

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
MAY 7, 2010

A special meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Friday, the 7th day of May, 2010, at 11:00 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
Martin Macaulay, Secretary/Treasurer
Philip Madonna, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the absence of Vicki Matthews was excused.

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq.; White, Bear and Ankele Professional Corporation

Steven Harrell; District General Manager

Marcus Lock, Esq.; Bratton Hill Wilderson & Lock, LLC
- joined the meeting at 1:05 p.m.

Robert Garnett, Bill Johnson and Juliana Quinn;
Members of the Community - Sign-In Sheet attached

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

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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

Appointment of Officers and Oaths of Office: Directors Johnson and Macaulay were administered the Oaths of Office as the directors elected at the May 4, 2010 election. Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the following slate of officers was appointed:

| | |
|---------------------|-----------------|
| President | Chris Canaly |
| Vice President | Vicki Matthews |
| Secretary/Treasurer | Martin Macaulay |
| Assistant Secretary | Parvin Johnson |
| Assistant Secretary | Philip Madonna |

Agenda: Mr. Beckman reviewed the proposed agenda for the District's Special 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 16, 2010 regular meeting. The Board determined to defer approval to the May 21, 2010 meeting.

PUBLIC COMMENT

Bill Johnson addressed the Board stating that he was aware of certain residents of the community that did not receive mail ballots. He advised the Board that he would look into the matter further and that he intends to challenge the election.

Juliana Quinn requested information regarding payment of Directors. Director Canaly explained that Directors are permitted by statute to receive payment of \$100 per meeting up to \$1,600 per year.

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Mr. Garnett addressed the Board. He expressed concern that certain outdoor meters will freeze due to their exposure to the elements. He further explained that in his opinion, the District should not require residents with indoor meters to relocate them. Mr. Harrell explained that the relocation by residents is optional and the District is currently offering to perform the work for the cost of parts only. Mr. Johnson also discussed the recent debt question put to the voters in the May 4, 2010 mail ballot election asking if the District would be increasing taxes or fees to incur additional debt. Attorney Tanaka explained that language in the refunding question is required by the Taxpayer Bill of Rights ("TABOR"). Mr. Johnson also discussed a recent incident in which the Baca Grande Property Owners' Association ("POA") required a resident to incur excessive cost for a line extension by denying installation across a greenbelt area. He further reported that after the expense was incurred by the resident, the POA subsequently determined that other owners were being served by line extensions crossing greenbelts.

FINANCIAL MATTERS

Claims: Mr. Beckman distributed and reviewed the payment of claims with the Board through the period ending May 7, 2010 as follows:

| | |
|-----------------------|-----------------------------|
| General Fund | \$ 42,157.17 |
| Capital Projects Fund | 6,357.97 |
| Enterprise Fund | <u>72,646.10</u> |
| Total Claims: | <u>\$ 121,161.24</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 May 7, 2010.

Financial Statements: Mr. Beckman reviewed the unaudited financial statements of the District setting forth the cash deposits, investments, budget analysis, and accounts payable vouchers for the period ending April 30, 2010.

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Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending April 30, 2010.

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

Online Customer Payment and Lockbox Services: Mr. Beckman reported that the agreements for the lockbox service have been reviewed by Attorney Tanaka and have been executed. The service is expected to be set up within the next thirty days. Mr. Beckman discussed the necessity to add a convenience fee of \$2 per transaction for on-line banking. The Board determined not to pursue on-line banking.

WATER MATTERS

Outstanding water Matters with Water Counsel: EXECUTIVE SESSION: Pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes, upon motion duly made by Director Madonna, 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 1:04 p.m. for the purposes of discussing legal matters as authorized by Section 24-6-402(4)(b) 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 2:05 p.m.

Golf Course Well: Attorney Lock discussed the conditions necessary for the District to use the well pursuant to the underlying water rights.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that the facility was within discharge limits for April.

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Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility was within all discharge limits except fecal coliform. Mr. Harrell reported that the District will need to pump bio-solids this month from the collection pond.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that 20 samples are required per month. The District has collected the samples for April and is in compliance for the year.

Resolution Regarding Ownership, Location and Maintenance of Residential Water Meters: Attorney Tanaka reported that the resolution will be prepared for consideration at the May 21, 2010 regular meeting.

Community Outreach Related to Water Meter Relocation Policy: Mr. Harrell reported that approximately 20 residents are taking advantage of the relocation program and that he expects the relocations to take place in June. He further reported that six residents have executed a waiver. The Board discussed the need to continue with outreach efforts and directed Mr. Beckman to draft a follow-up letter to residents clarifying the option for meter relocation and District's payment plan.

Water Meter Multiplexer Unit ("MXU") Installation Plan: Mr. Harrell reported that the first 10 upgraded MXUs have been ordered. He reported that the manufacturer is offering a discount of \$4 per meter for purchasing in bulk. The total purchase price would be approximately \$48,000. The manufacturer will offer financing at 2% interest for 18 months. Attorney Tanaka discussed annual appropriations without voter authorization. The Board directed Mr. Beckman to explore financing options and report at next regular meeting.

Digitalization of Water Rights Documents: Ms. Slivka reviewed a proposal from E Filecabinet for software and support. The Board discussed options including not upgrading the current software. The Board directed Ms. Slivka to research further the cost and benefits of E Filecabinet and to clarify whether this would be an on-site or off-site storage provider, and to report the

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costs and benefits of this service versus using the District's existing software.

Water Meter Installation: Mr. Harrell reported that a meter has been installed at the Lindes Farne property.

Brookview Reservoir: Mr. Harrell reported that the repairs to the fence at the reservoir are complete.

Temporary Summer Employee: Mr. Harrell requested permission from the Board to engage a full-time temporary employee for three months at approximately \$13 per hour. Mr. Beckman discussed the total costs of approximately \$6,500.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the engagement of a full-time temporary summer employee for \$13 per hour.

Agreement with RMS Utilities, Inc.: The Board discussed the Service Agreement between the District and RMS Utilities, Inc. for pumping of the lagoons. Mr. Harrell discussed the need to regularly empty sludge to the collection ponds in order to optimize the function of the treatment plant. He estimates that the pond will need to be pumped on an annual basis going forward.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Service Agreement between the District and RMS Utilities, Inc. for pumping of the lagoons for an amount not to exceed \$17,495.

Chemical Purchase for Wastewater Treatment: Mr. Harrell requested authorization to purchase chemicals for treatment of the wastewater treatment plant for an amount not to exceed \$3,000. Mr. Harrell reported that this will be an ongoing quarterly expense.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board authorized

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the purchase of chemicals for treatment of the wastewater treatment plant for an amount not to exceed \$3,000.

Asphalt Pavement Repair: Mr. Harrell requested authorization to engage ACI to repair District cuts to pavement as required by the County for repairs previously performed by the District for an amount not to exceed \$4,000.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board authorized the engagement of ACI to repair district cuts to pavement as required by the County for repairs previously performed by the District for an amount not to exceed \$4,000.

LEGAL MATTERS

Results of the May 4, 2010 Election: Attorney Tanaka discussed the election results with the Board. Mr. Beckman reviewed the process for preparing the election materials, counting ballots and canvassing the election results.

Rules and Regulations: Attorney Tanaka reported that she, Mr. Harrell and Mr. Beckman are reviewing draft articles of the Rules and Regulations on a regular basis. The next review will be Monday, May 10, 2010.

Intergovernmental Agreement with Town of Crestone and Fees for Treatment and Additional Customer Taps: Attorney Tanaka reported that she and Mr. Beckman previously discussed the status of the agreement with the Town Manager. The Town is aware that the District will be requesting changes to the agreement to address tap fees and treatment costs. A term sheet will be presented to the Board at its next meeting for consideration.

Request for Seasonal Service by the Pundarika Foundation: Mr. Harrell discussed the request by the Pundarika Foundation for seasonal service. The Board discussed the need to require an agreement for payment in lieu of taxes ("PILOT") and to uniformly apply the District's policies.

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Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board directed Attorney Tanaka to send correspondence to the Pundarika Foundation regarding the District's policies and the request for a PILOT Agreement.

Cottonwood Creek Easement with Manitou Foundation and Authorization of Legal Fees: Attorney Tanaka reported that the Foundation is requesting that the District pay for all associated legal costs for an amount not-to-exceed \$1,000.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved reimbursement of legal fees not to exceed \$500.

Modern Primitive Design reimbursement Request: Mr. Harrell reviewed the reimbursement request from Modern Primitive Design for \$1,557 for the pressure pump to serve 4340C Ridgecrest Overlook. He reported that he had followed up with the State Plumbing Inspector to confirm pressure requirements as previously directed. The pressure at the highest fixture for the property is within an acceptable range for issuance of a Certificate of Occupancy.

Following discussion, the Board directed Mr. Harrell to respond in writing to the request by Modern Primitive Design clarifying that the pressure provided by the District is not preventing the issuance of a Certificate of Occupancy, and, therefore, the District will not provide the requested reimbursement.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Beckman reported that Olsson Associates, the Project Manager, is working with the Colorado Department of Health and Environment ("CDPHE"), and Brown and Caldwell, the Design Engineer, to obtain final approvals from the CDPHE.

Project Status Summary: Mr. Beckman reviewed the Projects Status Summary with the Board

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Project Timeline: Mr. Beckman reported that the Project Manager is working with all interested parties to gain approvals from the CDPHE. If all goes as planned, the project is expected to break ground in June 2010.

Renewable Energy Projects Design Grant Application: Mr. Beckman reported that the District was approved for a \$10,000 design feasibility matching funds grant by the Colorado Water Resources & Power Development Authority.

OTHER MATTERS

Community Outreach Efforts: Director Canaly discussed the need to be proactive in the District's community outreach efforts. She recommended that the Board include a monthly article in the Crestone Eagle to be written by each board member on a rotating basis.

Customer Request by Robert Philleo: Mr. Harrell reported that Mr. Philleo inquired as to the availability of a discount for paying all annual fees in advance. The Board directed Mr. Harrell to respond to the request and noted that this is not allowed by the District's policies.

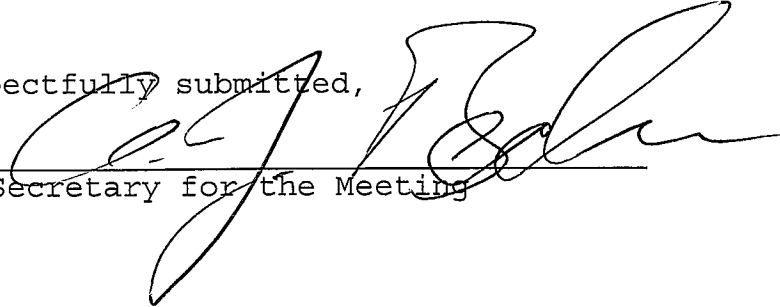
Customer Request by Ralph Abrams: Mr. Harrell reported that Mr. Abrams requested permission to transfer a tap fee from one property to another. The Board noted that the District's policies do not allow for the transfer of tap fees and directed Mr. Harrell to respond to Mr. Abrams with this information.

ADJOURNMENT

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

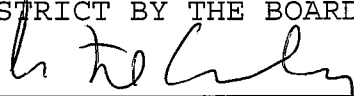
Respectfully submitted,

By


Secretary for the Meeting

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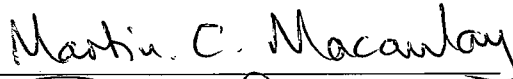
THESE MINUTES ARE APPROVED AS THE OFFICIAL MAY 7, 2010
MINUTES OF THE BACA GRANDE WATER AND SANITATION
DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



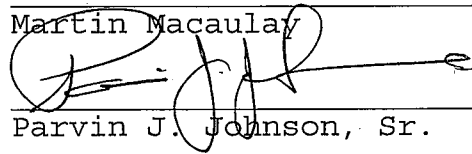
Christine Canaly



Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.

Philip Madonna