

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD SEPTEMBER 19, 2014

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 19th day of September, 2014, 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:

Leon Gomes (via speakerphone); Special District Management Services, Inc.

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

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

Steven Harrell; District General Manager

JoAnn Slivka; District Administrative Manager

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

Marcus Lock, Esq.; Law of the Rockies (via speakerphone - for a portion of the meeting).

Julie O’Halloran; Resident 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 Tanaka 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 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 August 15, 2014, regular meeting, as revised.
- Accept unaudited financial statements for the period ending August 31, 2014 and the current Schedule of Cash Position and Cash Flow Projection through August 2015.
- Ratify approval of the Independent Contractor Agreement with Mountain Engineering & Testing, Inc. for 2014 Distribution System Improvements Project Construction Materials Testing Services.
- Approval of a proposal from Extreme Graphics for truck logos and office door signs.
- Approve termination of the Independent Contractor Agreement with Arkansas Valley Surveying for Surveying Services related to the Alpine Overlook Sewer Main Replacement Project.

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

Board and Staff Reports: The Board reviewed the Board and Staff Reports. Copies of the reports are attached hereto and incorporated herein by this reference.

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The Board inquired into why Well 17 had been brought into production without State approval. Mr. Harrell reported to the Board that Well 17 had been brought into production through an oversight on behalf of engineering management, but that the well was to be shut down that day to avoid additional testing requirements that would be implicated if the well were to remain operational. Mr. Harrell went on to note that Mr. Simons is working with the Colorado Department of Public Health and Environment (“CDPHE”) to approve the well for use. Mr. Harrell noted that he does not believe any fines could be imposed by the CDPHE for this oversight.

Director Reinhardt queried about the status of outstanding sewer-line cleanings. Mr. Harrell advised the Board that separate projects had priority at present, but that the remaining cleanings had been delegated to operators and would be completed within the span of two weeks.

Director Macaulay asked about the distinction between delinquent and AOS accounts. Ms. Slivka explained that AOS accounts are delinquent but water service to these accounts cannot be shut off and must instead be certified for collection. Director Macaulay then inquired into how many AOS customers are delinquent at present. Ms. Slivka advised the Board that there are approximately one-hundred AOS customers delinquent at present and that approximately half of those are to be certified to Saguache County due to lack of payment.

Ms. Slivka described for the Board the billing process, coordination with SDMS, and the meter reading process. Director DeLuca then queried about whether all meters are functioning at present. Ms. Slivka advised that while not all meters are currently functioning, efforts are being made to rectify this as part of the MXU project.

Termination of Independent Contractor Agreement with TST Inc. of Denver for Development Review Engineering Services: It was noted that Mr. Simons has changed engineering firms. Director Reinhardt noted that the termination of this agreement will only affect Development Review and that TST will continue to work on the Water Distribution Project and Flow Equalization Contract. The Board then entered into discussion regarding the termination of the Independent Contractor Agreement with TST Inc. of Denver for Development Review Engineering Services.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director DeLuca and, upon vote, unanimously carried, the Board approved the termination of the Independent Contractor Agreement with TST Inc. of Denver for Development Review Engineering Services.

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Independent Contractor Agreement with Lamp Rynearson & Associates, dba TZA Water Engineers for Public Water System Facilities Support Engineering Services and Domestic Wastewater Treatment Works Facilities Engineering Support Services: The Board entered into discussion regarding the Independent Contractor Agreement with Lamp Rynearson & Associates, dba TZA Water Engineers for Public Water System Facilities Support Engineering Services and Domestic Wastewater Treatment Works Facilities Engineering Support Services. Director Reinhardt noted that Mr. Simons had agreed to pay the costs associated with drafting and coordinating execution of the agreement.

Following discussion, upon motion duly made by Director Grote, seconded by Director Scully and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement with Lamp Rynearson & Associates, dba TZA Water Engineers for Public Water System Facilities Support Engineering Services and Domestic Wastewater Treatment Works Facilities Engineering Support Services.

PUBLIC COMMENTS

Public Comments: Ms. O'Halloran presented the Board with a copy of a January letter requesting a billing adjustment for the White Eagle motel. Ms. O'Halloran detailed for the Board how no water had been used at her place of business between December 12, 2011 and March 21, 2012 due to burst water pipes having necessitated full shut-off. Ms. O'Halloran noted that she had been billed fully for this period, at a rate of \$352 per month. Ms. O'Halloran went on to describe how, by the end of 2012, her water service line had been reduced to a 1 ½ inch line, and that she is no longer considered a commercial, but a residential customer. Ms. O'Halloran requested that her rate for the period between December 12, 2011 and March 21, 2012 be reduced to the residential rate of \$200 per month. Attorney Tanaka advised the Board that staff would require time to sufficiently investigate the matter and recommended that Ms. O'Halloran's account not be certified for collection by Saguache County until such time as sufficient investigation may be made.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Scully and, upon vote, unanimously carried, the Board approved not certifying the White Eagle Account until staff may research the claim and make a recommendation to the Board. The Board then established a committee of Directors Macaulay and DeLuca to render a final decision regarding the claim.

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NEW BOARD MEMBER ORIENTATION

First Part of New Board Member Orientation: Attorney Tanaka presented the first portion of the New Board Member Orientation.

OFFICE ADMINISTRATION

Administrative Follow-ups: There was nothing new to report.

Mr. Simons jointed the meeting by speakerphone.

OPERATIONS

Operational Follow-ups: The Board entered into discussion concerning Well 17. Mr. Harrell noted that it is unlikely any fines or testing fees will be imposed.

The Board revisited the issue of Well 17 and the shut down with Mr. Simons. Mr. Simons reported that at the time the well was redrilled, submittals were not required by the CDPHE. Mr. Simons indicated that he will be meeting with the CDPHE to determine whether retesting will be required or whether the testing from the well 18 project could be used since they are from the same source and will contain the same results. Director Reinhardt inquired into whether this will have any impact on the corrosion control plan finding issued by the CDPHE. Mr. Simons indicated that the CCP finding was from a different source and would not impact this issue.

Well 18 Pump Station VFD/Pump /Motor Failure. Mr. Harrell advised the Board that he had requested shop notes from Royal Electric, and that work had been completed on motor B whereupon it had been returned to the District. Mr. Harrell also noted that the motor must now be taken to Denver for analysis at Denver Electric. The motor shafts, according to Mr. Harrell, had not been balanced prior to the motor's return from Royal Electric due to time constraints. Mr. Simons recommended to the Board that motor B be kept on site while motor C undergoes analysis at Denver Electric; and when motor C is repaired and installed, repeating the process for motor A. Mr. Harrell stated that he will follow this course of action.

CAPITAL IMPROVEMENTS

Capital Funding Sources and Uses: Ms. Ross reviewed Capital Funding Sources and Uses with the Board. She noted that new funding is available from DOLA for the Aspen Wastewater Facility, and that Well 18 had exceeded its budgeted amount.

2014 Water Distribution System Improvements Project: Mr. Harrell reported that RMS has concluded the initial two projects, and that the third is scheduled to

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begin in one week. He noted that the project is behind schedule. Director Reinhardt requested that the schedule for the projects be updated and asked Mr. Simons to provide progress reports to the Board so that the website may be regularly updated and Board may otherwise keep residents apprised.

Mr. Harrell advised the Board that he had received a report from the site foreman that an incident of vandalism had occurred in which barricades had been knocked down. Director Reinhardt added that the vandalism had recurred the previous night. Mr. Harrell noted that he had not reported the vandalism to authorities as no damage had occurred and nothing had been removed from the site.

Director Macaulay advised the Board that he had received a query from a customer regarding trees growing in the area of the Water Distribution System. Director Macaulay noted that the customer had expressed concern specifically about nearby cottonwoods that might indicate the location of water leaks in the District's system.

Preliminary Engineering Report Related to Flow Equalization Basin: Mr. Simons reported that he had received a draft of the report and that he would add it to the retreat agenda for discussion.

Alpine Overlook Sewer Main Project: Director Macaulay presented the Board with a letter from the property owners thanking staff for their skill in executing the project successfully. Director Macaulay extended his own gratitude to staff and commended them for their work.

Mr. Harrell noted that this project is now complete.

Meter Replacement Project and MXU Upgrade: Mr. Simons provided a summary of bids to the Board. Mr. Simons noted that after soliciting proposals from five contractors, only three were received: Davis Plumbing, RMS, and Gardner Excavating. Mr. Simons recommended the award of contract to Gardner Excavating.

Following discussion, upon motion duly made by Director Grote, seconded by Director DeLuca and, upon vote, unanimously carried, the Board approved an Independent Contractor Agreement for Meter Replacement and MXU Upgrades with Gardner Excavating.

Variance from Rules and Regulations for Ms. Sarah Grimes Relating to the Installation of a New Sewer Service Line: Mr. Harrell detailed for the Board how, in inspecting Ms. Grimes' sewer service line, it was discovered that the line

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had not been installed to meet the 2% grade specification between the residence and the main. Mr. Simons recommended granting a variance from the Rules and Regulations as Ms. Grimes' line achieved one inch fall, which is just above the industry standard. Director Reinhardt clarified that the District bears no responsibility should anything go wrong with Ms. Grimes' sewer service line. It was noted that because this is her service line and is Ms. Grimes' responsibility, that the line and any resulting activity from the line, are her responsibility. Mr. Harrell also recommended granting the variance.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Grote and, upon vote, unanimously carried, the Board approved the variance from the Rules and Regulations.

Mr. Simons departed the meeting.

FINANCIAL MATTERS

Ms. Ross reviewed the check register with the Board.

Claims: The Board considered approval of the payment of claims through the period ending September 19, 2014, as follows:

General Fund	\$	21,910.80
Debt Service Fund	\$	-0-
Capital Projects Fund	\$	26,464.07
Enterprise Fund	\$	<u>124,185.60</u>
Total Claims:	\$	172,560.47

The Board entered into discussion regarding the payment of claims for the period ending September 19, 2014. Director DeLuca inquired about August claims in which a gap in check numbers appeared on the register. Ms. Ross explained that the register lists checks alphabetically by vendor and not by check number. Ms. Ross also noted that one check was voided and reissued under a different check.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director DeLuca and, upon vote, unanimously carried, the Board approved the payment of claims for the period ending September 19, 2014 subject to the review of checks by two Directors.

Financial Summary: Ms. Ross reviewed the financial summary with the Board.

Budget Committee Meetings: Ms. Ross briefed the Board on the Budget Committee meetings and on the upcoming Budget Workshop. Director Reinhardt

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inquired about when the draft budget would be available. Attorney Tanaka answered that the draft budget will be made available in anticipation of the Budget workshop so that Directors will have an opportunity to review the draft in advance of the workshop.

Resolution No. 2014-09-01 Certifying Delinquent Water and Sewer Fees to Saguache County Treasurer for Collection: The Board entered into discussion regarding Resolution No. 2014-09-01 Certifying Delinquent Water and Sewer Fees to Saguache County Treasurer for Collection.

Following discussion, upon motion duly made by Director Grote, seconded by Director Scully and, upon vote, unanimously carried, the Board approved Resolution No. 2014-09-01 Certifying Delinquent Water and Sewer Fees to Saguache County Treasurer for Collection, subject to the committee decision on the removal of the White Eagle account. A copy of the Resolution is attached hereto and included herein by this reference. The Board directed Ms. Slivka to file the resolution with the County Treasurer by the September 30, 2014 deadline.

Financial Assistance to Low-Income Customers: Director Reinhardt advised the Board that she had spoken with Neighbors Helping Neighbors about the possibility of obtaining assistance for low-income customers in the paying of their bills. Director Reinhardt went on to report that Neighbors Helping Neighbors had declined to offer assistance due to difficulties associated with accounting. Director Macaulay noted customer Brenda Freiberg's suggestion that a fund be created to help retired and low-income individuals. Director Reinhardt reminded the Board of a previous Board decision that considered such a fund to be beyond the present means of the District to support. Ms. Slivka suggested the possibility of rate restructuring for customers whose usage is below the allotted 4,000 gallons per month. Ms. Ross advised that the current rate structure is designed around the cost of operations for the District and this should be borne in mind before any rate restructuring is considered by the Board. Mr. Gomes made reference to a non-profit organization in El Paso County that assists customers who are unable to meet their debts due to insufficient income and stated that there may be similar organizations in Saguache County. Director DeLuca agreed with Mr. Gomes' suggestion and noted that she was aware of the existence of such entities.

Following discussion, the Board directed that a response be made to Ms. Freiberg's inquiry stating that as any specific assistance is beyond the means of the District to provide and that assistance may be sought from Saguache County.

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LEGAL MATTERS

Attorney Tanaka advised the Board that there was nothing new to report.

Attorney Lock joined the meeting by speakerphone.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Macaulay, seconded by Director Grote and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 11:15 a.m. for the purpose of discussing negotiations with third parties and receiving legal advice, as authorized by Sections 24-6-402(4)(b) and (e), 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 11:21 a.m.

OTHER MATTERS

SDA Conference: Ms. Slivka, and Directors Scully and Reinhardt gave a summary of their experiences at the 2014 SDA Conference.

Board Retreat: The Board entered into discussion regarding the upcoming Board Retreat. Director Reinhardt suggested an informal gathering at the Desert Sage Restaurant at noon to catch up and to begin the retreat and meeting at 1:30 p.m.

Following discussion, the Board directed Ms. Slivka to make the necessary arrangements.

October 17, 2014 Board Meeting: The Board discussed the possible cancellation of the October 17, 2014 Board Meeting.

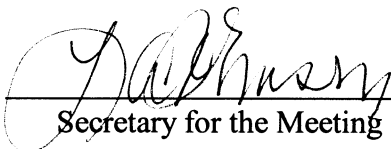
Following discussion, the Board determined to cancel the October 17, 2014 Board Meeting and directed Ms. Slivka to make note of the cancellation on the District's website.

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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.

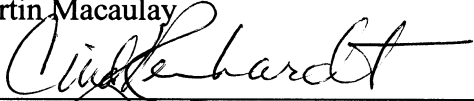
Respectfully submitted,

By  _____
Secretary for the Meeting

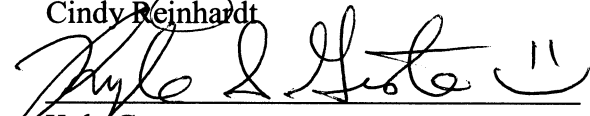
THESE MINUTES ARE APPROVED AS THE OFFICIAL SEPTEMBER 19, 2014 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



Martin Macaulay



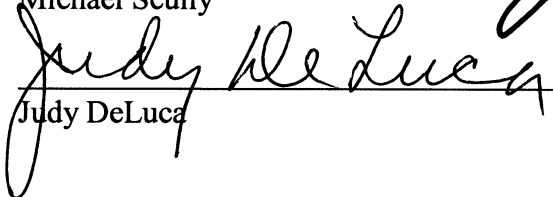
Cindy Reinhardt



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 September 19, 2014, for the sole purpose of discussing water matters and matters subject to negotiation with third parties, 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.



Jennifer Gruber Tanaka, Esq.

General Counsel

Baca Grande Water and Sanitation District