

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MARCH 20, 2015

A regular 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 20th day of March, 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
Judy DeLuca

Following discussion, upon motion duly made by Director Macaulay, seconded by Director DeLuca and, upon vote, unanimously carried, the absence of Director Grote was excused.

Also In Attendance Were:

Lisa A. Johnson; Special District Management Services, Inc., via speakerphone
Zachary White, Esq.; White Bear Ankele Tanaka & Waldron, via speakerphone
JoAnn Slivka; District Administrative Services Manager
Justin DeBon; Operator in Responsible Charge
Brad Simons; TZA Water Engineers; for a portion of the meeting.

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DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

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 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 further conflicts were disclosed.

ADMINISTRATIVE MATTERS

Agenda: Director Reinhardt reviewed the proposed Agenda for the District's regular meeting with the Board.

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

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the February 20, 2015 regular meeting.
- February 28, 2015 unaudited financial statements.

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

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

Status of Request from Saguache County to deed a 60' wide piece of property to the County: Mr. DeBon has followed up with Saguache County and asked for status on their request for land acquisition. The County has been busy in the last few months and has not prepared the request at this time. Mr. DeBon will continue to follow-up as necessary.

Review of Intergovernmental Agreement with Town of Crestone: President Reinhardt updated the Board on her efforts to contact the Town Manager regarding the District's plans to review the IGA. The Town Manager has not been in the office at times and she has not been able to make contact as of yet.

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Water and Sewer Rate Study: Mr. Simons presented his proposal to conduct a water and sewer rate study and the benefit associated with a study. The proposal fee to complete the study is a not to exceed amount of \$4,775.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the proposal from TZA Water Engineers to prepare a water and sewer rate study for a not to exceed amount of \$4,775.

Public Education/Crestone Eagle Articles: Director DeLuca presented the next monthly article intended to provide information and education about the District to the community. The Board reviewed the article and provided suggestions for revision. Director DeLuca will revise accordingly and submit to the Crestone Eagle for publication in the May issue.

PUBLIC COMMENT

No public comment was received.

OFFICE ADMINISTRATION

Ms. Slivka expressed her gratitude to the Board of Directors and the District Manager for their efforts and support in the re-organization.

OPERATIONS

Operations Cost Savings and Revenue Generation Opportunities: Mr. DeBon discussed with the Board ideas on operational cost savings and revenue generation opportunities. Ideas included:

- Fire Hydrant Maintenance – District staff provides service and no need to hire seasonal staff for this work.
- Heavy Equipment Maintenance – District staff provides service rather than outside vendors.
- Cottonwood Manhole Infiltration Repair – District staff provides service rather than outside contractor.
- Reactivate Logmein.com account – to allow for remote SCADA monitoring.
- Locate other vendors to obtain supplies to save costs.
- Main Line Extensions – staff to install rather than outside contractor.
- Mobile Home Estates Lagoon Reclamation Project – staff to back fill two lagoons with sand.
- Sanitary sewer service to Lovers Way- future capital project to install sanitary sewer main in Lovers Way.

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Director Reinhardt commented that she would like the Board to consider creating a program to reward employees for ideas such as presented by Mr. DeBon that reap a cost savings to the District.

The Board was supportive of Mr. DeBon's ideas for cost savings measures expressed their gratitude for the ideas.

Repair of Three Manholes due to Groundwater Infiltration: Mr. DeBon reported that after further review of the scope of work necessary to repair three manholes, he feels the current District Staff can complete the work and an outside contractor is not needed. Staff will prepare a letter to the three contractors that submitted bids for the work to inform them of the Board's decision.

CAPITAL IMPROVEMENTS

Capital Funding Sources and Uses: Ms. Johnson presented the capital funding sources and uses report.

Status of 2015 Capital Project:

Casita Park Interconnect: Mr. Simons and Ms. Johnson provided an update on the project. Comments to the scope of work and estimate of costs were provided to the Division of Local Affairs ("DOLA"). DOLA will send a contract for execution once complete.

Flow Equalization Basin: Mountain Engineering & Testing, Inc. has received the Independent Contractor Agreement but has not returned the executed agreement as of the date of the Board meeting. Mr. Simons will follow-up.

Stables Lift Station: Staff has responded to the final questions received from the Colorado Department of Public Health and Environment and is awaiting response from them.

Biosolids Project: Mr. Simons and Mr. DeBon will meet to discuss the biosolids plan for 2015.

FINANCIAL MATTERS

Check Register: The Board considered approval of the check register through the period ending March 20, 2015, as follows:

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General Fund	\$	13,666.18
Debt Service Fund	\$	-0-
Capital Projects Fund	\$	-0-
Enterprise Fund	\$	<u>62,362.74</u>
Total Claims:	\$	76,028.92

Following discussion, upon motion duly made by Director DeLuca, seconded by Director Scully and, upon vote, unanimously carried, the Board approved the check register for the period ending March 20, 2015.

LEGAL MATTERS

There were no legal matters to present at this time.

OTHER BUSINESS

Meeting schedule: The Board reviewed the upcoming regular meeting schedule. Director DeLuca informed the Board that she will not be able to attend the May regular meeting.

COLOTRUST: Director Reinhardt informed the Board that she has received correspondence from COLOTRUST regarding two proposed amendments to their trust documents. Director Reinhardt will vote in favor of the two amendments.

Realtor Report: Director Scully suggested that he invite a few of the realtors in Town to discuss how growth in the community is trending. This information could then be helpful to understand how growth may impact the District's financial situation. The Board was in favor of the idea. Director Scully will coordinate the attendance by a few realtors to attend the May regular meeting.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b)(e) and (f), C.R.S., upon motion duly made by Director Macaulay, seconded by Director Scully and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:35 a.m. for the purpose of receiving legal advice, as authorized by Sections 24-6-402(4)(b) and (f), C.R.S.

Pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of the remaining portion of this executive session that, in the opinion of the Board's attorney, constitutes privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 11:17 a.m.

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Well 18 Pump/Motor Failure Report:

The Board directed Attorney White to draft a demand letter to Royal Electric Services for reimbursement of costs associated with Well 18 Booster Pump Motor Repairs.


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

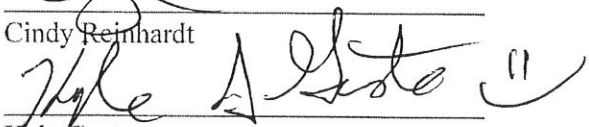
THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 20, 2015 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



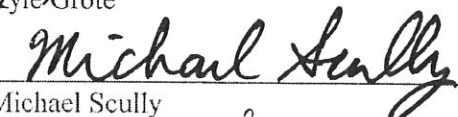
Martin Macaulay



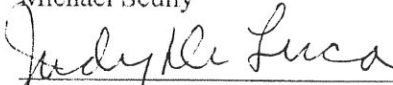
Cindy Reinhardt



Kyle Grote



Michael Scully

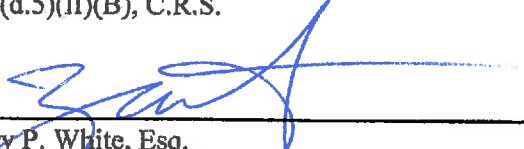


Judy DeLuca

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Attorney Statement Regarding Privileged Attorney-Client Communication

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Baca Grande Water and Sanitation District, I attended the executive session on March 20, 2015, for the sole purpose of providing legal advice and developing strategy for negotiations, as authorized by §§24-6-402(4)(b) and (e), C.R.S. I further attest that it is my opinion that a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required by be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.



Zachary P. White, Esq.
General Counsel
Baca Grande Water and Sanitation District



Baca Grande Water and Sanitation District
P.O. Box 520 | 57 Baca Grant Way S
Crestone, CO 81131-0520

March 20, 2015

Board of Directors Sign-in

Cindy Reinhardt		<i>Cindy Reinhardt</i>
Martin Macaulay	<i>DM</i>	
Kyle Grote - ABSENT		
Michael Scully	<i>Michael Scully</i>	
Judy Deluca		<i>Judy Deluca</i>



Baca Grande Water and Sanitation District
P.O. Box 520 | 57 Baca Grant Way S
Crestone, CO 81131-0520

Date: March 13, 2015
To: Baca Grande Water and Sanitation District, Board of Directors
From: Lisa A. Johnson, District Manager
Re: March 20, 2015 District Manager's Report

Agenda Action Items

I.C. Consent Agenda

1. Approve Minutes from the February 20, 2015 special meeting.
2. Review and accept unaudited financial statements for the period ending February 28, 2015 and current schedule of cash position.

I recommend approval of the consent agenda items.

I.F.1. Review proposal to prepare water and sewer rate study

Mr. Simons has provided a proposal with rationale to prepare a water and sewer rate study. The result of the study will help guide the Board in setting rates for all customers including the Town of Crestone.

I recommend approval of the proposal to prepare a water and sewer rate study.

V.I.A. March 20, 2015 Check Register

The March 20, 2015 check register is included in the packet. Mr. DeBon and Ms. Slivka have reviewed and approved the invoices and are recommending payment.

I recommend approval of the March 20, 2015 check register.

Updates on Other District Related Items

Energy and Mineral Impact Assistance Grant – The District was awarded a grant in the amount of \$66,270 to be used for project costs in completing the Casita Park Interconnect. Total cost of the project is estimated at \$132,540. Staff has reviewed the scope of work provided by the Department of Local Affairs and transmitted revisions to Christy Culp. Ms. Culp has acknowledged receipt and acceptance of requested revisions

and has forwarded the information to her Denver office for preparation of a contract.

Re-organization – Staff was notified of the Board's decision regarding the re-organization shortly after the last meeting. The next step in the process is to review, revise and/or draft job descriptions for each new position and refine job descriptions for existing positions. Mr. DeBon and Ms. Slivka have begun work on this next step.



Baca Grande Water and Sanitation District
P.O. Box 520 | 57 Baca Grant Way S
Crestone, CO 81131-0520

OPERATIONS MANAGER REPORT

To: Board of Directors, Baca Grande Water and Sanitation District
From: Justin DeBon
Date: March 20, 2015

February 2015 - Water leaks: No water leaks in the month of February, but after the service line leak repair that occurred in January, the District is seeing a reduction of 3,831,828 gallons of water pumped from the previous month.

New Staff Member: On March 3, 2015 the District welcomed Latasha Ruiz to the operations team as our new Utility Maintenance Worker.

MXU-M Replacement Project: The DOLA contract amendment was approved. The District operations staff has ordered all parts in preparation for installation starting in April 2015. All parts will be arriving mid March and weather permitting the project will begin ahead of schedule.

2015 Projects: The following is list of projects that will be worked on in 2015.

1. Completion of Facility Maintenance GIS Layer Project
2. Completion of Water Meter Upgrade Project
3. Fire Hydrant Maintenance Project
4. Collection System Cleaning Project
5. Manhole Infiltration Prevention Project on Cotton Wood Creek
6. Stables Lift Station Upgrade Project
7. Capital Improvement Projects

CL2 Pump Repair: The Flowrox chlorine pump has been received and is back in service.

Rekey Facilities: The District has had all facilities including the office rekeyed with new security locks and numbered security keys that are checked out to better track who has access to District facilities.

Projects In Process:

1. Water Meter MXUM upgrade project and DOLA grant reporting
2. Well-18 motor failures and resolution with Royal Electrical Services
3. Wagon Wheel lift station pump repair and failure report and resolution with Royal Electric Services. The pump was originally repaired by Royal Electrical Service. The pump was placed into service for 3 months of operation before the pump failed and was sent to Denver Electric Motor for repair. The District is awaiting the pump report from Denver Electrical Service.
4. Yeshi Korlo service line reduction project
5. 2015 Capital Improvement projects
6. GIS Facilities Maintenance Project

Administrative Report

March 20, 2015

Utility Billing

- ◆ February 28, 2015
 - Total Customers Billed = 1913
- ◆ ACH Payments:
 - 226 payments - \$14,551.98
- ◆ Meters:
 - Total meters registered = 678
 - MXU Replacement Project:
 - Total number of accounts in new route 3 = 398
 - Successfully read = 372
 - No reads = 26
 - 5 - no reads on handheld report
 - 21 - known issues currently being worked on
 - 93.5% read rate
- ◆ Delinquent Account Summary:
 - 13 - Delinquent notices mailed
 - 7 - Paid in full
 - 5 - Paid delinquent balance
 - 1 - Shut off
- ◆ Tap Fees:
 - 38 Customers billed = \$1873.98

Property Transfers

- ◆ 11 - Transferred Properties
 - 9 - Lots: 1246 Brookview, 1268 & 1269 Brookview, 1912 Lone Pine, 2219 Sunnyvale OL, 3904 Lovers Place, 4185 Caprice, 4458 & 4472 Ridgecrest,
 - 2 - SFR: 4462 & 4464 Greenview Ct.

Consolidations

- ◆ 4 - Application letters received from Saguache County Land Use in February
 - 256 & 257
 - 1342CR & 1345
 - 2179, 2180, & 2182
 - 3805 & 3806

Projects

◆ Clarity Upgrade

- ◆ • The Clarity conversion has been completed!
 - Admin staff learning their way around the new software, will attend webinars as they become available.
 - The February billing and AP were completed with the new software.
 - Admin staff working with Ops staff to integrate the utility meters data collected from the Sensus FlexNet Vehicle Gateway Base Station (VGB) with Clarity software.

◆ Office/ Shop Facility Maintenance

- ◆ • Staff has begun gathering quotes and investigating options for repair of the roof at 57 Baca Grant Way S

◆ Service Agreements

- ◆ • Canon Fire Equipment Co. - updated contract was sent to Gary Williams for review and signatures.
- ◆ • Mountain Engineering and Testing for the Flow Equalization Basin Project- sent to Rick Brown; receipt of agreement was acknowledged, he will review and send comments.

◆ Organizational Restructure and Labor Utilization

- ◆ • Staff continues to meet together; review job duties, look for areas of efficiencies and better operating procedures.
- ◆ • Individual informational meetings were held for employees whose titles and or wages were affected by change
- ◆ • New HR tracking forms have been created for consistent gathering and handling of employee information.
- ◆ • Admin staff continues to update and edit contact information as appropriate on forms, applications, the website, etc. – i.e. water/sewer hookup, line extensions, permits.

◆ Problems with mail delivery to Post Office Box 520

- ◆ • We have been experiencing an increase in mail getting delivered to the incorrect Post Office mail box. Communication has occurred directly with the Crestone postal employees. The Postmaster reported that they do have a new employee and he is getting better at his duties but she will keep a closer eye on his activities. They will also post a note on the incorrect box to remind/alert postal employees that the particular post office box does not belong to the water department.

**BACA GRANDE WATER AND SANITATION DISTRICT
ENGINEER'S REPORT
MARCH 12, 2015**

2014 Water Distribution System Improvement Project

The warranty inspection with RMS Utilities has been tentatively set for December 1, 2015.

Water Meter Transmitter Replacement Project

Brad has asked Justin to review the meter reading results with pump station metering reports in an effort to assess pressure zones that should be the focus of any future leak detection activities.

Flow Equalization Basin

TZA Water Engineers is awaiting the geotechnical investigation and foundation recommendation for the proposed structure from Mountain Engineering and Testing. TZA will begin to prepare a site application amendment and accompanying engineering report that will be reviewed by the Water Quality Control Division.

Compliance Evaluation Inspection (Dharma Ocean and Stables Lift Station)

TZA Water Engineers responded to the Division's most recent written request for information and had a meeting with the reviewer on February 20. TZA is working on follow-up response to items discussed on February 20, and I anticipate a conditional approval letter from the Division by the end of March. Based upon discussions with the Division's review engineer, the Flow Equalization Basin referenced above will satisfy the anticipated conditions of approval.

Biosolids Removal

TZA Water Engineers worked with the operations staff and RMS to compile the data necessary to produce the annual report that was submitted to the Division in February. RMS Utilities has issued its final invoice for the 2014 activities, and TZA has asked JoAnn to finalize the District's records for review before the final invoice is paid. TZA will also be working with Justin DeBon on the 2015 plan for biosolids removal during my next visit to the District.

Sanitary Survey and Well 17 Approval

The Well 17 approval was received from the Division on January 21, 2015.

LAMP RYNEARSON COMPANIES



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March 12, 2015
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Well 18 Booster Pump Station Problems

Activities associated with this topic will be addressed separately due to attorney-client privileges.

Nutrients Management Control Regulation (Regulation No. 85)

With Steven's resignation, TZA Water Engineers has reviewed the 2014 data collection efforts related to the annual report due to the Division by April 15, 2015. During my review, I determined the District did not sample in accordance with the regulation. The regulation requires the District to sample a minimum of six times a year (every two months), every year. Steven misunderstood the requirement and only sampled six times (actually five) once notified of the requirement. The Division recommends the District document the misunderstanding in the form of a letter, but noted that the District is required to sample a minimum of six times in 2015 (every two months).

Cottonwood Creek Manhole Rehabilitation

In 2014, the District observed considerable infiltration and inflow in three manholes near Cottonwood Creek in the vicinity of Virtue Way. A review of the Discharge Monitoring Reports for the Aspen Institute Wastewater Treatment Plant indicated the following:

- The April influent flows averaged 65,600 gallons per day (gpd), with a high of 72,000 gpd and a low of 61,000 gpd.
- The influent flows began to increase in mid-May and were at 107,000 gpd on May 31.
- The flows continued to increase and peaked at 158,000 on June 16, then began to decrease. The influent flows returned to 65,000 gpd on June 29.
- The July influent flows averaged 63,500 gpd, with a high of 77,000 gpd and a low of 45,000 gpd.

Based upon this information and the staff's direction, TZA issued a request for proposals to five (5) pre-qualified contractors. The proposals are to be received by the District will receive proposals until 2:00 p.m. on March 17, 2015. A recommendation will be brought to the Board at the March Board meeting. The work will be performed in April before the flows are expected to increase in mid-May.

Other Activities

Grant Applications – TZA Water Engineers supported the District in responding to questions from the Department of Local Affairs' Regional Manager regarding the Energy and Mineral Impact Assistance Fund application for the Casita Park Interconnect project. The District has been awarded a grant in the amount of \$66,270 and is in the process of reviewing the DOLA documentation.

Funding Opportunities – TZA Water Engineers will be working with the District's management team on applications for other funds for planning, design, and construction monies, including the Colorado Water Conservation Board Water Efficiency Grant Program.

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March 12, 2015
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Draft Storage Tank Rule – The Water Quality Control Division has drafted a Storage Tank Rule (<https://docs.google.com/file/d/0B0tmPQ67k3NVUzAyd2dEekt5Tnc/edit>) that are expected to become effective April 1, 2016 (previously anticipated to be January 1, 2016). In addition to quarterly periodic (visual) inspections, this rule will require comprehensive inspections to be scheduled at least every five years.