

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
JANUARY 16, 2009

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 16th day of January, 2009, 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
Phillip Madonna, Vice President
Vicki Matthews, Secretary/Treasurer
Lisa Cyriacks, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

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

Steve Rogers; Brown & Caldwell

Steven Harrell; District General Manager

Olga Coello; District Administrator

Tom Bishop, D.A. Davidson, via speakerphone where indicated

See attached sign sheet.

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

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Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting.

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 December 5, 2008 special meeting, the December 19, 2008 regular meeting and the December 23, 2008 special meeting.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Madonna and, upon vote, carried with Directors Canaly, Madonna, Matthews, and Cyriacks voting "Yes" and Director Johnson abstaining, the minutes of the December 5, 2008 special meeting, the December 19, 2008 regular meeting and the December 23, 2008 special meeting were approved.

FINANCIAL MATTERS

Claims: The Board considered ratifying the approval of the payment of claims for the period ending December 31, 2008, totaling \$108,746.97.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board ratified the approval of the payment of claims for the period ending December 31, 2008.

The Board then considered the approval of the payment of claims through the period ending January 16, 2009, totaling \$46,083.39

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the payment of claims for the period ending January 16, 2009.

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Financial Statements and Schedule of Cash Position: Mr. Beckman reviewed the unaudited financial statements for the period ending December 31, 2008 and the current Cash Flow Statement dated January 15, 2009.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the unaudited financial statement for the period ending December 31, 2008 and the current Cash Flow Statement dated January 15, 2009.

Fixed Asset Inventory: Mr. Harrell reported that there is no new progress to report concerning the fixed asset inventory.

Bond Issuance and Financing: Mr. Bishop joined the meeting at 11:00 a.m. by speakerphone. Mr. Bishop reported on his recent discussions with Vectra Bank. Mr. Beckman requested that Mr. Bishop revise the financial plan to reflect bond financing in the par amount of \$1,000,000 to \$2,000,000 with the balance to be funded through a loan from the State Revolving Fund at an estimated interest rate of 3%. Mr. Bishop departed the discussion at this time.

Department of Local Affairs ("DOLA") Grants: Mr. Beckman reviewed the revised DOLA grant contracts with the Board.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the revised DOLA grant contracts.

Colorado Revolving Fund: Mr. Beckman reported on his recent meeting with the State to discuss the requirements for the application and approval process for low interest loans on qualifying projects. Mr. Beckman distributed and discussed the correspondence with the State regarding funding eligibility. Mr. Beckman reported that he requested the assistance of Brown and Caldwell in the preparation of a Preliminary Engineering Report and that Mr. Rogers would submit the report to the State today, to meet the deadline for the application. Mr. Beckman further reported that he has applied for a grant for funding the work on the

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Preliminary Engineering for the proposed drinking water projects.

Mr. Archuletta, with the U.S. Forest Service, discussed funding opportunities for public projects and made the Board aware of a meeting on January 22 at which federal funding of public infrastructure projects will be discussed. Mr. Harrell and Director Canaly will attend on behalf of the District.

Payment in Lieu of Taxes ("PILOT"): Attorney Tanaka noted her research into the potential receipt of PILOT funds from the federal government due to federal properties being located within the District's boundaries. Attorney Tanaka noted that the federal funds are distributed to local governments at the county level but are not required to be funneled to smaller taxing districts by the County, with a few minor exceptions for school districts and transportation purposes. Attorney Tanaka noted that there are a few other areas she is researching and she will update the Board accordingly. Director Cyriacks reported that the county assessor will re-assess all spiritual centers in 2009 and this will help determine which properties have qualified for tax-exempt status and which should be taxed due to profits, etc.

LEGAL MATTERS

Report by Attorney Schwiesow: Everhart Suit. Mr. Beckman reported that there is no new information and that a reading of stipulated facts is expected to take place later this year.

District Water Rights. The Board discussed the possible inclusion of The Grants into the District and the current water rights under the lease with the United States Fish and Wildlife Service ("USFWS"). Mr. Beckman reported on his recent meeting with representatives of the USFWS and discussed the limitations for points of diversion for Cottonwood Creek.

Acquisition of Land at Well 18: Attorney Tanaka reported that she recently received communication from Mr. Ireland indicating that he is willing to move forward with negotiations.

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Rules and Regulations: Attorney Tanaka reported that she has documents that can be adapted for use by the District and that this will be a project requiring staff input. She will forward the materials to Mr. Harrell and Mr. Beckman for review and comment.

Manitou Foundation Property: Attorney Tanaka reported on recent discussions with representatives from the Manitou Foundation. She reported that Manitou has concerns regarding the placement of District infrastructure and the covenants of their conservation easement. The Board directed Mr. Harrell to obtain quotes to perform a survey of the property in question and directed Attorney Tanaka to review the conservation easement for its prohibitions and limitations.

Resolution No. 2009-01-01 Regarding Employee Health Insurance Benefits: The Board discussed Resolution No. 2009-01-01 Regarding Employee Health Insurance Benefits.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Resolution No. 2009-01-01 Regarding Employee Health Insurance Benefits. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

Resolution Regarding Identity Theft Protection Program: Discussion was deferred.

Resolution Regarding Paid Time Off Policy: Mr. Harrell reviewed and discussed a draft policy. The Board requested that Mr. Beckman provide additional information to Mr. Harrell. Mr. Harrell will revise as discussed and present a revised policy for review by the Board at the next meeting.

Final Cost Allocation for and acceptance of Dharma Ocean Main Line Extension: Mr. Beckman presented the final cost allocation stating the amounts due from each party and recognizing that \$10,939.03 will be payable to the District by White Jewell Mountain by July 31, 2011.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Cyriacks and,

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upon vote, unanimously carried, the Board approved the final cost allocation for the Dharma Ocean Main Line Extension and accepted the Dharma Ocean Main Line Extension.

OPERATIONS

Operations Manager Report: Mr. Harrell presented his report dated January 16, 2009 ("Report"). A copy of the Report is attached hereto and incorporated herein by this reference. The Board reviewed the report and took the following actions:

2795 Brook Terrace Court. Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board determined to waive the standard usage fee for the customer until the situation is corrected.

Saguache County and Property Owners Association ("POA") Lots. Ms. Coello reported that the County and the POA are requesting a waiver of Availability of Service Fees for certain lots within the District. The Board directed Ms. Coello to research the previous waivers and report any extenuating circumstances. If there are extenuating circumstances, she was directed to bill all lots within the District according to existing policy.

1163 Brookview. Mr. Harrell reported that the bill to repair the utilities damaged by the District will be \$1,085.52. The Board directed Mr. Harrell to review and revise as necessary the District's utility location policies.

Copier. Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnson, and, upon vote, unanimously carried, the Board approved lease of new copier for an amount not to exceed \$78.93 per month for 60 months and approved the purchase of the existing copier for an amount not to exceed \$288.

Resident Service Line: Mr. Harrell discussed a request emailed to him by Vedina Beard, a customer, for reimbursement of costs associated with improvements to their service line to prevent freezing.

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Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote unanimously carried, the Board determined not to reimburse Ms. Beard for the costs. There was no approval for the reimbursement prior to the commencement of the work and the District was not afforded the opportunity to make the repairs in accordance with District standards or policy.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Canaly and, upon vote unanimously carried, the Board determined to repair or replace Ms. Beard's service line in accordance with the District's construction standards concurrent with the East Dream Way sewer main replacement.

Staff Training: Mr. Harrell presented a proposal from SkillPath On-site Training. The Board determined to take no action at this time.

Staffing: The Board discussed hiring an additional employee for the position of Field Technician II. Mr. Lallier joined the meeting at this time. Mr. Lallier reviewed and revised the Cash Flow Statement to reflect the addition of another employee and discussed the financial impact with the Board.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board determined to create an additional staff position and authorized Mr. Harrell to hire one additional full-time Field Technician on a temporary basis, upon authorization by at least two Board members to proceed with an offer to any candidate for the position. The need for the position and the performance of the employee will be re-evaluated 90 days after hiring. The Board directed Mr. Harrell to place an advertisement for the position in an appropriate publication as soon as possible.

Mobile Home Lagoon System: Mr. Rogers discussed past violations and reported that it may be beneficial to meet with representatives of the State to discuss the District's plans to decommission and upgrade this and other facilities on the system. The Board directed Mr. Beckman to accompany Mr. Rogers when meeting with the

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State.

Well 18 Project: Mr. Beckman reported that the project will be partially funded with the DOLA grant.

Compliance of Aspen Plant: Mr. Rogers discussed the ongoing adjustments and monitoring to improve the operation of the facility.

East Dream Way Project: Mr. Beckman reported that partial funding for this project will come from the DOLA grant. Mr. Harrell reported that in order to keep the line from freezing this winter it will be necessary to continually run water through the line when temperatures and conditions warrant.

Website Reconstruction: Mr. Harrell reported that the website is substantially completed and requested that members of the Board and staff review the content of the website and provide their comments.

Brown and Caldwell Task Order Nos. 1-5: Mr. Rogers reported that the task orders are not yet available for approval. Mr. Beckman reported that he authorized Brown and Caldwell to proceed with a Preliminary Engineering Report in order to comply with the time lines for submittal of materials to the State for consideration of approval for drinking water project funding.

OTHER BUSINESS

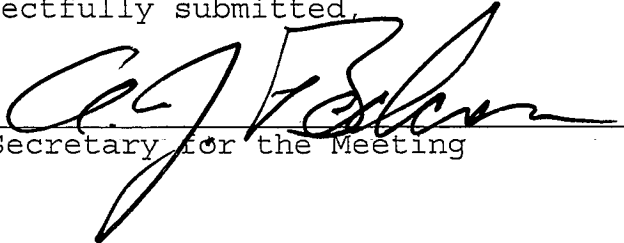
Personnel Issues: Mr. Harrell distributed a form for use with personnel matters requiring disciplinary action. Mr. Beckman reported that employee reviews were conducted on January 15, 2009.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made and seconded and, upon vote, unanimously carried, the meeting was adjourned.

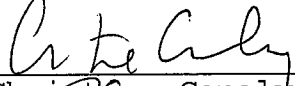
Respectfully submitted,

By

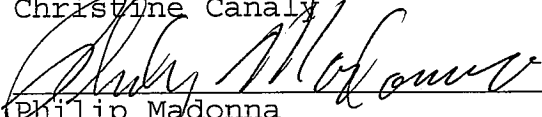

Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL
JANUARY 16, 2009 MINUTES OF THE BACA GRANDE WATER AND
SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING
BELOW:




Christine Canaly



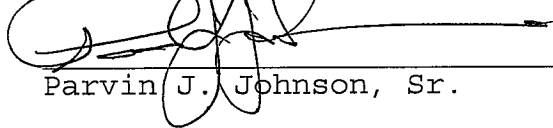
Philip Madonna



Vicki Matthews



Lisa Cypriacks



Parvin J. Johnson, Sr.

RESOLUTION NO. 2009-1-51

RESOLUTION
OF THE BOARD OF DIRECTORS
OF THE
BACA GRANDE WATER AND SANITATION DISTRICT

ADOPTING A POLICY REGARDING EMPLOYEE HEALTH INSURANCE BENEFITS

WHEREAS, the Baca Grande Water and Sanitation District (the "District") was duly organized and validly exists pursuant to and in accordance with the Special District Act, §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, pursuant to § 32-1-1001(1)(m), C.R.S., the Board of Directors of the District (the "Board") is empowered to adopt, amend and enforce bylaws and rules and regulations not in conflicts with the Colorado Constitution for the purpose of carrying on the business, objects and affairs of the Board and of the District; and

WHEREAS, the Board desires to adopt a policy regarding District-subsidized health insurance coverage for its employees.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT AS FOLLOWS:

1. HEALTH INSURANCE COVERAGE FOR EMPLOYEES. The Board hereby acknowledges and agrees that health insurance for its employees is essential and a benefit to its employees and the District as a whole. Therefore, the District hereby agrees to provide to and pay for health insurance coverage for its employees at the rates specified by the District's then-current insurance provider and in the amounts determined by the District. The District shall be permitted to change health insurance providers at anytime within its sole discretion but agrees to provide employees with a minimum of thirty (30) days notice of any such change.

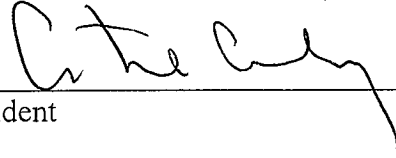
2. HEALTH INSURANCE COVERAGE FOR SPOUSES, CHILDREN AND FAMILIES. Any employee desiring to have health insurance coverage for his or her spouse, children or family may elect such coverage but such employee shall be solely responsible for all costs associated with such coverage.

3. CONFLICTING PROVISIONS. In the event anything contained in the Resolution conflicts with any provision of Colorado law, such conflicting provision shall be deemed null and void.

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APPROVED AND ADOPTED THIS 16th DAY OF JANUARY 2009.

BACA GRANDE WATER AND
SANITATION DISTRICT



President

ATTEST:



Secretary



THE BACA GRANDE WATER & SANITATION DISTRICT

P.O. BOX 84 / P.O. BOX 520 • CRESTONE, CO 81131

(719) 256-4310

Fax: (719) 256-4309 • E-mail bacaws@ctelco.net

DATE: January 16, 2009
TO: Board of Directors - BGWASD
FROM: Steven Harrell, General Manager
SUBJECT: Report on Operations

REPORT TOPICS:

- 1. TEAM UPDATE:**
- 2. RECOMMENDATIONS FOR 2009 STAFFING:**
- 3. OPERATIONS UPDATE:**
- 4. CUSTOMER SERVICE ISSUES:**
- 5. SYSTEMS UPDATE:**
- 6. FOLLOW UP ITEMS FROM THE DECEMBER 5, 2008 MEETING:**
- 7. SUGGESTIONS FOR TRAINING FROM MANAGEMENT:**

Team Update:

The Districts staff is working well together. The team has built a great team spirit over the past four months. Each team member is working hard to accomplish their share of District duties, assignments and extra work. Everyone seems to have good job satisfaction. Every District employee is showing a willingness to work hard consistently and show up for work with a good attitude. We are ready, willing and able to make the gradual transition from our support staff at SDMS. We will need some additional training for certain aspects of taking responsibility for all District business, mostly in administration. Overall, we have a great team of individuals who are committed to serving the District on a long term basis. With the great support from SDMS, we have accomplished stabilizing the BACA WATER AND SANITATION DISTRICT. We are here and completely committed to running the District. Each member of the team is very willing to be trained to meet or exceed our customer's expectations. We are going to have a great New Year.

Steven Harrell
General Manager

RECOMMENDATIONS FOR 2009 STAFFING:

- The District needs an on-site Responsible Operator in Charge. I recommend we hire an ROC on a temporary basis 3-month to 12-months. This will give the District the daily, weekly and quarterly monitoring that is necessary to run the District in a responsible manner. The District will gain the expertise and Operational training necessary for development of the operations staff, plus give the operations a much needed boost in man power.
- Operations will need Stephen Wade to be full time in 2009, and I recommend a \$.50per/hour raise.

- Administration Staffing; Haven started full time on January 5th 2009. Havens full time status has given a much needed boost to District administration production and efficiency.

OPERATIONS UPDATE:

- Operations have completed the John Donald line extension. We completed the line extension on December 23, 2008. John Donald is extremely happy with the 60lbs of water pressure we are delivering to his residence.
- Operations management completed the Elaine Davinroy waste water line extension. The total cost to the District, not including project management, is \$12,045.49. This is a \$4000.00 savings over the previous proposal from Rocky Mountain Septic. The project was completed on Dec 19, 2008. Elaine is also extremely happy with the District service.

CUSTOMER SERVICE ISSUES:

- A new low water pressure custom has come to our attention at 2795 Brook Terrace Ct. The current water pressure is 10lbs. This street pressure is way below the minimum the District is obligated to provide to our customers. The possible solutions for the low pressure are: 1.) Install new booster station in close proximity to resident. Cost estimate \$25,000 – \$35,000. 2.) Upgrade existing booster pump, pressure tank, and add a 100 gallon reservoir under the residence. Cost estimate \$ 2,500 - \$ 4,500. The current situation has a strong potential for back siphoning and cross-contamination. This project and the designing of the solution should be addressed by Stephen Rogers.

SYSTEMS UPDATE:

Emergency repairs were conducted on the Casita Park water storage tank on Friday and Saturday, January 9 and 10, 2009. Following the repairs, the tank was disinfected and flushed. A bacteriological sample was taken and sent for analysis.

The Casita Park water system is under a precautionary measure to boil all drinking water until the Water and Sanitation District gets the bacteriological report back from Sangre De Cristo Laboratory, Inc.

The District expects to receive the results no later than Wednesday January 14, 2009. The District will contact the customer 1.) By phone, 2.) By Notice, or they can call our office at 719-256-4310 to get an update on the status of their drinking water.

The water service was restored at 1:00pm Saturday January 10, 2009.

FOLLOW UP ITEMS FROM THE DECEMBER. 5TH 2008 MEETING:

- Pilot agreement: Update will be presented at Board meeting.
- Water Rights memo was sent to Parvin Johnson.
- Contact has been made with Manitou for a site visit. I will update the Board on the site visit at the February Board meeting.
- Overtime on-call policy is complete and ready to be attached to resolution as exhibit A.
- PTO: Revision of policy will be distributed at Board meeting.
- Quarterly Newspaper article update: Chris will update Board.
- Apartment: Justin has not moved out of the Cotton Wood treatment plant apartment.
- Approval of existing employee warning notice. To be distributed at Board meeting.
- Saguache County owned lots. Does the Board want to waive the annual fees?
- 2009 District projects are listed below.

**Baca Grande Water and Sanitation District Revised
Anticipated Capital Projects
As of
December 17, 2008**

#1 Well and Pipeline Project **Estimated Cost: \$317,638**

The project consists of building a new 20'x 20' pump house, upgrades to the 50,000 gallon tank, installation of two new pumps on Well 18 and two 50hp booster pumps at the tank, installation of chemical metering pumps, telemetry and yard piping. This portion of the project will bring the district in compliance with a State mandate to chlorinate the system. In addition, the project consists of installing 3,300 ft. of 4" PVC water pipe, widening East Dream Way by 8' in order to deepen the shallow sewer line. This portion of the project is intended to provide fire protection in an area that currently has none and prevent recurring sewer line freezes which results in customers unable to use waste facilities in their homes.

The estimated total project cost is \$635,276. The District has entered into a grant contract with the State of Colorado through the Department of Local Affairs as part of the Energy and Mineral Impact Assistance Program (attached). The District will receive funding for the project from the grant in the amount of \$317,638. The District will be required to fund the remaining anticipated balance of \$317,638.

#2 Upgrading Water Meters **Estimated Cost: \$ 160,000**

The District has approximately 200 water meters that should be repaired or replaced.

#3 Casita Park Connection to SBR Plant **Estimated Cost \$490,000**

The District plans to decommission the wastewater lagoon system presently serving Casita Park and connect the users to the Aspen Wastewater Treatment facility. This project will involve the installation of 3.25 miles of forced main 6-inch C-900 piping and 2 lift stations.

#4 Automation and Telemetry **Estimated Cost: \$ 200,000**

The District is planning to install wireless control devices to interconnect and automate some aspects of water treatment and delivery and waste water collection and treatment from a single automation point. The District will then be able to monitor and control reservoir levels and pump station flow rates from the main office, greatly improving the ability to provide uninterrupted service.

Estimated Total Capital Construction Costs: \$1,167,638

SUGGESTION FOR TRAINING FROM MANAGEMENT:

- ADDITIONAL MANAGEMENT / CUSTOMER SERVICE TRAINING.

January 12, 2009

Dear: Steve

Thank you for inquiring about SkillPath and CompuMaster On-Site training programs. I am pleased to present the following training proposal.

We provide high-quality, affordable, convenient and practical training for professionals around the world including in the USA, Canada, the United Kingdom, Australia and New Zealand. The quality of our courses is the result of cutting-edge research and design. SkillPath is devoted to the growth and the success of your employees through personalized training services including:

- On-Site Training
- Keynote Presentations
- Train-the-Trainer Certification
- Online Training
- Product Resources

Our trainers are seasoned professionals who are chosen for their expertise and diverse experience. They conduct an informative and motivating training for your team. With over 350 top-notch professional trainers, we will personally select one that meets your needs and expectations.

We look forward to this opportunity to provide the highest quality training experience for your group. Enclosed you will find the proposed training and fees. If you need any additional information, you can reach me at (800) 767-7545 ext. 1349.

Best regards,

Sage Woodard

Account Manager

I will also include 3 complementary public seminar tickets to attend the follow-up seminars of your choice. That is included in the **\$2500** fee for the on site training.