

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
DECEMBER 18, 2009

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 18th day of December, 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
Philip Madonna, Vice President
Vicki Matthews, Secretary/Treasurer
Lisa Cyriacks, Assistant Secretary

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

Also In Attendance Were:
AJ Beckman; Special District Management Services, Inc.

Michael Skully; Member of the General Public

Steven Harrell; District General Manager

In Attendance Via Speakerphone Were:
Jennifer Gruber Tanaka, Esq.; White, Bear and Ankele Professional Corporation

Marcus Lock, Esq., and Kendall Burgemeister; Bratton Hill Wilderson & Lock, LLC - via speakerphone

Eric Harmon; HRS Water Consultants

Ken Knox; ERS Water Engineers

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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.

WATER ENGINEER INTERVIEW

9:00 A.M. Water Engineer Interview: Eric Harmon with HRS Water Consultants joined the meeting at this time. Mr. Harmon reviewed the proposal for Water Resources Engineering Services with the Board. Director Canaly inquired as to any current conflicts of interest. Mr. Harmon explained that he would not have any conflicts, and pointed out that any relationships with jurisdictional authorities could benefit the District and assured the Board that he would act as an advocate for the District at all times if engaged by the District. Mr. Harmon discussed the importance of developing a Master Water Supply Plan prior to the anticipated increase in regulation by the State of Colorado. Mr. Harmon discussed billing practices and reported that he would seek prior approval for any work over the contract scope. Attorney Locke inquired as to the current consumption. Mr. Harmon discussed current water sources and the potential delivery to customers to preserve and maximize consumptive use.

10:00 A.M. Water Engineer Interview: Mr. Knox with ERS Water Engineers Joined the meeting at this time. Mr. Knox reviewed the proposal with the Board and discussed the need to work closely with members of the staff to obtain information necessary to prepare a Master Water Supply Plan. Mr. Knox discussed his experience in working with Division Three including drafting the State Engineer's rules. Attorney Locke inquired as to Mr. Knox's experience in using seasonal water rights to provide year round use. Mr. Knox discussed storing water from elevated sources and discussed the possibility of exchanging water rights from various sources and pointed out that each option presents its own challenges. Director Canaly inquired as to Mr.

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Knox's involvement with the Rio Grande Water Conservation District Supply Plan. Mr. Knox explained that he supervised the development of the plan. Director Canaly inquired as to Mr. Knox's relationships with water regulations officials in the San Louis Valley. Mr. Knox reported that he has worked with many and has no conflicts and would be an advocate of the District's water interests.

ADMINISTRATIVE MATTERS

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

Minutes: The Board reviewed the minutes of the November 20, 2009 regular meeting.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Mathews and, upon vote, unanimously carried, the minutes from the November 20, 2009 regular meeting were approved.

2010 Meeting Dates: Mr. Beckman reviewed the business to be conducted in 2010 to meet the statutory compliance requirements.

Following discussion, the Board determined to meet on the third Friday of each month at 9:00 a.m. at the Baca Grande Water and Sanitation District Shop.

PUBLIC COMMENT

Public Comment: Mr. Skully inquired as to the meaning of "EQR" as discussed in the November Minutes. Mr. Beckman explained that the acronym means "Equivalent Residential Use" and explained that it is used to determine the billing rate for individual customers for wastewater charges. Mr. Skully then asked about the potential fines the District may be subject to from the Colorado Department of Public Health and Environment ("CDPHE"). Mr. Beckman explained that the fines will be determined by the State once the capital projects are complete and the fines are not expected

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to exceed \$250,000. Mr. Skully then asked about the status of the construction of the Mobile Home Estates Force Main Line. Mr. Beckman explained that the project is expected to commence in the spring of 2010. Mr. Skully then inquired as to the potential cost savings that may be realized by constructing the sewer line along County Road T as opposed to the original route. Mr. Harrell reported that the project would require approximately ten percent less material cost.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that the facility failed the fecal coliform sample and the sample location is currently frozen. Mr. Harrell will retest at his earliest opportunity.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility was in compliance for December. He further reported that there have been some malfunctions with the chemical dosing equipment. The equipment is currently being manually operated until the automatic functions can be reestablished. Mr. Harrell also reported that the staff is continuing to train with Rural Wastewater Association on laboratory procedures.

Intergovernmental Agreement with the Town of Crestone: The Board discussed the Intergovernmental Agreement Regarding Administrative, Compliance and Maintenance and Repair Assistance for Town Water System with the Town of Crestone. Attorney Tanaka reported that the Town approved the terms of the agreement earlier in the week.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Intergovernmental Agreement Regarding Administrative, Compliance and Maintenance and Repair Assistance for Town Water System with the Town of Crestone.

Status of Staffing: It was noted by the Board that the status of staffing will be discussed under Executive Session.

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Pressure Reducing Valve ("PRV") for the Baca Town Homes and related fire hydrants: Mr. Harrell reported that the valve was installed yesterday by the staff. Mr. Harrell reported that the project was put out to bid prior to determining to self perform the project. Mr. Harrell reported that he recently researched fire hydrant water line sizing requirements for the project and has received confirmation that the current size of the line is compliant with the Design Criteria for Potable Water Systems.

Corrosion Control Study: Mr. Harrell reported that all samples for the year have been sent out for testing. He reported that three samples were in excess of the limits required by the State of Colorado (the "State"). Mr. Harrell reported he will await the recommendations from the State.

Policy Regarding Meter Ownership, Location and Maintenance: Attorney Tanaka reported that a draft of the letter will be forthcoming.

Water Meter Multiplexer Unit ("MXU") Installation: Mr. Harrell reported that purchases of additional MXUs will be on hold until next year. The current plan is to purchase ten per month

Digitalization of Water Rights Documents: Mr. Harrell reported that there is no update at this time.

Customer Billing: Mr. Harrell reported that the District will use the bulk mailing service offered by the utility billing software provider for the January billing. Mr. Beckman reported that the on-line services offered by Vectra Bank have not yet been put in place. He will work with staff and the Bank to initiate the on-line options.

Water Metter Installation: Mr. Harrell reported that Staff was able to locate the water shut off for the service line to Lindes Ferne. The location of the meter has not yet been determined but the location is expected to be determined in the near future. Mr. Harrell requested for clarification, which party would pay for a meter if it is determined that no meter exists.

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Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board directed Mr. Harrell to continue researching the status of meters and to install at the District's cost if none exists.

Brookview Reservoir: Director Canaly reported that the fence around the facility is in need of repair. Mr. Harrell reported that he would make the necessary repairs next week.

FINANCIAL MATTERS

Claims: The Board considered the approval of the payment of claims through the period ending December 18, 2009, totaling \$185,382.20.

Following review and discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending December 18, 2009.

The Board then discussed the payment to Accommodations of Choice and determined to reschedule the Board Retreat to February 20, 2009.

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 November 30, 2009.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending November 30, 2009.

Cash Flow Analysis: Mr. Beckman reviewed and discussed the District's current cash flow analysis with the Board.

EQR Research: Mr. Harrell reviewed the EQR spreadsheet with the Board. The Board requested that Attorney Tanaka research the possibility of the District requiring inspection of units at the time of building permit. The Board discussed the need to continue

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evaluation of the EQR structure at the upcoming Board retreat.

2009 Audit Proposal: Mr. Beckman reviewed the proposal from Schilling and Company in the amount of \$11,500 with the Board. The Board requested that Mr. Beckman check with the Property Owners Association to get a quote from their Auditor and report back at the next meeting.

LEGAL MATTERS

Outstanding Water Matters with Water Counsel: There was nothing new to report.

Rules and Regulations: Attorney Tanaka reported that work on this project will resume in 2010.

Manitou Foundation: Cottonwood Plant. Attorney Tanaka reported that she will follow up with representatives of the Manitou Foundation and request execution of the easements.

Decommissioning of the discharge pond on the Manitou Foundation Property. Mr. Harrell reported that he has met with representatives of the Manitou Foundation and they have agreed on material to be used in filling the discharge pit.

Records recommended for destruction: Attorney Tanaka reported that she will begin reviewing documents in batches in 2010 to determine which should be destroyed and which should be archived.

Easement and Lease Agreement with FairPoint Communications and Related Easements: Attorney Tanaka reviewed the terms of the existing agreement. The Board directed her to include cost of the monthly phone service in the terms of the agreement and forward for consideration by FairPoint Communications.

Easement from the Baca Grande Property Owner's Association ("POA") for the Cottonwood Plant and Road Access Easement and water line: Attorney Tanaka reported that Shauna Ianson, with the Property Owners Association, is pursuing execution of a corrective deed.

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Greenway Easement and Replacement of Road: Attorney Tanaka reported that she is working with Mr. Greenway to confirm that the proposed road alignment meets his approval and will forward documents for execution.

Employee Handbook Revisions by Ireland, Stapleton, Pryor & Pascoe, P.C.: Attorney Tanaka reported that she and Mr. Beckman have reviewed the draft Employee Handbook with Attorney Ferguson. The Board will review and consider approval at the February 19, 2010 meeting.

GIS Mapping Services from Nolte Associates, Inc.: Mr. Harrell reported that he has discussed the scope of work with other firms and reported that the initial scope of work will require adding approximately 60 easements to the GIS map. Mr. Harrell will seek additional proposals from local mapping firms and report back at the next meeting.

Agreement with Briseis Corporation: Attorney Tanaka reported that all of the necessary documents have been executed and are in the process of being recorded.

2010 Annual Administrative Resolution: Attorney Tanaka reviewed and discussed the resolution with the Board.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the 2010 Annual Administrative Resolution. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

CAPITAL IMPROVEMENTS

Drinking Water Projects: Mr. Beckman reported that the projects are expected to be bid this spring.

Wastewater Projects: Mr. Beckman reported that the projects are expected to be bid this spring.

Project Status Summary Sheet: Mr. Beckman distributed and reviewed the Project Status Summary Sheet with the Board. Mr. Beckman reported that he will seek proposal for Construction Management Services and report back to the Board.

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Project Timeline: Mr. Beckman distributed and reviewed the Project Timeline with the Board.

EXECUTIVE SESSION

Personnel Matters and Negotiations with Third Parties:
EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b), (e) and (f) 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 3:00 p.m. for the purposes of discussing personnel matters as authorized by Section 24-6-402(4)(f) C.R.S., discussing legal matters as authorized by Section 24-6-402(4)(b) C.R.S. and discussing matters subject to negotiation 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 4:00 p.m.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Matthews and, upon vote unanimously carried, the Board approved employee bonuses as presented by the District and two paid days off between December 25, 2009 and January 1, 2010.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Madonna and, upon vote unanimously carried, the Board approved reclassification of Mr. Bluestein to part time non-temporary position.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote unanimously carried, the Board approved the engagement of HRS Water Consultants.

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ADJOURNMENT

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

Respectfully submitted,

By

Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL
DECEMBER 18, 2009 MINUTES OF THE BACA GRANDE WATER AND
SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING
BELOW:

Christine Canaly

Philip Madonna

Vicki Matthews

Lisa Cyriacks

Parvin J. Johnson, Sr.

Resolution No. 2009-12-01
**BACA GRANDE WATER AND SANITATION DISTRICT
ANNUAL ADMINISTRATIVE RESOLUTION
(2010)**

CERTIFIED COPY OF RESOLUTION

STATE OF COLORADO)
) ss.
COUNTY OF SAGUACHE)

At the special meeting of the Board of Directors (the "Board") of the Baca Grande Water and Sanitation District (the "District"), County of Saguache, Colorado, held at 9:00 A.M., on December 18, 2009, at 57 Baca Grant Way South, Crestone, Colorado 81131, it was moved to adopt the following Resolution:

WHEREAS, the District was organized as a special district pursuant to an Order and Decree of the District Court in and for the County of Saguache, Colorado (the "County") and is located entirely within the County; and

WHEREAS, the Board has a duty to perform certain obligations in order to assure the efficient operation of the District; and

WHEREAS, § 32-1-306, C.R.S., requires the District to file a current, accurate map of its boundaries with the Division of Local Government (the "Division") and the County Assessor on or before January 1 of each year; and

WHEREAS, § 32-1-104(2), C.R.S., requires that the District, on or before January 15, notify the Board of County Commissioners, the County Assessor, the County Treasurer, the County Clerk and Recorder and the Division of the name of the chairman of the Board, the contact person, the telephone number and the business address of the District; and

WHEREAS, § 29-1-205, C.R.S., requires the District to prepare an updated informational list of all contracts in effect with other political subdivisions and to submit the list to the Division on or before February 1 of each year; and

WHEREAS, in accordance with the Public Securities Information Reporting Act, §§ 11-58-101, *et seq.*, C.R.S., issuers of non-rated public securities must file an annual report with the Department of Local Affairs within sixty (60) days of the close of the fiscal year; and

WHEREAS, pursuant to and in accordance with § 29-1-603(1), C.R.S., the Board shall cause to be made an annual audit of the financial statements of the District and, in accordance with § 29-1-606, C.R.S., the audit report shall be completed within six (6) months after the close

of the District's fiscal year, unless otherwise extended in accordance with the provisions thereof; and

WHEREAS, the Local Government Budget Law of Colorado, §§ 29-1-101, *et seq.*, C.R.S., requires the Board to hold a public hearing on proposed budgets and amendments thereto, to adopt budget resolutions and to file copies of the budgets and budget messages, and amendments thereto, with the Division; and

WHEREAS, the Unclaimed Property Act, § 38-13-110, C.R.S., requires that political subdivisions file an annual report listing unclaimed property with the State Treasurer by November 1, if applicable; and

WHEREAS, § 39-5-128, C.R.S., requires the District to certify its mill levy with the Board of County Commissioners on or before December 15; and

WHEREAS, § 32-1-103(15), C.R.S., requires the District to publish certain legal notices in a newspaper of general circulation in the District; and

WHEREAS, pursuant to §§ 32-1-902(3)(a)(I) & (II), C.R.S., directors may receive compensation for their services subject to the limitations set forth therein; and

WHEREAS, pursuant to § 32-1-902(1), C.R.S., the Board shall elect one of its members as chairman of the Board and president of the District, one of its members as treasurer of the Board and of the District and a secretary who may be a member of the Board; and

WHEREAS, § 32-1-902(3)(b), C.R.S., requires a director to disqualify himself or herself from voting on any issue in which s/he has a conflict of interest, unless the director has properly disclosed such conflict in compliance with § 18-8-308, C.R.S., and files said conflict disclosure statement with the Board and the Colorado Secretary of State's Office at least seventy-two (72) hours prior to any regular or special meeting of the District; and

WHEREAS, pursuant to § 24-10-110(1), C.R.S., the District shall defend and indemnify its public employees, which, by definition, includes elected and appointed officers; and

WHEREAS, pursuant to §§ 24-72-202, *et seq.*, C.R.S., the District may designate an official custodian for the maintenance, care and keeping of public records; and

WHEREAS, pursuant to § 24-6-402(2)(c), C.R.S., the Board shall designate a posting place for notices of meetings which are not otherwise posted under Title 32, C.R.S.; and

WHEREAS, § 32-1-903, C.R.S., requires that the Board meet regularly at a time and in a place to be designated by the Board and requires that notice of such meetings be posted in at least three (3) public places within the boundaries of the District and in the County Clerk and Recorder's Office at least seventy-two (72) hours prior to said meeting; and

WHEREAS, elections may be held pursuant to the Special District Act, §§ 32-1-101, *et seq.*, C.R.S., and the Uniform Election Code of 1992, §§ 1-1-101, *et seq.*, C.R.S., for the purpose of: 1) electing members of the District's Board; 2) presenting certain ballot issues to the eligible electors of the District as required by Article X Section 20 of the Colorado Constitution; and 3) presenting certain ballot issues and questions to the eligible electors of the District; and

WHEREAS, § 1-7.5-104, C.R.S., permits the Board to determine to conduct elections by mail ballot; and

WHEREAS, § 1-1-111, C.R.S., empowers the Board to supervise the conduct of regular and special elections which it is authorized or required to call and all powers and authority granted to the Board may be exercised by an election official designated by the Board; and

WHEREAS, § 1-11-103(3), C.R.S., requires the District to certify the results of an election to the Division within thirty (30) days after an election and § 32-1-1101.5(1), C.R.S., requires the District to certify results of any ballot issue election to incur general obligation indebtedness to the Board of County Commissioners; and

WHEREAS, §§ 32-1-1604, C.R.S., requires the District to record a notice of authorization of or notice to incur general obligation debt with the County Clerk and Recorder within thirty (30) days of authorizing or incurring said indebtedness; and

WHEREAS, in accordance with §§ 32-1-1101.5(1.5) and (2), C.R.S., the Board of County Commissioners may require the District to file an application for quinquennial finding of reasonable diligence; and

WHEREAS, pursuant to § 32-1-207(3)(c), C.R.S. and/or the District's Service Plan, the District, if requested by the Board of County Commissioners, may be required to file an annual report with the Board of County Commissioners, the Division, the State Auditor, the County Clerk and Recorder and any interested parties entitled to notice pursuant to § 32-1-204(1), C.R.S.; and

WHEREAS, pursuant to §§ 24-10-115, *et seq.*, C.R.S., the Board is authorized to obtain insurance; and

WHEREAS, pursuant to § 8-40-202, C.R.S., the District is required to obtain and maintain workers' compensation coverage unless such coverage is waived pursuant to § 8-40-202(1)(a)(I)(B), C.R.S.; and

WHEREAS, pursuant to Senate Bill 09-87, the District is required to present certain information to the electors of the District pursuant to the provisions thereof.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

1. The Board directs the District Manager to cause an accurate map of the District's boundaries to be prepared in accordance with the standards specified by the Division and to be filed with the Division, as required by § 32-1-306, C.R.S.
2. The Board directs the District Manager to notify the Board of County Commissioners, the County Assessor, the County Treasurer, the County Clerk and Recorder and the Division of the name of the chairman of the Board, the contact person, telephone number and business address of the District, as required by § 32-1-104(2), C.R.S.
3. The Board directs the District Manager to prepare and file with the Division an informational listing of all contracts in effect with other political subdivisions on or before February 1, in accordance with § 29-1-205, C.R.S. Such list shall contain the names of the contracting political subdivisions, the nature of the contract and the expiration date thereof.
4. The Board directs the District's accountant to cause the preparation of and to file with the Department of Local Affairs the annual public securities report for nonrated public securities issued by the District within sixty (60) days of the close of the fiscal year, as required by §§ 11-58-101, *et seq.*, C.R.S.
5. The Board directs the District's accountant to: 1) obtain proposals for auditors to be presented to the Board; 2) to cause an audit of the annual financial statements of the District to be prepared and submitted to the Board on or before June 30; and 3) to cause the audit to be filed with the State Auditor by July 31, or by the filing deadline permitted under any extension thereof, all in accordance with §§ 29-1-603(1) and 29-1-606, C.R.S.
6. The Board directs the District's accountant to submit a proposed budget to the Board by October 15, to prepare a final budget and budget message, including any amendments thereto, if necessary, and directs legal counsel to schedule a public hearing on the proposed budget and/or amendment, and to post or publish notice thereof, to prepare all budget resolutions and to file the budget and budget message with the Division on or before January 30, all in accordance with §§ 29-1-101, *et seq.*, C.R.S.
7. The Board directs the District Manager counsel to cause the preparation of the Unclaimed Property Act report and submission the same to the State Treasurer by November 1, in accordance with § 38-13-110, C.R.S.
8. The Board directs the District's accountant to prepare the mill levy certification form and directs the District's legal counsel to file the mill levy certification form with the Board of County Commissioners on or before December 15, in accordance with § 39-5-128, C.R.S.

9. The Board designates the Saguache Crescent as a newspaper of general circulation within the boundaries of the District and directs that all legal notices shall be published in accordance with § 32-1-103(15), C.R.S., in the Saguache Crescent, unless otherwise designated by the Board or the District's legal counsel.
10. The Board determines that each director may receive compensation for their services as directors subject to the limitations set forth in §§ 32-1-902(3)(a)(I) & (II), C.R.S.
11. The District hereby elects the following officers for the District:

President:	Christine Canaly
Secretary/Treasurer:	Vicki Matthews
V.P./Assistant Secretary:	Phillip Madonna
Assistant Secretary:	Lisa Cyriacks
Assistant Secretary:	Parvin Johnson
Recording Secretary:	District Manager

12. The Board hereby determines that each member of the Board shall, for any potential or actual conflicts of interest, complete conflicts of interest disclosures and directs legal counsel to file the conflicts of interest disclosures with the Board and with the Colorado Secretary of State at least seventy-two (72) hours prior to every regular and special meeting of the Board, in accordance with §§ 32-1-902(3)(b) and 18-8-308, C.R.S. Additionally, at the beginning of each year, each Board member shall submit information to the District's legal counsel regarding any actual or potential conflicts of interest and, throughout the year, each Board member shall provide the District's legal counsel with any revisions, additions, corrections or deletions to said conflicts of interest disclosures.
13. The Board confirms its obligations under § 24-10-110(1), C.R.S., with regards to the defense and indemnification of its public employees, which, by definition, includes elected and appointed officers.
14. The Board hereby appoints the District Manager as the official custodian for the maintenance, care and keeping of all public records of the District, in accordance with § 24-72-202, *et seq.*, C.R.S.
15. Pursuant to § 24-6-402(2)(c), C.R.S., the Board hereby designates the offices of the District at 57 Baca Grant Way South, Crestone, Colorado as the District's 24-hour posting place for notices of meetings which were not otherwise posted under §§ 32-1-101, *et seq.*, C.R.S.
16. The Board determines to hold regular meetings on the third Friday of each month at 9:00 A.M. at 57 Baca Grant Way South, Crestone, Colorado. In addition, regular and special meeting notices shall be posted in three (3) locations within the District's boundaries, as more particularly set forth in **Exhibit A**, attached

hereto and incorporated herein by this reference, and at the County Clerk and Recorder's Office at least seventy-two (72) hours prior to said meeting, in accordance with § 32-1-903, C.R.S.

17. For the convenience of the electors of the District, and pursuant to its authority set forth in § 1-7.5-104, C.R.S., the Board hereby deems that all regular and special elections of the District be conducted by mail ballot unless a polling place election is deemed necessary and expressed in a separate election resolution adopted by the Board.
18. Pursuant to its authority set forth in § 1-1-111, C.R.S., the Board hereby appoints AJ Beckman, of Special District Management Services, Inc., as the "Designated Election Official" of the District for any elections to be held. The Board hereby grants all powers and authority for the proper conduct of the election to the Designated Election Official, including, but not limited to, the power to call an election on behalf of the District, to approve the final form of ballot issues and questions, to prepare the TABOR notice, to appoint election judges and a canvass board and to cancel, if applicable, the election.
19. In accordance with § 1-11-103(3), C.R.S., the Board hereby directs the Designated Election Official to certify to the Division the results of any elections held by the District and, pursuant to § 32-1-1101.5(1), C.R.S., to certify results of any ballot issue election to incur general obligation indebtedness to the Board of County Commissioners.
20. The Board directs the District Manager to cause a notice of authorization of or notice to incur general obligation debt to be recorded with the County Clerk and Recorder within thirty (30) days of authorizing or incurring any indebtedness, in accordance with § 32-1-1604, C.R.S.
21. The Board directs the District Manager to cause the preparation of and filing with the Board of County Commissioners, if requested, the application for quinquennial finding of reasonable diligence in accordance with §§ 32-1-1101.5(1.5) and (2), C.R.S.
22. The Board directs the District Manager to cause the preparation of and the filing with the Board of County Commissioners, the Division, the State Auditor, the County Clerk and Recorder and any interested parties entitled to notice pursuant to § 32-1-204(1), C.R.S., an annual report, if requested, in accordance with § 32-1-207(3)(c), C.R.S.
23. The Board directs the District Manager to obtain proposals and/or renewals for insurance, as applicable, to insure the District against all or any part of the District's liability, in accordance with §§ 24-10-115, *et seq.*, C.R.S. The Board directs the District's accountant to pay the annual SDA membership dues, agency fees and insurance premiums in a timely manner, as applicable. The Board and legal counsel

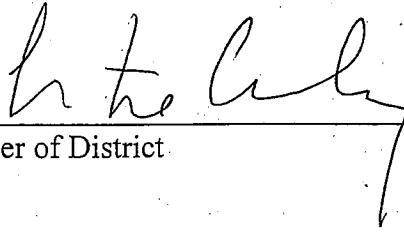
will review all insurance policies and coverage in effect to determine appropriate insurance coverage is maintained.

24. The Board hereby opts to include elected or appointed officials as employees within the meaning of § 8-40-202(1)(a)(I)(A), C.R.S., and hereby directs legal counsel to obtain workers' compensation coverage for the District.
25. The Board hereby directs the District's Manager to prepare the disclosure notice required by Senate Bill 09-87 and to disseminate the information to the District's electors accordingly. Further, the Board hereby designates the following website as the District's official website for the purposes thereof: www.bacawater.com.

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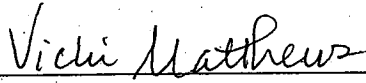
RESOLUTION APPROVED AND ADOPTED THIS 18th DAY OF DECEMBER 2009.

BACA GRANDE WATER AND SANITATION
DISTRICT



Officer of District

ATTEST:



CERTIFICATION OF RESOLUTION

STATE OF COLORADO
COUNTY OF SAGUACHE
BACA GRANDE WATER AND SANITATION DISTRICT

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a District meeting held on Friday, December 18, 2009, at 57 Baca Grant Way South, Crestone, Colorado 81131, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 18th day of December 2009.



EXHIBIT A

Pursuant to Resolution No. 2009-07-02, the notices of regular and special meetings required to be posted at three public places within the District at least seventy-two hours prior to said meeting and shall be made at the following locations (in addition to the 24-hour posting location set forth herein):

Professional Building
46 Camino Baca Grande
Crestone, Colorado 81131

Baca Grande Library
67000 County Road T
Crestone, Colorado 81131

A notice shall also be posted at the following location:

United States Post Office (Outside District Location)
166 S. Alder Avenue
Crestone, Colorado 81131