

## RECORD OF PROCEEDINGS

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### MINUTES OF A SPECIAL MEETING/BOARD RETREAT OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD JULY 23, 2015

A special meeting/Board retreat 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 Thursday, the 23<sup>rd</sup> day of July, 2015, at 9:00 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; Special District Management Services, Inc.

Zachary White, Esq.; White Bear Ankele Tanaka & Waldron

Marcus Lock, Esq., Law of the Rockies

JoAnn Slivka; District Administrative Services Manager

Justin DeBon; Operations Manager

Brad Simons; TZA Water Engineers

Lisa Cyriaks. Resident (for a portion of the meeting)

#### REVIEW OF 2014- 2015 GOALS

The Board reviewed the 2014-2105 goals and recognized those goals that have been met and determined which goals should continue to remain a future goal. They are as follows:

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Director Macaulay – Finalize U.S. Fish & Wildlife Service water rights issues and augmentation plan (in progress).

Director Grote – Investigate alternative power system for emergencies and at the Well 18 Complex; grant opportunities for alternative power systems and other capital projects; determine flushing plan and cost; prepare a plan to address leak detection and address water losses (in progress); research alternatives to chlorine disinfection.

Director Scully – engage the public in the political process regarding the new rules related to the District’s water rights.

Director DeLuca – Inspect inside of water tanks; investigate customer revenue loss due to not being connected to system.

Director Reinhardt – Payment in lieu of taxes agreements with all tax exempt entities receiving water service; prepare a water and sewer rate study to justify billing and rate structure that is fair and easy to implement and sustainable (in progress); reduction in consultant costs (in progress).

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### **WATER RIGHTS AND COMPLIANCE WITH NEW RULES**

#### **Overview of Legal Issues Concerning the Water Supply of the District:**

Attorney Lock gave a general presentation on the current water rights issues.

When the New Division 3 Rules go into effect, the District will not be able to pump water from its junior wells without an approved augmentation plan. The current Water Services Agreement with United States Fish & Wildlife Service (“USFWS”) indicates that USFWS will prepare and file the required augmentation plan. To date, and after many requests by the District, USFWS has not completed this task. If successful negotiations with USFWS are not achieved, the District will need to take legal action to protect its water supply.

It was determined that additional discussions regarding this agenda item will need to be discussed in an executive session.

**EXECUTIVE SESSION:** Pursuant to Section 24-6-402(4)(b), 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 10:06 a.m. for the purpose of receiving legal advice, as authorized by Section 24-6-402(4)(b), C.R.S.

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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 11:14 a.m.

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### RULES AND REGULATIONS REVIEW

Attorney White and Ms. Johnson explained that the focus of this retreat agenda item is to discuss and determine if there is a need to review the current rules and regulations. Some questions that were discussed were as follows: do the current set of rules and regulations meet the needs of the District? Are they being implemented and interpreted by staff correctly? Are there any new additions that are necessary?

Based on the discussions it was determined that Ms. Slivka and Mr. DeBon will review the document and provide requested changes to Attorney White. Ms. Johnson will review the Table of Contents to determine if there are any categories potentially missing and, if so, communicate this information to Attorney White. Attorney White will then incorporate any and all requested changes along with any revisions that were approved via resolution since 2012 into the document and present to the Board for approval at a future board meeting.

Attorney Lock and Attorney White recommended that the Board consider promulgating rules and regulations regarding the use of the District's water source to cultivate marijuana. Rules should include language regarding the limitation of the current water decree and the unknown USFWS position with respect to the use of the District's water for marijuana cultivation.

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### FINANCIAL PLANNING- OPERATION, MAINTENANCE AND CAPITAL PROJECTS

#### Regulatory Changes:

*Biosolids Management Plan:* Mr. Simons presented his memo to the Board. The District needs to consider a long term biosolids management plan. Board discussion ensued. Mr. Simons will prepare an additional memo which will include management plan options and costs for discussion during the 2016 budget discussions.

*Water Tank Cleaning – Storage Tank Rule:* Mr. DeBon presented his memo and cost estimates to the Board. Mr. Simons summarized the specifics of the new rule. Staff will include this task in the 2016 budget discussions.

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*Disinfectant Residual Rule:* Mr. Simons presented his memo to the Board. The Board determined to resurrect their research regarding alternatives to chlorine to review and update the information on disinfectant options.

### **Aging Infrastructure:**

*Leak Detection:* Mr. DeBon presented his memo and updated the Board on some changes since it was drafted. Mr. DeBon has prepared a document in which he is gathering data on a monthly basis to compare production water vs. billed water usage to help determine the amount of water loss due to leaks or other reasons. Mr. DeBon will refine the document to include water used for operations and maintenance, fire-fighting, hydrant maintenance, jetting, etc,

Mr. DeBon has also recently purchased leak detection equipment and staff is scheduled to test this new equipment in the very near future.

*Hydraulic Model:* Mr. Simons reminded the Board of the how and why the hydraulic model was prepared and how it is being used. He feels the model has proven to be useful in aiding staff in locating major leaks.

*Aging Equipment:* The Board reviewed Mr. DeBon's memo regarding aging equipment and infrastructure. Several pieces of equipment and/or vehicles needs replacement. President Reinhardt suggested that the Board consider getting a bit creative and researching the possibility to structure a campaign to raise funds through donations to replace some of the aging equipment, etc. Attorney White and Ms. Johnson have never been involved in this type of effort. President Reinhardt shared that prior to the General Manager's resignation, they had met with a consultant that had experience in this type of effort. President Reinhardt suggested that she could make contact again and resurrect that discussion.

The Board then discussed the condition of the administrative and operations office facility. The facility is aging and may have issues with mold, faulty electrical concerns, etc. Ms. Ross suggested that Ms. Slivka contact a mold remediation company to solicit a proposal to research this possibility and provide a report for remediation.

The Board acknowledged the need to replace aging equipment and infrastructure. Staff will contact the Division of Local Affairs to solicit information regarding potential grant funding. Discussions will continue during the 2016 budget season.

**Growth:** The Board reviewed a report provided by Ms. Slivka regarding total consolidation of lots in 2014 and to date as well as total number of water and

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sewer hook-ups in both years. This information is helpful in the financial planning process.

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### CAPITAL IMPROVEMENT PROJECTS

The Board reviewed the draft Capital Improvements Project list prepared by Mr. DeBon and Mr. Simons which is attached hereto and incorporated herein. Mr. DeBon will prepare capital project summary sheets for each recommendation and present the detail of each project during budget season.

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### LONG-RANGE FINANCIAL PLAN

Ms. Ross recently updated the long-range financial plan to include 2014 audited revenues and expenses and highlighted items of interest in the long range financial plan. She will update the plan again after the District receives their preliminary assessed valuation and the 2016 draft budget is complete.

*Mid-Year Financial Review:* Ms. Ross presented the June 30, 2015 financial statements focusing on the overall category budget to actuals. Through six months of the year, the District is either at or under budget and no issues have been identified at this time.

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### MID-YEAR EVALUATION OF ORGANIZATION RESTRUCTURE

The Board and staff shared their thoughts and observations on the organization restructure. It has been about 6 months since implementing the new structure. Staff has completely embraced their new roles and responsibilities and all seem and feel very at ease and positive. The Board expressed their sincere gratitude to staff for all of their efforts and encouraged them to continue with the growth in their new roles.

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### 2015-2016 BOARD OF DIRECTOR GOALS

Ms. Johnson asked the Board to begin to utilize the information gathered at the retreat to formulate and/or reaffirm their goals for 2015-2016. She will include a discussion item on this at the August regular meeting.

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### BOARD RETREAT EVALUATION

Ms. Johnson solicited feedback from the Board on their feelings about the retreat structure, etc. Did they feel that the time spent preparing and participating in the retreat was beneficial?

The Board responded with a resounding yes, they felt that the time was very well spent, the information was timely and aided them in the future planning process.

### ADJOURNMENT

The meeting was adjourned.


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Respectfully submitted,

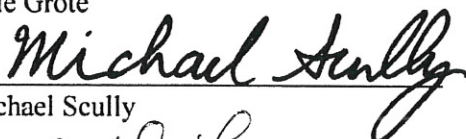
By   
Secretary for the Meeting

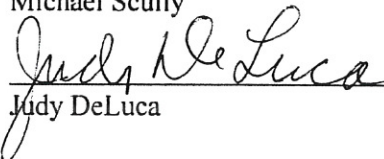
THESE MINUTES ARE APPROVED AS THE OFFICIAL JULY 23, 2015  
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT  
BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
Martin Macaulay

  
Cindy Reinhardt

  
Kyle Grote

  
Michael Scully

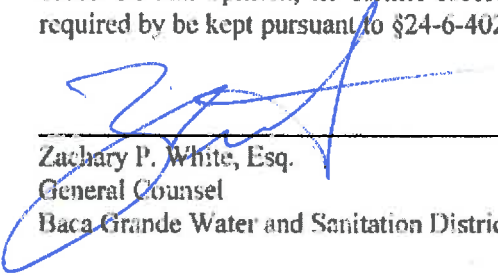
  
Judy DeLuca

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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 July 23, 2015, for the sole purpose of providing legal advice, as authorized by §§24-6-402(4)(b), 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.



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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

**2015 RETREAT July 23, 2015**

**Board of Directors Sign-in**

Cindy Reinhardt <i>Cindy Reinhardt</i>	
Martin Macaulay <i>M.</i>	
Kyle Grote <i>Kyle S Grote !!</i>	
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

2015 RETREAT July 23, 2015

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
Lisa Cupiciks	564 Arrowhead Way	256-4140		