

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
AUGUST 20, 2010

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 August, 2010, 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
Martin Macaulay, Secretary/Treasurer
Philip Madonna, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

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

Also In Attendance Were:

AJ Beckman and Meric Lallier; Special District Management Services, Inc. - Via speaker phone

Jennifer Gruber Tanaka, Esq.; White, Bear and Ankele Professional Corporation - Via speaker phone

Steven Harrell; District General Manager

Brad Simons; Olsson Associates

Marcus Lock, Esq. and Kendall Burgemeister, Esq.;
Bratton Hill Wilderson & Lock, LLC - ~~Via speaker~~
~~phone~~ Kendall by speakerphone

Michael Scully; Casita Park Action Committee

Tom Tucker; Biosphere Coalition

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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 Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Agenda was approved, as amended.

Minutes: The Board reviewed the minutes of the July 16, 2010 regular meeting.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the minutes of the July 16, 2010 regular meeting.

PUBLIC COMMENT

Tom Tucker: Mr. Tucker distributed and reviewed with the Board a letter regarding the proposed installation of a head-gate by the US Fish and Wildlife Service in the wildlife refuge that would affect flows in Cottonwood Creek. He discussed the anticipated effects to the local ecosystem. He noted that he has discussed with the matter with the Property Owners' Association ("POA").

WATER MATTERS

Outstanding Water Matters with Water Counsel: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e) 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 9:48 a.m. for the purposes of discussing matters

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subject to negotiation with third parties as authorized by Section 24-6-402(4)(e) C.R.S., and receiving legal advice 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 10:53 a.m.

Division Three Rules Process: Attorney Lock reported that water modeling results are expected to be available at the October meeting of Division One. He reported that the information will be important in order to understand potential augmentation plans which may be imposed if the Division Three rules come into effect.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote unanimously carried, the Board directed Attorney Lock to have a representative at the meeting.

Golf Course Irrigation: Attorney Lock discussed the recent teleconference with Directors of the Board of Directors of the Baca Grande Property Owners' Association ("POA"), Mr. Beckman, Attorney Tanaka, Mr. Harrell and Attorney Burgmeister regarding a temporary and long-term irrigation plan. He reported that the discussion went well and that the POA had several questions about the District's ability to provide ongoing service from a water rights perspective. The POA agreed to provide payment for a backup pump to the Motel Well and continue irrigating via fire hydrant thought the irrigation season.

Public Presentation on Water Rights (August 24, 2010 at Colorado College): Attorney Lock discussed the presentation. He estimates that it will require approximately two hours. The goal of the presentation will be to inform the constituency of the status of the District's water rights and pending rules expected to be imposed by the Division One Water Engineer.

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OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that the facility was in compliance for July and August.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility was in compliance for July. The District is experiencing a problem with an ultraviolet light disinfection unit. Mr. Harrell discussed a temporary solution being implemented which would include the use of chlorine and subsequent dechlorination.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that six of the twenty samples have been completed for the year and that all are in compliance for the year.

Digitalization of Water Rights Documents: Mr. Harrell reported that the E-File system has been installed and is currently being used. He also reported that there are still files remaining that need to be destroyed.

Facilities Audit by Olsson Associates: Mr. Simons reported that he is in the process of drafting a memorandum to the Board identifying specific deficiencies.

Electrical Work at Aspen Wastewater Treatment Facility: Mr. Harrell reported that parts have been ordered through Wilfong Solar and Electric to enable the facility to operate via backup generator.

Operator in Responsible Charge: This matter is discussed under Executive Session.

Liner for Sludge Settling Pond: Mr. Harrell reported that the pond will need to completely dry out before the liner can be repaired. He reported that as a temporary solution, the District will pump into the overflow lagoon. He also reported that he has been able reduce the volume in the discharge lagoon through a secondary treatment process.

On-Call Minimum Payment to Employees Responding After Hours: Mr. Harrell discussed the rationale for such an incentive program regarding on-call minimum payment to

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employees respond after hours.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board authorized the organization of an incentive program regarding on-call minimum payment to employees respond after hours.

Water Filter Replacement by Customer: Mr. Harrell reported that a recent leak caused a significant amount of sediment to collect in a customer's refrigerator.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board authorized the General Manager to authorize customer reimbursements due to damages caused by system deficiencies for amounts up to \$200.

Golf Course Well and Irrigation Option for POA: Mr. Harrell reported that the POA has paid for the backup pump and will be allowed to proceed with the temporary irrigation solution offered by the District.

Customer Sewer Back Up: Mr. Harrell discussed a recent sewer backup to a customer due to a nearby water leak. He reported that the sewer service line to the home is not properly sloped. Following discussion, the Board directed Mr. Harrell to contact the homeowner and request that they install a sewage backflow preventer. The District will excavate and repair the sewer line.

EXECUTIVE SESSION

Personnel Matters: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (f) 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 12:42 p.m. for the purposes of discussing personnel matters as authorized by Section 24-6-402(4)(f) C.R.S., and receiving legal advice 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

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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 1:25 p.m. No action was taken by the Board.

FINANCIAL MATTERS

Claims: Mr. Beckman distributed and reviewed the payment of claims with the Board through the period ending August 20, 2010 as follows:

General Fund	\$ 19,692.58
Capital Projects Fund	34,816.96
Enterprise Fund	97,992.74
Total Claims:	\$ <u>152,502.28</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 August 20, 2010.

Mr. Lallier joined the meeting via speakerphone.

Financial Statements: Mr. Beckman and 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 July 31, 2010.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending July 31, 2010.

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

Lockbox Services: Mr. Lallier discussed the status of lockbox services with the Board.

Research Regarding Funding Opportunities: Mr. Beckman reported that he, Attorney Tanaka and Attorney Lock met with the United States Department of Agriculture regarding low interest loans and grants for rural

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development. Mr. Beckman will work with the District's Attorney and other consultants to complete the initial information required by the program and report back to the Board.

Certifying Delinquent Accounts to Saguache County Treasurer: Attorney Tanaka discussed the process for certifying delinquent accounts. She reported that the District's staff is preparing a list of customers that meet the statutory requirement for certifying to the County for collection by the Treasurer.

2011 Budget and Planning for Same: Mr. Beckman reported that he expects to have a draft budget for presentation at the September or October meeting.

LEGAL MATTERS

Cottonwood Creek Plant Waterline and Road Access Easements: Attorney Tanaka reported that a meeting has been set with the neighboring property owner and the POA to discuss road design alternatives. She advised the Board that the District's consultants are exploring all alternatives regarding access to the District's facilities.

Greenway Easement. The Board discussed having one of the Directors attend the meeting on September 16th to discuss the road design with all interested parties. Following discussion, the Board determined that Directors Canaly and Madonna will be in attendance.

Property Owners' Association Easement. The Board discussed having one of the Directors attend the meeting on September 16th to discuss the road design with all interested parties. Following discussion, the Board determined that Directors Canaly and Madonna will be in attendance.

Legal Research Work for 16 Incomplete Easements Identified by North Line GIS: Attorney Tanaka reported that the review is in process.

Rules and Regulations: Attorney Tanaka reported that the rules and regulations drafting is nearing completion. She has been reviewing draft sections with Mr. Harrell and Mr. Beckman on a bi-weekly basis.

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Amendment to Intergovernmental Agreement with Town of Crestone and Fees for Treatment and Additional Customer Taps: Attorney Tanaka reported that she and Mr. Beckman have a meeting with the Town of Crestone on September 16th to discuss the proposed Intergovernmental Agreement.

Hanne Strong regarding Well 18 Water Line Easement: Attorney Tanaka reported that there is a portion of the Well 18 water line on Ms. Strong's property. The District does not have an easement. She is working with Ms. Strong's Attorney to acquire the easement. Ms. Strong's Attorney requested that her legal fees be paid by the District.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved paying legal fees incurred by Ms. Strong's attorney up to amount not to exceed \$1,000.

Mountain Engineering & Testing, Inc. for Baca Grande Water and Wastewater System Improvements Construction Materials Testing: The Board considered ratifying approval of the agreement with Mountain Engineering & Testing, Inc. for Baca Grande Water and Wastewater System Improvements Construction Materials Testing.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board ratified the agreement with Mountain Engineering & Testing, Inc. for Baca Grande Water and Wastewater System Improvements Construction Materials Testing in the amount of \$20,042.55.

Parcel J Easement for Mobile Home Estates Force Main Line Extension from Elaine Blumenhein: Attorney Tanaka reported that the District has acquired the easements from Ms. Blumenhein in exchange for a sewer tap credit in the amount of \$3,750.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons discussed the status of work on the Sky View water line. He reported that the District has run into challenges with locating

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the nearby sewer line. The District purchased a sewer line video observation system in the approximate amount of \$10,000 to expedite the location process.

Project Status Summary: Mr. Beckman distributed and reviewed the Project Status Summary sheet with the Board.

Project Timeline: Mr. Simons reported that he is working with Farner Enterprises and an updated schedule for the project will be available within the next few weeks.

East Dream Way Water and Wastewater Design Options: Discussed was deferred.

Proposal from Olsson Associates for Engineering Services Related to Improvements Serving Shumei International: Mr. Simons reported that the proposal is forthcoming.

Pressure control valve from Rocky Mountain Valve and Control. The Board considered approval of the purchase of a pressure control valve from Rocky Mountain Valve and Control.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the purchase of a pressure control valve from Rocky Mountain Valve and Control.

Construction Change Orders: The Board considered approval of Change Order No. 1 by Farner Enterprises to the Well 18 Project regarding change in the scope of the design and with no change to the contract amount.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved approval of Change Order No. 1 by Farner Enterprises.

Design Changes: Mr. Simons discussed the possibility of reducing the sizing of the generator at the Casita Park Lift Station and adding electrical equipment at the Well 18 Site as well as additional telemetry to serve

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the Dharma Ocean lift station and adding a motorized valve at the South Crestone Tank. Mr. Simons expects that the changes will be approximately \$30,000.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Macaulay and, upon vote, unanimously carried, the Board authorized designed changes as discussed above in the approximate amount of \$30,000.

OTHER MATTERS

Crestone Eagle Article for September Publication: The Board requested that staff follow up with Director Matthews. If she is unable to provide an article Director Canaly will volunteered to provide an article.

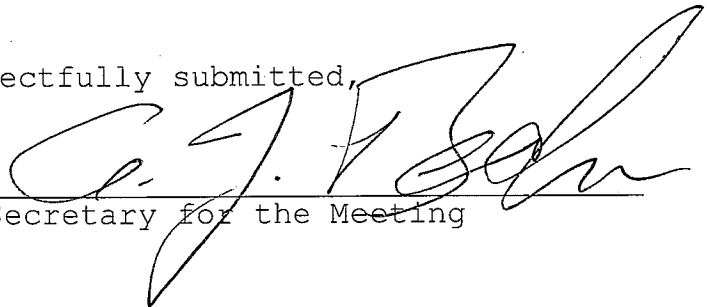
Groundbreaking at Well 18 Construction Site: The Board convened at Well 18 site for the groundbreaking. No action was taken.

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
AUGUST 20, 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