

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD SEPTEMBER 30, 2011

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 30th day of September, 2011, 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
Vicki Matthews, Vice President
Martin Macaulay, Secretary/Treasurer
Philip Madonna, Assistant Secretary
Parvin Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

Meric Lallier; Special District Management Services, Inc. - Via speakerphone

Jennifer Tanaka, Esq.; White, Bear & Ankele P.C.

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

Eric Harmon; HRS Water Consultants, Inc. - Via speakerphone

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

See attached Sign-In Sheet of Additional Attendees

DISCLOSURE OF POTENTIAL CONFLICTS OF

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

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INTEREST

filed for applicable Directors at least 72 hours prior to the meeting. Director 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 Special Board meeting.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Agenda was approved, as amended.

Minutes: The Board reviewed the Minutes of the August 19, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the minutes of the August 19, 2011 Regular Meeting, as amended.

PUBLIC COMMENT

Public Comment: There were no comments by members of the public. For the benefit of the public in attendance, Mr. Beckman reported that he has requested a proposal from an independent consultant to review corrosion control treatment options and make a recommendation for treatment based on public safety, operator safety, operating expense and capital expense.

Proposal by Crestone Telecom, LLC for Installation of Telecommunications Equipment at the Aspen Treatment Plant, the Stables Lift Station and the Wagon Wheel Lift Station: Mr. Harrell reported that the Wagon Wheel Lift Station, Stables Lift Station and Aspen Treatment Plant were selected as potential sites for telecommunications equipment. The Board then reviewed the proposal by Crestone Telecom, LLC for installation of telecommunication equipment at the Aspen Treatment Plant, the Stables Lift Station and the Wagon Wheel Lift Station.

Following discussion, upon motion duly made by Director Macaulay, seconded by director Johnson and, upon vote, unanimously carried, the Board approved the proposal by Crestone Telecom, LLC for installation of telecommunication equipment at the Aspen Treatment Plant, the Stables Lift Station and the Wagon Wheel Lift Station, subject to receipt of payment or service in exchange for the use of these locations, subject to entering into of a lease agreement for the facilities and subject to review by Counsel. The Board authorized Attorney Tanaka to negotiate the terms of the lease agreement on behalf of the Board.

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WATER MATTERS **Outstanding Water Matters with Water Counsel:** Attorney Lock joined the meeting at this time. He reported that there are no updates related to the negotiations with the United States Fish and Wildlife Service ("USFWS").

Relocation of Well 17: Mr. Harrell explained that the well is located in the Wildlife Refuge area. He reported that he met with Ron Garcia with the USFWS. In Mr. Harrell's opinion, Mr. Garcia is open to the idea of relocating the well. Attorney Lock reported that the District would have to receive approval through adjudication for the relocation. Attorney Lock noted that pursuant to the current Water Service Agreement between the District and the USFWS, the USFWS would be the party that would have to petition the water court. In his opinion, the District would most likely be responsible for the drilling and adjudication costs. He recommended that the District seek clarification as to who would pay for and have control of the process. It was noted that both Wells 17 and 18 are identified as first tier wells in the agreement with the USFWS.

The Board directed Mr. Harrell to request from Mr. Garcia that the USFWS clarify which party to the agreement would be responsible for the expense associated with the adjudication process.

Mr. Harmon joined the meeting at this time.

Attorney Lock recommended that the Board convene in Executive Session to review recent discussions between by Mr. Harmon and the USFWS.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., 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 9:54 a.m. for the purpose of receiving legal advice from the Board's attorney pursuant to Section 24-6-402(4)(b), C.R.S. and discussing matters subject to negotiation with third parties 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 10:35 a.m.

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OPERATIONS

Aspen Wastewater Treatment Facility: Mr. Harrell reported that there were no discharge violations in the month of August. He further reported that staff has removed some of the material in the treatment basins, temporarily improving the overall operation. Mr. Harrell reported that as of October 2011, he will take over as Operator in Responsible Charge.

Proposal by Tetra Tech, Inc.: Mr. Beckman reported that he has requested a proposal from Tetra Tech, Inc. for a Corrosion Control Study but he has not yet received one.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Board delegated approval authority to Director Matthews for the forthcoming proposal.

Water System served by Motel Well: Mr. Harrell reported that he will provide a proposal at the next meeting for improvements to the Motel Well. Mr. Harrell further reported that he received a total coli form exceedence in September at this water system and that District followed the prescribed methods for dealing with the exceedence.

Vector Truck: Mr. Beckman reported that the truck is expected to be ready for delivery within the next two weeks. He is in the process of arranging an inspection of the vehicle prior to acceptance.

GIS Mapping Project: Mr. Harrell reviewed a proposal with the Board and recommended approval of the proposal to map the data recently gathered through the GIS mapping project. He reported that the total cost would be \$7,600.00

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the proposal to map the data recently gathered through the GIS mapping project in the amount of \$4,588.63 and authorized Mr. Harrell to utilize the remaining budget. It was noted that any work beyond existing budget will be presented for consideration at the next meeting.

Staffing: The Board discussed the status of staffing.

Following discussion, the Board authorized hiring Scott Norris as a full-time, level one maintenance worker.

Water Delivery to Slack Residence: Mr. Harrell reported that due to the location of the Slack residence and the current limitations of the system, the residence is

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not receiving consistent water pressure. He recommended ceasing billing for water service until reliable pressure can be consistently delivered.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized suspension of billing for water service until the pressure issue is resolved.

CAPITAL IMPROVEMENTS

Capital Projects: Mr. Simons reported that the Capital Projects being performed by Farner Enterprises are expected to be completed by October 7, 2011. He explained that he is working through punch-list items. Farner Enterprises requested that retainage be reduced to 5%. Mr. Simons explained that he is not comfortable with 5% retainage at this point and has requested that a summary of all amounts due to subcontractors be itemized for review.

Construction Matters:

Change Order No. 20 to the Contract with Farner Enterprises, Inc. for the Well 18 Project: The Board considered approval of Change Order No. 20 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$29,255.89.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Change Order No. 20 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$29,255.89.

Application for Payment No. 14 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board reviewed Application for Payment No. 14 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$28,851.81.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved Application for Payment No. 14 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$28,851.81.

Improvements to Well 18: Mr. Simons reported that the improvements to Well 18 are complete with the exception of Telemetry Control.

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Improvements to the Aspen Wastewater Treatment Facility:

Ultraviolet Light Disinfection System: Mr. Simons reported that the system will be ordered in the near future. Mr. Beckman clarified that the system was approved at the last meeting and that Mr. Harrell will issue a purchase order.

Effluent Flow Meter: Mr. Simons reported that this will be included with the telemetry improvements bidding process.

Decommissioning Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that he is researching land fill options for the disposal of the liner and bio-solids material. He expects the cost for disposal could be very expensive. He further reported that he will meet with representatives from the Colorado Department of Public Health and Environment ("CDPHE") next week to discuss the options and will report back with additional information at the next meeting.

Proposals for Contaminated Soils and Liner Disposal: This was discussed under the item above.

Proposal for Surveying Regarding an Access Road for the Spiritual Life Institute: Mr. Harrell reported that he has not yet received a proposal. He will report back at the next meeting.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending September 30, 2011 as follows:

General Fund	\$17,652.05
Capital Projects Fund	\$67,650.08
Enterprise Fund	\$82,017.15
Total Claims:	<u>\$167,319.28</u>

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending September 30, 2011.

Financial Statements: 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 August 31, 2011.

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

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financial statements for the period ending August 31, 2011.

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

Availability of Service Fee ("AoS" Fee): The Board discussed the need to review the communication of the AoS fee.

2012 Budget: The Board discussed the 2012 Budget.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board appointed the District Accountant to prepare the 2012 Budget. The Board determined to hold the public hearing to consider adoption of the 2012 Budget on Friday, November 18, 2011 at 9:00 a.m. at the regular meeting location.

LEGAL MATTERS

Assessment of Properties within the District by Saguache County Assessor: Attorney Tanaka reported that she has requested copies of letters that should have been sent to residents by the Assessor in July, pursuant to representations made by Ms. Stephens. The Assessor has indicated that the information will be provided on Monday, October 3, 2011. Attorney Tanaka will follow up and will make an open records request, if necessary.

Payment Due from White Jewell Mountain Pursuant to September 12, 2008 Cost Sharing Agreement ("the Agreement"): The Board discussed the recent request by White Jewell Mountain ("WJM") to exchange its current 2" water tap for a ¾" water tap with a credit for the reduced valve to be applied toward the balance due under the September 12, 2008 Cost Sharing Agreement among the District, Dharma Ocean and WJM. The Board considered the following facts as part of its deliberation:

1. The District does not, and has not, historically issued credits for un-used or unwanted water taps.
2. The negotiation underlying the Agreement was based on the expectation of full performance by all parties.
3. The District would have sought a different allocation of costs from the parties had WJM not agreed to be a party to the Cost Sharing Agreement.
4. The District has paid its share and WJM's share pursuant to the Agreement and has charged no interest on the amount paid on behalf of WJM.

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Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board determined to propose a five year payment plan and to impute interest in the amount of 4% annually for all amounts due. Mr. Beckman will draft a letter to WJM detailing the terms of the payment plan.

Memorandum of Understanding with US Forest Service ("USFS") for Cottonwood Creek Plant Traffic Monitoring Efforts: Attorney Tanaka reported that the USFS is asking the following prior to the finalization of the memorandum of understanding:

1. Permission for the sign to be placed on District property before the MOU is signed. Following discussion, the Board determined that the sign can be placed with stipulations as determined by Counsel.
2. Parking for KTTG visitors on water district property during the study period. Following discussion, the Board determined not to allow KTTG to park in the area during the study period.
3. Does the Board have any language they would like to include on Colorado Mountain Club's (CMC's) new website regarding access across district property? Following discussion, the Board determined that no District information would need to be included on the sign.
4. Does the District want to participate in the development of the survey for the use of the trail. Following discussion the Board determined that it does not want to participate in the development of the survey.
5. Permission to allow the study to continue through the 2012 hiking season. Following discussion, the Board determined that this request is reasonable and approved the conduct of the study through the 2012 hiking season.

Attorney Tanaka will communicate the Board's decisions to the USFS and other parties involved in the study.

Ratification of Termination of Short-Elliott-Hendrickson for Third Party Engineer Analysis of Design issues: Attorney Tanaka reported that the District engaged Short-Elliott-Hendrickson ("SEH") in November 2010 to conduct an analysis of the design issues with the District's project. To date, despite many meetings and the provision of necessary documents and information, SEH has failed to provide any analysis or documentation. Due to the time constraints, Mr. Beckman and Attorney Tanaka felt it appropriate to terminate the relationship with SEH and look at engaging a different engineer at a later date.

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Upon motion of Director Macaulay, seconded by Director Madonna, the Board unanimously ratified the termination of SEH.

EXECUTIVE SESSION

Personnel Matters, Farner Enterprises' Construction Matters, Brown and Caldwell Design Matters, Recent Publication and White Jewell Mountain Cost Share Agreement: 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 Matthews and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 12:37 p.m. for the purpose of discussions relating to personnel matters, negotiations with third parties and receiving legal advice 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 1:15 p.m.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved hiring Scott Norris as a full time, level one maintenance worker.

OTHER BUSINESS

Crestone Eagle Article for November Publication: Mr. Harrell reported that one of the residents recently recommended a monthly water page highlighting current water issues. Following discussion, the Board determined not to commit to a monthly water report for the Crestone Eagle, to consider doing quarterly articles instead and also determined not to prepare an article for the October issue.

Recognition of General Manager: The member of the board of directors noted for the record their appreciation of the recent accomplishments of Mr. Harrell in successfully completing his water and wastewater certifications. This important milestone will enable Mr. Harrell to serve as the District's Operator in Responsible Charge.

Recognition of District Manager: The member of the board of directors noted for the record their appreciation for the guidance and oversight provided by Mr. Beckman over the years. The Board presented Mr. Beckman with a plaque of appreciation.

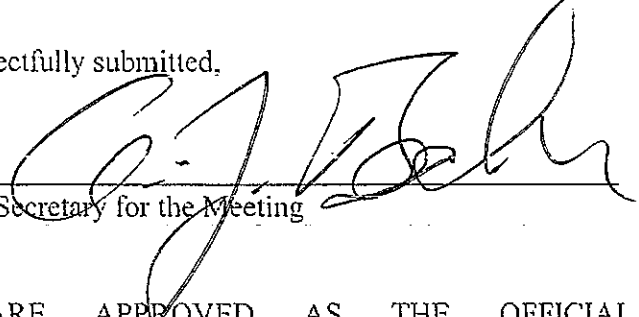
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Special District Association Conference: The Board and Mr. Harrell reported on this year's SDA Conference held in Breckenridge and noted that information they obtained at the conference.

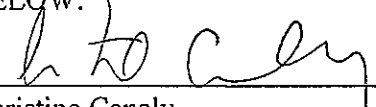
ADJOURNMENT

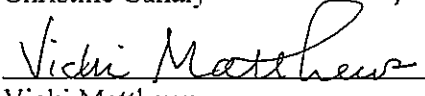
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

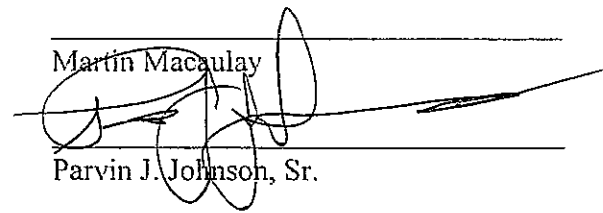
Respectfully submitted,

By 
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL SEPTEMBER 30, 2011 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:


Christine Canaly


Vicki Matthews


Parvin J. Johnson, Sr.

Philip Madonna



Baca Grande Water and Sanitation District
 P.O. Box 520 | 57 Baca Grant Way S.
 Crestone, CO 81131-0520

September 30, 2011

Please print your name, address and contact information along with any issues you are interested in addressing at today's Board Meeting.

Name	Address	Telephone/Email	Would you like issues to be addressed to speak?
Dora Spillane	PO Box 519	LZBBARR@GMAIL.COM	FYI
Claudia D Wolfe	Box 91	madamebwolfe@gmail.com	