

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD AUGUST 17, 2012

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 August, 2012, at 8:00 a.m. at the offices of the District, BGWS&D 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

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the absence of Parvin J. Johnson, Sr. was excused.

Also In Attendance Were:

AJ Beckman and Lindsay Ross (for a portion of the meeting); Special District Management Services, Inc. – Via speakerphone

Jennifer Tanaka, Esq.; White, Bear & Ankele P.C. – Via speakerphone

Marcus Lock, Esq.; Bratton Hill Wilderson & Lock, LLC – Via speakerphone for "Executive Session" portion of the meeting only

Steve Harrell; District General Manager

Brad Simons, P.E.; Olsson Associates – Via speakerphone

Sharon Williams and Brett Icenogle; Colorado Department of Public Health and Environment ("CDPHE") - Via speakerphone

Ron McLaughlin, McLaughlin Water Engineers, Ltd. - Via speakerphone

JoAnn Slivka; District Administrator – For a portion of the meeting

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See attached Sign-In Sheet of Additional Attendees

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.

ADMINISTRATIVE MATTERS

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

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

Minutes: The Board reviewed the Minutes of the July 20, 2012 Regular Meeting.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Grote and, upon vote, unanimously carried, the Board approved the minutes of the July 20, 2012 Regular Meeting as revised.

PUBLIC COMMENT

Public Comment: Ms. Belgrade addressed the Board. She let the Board know that she appreciated the water presentation by the District the previous evening and noted that it would be helpful for a "Pros and Cons" scenario to be presented relating to the potential purchase of water rights.

Mr. Allen addressed the Board concerning the corrosion control plan required by the Colorado Department of Public Health and Environment ("CDPHE"). He inquired as to a rumor that there was not proper baseline data acquired for the original corrosion control plan. Mr. Beckman explained that the current administration and staff are required to treat the water according to the corrosion control plan currently in place. This plan was approved by the CDPHE while the District was under the management of the prior staff and Management. The District is conducting a new corrosion control study at the present time and is simultaneously pursuing a change to soda ash instead of Ortho-Polyphosphate ("OPP") to accomplish the required corrosion control. He further explained that the corrosion control study will likely require a year or more to properly conduct. The purpose of the study is to determine the optimum corrosion control technique.

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Once determined, the District will be required to treat its water accordingly, which may necessitate a change to something other than soda ash. However, in response to public concern regarding the use of OPP, the Board determined to pursue a change to soda ash as quickly as possible.

Ms. Dunlap asked when the OPP would be taken out of the water. Mr. Harrell explained that the District would implement the use of Soda Ash as soon as the CDPHE approves the design.

WATER MATTERS

Outstanding Water Matters with Water Counsel: Ms. Dunlap stated that she agreed with Ms. Belgrade that a Pros and Cons summary would be helpful and noted that she came out of the meeting needing more information. Director Reinhardt commented that the presentation was intended to begin the conversation with the public. Ms. Belgrade reiterated the request for a Pros and Cons statement written in laypersons terms. Ms. Dunlap recommended that somebody with no bias be sought out to write a "Cons" statement. Mr. Beckman explained that in his opinion Marcus Lock, the District's Water Attorney, has no bias in the matter and would be the appropriate person to develop a list of Pros and Cons. He further recommended that the Board discuss this with Attorney Lock.

Ms. Koyote thanked the Board for the presentation and the openness with which it was presented.

Ms. Dunlap inquired as to total legal costs incurred in pursuit of securing water rights. Director Reinhardt explained that \$119,000 was spent from 2009 through 2012; however this amount includes other work estimated to be approximately \$20,000.

OPERATIONS

Operations Report: Director Reinhardt inquired as to the chlorine residual of 0.31. Mr. Harrell reported that the chlorine dosing is adjusted depending on the bacteriological testing results observed. When necessary the residual must be increased to adequately reduce bacteria in the system.

Corrosion Control Analysis: Mr. Icenogle, Ms. Williams, and Mr. McLaughlin joined the meeting at this time via speakerphone.

Ms. Williams explained that the District is pursuing two parallel paths of approval with the CDPHE; the design review process for the implementation of soda ash, and conducting a corrosion control study to determine the optimal treatment technique for corrosion control. She further explained that the District is proceeding in accordance with the requirements of the CDPHE and noted that the

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corrosion control study will be a long term process requiring an in-depth analysis of several possible treatment techniques.

Mr. Beckman asked for an update as to the status of the review of the design submittal for the implementation of soda ash. Mr. Icenogle reported that the CDPHE has some questions and needs clarification on certain aspects of the design and process to implement the plan for use of soda ash. The CDPHE issued its request for additional information yesterday. Mr. McLaughlin reported that he has reviewed the comments and finds them to be mostly operational in nature. He will be able to respond to the request early next week. Mr. Icenogle reported that the CDPHE would expedite the review, which would take about one week.

Notary Services Provided by the District: Mr. Harrell suggested restricting notary services to District business only. Director Reinhardt requested that Ms. Slivka join the meeting to discuss the impact of requests outside of District Business. Ms. Slivka joined the meeting at this point. She explained that she did not mind performing the services. The Board determined to continue to provide notary services.

CAPITAL IMPROVEMENTS

Engineer's Report: Mr. Simons reviewed the Engineer's Report with the Board.

Independent Contractor Agreement between the District and Olsson Associates for Design and Permitting of Dharma Ocean Lift Station and Stables Lift Station: The Board discussed the Independent Contractor Agreement between the District and Olsson Associates for Design and Permitting of Dharma Ocean Lift Station and Stables Lift Station. Mr. Simons explained that in a recent sanitary survey the CDPHE noted that the Dharma Ocean and Stables Lift Stations did not go through the proper site application approval process. The purpose of the proposal is to provide site applications to the CDPHE for review. The cost of preparing each site application is \$4,000 each, with a total of \$8,000. The Board inquired as to funding for the design approval and permitting. Mr. Beckman recommended that the proposal be approved subject to the identification of funding.

Following discussion, upon motion duly made by Director Reinhardt, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement between the District and Olsson Associates for Design and Permitting of Dharma Ocean Lift Station and Stables Lift Station, subject to the identification of a funding source.

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Proposals from Timber Line Electric and Control Corporation (“Timber Line”) and Ute Electric LLC and Award of Contract for Cottonwood/Shumei Electrical and Instrumentation Improvements: Mr. Simons reviewed the proposals with the Board and noted the sizable discrepancy between the two bids, with Timber Line being much lower at \$23,385 as compared to the bid from Ute Electric, LLC at \$60,217.74. Director Matthews inquired as to whether there are sufficient capital funds to proceed with the project. Mr. Beckman explained that this project and the SCADA Integration projects were deemed to be among the highest priorities. The decision was therefore made to pursue this work instead of replacement of water meters previously budgeted for capital replacement in 2012.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the Award of Contract to for the Cottonwood/Shumei Electrical and Instrumentation Improvements to Timber Line for an amount not to exceed \$23,385.

Proposal from Timber Line for SCADA Integration and Reporting Enhancements at Office Computers: Mr. Simons reported that a proposal will be forthcoming for consideration at the next meeting.

Proposal from Olsson Associates for design of Supplemental Environment Project (the “SEP”): Mr. Simons explained that the first step toward constructing the SEP is to complete and submit a Proposal/Agreement form to the CDPHE. Olsson Associates is proposing to assist in this process for amount not to exceed \$1,250.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Grote and, upon vote, unanimously carried, the Board approved the proposal from Olsson Associates for design of the SEP in an amount not to exceed \$1,250.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending August 17, 2012 as follows:

General Fund	\$	24,316.37
Capital Projects Fund	\$	49,449.41
Enterprise Fund	\$	88,872.12
Total Claims:	\$	<u>162,637.90</u>

Following review and discussion, upon motion duly made by Director Reinhardt, seconded by Director Grote and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending July 20, 2012.

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Ms. Ross joined the meeting via speakerphone at this point.

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 July 31, 2012.

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 July 31, 2012.

Cash Flow Analysis: Ms. Ross reviewed the cash flow analysis with the Board.

Process for Certifying Delinquent Accounts to Saguache County Treasurer: Mr. Beckman explained that customers owing amounts over \$150.00 and that are more than six months past due would have the past due amounts certified to the Saguache County Treasurer for collection with property taxes. The appropriate letters will be prepared and sent to the property owners with delinquent accounts and a resolution will be presented to the Board for consideration at the next meeting.

Grant Funding Applications and Research: Mr. Beckman reported that he will be submitting a grant application to the Energy and Mineral Impact Assistance Fund (“EMIAF”) later this month.

2013 Budget: The Board discussed the 2013 Budget.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board appointed the District Accountant to prepare the 2013 Budget. The Board determined to hold the public hearing to consider adoption of the 2013 Budget on Friday, November 16, 2012 at 8:00 a.m. at the regular meeting location.

Rate Comparison: Mr. Beckman reviewed and discussed the rate comparison with the Board. Director Grote asked about past due taxes. Attorney Tanaka advised that she had received copies of a few letters from the Saguache County Assessor to property owners regarding updated property values and bills for past taxes.

LEGAL MATTERS

Pipeline Lease Agreement between the District and the Baca Grande Property Owners’ Association (the “Agreement”): Attorney Tanaka reviewed the Agreement with the Board. She explained that this is infrastructure that the District should maintain, and in order to legally do so, the District must have an

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interest in the property. Due to restrictions in the Baca Grande Property Owners' Association Declarations, the POA is unable to dispose of assets without a vote of the electorate. The lease is an automatically renewing, five-year agreement which conveys the necessary property interest to the District.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the Agreement.

EXECUTIVE SESSION

Personnel Matters, Legal Advise and Matters Subject to Negotiation:
EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b), (e) and (f), C.R.S., upon motion duly made by Director Matthews, 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 11:34 a.m. for the purpose of discussions relating to personnel matters, negotiations with third parties and receiving legal advice 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 12:37 p.m.

OTHER BUSINESS

Crestone Eagle Article for October 2012 Publication: Director Reinhardt discussed the article published in the August edition of the Crestone Eagle. She noted that certain statements such as those indicating that the Board is eager to proceed with the purchase of water rights did not accurately characterize her position on the matter. She requested that future articles be circulated to the entire Board prior to publication. Mr. Beckman was directed to circulate via email individually to the Board members.

Director Grote requested that the Board publish an article regarding the status of the implementation of soda ash. Director Reinhardt volunteered to write an article for October publication informing the public about the status of the implementation of the Soda Ash water treatment system.

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ADJOURNMENT


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

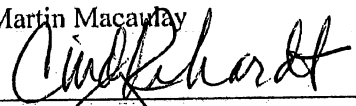
Respectfully submitted,

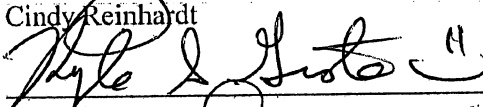
By 
Secretary for the Meeting


THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 17, 2012 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.



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

August 17, 2012

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
Sandra Beltranda				
Don Allen	270 N. Chapparel	256-5305	—	—
Michael Ortiz	2720 N. Chapparel	mmorewin@g mail.com	—	—
DANIE DUNN	1640 Melrose Valley	256.4871		
KAREN COYOTE				
Claudia Wolfe				

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Christine Sheddler Amanda Apple	779 Cottonwood DL Proctor, CO	719-256-4892 4084837253	NO,	Spending
Alma Carl	P.O. Box 74 Crestone CO	720-438-9882	maybe	