

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MARCH 16, 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 16th day of March, 2012, at 9:00 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:

Christine Canaly, President
Vicki Matthews, Vice President
Martin Macaulay, Secretary
Philip Madonna, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

Lindsay Ross; Special District Management Services, Inc. –Via speakerphone

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

Marcus Lock, Esq.; Bratton Hill Wilderson & Lock, LLC – Via speakerphone

Brad Simons; Olsson Associates

Steve Harrell; District General Manager

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. Director Canaly 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.

RECORD OF PROCEEDINGS

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 Johnson and, upon vote, unanimously carried, the Agenda was approved, as amended.

Minutes: The Board reviewed the Minutes of the February 17, 2012 Regular Meeting.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the minutes of the February, 2012 Regular Meeting.

PUBLIC COMMENT

Public Comment: Public comments were addressed under agenda items IV. B and VII. B.

WATER MATTERS

Outstanding Water Matters with Water Counsel: Attorney Lock reported that the approval of replacement well 17 is in process with the US Fish and Wildlife Service ("USFWS"). He reported that the US Solicitor's office acts as Counsel to the Department of the Interior; the application for the well application is currently under review with the US Solicitor's office. He reported that negotiations with the USFWS for the purchase of water rights are in process.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b) and (e), C.R.S., upon motion duly made by Director Matthews, seconded by Director Madonna and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:20 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) and (e) 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 11:15 a.m.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized HRS Water Engineers to continue with engineering services related to water rights negotiations in an amount not to exceed \$9,600.

RECORD OF PROCEEDINGS

OPERATIONS

Operations Report: Mr. Harrell reviewed the Operations Report with the Board.

Corrosion Control Analysis: Ms. Koyote inquired as to the status of the Corrosion Control Study. Mr. Beckman reported that the corrosion control analysis, prepared by McLaughlin Water Engineers, Ltd., is currently under review by the Colorado Department of Public Health and Environment (“CDPHE”). Once comments are received, Mr. McLaughlin will proceed with the design for the capital improvements to implement the proposed treatment method using soda ash. Ms. Reinhardt inquired as to the use of other treatment methods outlined in the report by McLaughlin Water Engineers. Mr. Beckman explained that Sodium Hydroxide was also identified as a possible treatment, and is currently used at the Aspen Wastewater Treatment Facility, however the product is not currently manufactured as a food grade product and approved for use in drinking water systems by the National Sanitation Foundation (“NSF”) as required by the CDPHE and, therefore cannot be used. If at some point the product meets this approval it could be implemented for use with the same infrastructure improvements necessary to introduce soda ash to the water system. Mr. Harrell reported that the estimated cost of the infrastructure improvements is \$20,000.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that there were no discharge exceedences for February for the facility.

Leak Protection Plan: Mr. Harrell discussed the need to address leak detection on an ongoing basis, and reviewed a proposal from Utility Technical Services, Inc. for leak detection services in the amount of \$1,000 per day plus expenses. Mr. Harrell discussed the unaccounted for water noted in the operations report and explained that this represents a loss of approximately 60% of the water pumped from the source. Mr. Beckman reported that he has been in contact with the United States Department of Agriculture Rural Development (“USDA”) and Colorado Rural Water Association (“CRWA”) about assistance with leak detection. The CRWA will assist with leak detection at no charge; however the service is intended for emergency leaks and projects of relatively small scope. He further reported that the CRWA also offers loans of up to \$100,000 for capital improvements and equipment at a rate of 3% for a ten-year term for allowable uses with the borrower contributing 25% of the total cost. Mr. Harrell will coordinate with the CRWA to take advantage of assistance offered at no charge. Mr. Beckman and Mr. Harrell will continue to research funding and repair options.

Bio-Solids Disposal: Mr. Harrell reported that the bio-solids storage lagoon is currently at approximately 85% of capacity. The cost to dispose of the bio-solids is estimated at approximately \$25,000. Mr. Harrell discussed the possibility of installing “reed beds” as a permanent bio-solids treatment process. Mr. Harrell reported that he expects the lagoon to be at capacity in approximately three months. Mr. Beckman discussed the current fines being calculated by the CDPHE for prior wastewater violations and the possibility of using some portion of the fine amount to be paid toward a qualifying project if permitted by the CDPHE. The installation of reed beds

RECORD OF PROCEEDINGS

may qualify as such a project. Mr. Simons reported that he estimates the cost of reed bed design and installation of one of three beds to be \$80,000. Mr. Beckman reported that he has followed up with the CDPHE recently regarding the determination of the amount of the fines to be imposed and will continue to do so.

Car Wash in Town of Crestone: Mr. Harrell reported that the Town of Crestone (“the Town”) has inquired as to the impact to the District of a car wash facility. Mr. Harrell explained that pursuant to the intergovernmental agreement with the Town for wastewater treatment services, the discharge water from the car wash would be treated by the District. Mr. Harrell reported that he has discussed with the District’s Engineer reasonable requirements for pretreatment facilities and will communicate this information to the Town.

Timber Clearing Grant: Mr. Harrell reported that he has been approached by the Fire District about participation by the District with timber and brush clearing for fire danger mitigation. The Fire Department is applying for grant funding to undertake the mitigation and the District could utilize the Fire Department’s labor provided the District assist with some timber and brush clearing and hauling.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Johnson and, upon vote, unanimously carried, the Board determined to issue a letter of support to the Fire Department for the grant proposal.

CAPITAL IMPROVEMENTS

SCADA Control: Mr. Simons reported that he met with Farner Enterprises, Inc. and Electrical Power and Process, Inc. (“EPPI”) on March 15, 2012. He reported that the instrumentation and control was not complete to his satisfaction. EPPI was instructed to stop work and discontinue services related to the Project. He reported that Timber Line Electric & Control Corporation will complete the outstanding items. Mr. Simmons further reported that the work by Farner Enterprises, Inc. is now complete with the exception of any warranty items.

Improvements to Well 18:

Warranty Service for Back-up Pump: Mr. Harrell reported that the District now has two operating booster pumps and motors. One of the pumps is being rebuilt under warranty.

Contract with Hydro Resources-Rocky Mountain, Inc. for Well 17 Replacement Project: Mr. Simons reported that the project was publicly bid and was awarded to Hydro Resources-Rocky Mountain, Inc., the lowest responsive, responsible bidder on the project. The Board then considered ratifying approval of the contract with Hydro Resources-Rocky Mountain, Inc. for the Well 17 Replacement Project.

RECORD OF PROCEEDINGS

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board ratified approval of of the contract with Hydro Resources-Rocky Mountain, Inc. for the Well 17 Replacement Project.

Resolution No. 2012-03-01; Accepting Water and Wastewater Improvements Constructed by Farner Enterprises, Inc.: Attorney Tanaka discussed the Resolution with the Board. She reported that the Resolution is necessary in order to release final funding by the Colorado Water Resources and Power Development Authority for payment.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Resolution No. 2012-03-01; Accepting Water and Wastewater Improvements Constructed by Farner Enterprises, Inc. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending March 16, 2012 as follows:

| | |
|-----------------------|----------------------------|
| General Fund | \$ 13,469.79 |
| Capital Projects Fund | \$ 19,440.39 |
| Enterprise Fund | <u>\$ 56,675.02</u> |
| Total Claims: | <u>\$ 89,585.20</u> |

Following review and discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending March 16, 2012.

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 February 29, 2012.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending February 29, 2012.

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

RECORD OF PROCEEDINGS

LEGAL MATTERS

Resolution No. 2012-03-02; Adopting a Policy Regarding the Voluntary Suspension and Disconnection of Services: Attorney Tanaka distributed and reviewed Resolution No. 2012-03-02 with the Board and noted that the policy requires property owners to submit an application for disconnection of service. Once properly disconnected the subject property would be subject to availability of service ("AoS") charges. The change from full service to AOS would not be made retroactively.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Resolution No. 2012-03-02; Adopting a Policy Regarding the Voluntary Suspension and Disconnection of Services. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

May 8, 2012 Election: Mr. Beckman reported that he will appoint up to three election judges, and has received interest from two members of the community. Director Canaly addressed the Board regarding the Candidates forum being hosted by the Crestone Holistic Alliance. Discussion ensued as to the need to address any misinformation about the District that could potentially be disseminated in the context of the forum. Ms. Koyote and Ms. Reinhardt expressed their respective views that the forum should not be attended by a District representative for this purpose. Following discussion the Board determined to take no action or position on the matter.

Road Access Utility Easement Agreement from Spiritual Life Institute of America, Inc. for Tract 2 Access ("Utility Easement Agreement"): Attorney Tanaka reviewed the Utility Easement Agreement with the Board.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Utility Easement Agreement.

EXECUTIVE SESSION

Personnel Matters: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b), (e) and (f), C.R.S., upon motion duly made by Director Madonna, seconded by Director Matthews and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 2:09 p.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 2:37 p.m.

RECORD OF PROCEEDINGS

OTHER BUSINESS

Crestone Eagle Article for May 2012 Publication: The Board determined to not publish a May 2012 article in the Crestone Eagle.


ADJOURNMENT

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

Respectfully submitted,

By _____
Secretary for the Meeting

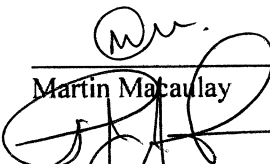
THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 16, 2012 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



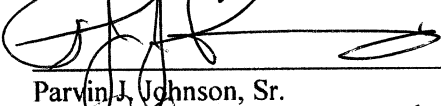
Christine Canaly



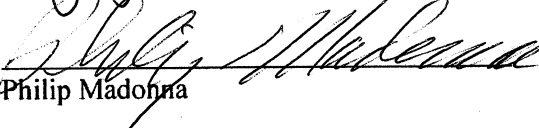
Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.



Philip Madonna

RESOLUTION NO. 2012-03-01

**RESOLUTION
OF THE BOARD OF DIRECTORS
OF THE
BACA GRANDE WATER AND SANITATION DISTRICT**

ACCEPTING WATER AND WASTEWATER SYSTEM IMPROVEMENTS

WHEREAS, the Baca Grande Water and Sanitation District (the "District") was duly organized and validly exists pursuant to and in accordance with the Special District Act, §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(d)(I), C.R.S., the Board of Directors of the District (the "Board") is empowered to enter into contracts and agreements affecting the affairs of the District, including construction contracts; and

WHEREAS, on June 17, 2010, after appropriate bidding procedures were followed, the District entered into a Construction Contract (the "Contract") with Farner Enterprises, Inc. (the "Contractor") for the construction of the District's Water and Wastewater System Improvements, as those improvements are described in the Contract (the "Improvements"); and

WHEREAS, the construction and installation of the Improvements are complete and the District desires to accept the Improvements subject to the conditions set forth herein.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT AS FOLLOWS:

1. ACCEPTANCE OF IMPROVEMENTS. The District hereby accepts the Improvements for ownership, operation and maintenance subject to the following conditions:

- a. Satisfactory completion of any punch list items provided by the District and the District's Engineer to the Contractor;
- b. Receipt of a certification from the District's Engineer that the Improvements have been constructed in accordance with the Contract, as amended from time to time, and are ready for acceptance;
- c. Receipt from the Contractor of applicable warranty bonds, lien waivers and other requirements specified in the Contract; and
- d. Subject to the warranty periods set forth in the Contract during which the Contractor has an obligation to repair and/or replace any defective work or materials, all as set forth in the Contract.

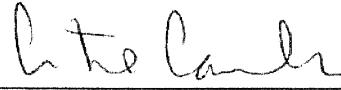
2. FINAL PAYMENT AND SETTLEMENT UNDER CONTRACT. The District's acceptance of the Improvements shall not waive in any way the District's rights or obligations to enforce the payment or penalties due under the Contract and shall not be deemed to be a waiver

of any supplemental conditions or requirements of the Contractor under the Contract after the date of this acceptance. Any surviving provisions set forth in the Contract shall continue to be in full force and effect. Further, the District shall issue final payment to the Contractor in accordance with Colorado law, after proper publication and provided no verified statements of claim are received by the District prior to such date. Further, final payment shall remain subject to negotiations between the District and the Contractor pursuant to and with regards to change orders, liquidated damages and other rights, obligations and penalties of the District pursuant to the Contract.

[Remainder of Page Intentionally Left Blank].

APPROVED AND ADOPTED THIS 16th DAY OF MARCH 2012.

BACA GRANDE WATER AND
SANITATION DISTRICT



Christine Canaly, President

ATTEST:



Martin Macaulay, Secretary/Treasurer

RESOLUTION NO. 2012-03-02

**RESOLUTION
OF THE BOARD OF DIRECTORS
OF THE
BACA GRANDE WATER AND SANITATION DISTRICT**

**ADOPTING A POLICY REGARDING THE VOLUNTARY SUSPENSION AND
DISCONNECTION OF SERVICES**

WHEREAS, the Baca Grande Water and Sanitation District (the "District") was duly organized and validly exists pursuant to and in accordance with the Special District Act, §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(m), C.R.S., the Board of Directors of the District (the "Board") is empowered to adopt, amend and enforce bylaws and rules and regulations not in conflicts with the Colorado Constitution for the purpose of carrying on the business, objects and affairs of the Board and of the District; and

WHEREAS, the Board desires to adopt a policy regarding the voluntary suspension and disconnection of services.


NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT AS FOLLOWS:

1. ADOPTION OF POLICY. The Board hereby adopts the policy set forth in Exhibit A, attached hereto and incorporated herein by this reference (the "Policy"). In the event anything contained in the Policy conflicts with any provision of Colorado law, such conflicting provision shall be deemed null and void.

[Remainder of Page Intentionally Left Blank].

APPROVED AND ADOPTED THIS 16th DAY OF MARCH 2012.

BACA GRANDE WATER AND
SANITATION DISTRICT



Christine Canaly, President

ATTEST:



Martin Macaulay, Secretary/Treasurer

EXHIBIT A

VOLUNTARY SUSPENSION / DISCONNECTION OF SERVICE. Customers may voluntarily discontinue service upon disconnection of water and/or sewer service in accordance with the Rules and Regulations. Customers requesting disconnection of service must complete an Application for Disconnection of Service form and will be required to pay all applicable fees and costs associated with actual disconnection. Disconnection of service will require termination of the water and sewer service lines to the subject property by District Staff or a District approved contractor in accordance with construction standards established by the District and set forth herein. Disconnection will have occurred upon inspection and approval of the actual disconnection by the General Manager or District's Engineer. A Disconnection Permit will be issued upon the District's approval of the physical disconnection. Disconnected properties will not be subject to monthly service charges commencing on the date of issuance of the Disconnection Permit; however, the disconnected properties will become immediately subject to the District's then-current Availability of Service Fees and shall pay a pro-rated Availability of Service Fee for the remainder of that calendar year in accordance with the due dates established for other Availability of Service Fee customers. An Application for Connection will be required in the event the property owner requests reconnection to the system, at which time all applicable connection fees will be due. Tap Fees, once paid in full for a subject property will remain in good standing regardless of the status of connection to the system.

EXHIBIT A-1

Disconnection of Service Form



BACA GRANDE WATER AND SANITATION DISTRICT

57 Baca Grant Way S. PO Box 520 | Crestone, Colorado 81131-0520
p:719-256-4310 | f:719-256-4309 | www.bacawater.com | info@bacawater.com

APPLICATION FOR DISCONNECTION OF SERVICE FORM

This application is a request to disconnect services from the Baca Grande Water and Sanitation District ("District") water and sewer system.

Customers may voluntarily discontinue service upon disconnection of water and/or sewer service in accordance with the District Rules and Regulations. Customers will be required to pay all applicable fees and costs associated with the actual disconnection.

Disconnection of service will require termination of the water and sewer service lines to the subject property by District Staff or a District approved contractor in accordance with construction standards established by the District and set forth herein.

Disconnection will have occurred upon inspection and approval of the actual disconnection by the General Manager or District's Engineer. A Disconnection Permit will be issued upon the District's approval of the physical disconnection.

Disconnected properties will not be subject to monthly service charges commencing on the date of issuance of the Disconnection Permit; however, the disconnected properties will become immediately subject to the District's then-current Availability of Service Fees and shall pay a pro-rated Availability of Service Fee for the remainder of that calendar year in accordance with the due dates established for other Availability of Service Fee customers.

An Application for Connection will be required in the event the property owner requests reconnection to the system, at which time all applicable connection fees will be due. Tap Fees, once paid in full for a subject property will remain in good standing regardless of the status of connection to the system.

All fees are subject to the District's current fee schedule.

PROPERTY OWNER INFORMATION

| | | |
|------------------|--------|-----------|
| NAME: | PHONE: | |
| UNIT: | LOT #: | |
| PLATTED STREET: | | |
| MAILING ADDRESS: | | |
| CITY: | STATE: | ZIP CODE: |

APPLICANT INFORMATION

| | | |
|----------|--------|-----------|
| NAME: | PHONE: | |
| ADDRESS: | | |
| CITY: | STATE: | ZIP CODE: |