

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD JUNE 17, 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 17th day of June, 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. – Via speakerphone

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

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

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

Michael Scully; Casita Park Action Committee

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 for discussion at this meeting. No further conflicts were disclosed.

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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 May 20, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the minutes of the May 20, 2011 Regular Meeting.

PUBLIC COMMENT

Public Comment:

Michael Scully: Mr. Scully thanked the Board and District for work at the Casita Park Lift Station. He noted that the disruption caused by noise associated with aeration of the lagoon is now gone.

WATER MATTERS

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

Attorney Lock reported that he recently spoke with Peter Nichols, the Water Attorney who represents the Town of Crestone. He discussed that the Town has looked for additional water for augmentation and has been unsuccessful. He further reported that the Town is interested in assisting the District, to the extent possible, in its efforts to secure water rights from the United States Fish and Wildlife Service ("USFWS"). Director Canaly reported that she is working to set up a new meeting with the USFWS. The meeting is expected to take place in August.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that there are no violations for May. He discussed that the electrical meter serving the decommissioned infrastructure has been removed and that the associated electrical transformers will be removed in the near future. He further reported both lagoons have been de-watered and are drying. They will be excavated as soon as they have sufficiently dried. He further reported that the new lift station has been operating well for the past few weeks.

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Aspen Wastewater Treatment Facility: Mr. Harrell discussed the increased flow and loading now being processed at the Aspen Wastewater Treatment Facility due to the addition of the Casita Park Lift Station and the improvement to the Wagon Wheel Lift Station. The effects are being monitored by staff and Olsson Associates. Mr. Harrell advised the Board that the District will need to install a flow meter in the near future as part of capital improvements to the facility. Mr. Beckman requested that Mr. Harrell present a proposal for the installation of the flow meter.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that all of the samples have been completed for January through June. He reported that they did observe one very high lead and copper sample. The Colorado Department of Public Health and Environment (“CDPHE”) allowed the District to re-sample the location. The CDPHE is now requiring that all residents receive a letter with the sample result, not just those with abnormal results. Also, it is expected that the monitoring frequency required by the CDPHE will be reduced based on recent results.

GIS Mapping Project: Mr. Harrell reported that the project is approximately 65% complete. He noted that there are twenty-four valves that have not yet been located and staff is now locating curb-stops. The valve and curb-stop locating process is expected to be completed this week.

Fallen Tree Lift Station: Mr. Harrell reported that project was completed approximately two weeks ago and that the pump curve was incorrect for the facility. He is working with Olsson Associates to redesign with the appropriate pump curves. The pump motors are expected to be replaced at no charge because they failed to turn off under conditions that led to overheating.

Stables Lift Station: Mr. Harrell reported that recent electrical work by SLV Electric resulted in damage to the electrical system at the Stables Lift Station. He further reported that he will file a claim with the District’s insurance provider and that single phase protection for all of the facilities will be evaluated. He noted that he has located a used pump motor from Royal Electric to make the immediate replacement.

Golf Course: Mr. Harrell reported that there was a design error with the line extension that pumps water to the motel well for the provision of irrigation water to the POA. Mr. Harrell noted that the water goes through a second meter and is being metered twice as a result. Because it is unlikely that the golf course well will have sufficient water to allow the District to pull water off of the well, the design error should not impact this year’s use. Mr. Harrell noted that the District

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will correct the line extension accordingly and anticipates this will cost \$500 in parts. The Board requested that Mr. Harrell have Mr. Simons review the modifications to ensure that it will resolve the issue.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending June 17, 2011 as follows:

General Fund	\$22,448.87
Capital Projects Fund	\$70,921.20
Enterprise Fund	\$68,651.23
Total Claims:	<u>\$162,021.30</u>

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending June 17, 2011.

Financial Statements: Mr. Beckman 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 May 31, 2011.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending May 31, 2011.

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

2010 Audit: Discussion was deferred until the July meeting.

First Bank: Mr. Beckman reported that the District is in the process of transitioning to First Bank for customer billing Lock Box and checking account services.

United States Department of Agriculture (“USDA”) Grant Opportunities: Mr. Beckman reported that he recently spoke with the USDA regarding funding opportunities. All grant programs are tied to capital projects and are being offered in combination with low-interest loans. Projects are considered based on several factors which measure the resources and needs of the subject community. A suitable project would have to be identified and a preliminary engineering report would be required. He estimates that the timeframe from the initiation of the preliminary engineering report to the potential receipt of funding would require

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approximately one year.

LEGAL MATTERS

Board of County Commissioners and Current Valuations: Attorney Tanaka reported that Ms. Stephens is in the process of updating the assessed valuations of properties within the District and started the process around Memorial Day. Attorney Tanaka and Mr. Beckman have a follow up meeting with Ms. Stephens on July 14th in person to discuss the status.

Well 18 Waterline Easements Needed from Hanne Strong: Attorney Tanaka reported that Mr. Harrell is currently working to identify the boundaries of a two-acre parcel allegedly owned by the District that was purportedly part of an oral agreement between the District and the Hanne Strong with regards to the granting of an easement for the well 18 waterline. Once identified, the District can consider deeding it to Manitou in exchange for the easement over portions of Hanne Strong's Property.

Request from Mr. Godfrey for Assignment of Tap Fees Paid under Tap Fee Agreements: Attorney Tanaka discussed the Tap Fee Agreements that were entered into by numerous property owners in 2005. She reported that the assignment of Tap Fees paid on one lot to another lot has not been allowed by the District for any reason, including consolidation of lots.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board directed Attorney Tanaka to proceed according to the District's policy and directed her to advise the resident that amounts paid to date on one lot cannot be transferred to another. Furthermore, the terms of the agreement have been breached, and payments will need to be brought current by the end of July 2011.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons reported that the booster pumps have been installed and that Olsson Associates will test the pumps, but is waiting on subcontractors to complete the electrical components. He further reported that he expects the Well 18 Project to be completed by mid-July. He noted that he will be on site for the startup of the new system.

Construction Matters:

Application for Payment No. 11 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board reviewed Application for Payment No. 11 to the contract with Farner Enterprises, Inc. for the

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Water and Wastewater System Improvements Project in the amount of \$34,555.40.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved Application for Payment No. 11 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$34,555.40, with direction to staff to hold the payment until release is authorized by Mr. Simons.

Improvements to the Aspen Wastewater Treatment Facility: Mr. Simons reported that the current loading and treatment data is being analyzed to determine performance of the facility. He noted that Olsson Associates will meet with the manufacturer of the facility to review plant operation. Mr. Harrell discussed the staffing level necessary to operate the plant effectively going forward.

Independent Contractor Agreement between the District and Ecodynamics, Inc. for Motel Well Improvements: The Board considered ratifying approval of the Independent Contractor Agreement between the District and Ecodynamics, Inc. for Motel Well Improvements. Mr. Harrell explained that it was necessary to have the extra pump installed and due to fact that the Golf Course Well is unavailable, it is necessary to perform the work in advance of heavy irrigation demands in order to accommodate the Property Owners Association.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried the Board ratified approval of the Independent Contractor Agreement between the District and Ecodynamics, Inc. for Motel Well Improvements

First Addendum to 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 First Addendum to 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 Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board ratified approval of the First Addendum Independent Contractor Agreement between the District and Electric Power and Process, Inc. for the Motel Well Upgrades Project.

Hydro-Electric Feasibility Study: Director Canaly reported that she recently attended a conference regarding such opportunities. Mr. Simons discussed preliminary engineering work performed to date. He reported that Cottonwood

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Creek is the best location to consider a hydro-electric option; however the cost benefit analysis being performed is not yielding favorable results. He reported that he will finalize the report and distribute via email for Board review.

EXECUTIVE SESSION

Personnel Matters, Farner Enterprises' Construction Matters, Brown and Caldwell Design Matters: 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 Macaulay, 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 12:16 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 12:45 p.m.

OTHER BUSINESS

Crestone Eagle Article for August Publication: Director Macaulay volunteered to provide an article for August and Director Matthews will write an article for September.

September 2011 Meeting: The Board determined to cancel the September 16, 2011 Regular Meeting due to the 2011 SDA Conference and to schedule a Special Meeting on Friday, September 30, 2011 at 9:00 a.m. at the regular meeting location.

ADJOURNMENT

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

Respectfully submitted,

By _____
Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL JUNE 17, 2011
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:

Christine Canaly

Vicki Matthews

Vicki Matthews

Martin C. Macaulay

Martin Macaulay

Parvin J. Johnson, Sr.

Parvin J. Johnson, Sr.

Philip Madonna

Philip Madonna