

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MARCH 18, 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 18th day of March, 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

Suzanne Foote and Linda Joseph; Manitou Foundation

Michael Scully; Casita Park Action Committee

Kate Steichen; District Customer

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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.

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

Minutes: The Board reviewed the minutes of the February 18, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the minutes of the February 18, 2011 Regular Meeting as amended.

PUBLIC COMMENT

Public Comment: Mr. Scully addressed the Board. He noted that the District's meeting minutes have not been posted to the website and meeting agendas are only posted as current. The Board reported that the website would be updated as requested.

MANITOU FOUNDATION

Outstanding Matters: Ms. Joseph discussed the Conservation Easement covering the Manitou Property. She discussed the general and site specific easements covering the property and the importance of open dialogue with the District on an on-going basis and requested that the Manitou Foundation be notified of any activities contemplated to take place on their property. Mr. Harrell reported that he will be sure to keep Ms. Foote and Ms. Joseph notified of any activities that will affect the Manitou Property.

The reclamation of the overflow pit was then discussed. Mr. Harrell reported that he will provide the Manitou Foundation with the proposed seed mix prior to planting and mulching the area.

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WATER MATTERS **Outstanding Water Matters with Water Counsel:** Attorney Lock joined the meeting via speakerphone at this time.

Attorney Lock reported that he has contacted the U.S. Fish and Wildlife Service (“USFWS”) regarding the re-drilling of Well 17. He explained that the well can be relocated by 250 feet without requiring additional legal proceedings. He reported that he has sent a letter to USFWS regarding this proposal and is awaiting a response. Attorney Lock further reported that he is working with the Division of Water Resources to correct a clerical error on the documentation associated with the well.

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 Madonna and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:37 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 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 10:10 a.m.

OPERATIONS

Corrosion Control Plan: Mr. Harrell discussed a change to the plan that will require five samples over three years between June and September at the Mobile Home Estates. The Chalets will require twenty samples over the next three years. .

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported the facility was in compliance for the month of February; however there were violations over the past four months because the temperature of the facility was not being monitored properly. He further reported that the facility is expected to be decommissioned within the next month. It was noted that Mr. Harrell is obtaining estimates for the decommissioning process and the District will be required to decommission the facility in compliance with CDPHE regulations.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility did not have any effluent discharge violations for the month of February. He further reported that he is working with Olsson Associates on design options for the

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Magnesium Hydroxide injection system and other improvements. A design proposal will be forthcoming in the near future.

Bio-Solids Storage Lagoon: Mr. Harrell reported that the bio-solids storage lagoon cannot be repaired and will need to be replaced as part of the improvements to the facility.

Residential Sewer Line Freezing Problems: Mr. Harrell discussed a residential sewer line that is encountering freezing problems. He reported that he has received two proposals for repair to the sewer line. Following discussion, the Board directed Mr. Harrell to inquire with Scott Johnson, the former District Manager, regarding design approval for the sewer line in question. The Board further directed Attorney Tanaka to forward the recently obtained design option, and related information regarding the ownership and maintenance responsibility for the system, to the property owner.

Policy for Multiple Services on Consolidated Lots: Mr. Harrell reported that he is aware of new construction of an out-building of approximately 400 square feet. The Board discussed the District's EQR and tap fee policy. Mr. Beckman noted that the EQR and tap fee policy would require that the impact to the sewer service be adjusted appropriately for an additional structure on the consolidated property, but would not require an additional sewer tap fee. The Board directed Mr. Harrell to proceed accordingly.

Craig Electric, LLC: The Board discussed the Service Agreement between the District and Craig Electric, LLC for On-Call Emergency Services.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Service Agreement between the District and Craig Electric, LLC for On-Call Emergency Services.

Resignation of Brown and Caldwell for Operator in Responsible Charge Services: This matter was discussed under the Executive Session section of these minutes.

Liner for Sludge Settling Pond: Mr. Harrell discussed the liner for the sludge settling pond and recommended that it be repaired rather than replaced due to the significant nature of the repair costs. This will be considered along with the capital improvements to the Aspen Wastewater Treatment Plant.

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GIS/GPS Intern Program: Mr. Harrell discussed the GIS/GPS intern program for an estimated cost of \$29,000. He estimated that through the program the District could potentially map approximately half of the valve locations this year. The Board discussed the possibility of obtaining grant funding for the program.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized the GIS/GPS intern program for an estimated cost of \$29,000.

FINANCIAL MATTERS

Claims: Mr. Lallier reviewed the payment of claims with the Board through the period ending March 18, 2011 as follows:

General Fund	\$	17,973.70
Capital Projects Fund		28,844.90
Enterprise Fund		<u>64,138.80</u>
Total Claims:	\$	<u>110,957.40</u>

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending March 18, 2011.

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

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 February 28, 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 February 28, 2011. The Board also directed Mr. Lallier to research the option to transfer banking services to First Bank or Pueblo Bank and Trust.

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

Collection of Certified Amounts for 2009 and 2010: Attorney Tanaka reported that the District has not received all amounts due under the certified accounts which were made for 2009 and 2010. Attorney Tanaka noted that Mr. Lallier is currently working with the Treasurer to collect amounts totaling approximately \$50,000.

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LEGAL MATTERS

Public Hearing on the Inclusion of Property Owned by Lee B. Temple Residential Property Trust: 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.

Mr. Temple was unable to join the meeting. Attorney Tanaka explained that Mr. Temple's property is currently served by a well which serves his home but outdoor use is provided by the District. The District currently requires that properties within the boundaries of the District are not allowed to be served by a well. She presented his request and discussed the status of his existing well as being in existence prior to the inclusion which therefore presents a unique situation.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the inclusion of the property as described in the Petition subject to no additional wells being drilled on his properties and provided that the current well not be used for outdoor use. A copy of Resolution No. 2011-03-01 for Inclusion is attached hereto and incorporated herein by this reference.

Water Service to Property Owned by Kate Steichen: Ms. Steichen addressed the Board regarding the need to include into the District's boundaries in order to continue to receive service or discontinue service from the District. She discussed the District's offer to allow her to discontinue service and receive compensation equivalent to 50% of the cost to install the service line to her property. She requested that the District refund the entire cost of the installation of the service line. She advised the Board that she would not have attached to the District's system had she known that she would be required to include at a future date. The Board determined to discuss the matter further in executive session.

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.

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Following discussion, the Board determined to continue the public hearing on the inclusion of property owned by The Colorado College to April 15, 2011.

Agreement between the District and No Old Age & Death, Inc. for Payment in Lieu of Taxes and Water and Sewer Tap Fees: Attorney Tanaka discussed the terms of the Agreement with the Board.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Agreement between the District and No Old Age & Death, Inc. for Payment in Lieu of Taxes and Water and Sewer Tap Fees.

Agreement between the District and the Pundarika Foundation for Payment in Lieu of Taxes: The Board discussed the Agreement between the District and the Pundarkia Foundation for Payment in Lieu of Taxes.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Agreement between the District and the Pundarika Foundation for Payment in Lieu of Taxes.

Board of County Commissioners and Current Valuations: Attorney Tanaka discussed the upcoming meeting scheduled with the Board of County Commissioners to request that timely corrections be made to the Assessor's classifications and valuations of numerous properties within the District.

Resolution No. 2011-03-03 Regarding Contaminant Testing Policy: Discussion was deferred.

Third Amendment to Employee Handbook dated February 19, 2010: The Board discussed the Third Amendment to the Employee Handbook dated February 19, 2010.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Third Amendment to the Employee Handbook dated February 19, 2010.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons reported that the Skyview Way water line is complete. He noted that the Casita Park Force Main has been inspected and a punch list has been created. He reported that the Casita Park lift station is expected to be installed Tuesday, March 23rd. He further reported that the Wagon

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Wheel lift station was put into service yesterday, March 17th, and Well 18 is expected to be complete within the next few weeks. Once all of the improvements are complete the Telemetry System will be installed.

Contract Change Orders: There were no change orders for review.

Application for Payment No. 8 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board discussed Application for Payment for No. 8 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project in the amount not-to-exceed of \$150,000.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Application for Payment for No. 8 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project for an amount not to exceed \$150,000, subject to final approval by Mr. Simons.

Improvements to the Aspen Wastewater Treatment Facility: Mr. Simons reported that survey work is in progress and a design proposal will be forthcoming within the next few weeks.

Agreement between the District and Arkansas Valley Surveying for Survey Services for Aspen Plant Survey Work: The Board discussed the Agreement between the District and Arkansas Valley Surveying for Survey Services for Aspen Plant Survey Work.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the Agreement between the District and Arkansas Valley Surveying for Survey Services for Aspen Plant Survey Work.

Agreement between the District and Arkansas Valley Surveying for Well 17 Test Well and Stables Lagoon Relocation Projects: The Board discussed the Agreement between the District and Arkansas Valley Surveying for Well 17 Test Well and Stables Lagoon Relocation Projects.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Agreement between the District and Arkansas Valley Surveying for Well 17 Test Well and Stables Lagoon Relocation Projects.

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Agreements between the District and the Baca Grande Property Owners Association for Extension of Time of Right of Entry: The Board discussed the Agreements between the District and the Baca Grande Property Owners Association for Extension of Time for the Right of Entry for the Mobile Home Estates Force Main Line project.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Agreements between the District and the Baca Grande Property Owners Association for the Extension of Time for the Right of Entry for the Mobile Home Estates Force Main Line project.

Agreement between the District and Elaine Blumenhein for Extension of Time of Right of Entry: The Board discussed the Agreement between the District and Elaine Blumenhein for the Extension of Time for the Right of Entry for the Mobile Home Estates Force Main Line project.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Agreement between the District and Elaine Blumenhein for the Extension of Time for the Right of Entry for the Mobile Home Estates Force Main Line project.

Agreement between the District and Skoglund Excavating for Well 18 Final Grade Work: The Board discussed the Agreement between the District and Skoglund Excavating for Well 18 Final Grade Work.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Agreement between the District and Skoglund Excavating for Well 18 Final Grade Work.

EXECUTIVE SESSION

Personnel Matters: Pilot Agreement with The Colorado College, Operator in Responsible Charge for Water and Wastewater and Employee 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 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 12:31 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.

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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 1:50 p.m.

Negotiations with Kate Steichen: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (e), C.R.S. of the Colorado Revised Statutes, 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 2:54 p.m. for the purpose of 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 3:05 p.m.

Upon motion of Director Matthews, seconded by Director Madonna, the Board unanimously agreed to stand by its original offer to Ms. Steichen for reimbursement of costs the amount of \$2,000 and directed legal counsel to advise Ms. Steichen of the Board's decision.

OTHER BUSINESS

Crestone Eagle Article for March Publication: The Board requested that Mr. Simons provide a brief recap of the status of the construction projects. Director Canaly will submit to the Eagle for the March publication. Director Matthews recommended that the District's 2010 accomplishments be highlighted in the April publication. Attorney Tanaka will forward the list discussed at the 2011 Board retreat.

ADJOURNMENT

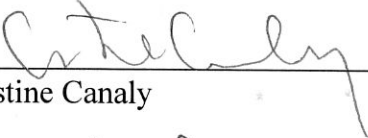
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By _____
Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 18, 2011
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



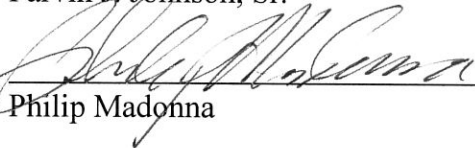
Christine Canaly



Vicki Matthews



Martin Macaulay

Parvin J. Johnson, Sr.


Philip Madonna

March 18, 2011

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
MICHAEL SCULLY	PO Box 952 CRESTOME CO	719 256-5728	YES	AGENDA POSTING
LINDA JOSEPH	POB 118 Crestome, Co 81131	719 588-7828	yes	mentor institute/ Foundation overview
Suzanne Foote	" "	719 256-4265	yes	" "
Katie Sporkman	POB 303	4290	"	

Resolution No. 2011-03-01

**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., Lee B. Temple Residential Property Trust, whose address is Post Office Box 220, Crestone, Colorado 81131 (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 the 100% fee owner of the Property; 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 March 10, 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.

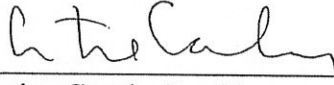
NOW, THEREFORE, THE BOARD DOES HEREBY ORDER:

1. Grant of Inclusion. The Board hereby orders the inclusion of the Property into the District subject to the following conditions:
 - a. No additional wells may be drilled on the Property; and
 - b. The current well serving the home on the Property may continue to be used for the same purposes as prior to the date of this Inclusion Resolution but shall not be used for any other purposes. Currently the well is used for in-home uses only.
2. Effective Date of Resolution. This Resolution shall become effective as of this 18th day of March, 2011.

[Remainder of page intentionally left blank].

RESOLVED this 18th day of March, 2011.

**BACA GRANDE WATER AND SANITATION
DISTRICT**



Christine Canaly, President

ATTEST:



Martin Macaulay, Secretary/Treasurer

**EXHIBIT A
PROPERTY**

A TRACT OF LAND LOCATED IN THE BACA GRANDE GRANTS UNIT ONE
CONTAINING 3.487 ACRES REC# 353325 N/K/A LOT 1500C (FKA LOTS 1500-1501)

BACA GRANDE GRANTS UNIT 1, LOT 1502 MAP 22 1.61 AC

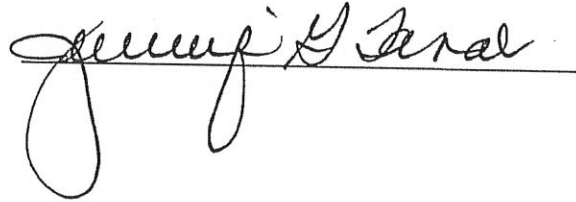
BACA GRANDE GRANTS UNIT I LOT 1503 MAP 22 1.60AC

A TRACT OF LAND LOCATED IN THE BACA GRANDE GRANTS UNIT ONE
CONTAINING 5.279 ACRES REC# 341276 N/K/A LOT 1504C (FKA LOTS 1504-1505-1506)

CERTIFICATE

COMES NOW, ~~JENNIFER TAYLOR~~ 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 March 18, 2011, at 9:00 A.M.

WITNESS my hand this 18th day of March, 2011.

A handwritten signature in cursive script, appearing to read "Jennifer Taylor", is written over a horizontal line.