

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MAY 20, 2011

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 20th day of May, 2011, 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/Treasurer
Philip Madonna, Assistant Secretary
Parvin Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

Meric Lallier; Special District Management Services, Inc.; - Via speakerphone

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

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

Marcus Lock, Esq. and Kendall Burgemeister, Esq. Bratton Hill Wilderson & Lock, LLC - Via speakerphone

See attached sign-in sheet of 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. President 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

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for discussion at this meeting. Directors Madonna and Canaly noted that they are involved with the committee seeking access to the Cottonwood trail and are, therefore, conflicted with the discussion scheduled to take place with the members of the public on this matter. 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 Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Agenda was approved, as amended.

Minutes: The Board reviewed the Minutes of the April 15, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the minutes of the April 15, 2011 Regular Meeting.

PUBLIC COMMENT

Public Comment:

Terry Godfrey: Mr. Godfrey addressed the Board regarding the balance of payments made pursuant to two Tap Fee Agreements for two separate lots which have since been consolidated. Mr. Godfrey requested permission to transfer the fees paid on one lot towards the outstanding balance on his other lot. Director Canaly advised Mr. Godfrey that the District will discuss the request and contact him with a decision regarding the payments made under the Tap Fee Agreements.

CRESTONE MOUNTAIN ZEN CENTER

Proposal from the Crestone Mountain Zen Center Regarding Public Access to the Cottonwood Creek Trail: Mr. Dillo addressed the Board and explained the proposal. He explained that he has been involved in access issues for the trail for over seven years. He explained that access to the Cottonwood Creek Trail is problematic and the purpose of the proposal is to create a long-term solution providing public access to the Rio Grande National Forest via an official Cottonwood Creek Trail. He further explained that the trailhead and trail would be located on the POA greenbelt on the south side of the Cottonwood Creek between Camino Baca Grande and the Stupa Road, where it would connect with the currently closed Cottonwood Creek Trail. He further explained that the U.S. Forest Service ("USFS") will need permanent public access to the trail in order to provide maintenance and funding. Mr. Beckman inquired as to the length of the

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study period for the Cottonwood Creek Trail. Mr. Dillo explained that the study period is expected to be one or two years. Zoe de Bray, with Karma Thegsum Tashi Gomang ("KTTG"), addressed the Board regarding access to the Stupa Road. She expressed her desire to maintain access to the Stupa Road as part of the permanent solution. Mr. Harrell discussed the issue of public parking during the access study. Linda Joseph noted that Manitou Foundation has discussed potential liability concerns with the USFS and noted that the USFS explained that it is the opinion of the USFS that the liability of property owners is covered by the Recreational Use Statutes, Sections 33-41-101 through 33-41-106, C.R.S., which exempt property owners from liability for allowing recreational use by the general public.

Director Macaulay discussed moving forward as soon as possible with the installation of infrared counters.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, with Directors Macaulay, Matthews and Johnson voting "Yes" and Directors Canaly and Madonna abstaining, the Board approved a Memorandum of Understanding between the USFS and the District, subject to final review by Counsel with Director Macaulay appointed as liaison to the Board. The Board further authorized the immediate installation of infrared counters as identified in the proposal.

WATER MATTERS **Outstanding Water Matters with Water Counsel:** Attorneys Lock and Burgemeister joined the meeting at this point.

Attorney Burgemeister reported that the new Division Three Rules are not yet finalized. The rules are expected to be completed in approximately three months. Attorney Lock discussed generally the status of communications with the U.S. Fish and Wildlife Service ("USFWS").

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S. of the Colorado Revised Statutes, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:50 a.m. for the purpose of receiving legal advice from the Board's attorney Section 24-6-402(4)(b), C.R.S. and discussing matters subject to negotiation with third parties pursuant to Section 24-6-402(4)(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

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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 11:42 a.m.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Simons reported that the lagoons are in the process of being decommissioned. Mr. Harrell reported that the USFWS will not allow water from the refuge to be used to maintain wetlands associated with discharge from the ponds. He reported that the District or the POA could provide water to the nearby wetlands; however, the water that is available is potable water. The Board discussed keeping the issue open and possibly addressing the matter further with the USFWS. Mr. Harrell reported that the water discharged to the Wetlands is approximately 4,000 to 10,000 gallons per month.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that there were no violations for March or April.

Liner for Sludge Settling Pond: Mr. Harrell reported that repair to the liner will not include a warranty and he is recommending that it be replaced rather than repaired. The liner will be incorporated into the Aspen Wastewater Treatment Facility design.

Corrosion Control Plan: Mr. Harrell reported that he expects to have cost estimates from Olsson Associates for all Aspen improvements within the next 30 days.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that a non-compliant sample was observed in the last sample group. He noted that staff will resample.

GIS Mapping Project: Mr. Harrell reported that two of the three interns have started work on the GIS mapping project. He noted that a third intern will start May 31st after school is out for the summer and noted that all interns have or will review the safety policies. Mr. Harrell distributed a revised budget for the GIS Mapping Project and requested approval for the total budget in the amount of \$4,500.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the revised budget for the GIS Mapping Project in the amount of \$4,500.

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Liner Proposal: The Board discussed the liner proposal for increase in cost from \$1,650 to \$2,133.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried the Board approved the liner proposal for an increased cost in the total amount of \$2,133.

Vector Truck: Mr. Harrell reported that he expects the Vector Truck to be delivered by June 1, 2011.

FINANCIAL MATTERS

Claims: Mr. Lallier joined the meeting via speakerphone at this time.

Mr. Beckman reviewed the payment of claims with the Board through the period ending May 20, 2011 as follows:

General Fund	\$	26,978.47
Capital Projects Fund		68,864.62
Enterprise Fund		70,311.12
Debt Service Fund		<u>204,868.71</u>
Total Claims:	\$	<u>371,023.21</u>

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending May 20, 2011.

Financial Statements: Mr. Lallier 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, 2011.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending April 30, 2011.

2010 Audit: Mr. Lallier reported that the Audit is expected to be ready for the June meeting.

First Bank: Mr. Lallier and the Board discussed the fees associated with Vectra Bank. Mr. Lallier reported that District is ready to transition all financial information and documents to First Bank.

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Cash Flow Analysis: Mr. Lallier reviewed the current cash flow analysis with the Board.

White Jewell Mountain Payment under Cost Share Agreement: Mr. Beckman reported that the amount due from White Jewell Mountain will be \$12,347 when all applicable debits and credits are applied. It was noted that Attorney Tanaka will send a letter regarding the final cost reconciliation.

LEGAL MATTERS

Public Hearing on the Inclusion of Property Owned by The Colorado College: President Canaly opened the public hearing.

It was noted that publication of Notice stating that the Board would consider the inclusion of the property and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to this public hearing. No public comments were received and the public hearing was closed.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the inclusion of the property as described in the Petition. A copy of Resolution No. 2011-05-01 for Inclusion is attached hereto and incorporated herein by this reference.

Request from the Colorado College for Alteration of PILOT Payments under Inclusion Agreement: Attorney Tanaka reported that The Colorado College is disputing the PILOT payment for 2011. She further reported that The Colorado College is requesting a reduction in monthly water rates. It was noted that representatives from The Colorado College will attend the July meeting to discuss with the matter further with the Board.

Board of County Commissioners and Current Valuations: Attorney Tanaka reported that she, Mr. Harrell and Mr. Beckman met with Jackie Stephens, the Saguache County Assessor. Ms. Stevens reported that she will start the project of adding properties identified by the District as being untaxed by June 1, 2011. Furthermore, Ms. Stevens reported that she is working to update all of the valuations in the District by the end of the year. The District will provide an annual list of new service connections for her office to check against her data base of building permits. Attorney Tanaka recommended that newly added properties have until the end of the year to pay, after which point it time interest would accrue at 8%.

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Following discussion, the Board of Directors directed Attorney Tanaka to draft a letter for use by the Assessor when notifying properties being added to the Saguache County's tax rolls.

Well 18 Waterline Easements Needed from Hanne Strong: Attorney Tanaka reported that Suzanne Foote notified the District that several years ago, in exchange for an easement agreement, Hanne Strong was promised the District would convey back to the Manitou Foundation a two-acre parcel of District land which the District owned but was not using for District purposes. Attorney Tanaka reported that neither she nor Ms. Foote are able to identify which parcel was in question. Mr. Harrell agreed to discuss the matter with Mr. Johnson to see if he can provide clarification.

Water and Sewer Line Easement on Greenway Property: **EXECUTIVE SESSION:** Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S. of the Colorado Revised Statutes, 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 2:50 p.m. for the purpose of receiving legal advice from the Board's attorney Section 24-6-402(4)(b), C.R.S. and discussing matters subject to negotiation with third parties pursuant to Section 24-6-402(4)(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 3:36 p.m.

Upon motion by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board authorized staff to offer Ms. Greenway \$5,000 for the water and sewer line easement.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons reported that the Wagon Wheel Lift Station is almost finished and that the Casita Park Lift Station and the Force Main Line is complete. He also noted that Well 18 is approximately 75% complete and the booster pumps are on order. The expected startup date is June 1, 2011.

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Construction Matters:

Inquiry to Farner Enterprises and Performance Bond regarding Intent to Complete the Project: This matter was discussed in Executive Session.

Change Order No. 16 to the Contract with Farner Enterprises, Inc. for the Well 18 Project: The Board considered approval of Change Order No. 16 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$775.20.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Change Order No. 16 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$775.20

Change Order No. 17 to the Contract with Farner Enterprises, Inc. for the Well 18 Project: The Board considered approval of Change Order No. 17 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$255.21.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved Change Order No. 17 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$255.21.

Change Order No. 18 to the Contract with Farner Enterprises, Inc. for the Well 18 Project: The Board considered approval of Change Order No. 18 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$847.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved Change Order No. 18 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$847.

Application for Payment No. 9 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board reviewed Application for Payment No. 9 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$2,661.46.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Application for Payment No. 9 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$2,661.46.

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Application for Payment No. 10 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board reviewed Application for Payment No. 10 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$37,806.40.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Application for Payment No. 10 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$37,806.40.

Improvements to the Aspen Wastewater Treatment Facility: Mr. Simons reported that a memo from Olsson has been prepared and is under review detailing recommended improvements to the facility. The primary improvements will be ultraviolet light disinfection and automatic chemical dosing.

Independent Contractor Agreement between the District and AVS of Buena Vista, Inc. for Surveying Services for the East Dream Way and Seven Tank Sites: The Board considered ratifying approval of the Independent Contractor Agreement between the District and AVS of Buena Vista, Inc. for Surveying Services for the East Dream Way and Seven Tank Sites.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried the Board ratified approval of the Independent Contractor Agreement between the District and AVS of Buena Vista, Inc. for Surveying Services for the East Dream Way and Seven Tank Sites in an amount no to exceed \$5,145.00

Independent Contractor Agreement between the District and Electric Power and Process, Inc., for the Motel Well Upgrades Project: The Board considered ratifying approval of the Independent Contractor Agreement between the District and Electric Power and Process, Inc. for the Motel Well Upgrades Project.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board ratified approval of the Independent Contractor Agreement between the District and Electric Power and Process, Inc. for the Motel Well Upgrades Project in amount not to exceed \$11,211.00.

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EXECUTIVE SESSION

Personnel Matters, Farner Enterprises' Construction Matters, Brown and Caldwell Design Matters, Colorado College PILOT and Reduction in Fees Request, Request by Hanne Strong for deed of two-acre parcel in exchange for Water Line Easement, AND Terry Godfrey: EXECUTIVE SESSION:

Pursuant to Sections 24-6-402(4) (b), (e) and (f), C.R.S. of the Colorado Revised Statutes, upon motion duly made by Director Matthews, 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 2:50 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 3:36 p.m.

Upon motion of Director Madonna, seconded by Director Johnson, and, upon vote, unanimously carried, the Board approved bonuses of \$200 for Operations Staff members.

Following discussion, the Board directed staff to review the Tap Fee Agreements that are in place and to report back to the Board with a recommendation at which time the request by Mr. Godfrey to apply payments under one of his Tap Fee Agreements as a result of the consolidation lots he owns will be considered.

OTHER BUSINESS

Crestone Eagle Article for June Publication: It was noted that Director Matthews has submitted an article for June and will write an article for September reporting on the GIS Mapping project and that Director Madonna will write an article for July.

Special District Association Annual Conference: Mr. Beckman noted that the conference will be held in Breckenridge, Colorado on September 14, 15, and 16 this year and inquired into whether the directors wanted to attend the conference. The Board approved the attendance of all directors plus Mr. Harrell at the conference.

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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 20, 2011
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



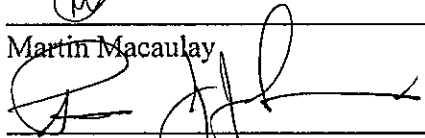
Christine Canaly



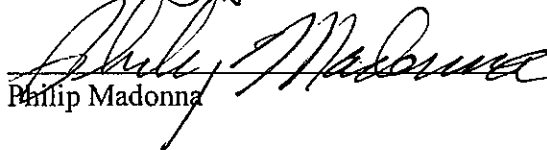
Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.



Philip Madonna



Baca Grande Water and Sanitation District
 P.O. Box 520 | 57 Baca Grant Way S.
 Crestone, CO 81131-0520

May 20, 2011

Please print your name, address and contact information along with any issues you are interested in addressing at today's Board Meeting.
 Telephone/Email Would you like to speak? Issues to be addressed

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Russell Shreber	Box 725		Maybe	Cottonwood Creek Trailhead
Bill Suterford	PO Box 935			"
Terry Co	PO box 369		yes	pre paid tap fee
MICHAEL OLGA WARE				
DON SPILLANE	PO Box 513			
Sean Noon	Bldg 70 Sagevader FO			Cottonwood ck.
LINDA	64001 CRDD		yes	" "
Joseph	Moffat 81143			
Sam	PO box 182		h.	"

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Holly Hosner	P.O. 1119 4 1/2 mi E. Crested		NO	
ADAM BROWN	810 FRONT ST. LEADVILLE CO	719 486 7414	..	TRAIL
CHRISTIAN DILLO	P.O. Box 130 CRESTONE	719 270 4692	YES	TRAIL
Steve Bonowski	710 10th St. #200 Golden CO 80401 Colorado Mountain Club	303-279-3080 (H) 303-914-8255	Maybe	Trail

Resolution No. 2011-05-01

RESOLUTION AND ORDER FOR INCLUSION
OF THE
BOARD OF DIRECTORS
OF
BACA GRANDE WATER AND SANITATION DISTRICT

WHEREAS, pursuant to § 32-1-401(1)(a), C.R.S., The Colorado College, whose address is 1000 North Cascade Avenue, Colorado Springs, CO 80903 (the "Petitioner") petitioned the Baca Grande Water and Sanitation District (the "District") for the inclusion within the District (the "Petition") of the real property described in Exhibit A, attached hereto and incorporated herein by this reference (the "Property"); and

WHEREAS, the Petitioner is currently the 100% fee owner of the Property; and

WHEREAS, the Aspen Institute for Humanistic Studies (the "Aspen Institute"), the prior owner of the Property, the Baca Grande Corporation ("Baca") and the District entered into an agreement outlining proposed terms for including the Property into the District on August 31, 1980 (the "Inclusion"); and

WHEREAS, the order granting the Inclusion was issued by the Saguache County District Court (the "Court") on December 1, 1980 (the "Order"); and

WHEREAS, the Property as included into the District by the Court's Order is currently owned by the Petitioner; and

WHEREAS, pursuant to the Order, the Petitioner believed that the Property was within the boundaries of the District and therefore became a party to a payment in lieu of taxes agreement whereby the Petitioner has been making payments to the District on an annual basis; and

WHEREAS, the Petitioner and the District were recently informed by the Saguache County Assessor (the "Assessor") that despite the Order, the Property was never included into the boundaries of the District; and

WHEREAS, the Petitioner and the District now wish to correct this misunderstanding and desire to include the Property into the boundaries of the District; and

WHEREAS, pursuant to and in accordance with the provisions of § 32-1-401(1)(b), C.R.S., publication of notice of the filing of the Petition and the place, time and date of the public meeting at which the Petition would be considered was made in the *Saguache Crescent* on May 5, 2011; and

WHEREAS, subject to the conditions set forth herein, the Board of Directors of the District (the "Board") desires to approve the inclusion of the Property into the District.

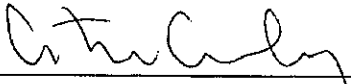
NOW, THEREFORE, THE BOARD DOES HEREBY ORDER:

1. Grant of Inclusion. The Board hereby orders the inclusion of the Property into the District.
2. Effective Date of Resolution. This Resolution shall become effective as of this 20th day of May, 2011.
3. Inclusion Agreement Remains in Effect. The Inclusion agreement entered into by and between the parties dated as if August 31, 1980 shall remain in full force and effect.

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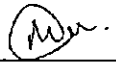
RESOLVED this 29th day of May, 2011.

**BACA GRANDE WATER AND SANITATION
DISTRICT**



Christine Canaly, President

ATTEST:



Martin Macaulay, Secretary/Treasurer

**EXHIBIT A
PROPERTY**

Parcel #460506299044 - A TRACT OF LAND CONT. 6.27 AC. LOC. WITHIN 300.046 AC.
IN: BACA GRANT #4 B407 P635

CERTIFICATE

COMES NOW, Martin Macaulay, and hereby certifies that the attached resolution is a true and accurate copy of the resolution adopted by the Board of Directors at its meeting held May 20, 2011, at 9:00 A.M.

WITNESS my hand this 20th day of May, 2011.

A handwritten signature in black ink, consisting of a circled 'M' followed by a stylized flourish.

Martin Macaulay, Secretary/Treasurer