a Construction Contract with Moltz as the CMAR Contractor, for an amount not to exceed \$725,000, for the construction of the Project; and

BE IT FURTHER RESOLVED that the District Manager be and hereby is authorized to enter into a sole-source agreement for the purchase of an M1000 Turbo Blower as manufactured by APGN, Inc., dba APG Neuros to replace Blower No. 8 at the RWHTF for \$980,000; and

BE IT FURTHER RESOLVED that the sum of \$1,920,000 (100 percent) be and hereby is appropriated from the General Fund Capital Project Account for this Project.

The motion carried unanimously.

Roll Call Agenda

6.c Consideration of Assignment of Treasurer Title and Duties

Director Mikesell moved and Director Long seconded the motion to adopt the following resolution which was read by Chairman Baertlein:

WHEREAS, it is necessary that the Board of Directors of the Metro Wastewater Reclamation District, hereinafter referred to as the "Metro District," pursuant to Article V, Section 8 of the Bylaws of the Metro Wastewater Reclamation District (Bylaws) assign the title and duties of Treasurer to Scott Twombly for purposes of executing all documents associated with the 2019A Bond Resolution and the 2009 Bond Resolution, and any other transactions as necessary until the Board of Directors elects a Treasurer pursuant to Article V, Section 2 of the Bylaws; and

WHEREAS, the Bylaws provides that the Officers of the Metro District shall perform such other duties and functions as may, from time to time, be required by the Board of Directors; and

WHEREAS, the Bylaws provides that the Board of Directors elects new Officers annually during the regular meeting of the Board of Directors in the month of July; and

WHEREAS, the Board of Directors held such election in July 2018 and elected the following Board Members as Officers for the 2018-2019 term:

Peter Baertlein	Chairman of the Board
Scott Twombly	Chairman Pro Tem
Nadine Caldwell	Secretary
John Ennis	Treasurer; and

WHEREAS, John Ennis, who was a valued member of the Board of Directors and was most diligent and faithful to the duties he assumed, passed away in April 2019 leaving the position of Treasurer vacant; and

WHEREAS, for purposes of executing all documents associated with the 2019A Bond Resolution, (including, but without limitation, causing notice of redemption of the 2009B Bonds being redeemed with the proceeds of the 2019A Bonds to be sent in accordance with the 2009 Bond Resolution), and any other transactions as necessary until the Board of Directors elects a Treasurer pursuant to Article V, Section 8 of the Bylaws, the Board of Directors delegates the title and duties of Treasurer to Scott Twombly;

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors be and hereby delegates the title and duties of Treasurer to Scott Twombly for purposes of executing all documents associated with the 2019A Bond Resolution and any other transactions as necessary until the Board of Directors elects a Treasurer pursuant to Article V, Section 8 of the Bylaws of the Metro Wastewater Reclamation District.

Chairman Baertlein called for a roll call vote which carried with 30 Directors voting Yes:

Peter Baertlein	Kathryn Jensen	Barbara Puls
Nadine Caldwell	Andrew Johnston	Bill Ray
Phil Cipri	Janet Kieler	Ronald Sanchez
Thomas Colchin	Craig Kocian	Gerry Schulte
David Councilman	Ingrid Lindemann	Delbert Smith
John Dingess	Charles Long	Peter Spanberger
Robert Duncanson	Jim McClung	Amerigo Svaldi
Stephen Gay	Dan Mikesell	Dennis Towndrow
Mark Hunter	Claude Off	Scott Twombly
Joan Iler	Christopher Pacheco	Ronald Younger

6.d Consideration of Sewer Refunding Bond Series 2019A Bond Resolution

Director Johnston moved and Director Younger seconded the motion to adopt the 2019 Bond Resolution. (A copy of this resolution is on file in the Metro District's Central Records.)

Directors were provided with the draft 2019 Bond Resolution in the electronic information packet for the April 16, 2019, Board meeting and a hard copy was available at the meeting.

Director Johnston thanked Metro District staff for providing the electronic resolution with all important information included. Director Sanchez asked a question about the timing of the refund, and Ms. Kostelecky and Mr. O'Connell confirmed that the proposed timing offered a financial advantage to the District and less risk than delaying the bond refunding.

Chairman Baertlein called for a roll call vote which carried with 29 Directors voting Yes:

Peter Baertlein	Kathryn Jensen	Barbara Puls
Nadine Caldwell	Andrew Johnston	Bill Ray
Phil Cipri	Janet Kieler	Gerry Schulte
Thomas Colchin	Craig Kocian	Delbert Smith
David Councilman	Ingrid Lindemann	Peter Spanberger
John Dingess	Charles Long	Amerigo Svaldi

Robert Duncanson
Stephen Gay
Mark Hunter
Joan Iler

Jim McClung
Dan Mikesell
Claude Off
Christopher Pacheco

Dennis Towndrow
Scott Twombly
Ronald Younger

and one voting No:

Ronald Sanchez

7. DIRECTOR RECOGNITION

Chairman Baertlein recognized Director Off for his service to the Metro District and thanked him for nine years of service as a member of the Board of Directors.

8. INDIVIDUAL DIRECTOR COMMENTS

Director Sanchez offered his opinion about the performance of the Investment Advisor to the Defined Benefit Retirement Plan. He claimed the Defined Benefit Retirement Plan (DB Plan) was \$44 million in debt and that the Metro District is paying interest on that debt. He then provided his opinion that all of the Plan's assets should be moved into an equity fund managed by Vanguard; that recent market performance had been excellent and the Plan's investments were not taking advantage of that performance. He also stated that District employees are "guaranteed 7.25 percent" as part of the Plan's requirements.

Director Johnston, Chairman of the Finance Committee, responded that the \$44 million Director Sanchez referred to is not debt, but rather represents the unfunded liability of the DB Plan and is an actuarial determined number. He also stated that it appears Director Sanchez was confused about elements reported in the audited financial statements prepared by the auditor, CLA, that were presented to the Finance Committee.

Director Dingess, a member of the Retirement Board, responded to Director Sanchez and stated that he strongly disagreed with the statements he had made. Director Dingess agreed with Director Johnston that the \$44 million noted in the audited financial statements represents the DB Plan's actuarially determined unfunded liability and is not "debt." He also noted the Metro District is not paying any interest on the Plan or the unfunded liability. Furthermore, he recognized the equity markets suffered significant losses in the fourth quarter of 2018 and believed Director Sanchez had misrepresented market conditions. He also clarified that because the Plan is a public pension plan there are constraints on the types of investments available to the Retirement Board. He explained that these misstatements and other misstatements about the Plan had been raised by Director Sanchez on many previous occasions despite the fact that the Retirement Board, the Board of Directors, and District staff have corrected him on multiple occasions.

Director Long, a member of the Retirement Board, explained when the the DB Plan was closed in December 2012, the Investment Advisor stated the actuarially determined unfunded liability could increase before it would decrease because each year there are more retiree participants drawing benefits and fewer active employees contributing to a closed Plan. As a result, the increase in the unfunded liability should not be a surprise to anyone. He also clarified Plan participants are not guaranteed a 7.25 percent "return" as a benefit. [Note: The Plan participants are paid a benefit which is calculated based on their earnings and years of service and does not relate to the gains or losses of the Plan investments.] The 7.25 percent figure represents the targeted annual investment rate of return which the Retirement Board establishes from time to time. This number allows the actuary to do its calculations and guides the Investment Advisor in its investment recommendations. Director Long noted, over

the long term, relative to the investment rate of return benchmark set by the Retirement Board, the Investment Advisor has performed well.

Director Younger stated since the decision to close the DB Plan was made in 2012, some of the newer Directors that do not serve on the Retirement Board may not understand the background of the Plan or the unfunded liability.

Director McClung stated Director Sanchez has raised these issues several times and recommended Director Sanchez raise these issues in writing with supporting evidence in a form that the Board of Directors can formally discuss and resolve.

Director Kocian, a member of the Retirement Board, explained the meetings of the Retirement Board are public meetings, and at a typical Retirement Board meeting there are several staff liaisons present in addition to the two staff members who serve on the Retirement Board, including the current Chairman of the Retirement Board. These are open meetings that are well attended and the decisions are transparent and involve a great deal of analysis and reflection.

District Manager Conway explained that Metro District staff provide the Retirement Board with the appropriate information as well as provide recommendations for action items. At the meetings of the Retirement Board, the Retirement Board is provided a number of reports which include an analysis of how the DB Plan performs relative to similar plans. The Plan investments, which are approved by the Retirement Board based on recommendations by the Investment Advisor, have consistently resulted in Plan performance at or above the median performance of other similar plans, especially when adjusted for risk. Mr. Conway noted that Director Sanchez has been provided information on the Plan's performance but has chosen to ignore this information when criticizing the Investment Advisor's performance. Mr. Conway reiterated these objections have been stated repeatedly, both the Retirement Board and the Board of Directors have fully considered his objections, and both Boards have agreed it is time to move on.

Chairman Baertlein stated he has full faith in the Retirement Board and its selection of the Investment Advisor. He noted that Director Sanchez has raised the issue of the Advisor's competency several times. Despite the accommodating efforts of staff, the Retirement Board, and the Board of Directors, Director Sanchez continues to express this opinion. Chairman Baertlein noted the statements of Directors Dingess, Johnston, Kocian, Long, McClung, and Younger and staff and confirmed his confidence in the Retirement Board and its decisions.

9. OTHER INFORMATION

10. ADJOURNMENT

Chairman Baertlein adjourned the meeting at 6:27 p.m.

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