

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD MARCH 15, 2013

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 15th day of March, 2013, at 8:00 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:

Vicki Matthews
Martin Macaulay
Cindy Reinhardt
Kyle Grote

Following discussion, upon motion duly made by Director Reinhardt, seconded by Director Macaulay and, upon vote, unanimously carried, the absence of Parvin J. Johnson, Sr., was excused.

Also In Attendance Were:

AJ Beckman and Lindsay Ross (for a portion of the meeting); Special District Management Services, Inc. – Via speakerphone

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

Marcus Lock, Esq. (for a portion of the meeting); Bratton Hill Wilderson & Lock, LLC – Via speakerphone

Steven Harrell; District General Manager

Brad Simons; Olsson Associates, Inc.

Other members of the public as referenced on the attached sign in sheet.

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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. Mr. Beckman 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 Reinhardt, seconded by Director Macaulay and, upon vote, unanimously carried, the Agenda was approved, as presented.

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the February 15, 2013 Regular Meeting.
- Accept financial statements for the periods ending January 31, 2013 and February 28, 2013 and current schedule of cash position and cash flow projection.
- Acknowledge Operations Report.
- Ratification of Lease Agreement with Xerox for Printer

Ms. Ross joined the meeting at this point and reviewed the January 31, 2013 and February 28, 2013 financial statements, schedule of cash position and cash flow projection with the Board.

It was noted that there was no Engineer's Report and that Mr. Simons will present his report in person under the Capital Improvements portion of the Agenda.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board reviewed, approved and accepted the above items.

PUBLIC COMMENT

Public Comment: Mr. Scully addressed the Board and noted that the water valves near the Casita Park water tank appear to have been tampered with by members of the general public. He inquired into whether measures were in place to protect such tampering. Mr. Harrell reported that he was aware of the situation and is in the process of taking measures to secure the valves to avoid future tampering issues.

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Mr. Scully also noted that there are areas in need of additional road base where the District's water and wastewater projects were completed. Mr. Harrell noted he will look at these areas to determine if repairs or patches are needed.

Mr. Allen then addressed the Board to express his appreciation for the good work the Board is doing.

OPERATIONS

Corrosion Control Study: Mr. Harrell reported that the first two sets of samples from the copper pipe loop rig have been completed and reviewed by McLaughlin Water Engineers, Ltd. and that the District is preparing to conduct the third set of samples for testing in the near future. It was noted that, to date, raw water, soda ash, lime, and sodium hydroxide have been tested.

Training and Procedural Review: Mr. Harrell reported that Mr. Beckman and Ms. Ross spent time at the District Office on January 21st and 22nd. He reported the training with Mr. Beckman and Ms. Ross was very helpful. Mr. Beckman explained that he reviewed internal procedures with Mr. Harrell. In particular, revisions to the process for tracking time spent by field staff were implemented and the meter reading and data gathering process was reviewed. Changes to the process will be forthcoming.

Ms. Ross spent extensive time with Ms. Slivka to review the customer billing and accounts payable procedures and use of the billing and accounting software.

Forced Main Flushing: Mr. Harrell reported that forced main flushing has not yet been scheduled and noted that while this is an important maintenance practice, he believes forced main flushing is not related to the problems recently observed at the Mobile Home Estates lift station. He further reported that the problem at the Mobile Home lift station will require additional investigation and appears to be related to the system controls. Mr. Simons reported that there have been four pump failures to date and that he is working with Mr. Harrell to resolve the issue.

Remote Operating Capabilities and Use of Personal Computers for Control from Home: Mr. Harrell reported that research regarding this matter is ongoing and that until a set of protocols is in place, there will only be one operator with the ability to remotely log-in to the District's system. Mr. Harrell reported that the password for remote access will be changed weekly and that the remote computer will not recollect the weekly password.

Proposal by WSB Computer Services for Server Upgrade: Mr. Harrell reviewed the proposal from WSB Computer Services with the Board. He suggested that in addition to the computer equipment, cooling equipment should

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be added to the server room. Mr. Beckman noted that the cooling equipment could potentially be taken from the capital fund. It was noted that the cost of the upgrade will exceed the annual budget for computers and media. Director Reinhardt discussed the need to anticipate such expenses in the annual budgeting process. Mr. Beckman reported that a \$75,000 maintenance reserve line item is included in the 2013 adopted budget, from which the expenditure could be funded. The Board requested that replacement of the equipment be planned for every five-years.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the proposal from WSB Computer Services for a server upgrade in an amount not to exceed \$11,961.00. It was noted that funding for the server upgrade will be taken from the budgeted maintenance reserve.

Resident Complaint: Director Macaulay requested a follow up on a complaint made by Mr. Lloyd regarding the presence of Ortho-Polyphosphate in the water supply. It was noted that Mr. Lloyd publicly complained about this matter on social media sites. Mr. Harrell reported that additional testing of the Ortho-Polyphosphate level was conducted at Mr. Lloyd's residence. The water sample taken at Mr. Lloyd's residence was sent to an independent laboratory for testing. The test indicated that there is no Ortho-Polyphosphate present. Director Reinhardt requested that Mr. Beckman follow up with Mr. Lloyd and request that he distribute this information via social media.

CAPITAL IMPROVEMENTS

Water Conservation Project: Mr. Simons reported that he has drafted the scope of work for the preliminary engineering for the project.

Hydraulic Model: Mr. Simons reported that the hydraulic model will be part of the preliminary engineering process. The model will be necessary to identify areas of focus for water leak detection.

Leak Detection: Mr. Simons reported that the leak detection program will be developed based on information gained from the hydraulic model and that the program will be included in the Water Conservation Project grant application.

Meter Replacement: Mr. Harrell reviewed with the Board the parts necessary to repair the meters are referred to as "MXUs" He explained that he has prepared a cost estimate for replacement of the MXUs which will be part of the Water Conservation Project.

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Funding: Mr. Simons reported that a request for \$25,000 to the Department of Local Affairs (“DOLA”) for funding the Water Conservation Project will be prepared and sent early next week. He will work with Mr. Beckman to prepare a funding request for the preliminary engineering work which should be ready within the next few days. A response is expected within approximately one month following submittal. Mr. Beckman also noted that the funding previously granted for the Stables Lift Station will be returned to DOLA since the project scope is not large enough to meet the threshold of the preliminary engineering and project grant application process.

Capital Improvement Needs of the District: Mr. Simons reported that he is working with Mr. Harrell to identify the overall capital needs of the District. Mr. Simons also reported that he is working with the Colorado Department of Public Health and Environment on questions that have arisen from the site applications for the Dharma Ocean and Stables Lift Stations, including trigger points and capacity.

Supplemental Environmental Project (Reed Bed): Mr. Simons reported that he responded to additional questions and requests for clarification from the Colorado Department of Public Health and Environment regarding the District’s submittal in October for a supplemental environmental project. Mr. Simons noted he will continue to follow up with them on the timing of a response since they have had a significant amount of time to review the proposal.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending March 15, 2013 as follows:

	Period Ending March 15, 2013
General Fund	\$ 23,678.06
Cap. Projects Fund	3,895.79
Enterprise Fund	89,275.30
Total Claims	\$ 116,849.15

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending March 15, 2013, as presented.

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LEGAL MATTERS

Eligible Governmental Entity Agreement between the District and the Statewide Internet Portal Authority("SIPA"): Attorney Tanaka reviewed the proposed Eligible Governmental Entity Agreement with the Board. She explained that approval of the agreement allows the District to offer on-line bill paying services for customers at no charge to the District. She further explained that charges for the service are paid by the customers through a fee charged at the time of the transaction. Mr. Beckman reported that the cost of the transaction is 2.25% of the value of the transaction for credit cards and a \$0.75 flat fee for electronic checks. Attorney Tanaka further explained that SIPA offers free internet hosting services and grant funding for up to \$3,000 for website development.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the Eligible Governmental Entity Agreement between the District and SIPA.

EXECUTIVE SESSION

Water Matters: Attorney Lock reported that discussions are ongoing with U.S. Fish and Wildlife Service ("USFWS") regarding the District's need to secure water rights and the ability to use its water according to potential new rules that will likely be implemented by the Division Three Water Court in 2014.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b), (e) and (f), C.R.S., upon motion duly made by Director Macaulay, seconded by Director Grote and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:05 a.m. for the purpose of discussions relating to negotiations with third parties, for receiving legal advice and for discussing personnel matters, all 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 9:58 a.m.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board authorized the engagement of HRS Water Consultants, Inc. for services necessary to proceed with negotiations with the USFWS, subject to final review by Legal and Water Counsel and final approval by Director Macaulay.

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Personnel Matters: Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board determined to appoint Mr. Beckman and Directors Macaulay and Reinhardt to a Delegate Personnel Committee to make final hiring decisions following completion of the hiring procedures by staff for the receptionist position.

OTHER BUSINESS

Crestone Eagle Article for April 2013 Publication: The Board discussed the Crestone Eagle Article for April 2013 publication.. Director Reinhardt volunteered to work on an article about the Corrosion Control Study and Water Conservation Project.

General Manager Job Description: The Board reviewed and discussed the General Manager Job Description prepared by Mr. Beckman.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the General Manager Job Description, subject to revisions as discussed.

ADJOURNMENT

Upon motion duly made, seconded and, upon vote, unanimously carried, the

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meeting was adjourned.

Respectfully submitted,

By _____
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 15, 2013
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:

Vicki Matthews
Vicki Matthews

M. Macaulay
Martin Macaulay

Cindy Reinhardt
Cindy Reinhardt

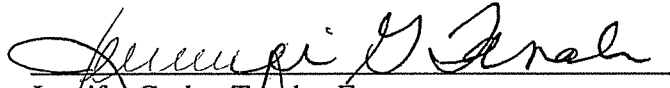
Kyle S. Grote
Kyle Grote

Parvin J. Johnson, Sr.

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ATTORNEY STATEMENT

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Baca Grande Water and Sanitation District, I attended the executive session convened on March 15, 2013 for the sole purpose of discussing matters subject to negotiation with third parties, personnel matters and matters seeking legal advice, as authorized by §§24-6-402(4)(b), (e) and (f), C.R.S. I further attest that it is my opinion that a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required by be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.


Jennifer Gruber Tanaka, Esq.
General Counsel
Baca Grande Water and Sanitation District