

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD JULY 24, 2015

A Special Meeting of the Board of Directors (referred to hereafter as "Board") of the Baca Grande Water and Sanitation District (referred to hereafter as "District") was held on Friday, the 24th day of July, 2015, at 8:00 a.m. at the offices of the District, BGWSD Shop, 57 Baca Grant Way South, Crestone, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Cindy Reinhardt
Martin Macaulay
Michael Scully
Kyle Grote
Judy DeLuca

Also In Attendance Were:

Lisa A. Johnson and Lindsay Ross (for a portion of the meeting); Special District Management Services, Inc. (via speakerphone)

Zachary White, Esq.; White Bear Ankele Tanaka & Waldron, (via speakerphone)

JoAnn Slivka; Administrative Services Manager

Justin DeBon; Operations Manager

Brad Simons; TZA Water Engineers, Inc. (via speakerphone for a portion of the meeting)

Eric Barnes; Wagner Barnes & Griggs, P.C. (via speakerphone for a portion of the meeting)

Judith Swota; Resident (for a portion of the meeting)

DISCLOSURE OF POTENTIAL CONFLICTS OF

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to Colorado law to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the

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INTEREST

Secretary of State. Attorney White noted that conflicts were filed for applicable Directors at least 72-hours prior to the meeting. Director Reinhardt noted that a quorum was present and requested members of the Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No new disclosures were made.

ADMINISTRATIVE MATTERS

Agenda: Director Reinhardt reviewed the proposed Agenda for the District's Special Meeting with the Board.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director DeLuca and, upon vote, unanimously carried, the Agenda was approved, as amended.

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the June 19, 2015 Regular Meeting
- Review and accept unaudited financial statements for the period ending June 30, 2015, and current schedule of cash position

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Scully and, upon vote, unanimously carried, the Board approved the Consent Agenda.

Board and Staff Reports: The Board reviewed and discussed the staff reports attached hereto and incorporated herein by this reference.

Mr. DeBon updated the Board regarding annual jetting and hydrant maintenance. Work has begun and will be completed by the end of the season.

Status of Amended and Restated Intergovernmental Agreement with Town of Crestone: Attorney White reviewed with the Board a second letter to the Town of Crestone regarding the proposed 2015 sewer rate. Ms. Johnson noted that the letter had been finalized and transmitted by post and email on July 21, 2015.

Conditional Use Permit at 3926 Cordial Way: Attorney White presented to the Board a draft final response letter to Saguache County regarding an application for a Conditional Use Permit at 3926 Cordial Way. He noted that the draft letter incorporated revisions made by Director Reinhardt and Ms. Johnson.

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The Board discussed the matter at length, noting their concerns about the possible use of District water in the propagation of marijuana due to restrictions imposed on the District under the current Water Services Agreement with the United States Fish & Wildlife Service.

The Board directed Attorney White to finalize the letter and transmit to Saguache County and the Applicant no later than July 28, 2015.

2015 SDA Conference: The Board entered into discussion regarding the 2015 SDA Conference in Keystone on September 23, 24, and 25.

Following discussion, the Board determined not to attend the 2015 SDA Conference, but authorized interested staff members to attend.

PUBLIC COMMENT

Ms. Swota queried about the part of the Operations Report detailing efforts to locate leaks. Mr. DeBon provided an update on work performed to locate leaks, to date.

OFFICE ADMINISTRATION

Administrative Follow-Ups: There were no administrative follow-ups to discuss.

OPERATIONS

Operational Follow-Ups: There were no operational follow-ups to discuss.

Well 18 Pump/Motor Failure Demand Letter to Royal Electric: The Board entered into discussion regarding the status of a Demand Letter sent to Royal Electric regarding Well 18 Pump/Motor failure.

Following discussion, the Board authorized Attorney White to continue work with legal counsel representing Royal Electric.

CAPITAL IMPROVEMENTS

Capital Funding Sources and Uses: Ms. Johnson advised the Board that the Capital Funding Sources and Uses Report will be revised to include information discussed at the July 23, 2015 Board Retreat. She also noted that staff will review the existing Capital Projects Summary to refine as needed and to incorporate newly identified Capital Projects.

Status of 2015 Capital Projects:

Casita Park Interconnect Project: Mr. Simons reviewed with the Board a

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summary of bids received for the Casita Park Interconnect Project, noting that two bids had been received, from RMS Utilities, Inc. in the amount of \$67,083.00, and from Cooley & Sons Excavating, Inc. in the amount of \$92,923.00. Mr. Simons recommended that the Board award the contract to RMS Utilities, Inc. for an amount not-to-exceed \$67,083.00. Mr. Simons also noted that this amount is significantly less than the amount of grant money received, and requested Mr. DeBon to research other necessary distribution projects that would enable the District to request amendment to the grant with the Division of Local Affairs ("DOLA"). Mr. DeBon indicated that the Mainline Redundancy Project might be a viable project. It was determined that Mr. Simons and Mr. DeBon will work together to draft an amendment request for submission to DOLA.

The Board entered into discussion regarding providing specific information to the public on the Casita Park Interconnect Project, once the project is underway.

Following discussion, upon motion duly made by Director Grote, seconded by Director Scully and, upon vote, unanimously carried, the Board approved an agreement with RMS Utilities, Inc. for an amount not to exceed \$67,083.00.

FINANCIAL MATTERS

Check Register: The Board considered approval of the check register through the period ending July 24, 2015, as follows:

General Fund	\$	9,346.32
Debt Service Fund	\$	-0-
Capital Projects Fund	\$	3,146.25
Enterprise Fund	\$	<u>67,864.98</u>
Total Claims:	\$	80,357.55

Following discussion, upon motion duly made by Director Scully, seconded by Director DeLuca and, upon vote, unanimously carried, the Board approved the check register for the period ending July 24, 2015.

Financial Summary: It was noted that the Financial Summary was presented and reviewed at the July 23, 2015 Board Retreat. Ms. Johnson gave a brief summary of the mid-year financial information for the benefit of the public in attendance.

2014 Audit: Mr. Barnes reviewed with the Board the audited financial statements of the District for the year ended December 31, 2014.

Following discussion, upon motion duly made by Director Scully, seconded by Director DeLuca and, upon vote, unanimously carried, the Board approved the

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audited financial statements of the District for the year ended December 31, 2014, subject to final review by the District's accountant, and authorized execution of the Representations Letter.

2016 Budget Committee: The Board entered into discussion regarding appointing a Budget Committee to prepare the 2016 Budget.

Following discussion, the Board determined to appoint Directors DeLuca and Reinhardt to the Budget Committee which will work with staff to prepare the 2016 Budget.

LEGAL MATTERS

Media Relations: Attorney White queried the Board regarding recent correspondence related to the Shumei Fire between members of the Board and *The Crestone Eagle*. Directors Reinhardt, Macaulay and Scully each confirmed that they had sent letters to the newspaper. Attorney White advised the Board of the importance that any such correspondence be sent as private members of the community and not in their official capacity as members of the Board. He further recommended that members of the Board be mindful of not including privileged information when communicating as private members of the community.

The Board discussed and reaffirmed the District policy of submitting any communication with media outlets to legal counsel for review and comment prior to transmittal.

In addition and related to the Shumei fire, Mr. DeBon advised the Board that he will meet with the Fire Chief to discuss annual hydrant maintenance as well as the use of hydrants during the Shumei Fire.

OTHER BUSINESS

There was no other business for the Board to discuss.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made, seconded, and upon vote, unanimously carried the meeting was adjourned.

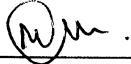
Respectfully submitted,

By


Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL JULY 24, 2015
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



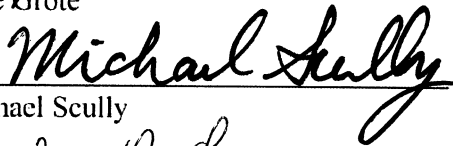
Martin Macaulay



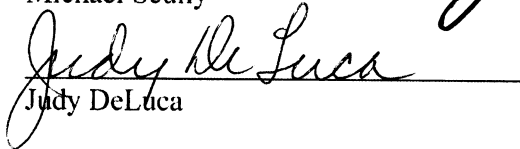
Cindy Reinhardt



Kyle Grote



Michael Scully



Judy DeLuca