

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MAY 17, 2013

A Regular Meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Friday, the 17th day of May, 2013, 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:

Vicki Matthews
Martin Macaulay
Cindy Reinhardt
Kyle Grote
Parvin J. Johnson, Sr.

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq.; White, Bear & Ankele, P.C.

Kendall Burgemeister, Esq. (for a portion of the meeting); Bratton Hill Wilderson & Lock, LLC – Via speakerphone

Brad Simons; TST Inc. of Denver

Steven Harrell; District General Manager

Don Allen and Michael Scully; District residents

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes 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 Tanaka noted that conflicts were filed for applicable Directors at least 72 hours prior to the meeting. Mr. Beckman 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.

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ADMINISTRATIVE MATTERS

Agenda: Mr. Beckman reviewed the proposed agenda for the District's Regular Board meeting.

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

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the April 19, 2013 Regular Meeting.
- Acknowledge Operations Report.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board reviewed, approved and accepted the April 19, 2013 Regular Meeting Minutes, as amended, and the Operations Report.

Director Reinhardt requested that the Operations Report contain a footnote on the amount of water used for any given month to note it is reported in acre feet and subsequently converted to gallons used.

PUBLIC COMMENT

Public Comment: There was no public comment.

OPERATIONS

Corrosion Control Study: Mr. Harrell reported that Ron McLaughlin, with McLaughlin Engineering, who is overseeing the study, recommended that the last round of samples taken from the pipe-loop test rig be repeated due to unexpected irregularities in the data collected. Mr. Harrell further reported that study is expected to be completed and the recommendation for an optimal corrosion control treatment issued by the July 1, 2013 deadline. Following discussion, the Board directed staff to go forward with the duplicative samples as recommended by Mr. McLaughlin. Director Reinhardt inquired as to the status of the monitoring the phosphate levels in the water distribution system. Mr. Harrell reported that the sampling process that is already in place will provide the data needed to determine changes in the levels over time.

Emergency Response Plan: The Board reviewed the proposed Emergency Response Plan as well as the following proposed contractor agreements with service providers necessary for execution pursuant to the Plan:

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1. Independent Contractor Agreement for Emergency HVAC and Plumbing Services between the District and Vendola Plumbing & Heating, Inc.
2. Independent Contractor Agreement for Emergency Excavation and Large Equipment Services between the District and Skoglund Excavating, Inc.
3. Independent Contractor Agreement for Emergency Water and Sewer Repair Services between the District and Potter Excavation.
4. Independent Contractor Agreement for Emergency Excavation and Large Equipment Repairs between the District and RMS Utilities, Inc.

Attorney Tanaka explained that the above proposed contractor agreements are necessary to clarify the relationship between the District and the vendors as it relates to the Emergency Response Plan as well as to designate the emergency rates for such services in advance of the provision of the services. As with other contractors providing services, these vendors will be required to maintain insurance and to provide indemnifications of the District if and when necessary.

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the Emergency Response Plan as well as the above mentioned contractor agreements with service providers.

Removal and Hauling of Bio Solids: Mr. Harrell reviewed and discussed with the Board the Bio Solids Disposal Report. He explained that bio solids disposal will be necessary within the next six weeks. He explained that the sludge currently held in the storage pond could remain in place for approximately one year as long as the current discharges from the treatment plant are disposed of separately, rather than added to the current storage. Mr. Harrell then reported that in order to pursue monthly disposal there would be costs for preparing a letter of intent, as well as trucking and disposal. The Board reviewed the capital funding scenarios and discussed the possibility of storing the waste product until a reed bed could be constructed for organic composting of the bio solids currently in storage. Mr. Harrell recommended pursuing a monthly disposal plan until the action plan for the disposal is better refined.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Grote and, upon vote, unanimously carried, the Board authorized Mr. Harrell to pursue a monthly disposal plan.

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CAPITAL IMPROVEMENTS

Capital Funding Scenarios: Mr. Beckman reviewed the capital funding sources and uses scenarios with the Board.

Water Conservation Project:

Grant Funding by the Department of Local Affairs ("DOLA"): Mr. Beckman reviewed and discussed the correspondence between the District and DOLA regarding Grant Funding. He discussed the requirement from DOLA to conduct a competitive selection process as part of the designation of an engineer for the project.

Engineering Services for Preparation of Preliminary Engineering Report: Mr. Beckman reported that requests for proposals for Engineering Services for the Preparation of the Preliminary Engineering Report ("RFP") were sent to Olsson Associates, Inc., and TST Inc. of Denver. He reported that both engineering firms submitted sealed proposals to the District in accordance with the RFP. Mr. Beckman reviewed with the Board each of the bids submitted and recommended that the contract be awarded to TST Inc. of Denver for Engineering Services for Preparation of Preliminary Engineering Report since they were the lowest responsive, responsible bidder on the project.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the Award of Contract to TST Inc. of Denver for Engineering Services for Preparation of Preliminary Engineering Report for an amount not to exceed \$23,500.

Supplemental Environmental Project (Reed Bed): Attorney Tanaka and Mr. Beckman updated the Board on the status of the Supplemental Environmental Project application that was submitted to the Colorado Department of Public Health and Environment ("CDPHE") for consideration. It was noted that the reed bed project was rejected by the CDPHE because the CDPHE did not feel there was as great of a community or environmental benefit as a result of the project. On April 25, 2013, Mr. Beckman, Attorney Tanaka and Mr. Simons met with representatives of the CDPHE to determine an alternate project that would meet the criteria. The District's water conservation project was discussed in detail and it was noted that the CDPHE was interested in the meter replacement project in particular given the size of the project and the conservation efforts that would be further enhanced through the meters. Further, any impact on the District's water rates as a result of the consistent metering would be an added bonus. Mr. Simons discussed the benefits of consistently metering water usage in order to determine usage in specific areas of the distribution system.

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Following discussion, upon motion duly made by Director Grote, seconded by Director Johnson and, upon vote, unanimously carried, the Board directed staff to prepare an application for the water meter replacement project and to submit the application to the CDPHE to pursue the Supplemental Environmental Project.

Cost Versus Benefit Proposal Regarding Potential Purchase of Backhoe: Mr. Harrell reported that over the past three years the District has spent approximately \$22,000 for excavation services and repairs to the District's excavation equipment. Attorney Tanaka suggested that the Board review the potential backhoe purchase when the budget is prepared in the fall since the Board will have more information on the status of the water rights negotiations. Further, the Board can consider whether to use capital or operational funds and whether to purchase the backhoe outright or finance over a period of years. No action was taken at this time.

Engineering Services: Attorney Tanaka reported that Mr. Simons has left his position at Olsson Associates, Inc., and has taken a position at TST Inc. of Denver. Mr. Simons discussed his role with TST, Inc. of Denver. Attorney Tanaka discussed the current outstanding agreements with Olsson Associates, Inc. and noted that, should the Board determine to change engineering firms, that a 30-day notice of termination was required. The Board discussed the warranty provisions of the work done by Olsson Associates, Inc. to date and it was noted that the warranty provisions, along with other provisions of the contracts, survive termination.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the termination of all outstanding contracts with Olsson Associates, Inc., and the engagement of TST, Inc. of Denver for Engineering Services.

Attorney Tanaka noted that the contracts specify that all costs associated with the transition are not be billed to the District. The Board requested that Mr. Beckman convey to Olsson Associates, Inc., the Board's gratitude for the work performed by Olsson Associates, Inc., when he contacts them about the Board's decision.

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FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending May 17, 2013 as follows:

	Period Ending May 17, 2013
General Fund	\$ 16,739.35
Cap. Projects Fund	7,605.12
Debt Service Fund	176,275.29
Enterprise Fund	84,612.60
Total Claims	\$ 285,232.36

Director Matthews inquired as to the refund to one of the residents in the amount of \$1,500. Mr. Harrell explained that the refund was for a sewer backup resulting from the prior sewer line repairs. Mr. Beckman reported that the damage claim will be submitted to the District's insurance. Director Reinhardt inquired as to the likelihood that this is an isolated incident. Mr. Harrell reported that he will be performing sewer line inspections on two residences where similar repairs were made. Mr. Harrell reported that the problem is expected to be resolved next week.

Following review and discussion, upon motion duly made by Director Reinhardt, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending May 17, 2013, as presented and directed. The Board directed Mr. Harrell to perform the repairs to the resident with the sewer issues as quickly as possible, and to issue the repayment. The Board further directed staff to pursue the execution of a waiver of liability following the payment for expenses incurred.

Financial Statements: Ms. Ross reviewed the unaudited financial statements of the District setting forth the cash deposits, investments, and budget analysis and accounts payable vouchers for the period ending April 30, 2013.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending April 30, 2013.

LEGAL MATTERS

Resolution No. 2013-05-01 Regarding FACT Act: Discussion was deferred.

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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 Johnson and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 11:05 a.m. for the purpose of discussions relating to negotiations with third parties, for receiving legal advice and for discussing personnel matters, all as authorized by Sections 24-6-402(4)(b), (e) and (f) C.R.S.

Furthermore, pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of those portions of the executive session that, in the opinion of the District's attorney, constitute privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 11:52 p.m.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board authorized the employment committee to have the authority to make the final decision of termination of employee if necessary if the issue should arise prior to the next meeting.

OTHER BUSINESS

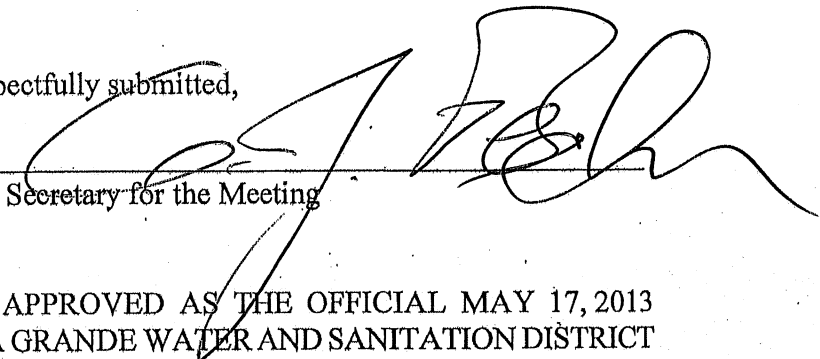
Crestone Eagle Article for June 2013 Publication: The Board discussed a June 2013 Article for publication in the Crestone Eagle. Following discussion, the Board determined not to publish an article for the June 2013 issue of the Crestone Eagle as there are no new matters to discuss.

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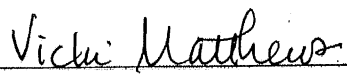
ADJOURNMENT

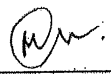
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.


Respectfully submitted,

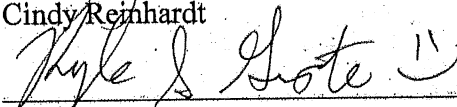
By 
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MAY 17, 2013
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:


Vicki Matthews


Martin Macaulay


Cindy Reinhardt

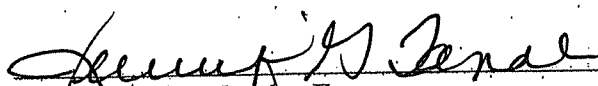

Kyle Grote

Parvin J. Johnson, Sr.

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ATTORNEY STATEMENT

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 convened on May 17, 2013 for the sole purpose of discussing matters subject to negotiation with third parties, personnel matters and matters seeking legal advice, as authorized by §§24-6-402(4)(b), (e) and (f), 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.


Jennifer Gruber Taraka, Esq.
General Counsel
Baca Grande Water and Sanitation District



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

May 17, 2013

Please print your name, address and contact information along with any issues you are interested in addressing at today's Board Meeting.

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Don Allen	270 N. Chaparral	937-7905	N	—
MICHAEL SCULLY	POB 952 C CO 8431	256-5728	-	