

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD FEBRUARY 18, 2011

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 18th day of February, 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

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

Also In Attendance Were:

AJ Beckman and Meric Lallier; Special District Management Services, Inc. – Via speakerphone

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

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

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

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Attorney Tanaka noted that conflicts were filed for applicable Directors at least 72 hours prior to the meeting. President Canaly noted that a quorum was present and requested members of the Board to

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

Minutes: The Board reviewed the minutes of the January 21, 2011 special meeting.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the minutes of the January 21, 2011 meeting.

PUBLIC COMMENT

Public Comment: There were no members of the public present.

MANITOU FOUNDATION

Outstanding Matters: Director Canaly informed the Board that representatives of the Manitou Foundation will be unable to attend today's meeting. They will be in attendance at the March meeting. Attorney Tanaka reviewed with the Board the outstanding matters between the Manitou Foundation and the District including the acquisition of a vacation of easement and the decommissioning of the overflow pit located partially on the Manitou property.

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 Matthews, seconded by Director Macaulay and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:33 a.m. for the purposes of discussing legal matters as authorized by 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

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to Section 24-6-402(4), C.R.S.

The Board reconvened in regular session at 10:10 a.m.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that the plant was in compliance for February and that it was necessary to replace one of the pumps at the facility. Once the facility is decommissioned the pump will be used at the Aspen Wastewater Treatment Facility.

Aspen Wastewater Treatment Facility: Mr. Harrell reported that there were no effluent violations in January. He reported that there was a procedural error that was subsequently corrected.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that the CDPHE has reduced the sampling requirements to six samples that will need to be provided between June and September 2011.

Liner for Sludge Settling Pond: Mr. Harrell discussed the liner for the sludge settling pond and recommended that it be repaired rather than replaced.

Line Extension Policy: Mr. Harrell discussed the policy and advised the Board that it was common practice for the District to require that line extensions extend to the back of the cul-de-sac adjacent to the property being served by the extension. Attorney Tanaka discussed the policy with the Board and noted that the actual policy does not require extension of the line to the back of the cul-de-sac.

Operator In Responsible Charge: Mr. Harrell reported that services can be provided by local operators at an estimated cost of \$1,000 per month. Mr. Beckman discussed the current involvement and responsibilities of the Operator in Responsible Charge.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized Mr. Beckman to review and revise the scope of work for the Operator In Charge and engage services as necessary.

Third Addendum to Operations Services Agreement with Brown and Caldwell: The Board discussed the Third Addendum to the Operations Services Agreement with Brown and Caldwell.

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Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Third Addendum to the Operations Services Agreement with Brown and Caldwell subject to the negotiation of a new scope of work by Mr. Beckman.

Motel Well Water Tank Maintenance: Mr. Harrell reported that the facility is functional but the tank is partially filled with sand. He also discussed installing the existing Well 18 pump and controls at the Motel well and installing a bypass system to allow maintenance of the Tank. Mr. Beckman then discussed the current capital funding. Mr. Harrell reported that this is a project that he would like to complete in 2011 if funding is available.

Public Relations and Education Efforts: Mr. Harrell discussed recent complaints by members of the community. He recommended distributing a letter to the community explaining the corrosion control program. The Board discussed the letter recently drafted by Steve Rogers. Mr. Beckman discussed using the letter as a billing insert and as an article for the Crestone Eagle. The Board discussed recent comments to the draft letter and determined to forward the comments to Mr. Rogers allowing him to have editorial control. Mr. Harrell reported that he would be the point person to respond to water quality complaints.

The Board then discussed imposing a charge for water quality tests requested by customers sufficient to cover the associated tests. In cases where the District's water quality is not within limits the customer would not be charged. Mr. Harrell recommended not charging for chlorine or phosphate tests. The Board determined to charge customers for tests they request that are not outside the District's limits, which cost is estimated to be \$100. The Board directed Mr. Harrell to verify the costs to ensure that the lab costs are covered. Mr. Harrell will draft the policy and present it to the Board at the March meeting for approval.

Mr. Harrell provided an update regarding the policy for economically disadvantaged residents. Mr. Harrell is awaiting a written recommendation from a local social worker to consider a waiver of fees for one of the residents that was recently without service. Service to the property has been reinstated.

EXECUTIVE SESSION

Personnel Matters: There were no personnel matters to discuss.

FINANCIAL MATTERS

Claims: Mr. Lallier reviewed the payment of claims with the Board through the period ending February 18, 2011 as follows:

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General Fund	\$ 16,997.60
Capital Projects Fund	429,343.96
Enterprise Fund	<u>70,068.53</u>
Total Claims:	<u>\$ 516,410.09</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 February 18, 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 periods ending December 31, 2010 and January 31, 2011.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board accepted the financial statements for the periods ending December 31, 2010 and January 31, 2011.

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

LEGAL MATTERS

Board of County Commissioners and Current Valuations: Attorney Tanaka discussed the upcoming meeting on April 5th to be attended by Mr. Harrell and Director Canaly to request that property valuations within the District be updated in a timely manner. It was noted that Attorney Tanaka and Mr. Beckman will attend via speakerphone.

Extraterritorial Service to Kate Steichen: Attorney Tanaka reported that she has a call scheduled with Ms. Steichen on Monday, February 21st to discuss the matter further.

Public Hearing on the Inclusion of Land Owned by Lee Temple: Discussion was deferred.

Resolution Regarding Transfer and Consolidation Fees: The Board discussed Resolution No. 2011-02-01 Regarding Transfer and Consolidation Fees.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Resolution No. 2011-02-01 Regarding Transfer and Consolidation Fees in the

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amount of \$250. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons reported that he recently met with Farner Enterprises regarding the status of the project and that the last week was very productive. He reported that Farner Enterprises has not met construction deadlines nor review of submittals in a consistent manner.

Contract Change Orders: There were no change orders for review.

Application for Payment No. 7 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board discussed Application for Payment for No. 7 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project in the amount of \$203,478.21

Mr. Simons recommended that the payment be authorized but not released until all pump motor submittals are received. Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Application for Payment for No. 7 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project in the amount of \$203,478.21, subject to the payment not being released until the requested submittals are received by the District..

Modifications to the Fallen Tree Transfer Station: Mr. Simons reported that he has reviewed the plan developed by staff to make sure all components have been properly specified.

Purchase of hand-help GPS units: Mr. Harrell discussed the possible purchase of two additional hand-held GPS units.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the purchase of two additional hand-help GPS units in an amount not to exceed \$9,000.

Agreement between the District and North River Greenhouse & Landscaping, Inc. for Golf Course Reseeding: The Board discussed the Agreement between the District and North River Greenhouse & Landscaping, Inc. for Golf Course Reseeding.

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Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Agreement between the District and North River Greenhouse & Landscaping, Inc. for Golf Course Reseeding in the amount of \$19,861.51.

Agreement between the District and Alcon Construction for Well 18 Tank Overflow Project: Mr. Simons discussed the recent improvements and recommended approval of additional improvements to the Well 18 Tank Overflow Project.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Agreement between the District and Alcon Construction for the Well 18 Tank Overflow Flow Project.

Capital Projects Funding: Mr. Beckman distributed and discussed a spreadsheet detailing capital costs and available funds.

OTHER BUSINESS

Crestone Eagle Article for March Publication: The Board reviewed the draft article from Mr. Rogers.

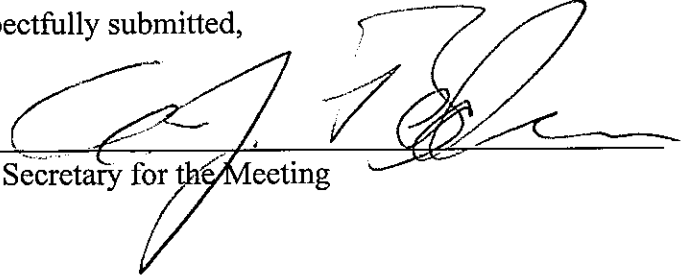
Board Member attendance at Staff Meetings: Mr. Harrell requested that Board members sign up to attend scheduled staff meetings. He noted that he will draft and distribute a sign-up sheet.

Letters from District Customers Regarding Availability of Service Fees: Following discussion the Board determined not to deviate from its adopted fee schedule. Mr. Harrell reported that he will follow up with the customers individually on this matter.

ADJOURNMENT

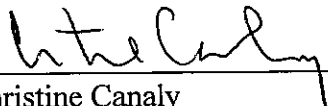
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned. The Board reconvened at the Baca Townhomes for a planning retreat. No action was taken.

Respectfully submitted,

By 
Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL
FEBRUARY 18, 2011 MINUTES OF THE BACA GRANDE WATER AND
SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING
BELOW:



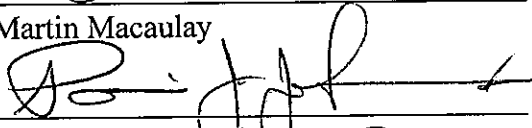
Christine Canaly



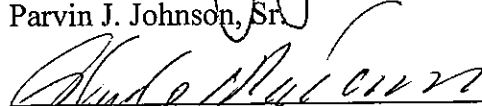
Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.



Philip Madonna