

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD AUGUST 16, 2013

A regular meeting of the Board of Directors (referred to hereafter as "Board") of the Baca Grande Water and Sanitation District (referred to hereafter as "District") was held on Friday, the 16th day of August, 2013, at 8:00 a.m. at the offices of the District, BGWSD Shop, 57 Baca Grant Way South, Crestone, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Martin Macaulay
Cindy Reinhardt
Kyle Grote
Parvin J. Johnson, Sr.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the absence of Vicki Matthews was excused. The Board appointed Mr. Macaulay as the acting Chair for the meeting.

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc. (via speakerphone)
Jennifer Gruber Tanaka, Esq.; White, Bear & Ankele, P.C. (via speakerphone)
Ron McLaughlin; Merric, Inc. (via speakerphone)
Brad Simons; TST, Inc. of Denver
Steven Harrell; District General Manager
Marcus Lock, Wilderson Lock & Hill, LLC (via speakerphone)
Michael Scully; Member of the public

DISCLOSURE OF POTENTIAL

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential

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CONFLICTS OF INTEREST

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. Mr. Beckman noted that a quorum was present and requested members of the Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No further conflicts were disclosed.

ADMINISTRATIVE MATTERS

Agenda: Mr. Beckman reviewed the proposed agenda for the District's regular meeting.

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

Discussion ensued regarding consulting contracts for White, Bear & Ankele, P.C. and Special District Management Services, Inc. Attorney Tanaka and Mr. Beckman reported that they will provide draft agreements at the next meeting for Board consideration.

Consent Agenda: The Board considered the following actions:

- Engineer's Report.
- Operations Report.
- Article for publication in Crestone Eagle.

It was noted that there is no article for publication this month in the Crestone Eagle.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board reviewed, approved and accepted the Consent Agenda items.

The Board then discussed the Minutes of the July 19, 2013 regular meeting.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the Minutes of the July 19, 2013 regular meeting, as amended.

PUBLIC COMMENTS

Public Comments: There were no public comments.

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OPERATIONS

Corrosion Control Study: Mr. McLaughlin joined the meeting at this time and reviewed with the Board the findings of the Corrosion Control Study.

Director Reinhardt inquired about a note in the report indicating that the equipment for injecting OPP is still in operation. Mr. McLaughlin clarified that this is the same equipment that is currently injecting Soda Ash and OPP has not been injected into the system since the transition to Soda Ash. He also noted that no copper exceedences have been observed since the use of Soda Ash was initiated.

Director Reinhardt then asked why the use of lime is not operationally practical as indicated in the report. Mr. McLaughlin explained that the product tends to clog the injection equipment.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board accepted the Corrosion Control Study.

Directors Reinhardt and Grote noted that while they are willing to accept the report and the recommendation to use Soda Ash, they do not accept any statements contained in the report indicating the safety or suitability of the use of OPP in drinking water.

Operational Follow-Up:

Well 18 Main Line Break: Mr. Harrell reported that there was a main line break near North Crestone Creek. He noted that there have been seven main line breaks in the last seven years. He recommended that the Board consider improvements to the line by installing a by-pass, which would prevent major outages and the associated challenges of emergency repairs while the creek is flowing. He reported that he has been discussing this with Brad Simons, the District's Engineer, and will report further at the next meeting.

Mr. Harrell distributed and discussed with the Board a survey, requesting their input in prioritizing capital projects.

Tea Kettle Testing Update: Mr. Harrell reported on the status of the testing requested by the Board in response to a complaint by a District customer of discoloration on the internal (in-kettle) heating element believed to be caused by water treatment. He reported that he purchased two tea kettles of the same type as that owned by the resident making the complaint. The District's staff operated the kettles with raw water and treated water. Discoloration of the heating element

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was observed after approximately 10 trials, using treated water. No discoloration was observed using raw water. Additional tests intended to further specify the exact cause of the discoloration will be forthcoming.

Operations Staff Changes: Mr. Harrell reported that Mr. Potter will be filling the vacant position on the District's operations staff.

Sewer Collections System Maintenance: Mr. Harrell reported that the goal of the operations staff is to complete 4,000-5,000 feet of line per week with an anticipated completion date of November 30, 2013.

CAPITAL IMPROVEMENTS

Water Conservation Project: Mr. Simons reported that he has been conducting pressure and flow testing with the District staff in order to gather data and determine how the system is performing under normal conditions. The information is necessary to identify areas of high pressure and velocity which will be needed for the hydraulic model. Mr. Simons expects to have the model ready for presentation at the September meeting.

Supplemental Environmental Project ("SEP"): Mr. Simons reported that he has researched and compared various meter reading packages. Mr. Harrell discussed the possibility of switching to Neptune brand transmitter units. He further reported that additional information is needed to determine which package best meets the District's needs while remaining within the budgetary constraints.

Director Johnson inquired as to pursuing grant funding for the meter purchases. Mr. Beckman explained that the meter replacement project will be submitted to the Colorado Department of Public Health and Environment ("CDPHE") as a supplemental environmental project, for which the expenditures could be used to offset the liability of fines being imposed for violations prior to 2008.

Bio-Solids: Mr. Harrell reported that he expects to prepare a letter of intent and begin hauling bio-solids in January of 2014. He reported that the District has sufficient capacity to delay removal and hauling until this time.

Capital Funding Scenarios: Mr. Beckman reviewed the capital funding scenarios with the Board.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending August 16, 2013, totaling \$73,987.86.

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Following review and discussion, upon motion duly made by Director Reinhardt, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending August 16, 2013, totaling \$73,987.86, as presented and directed.

Financial Statements: Mr. Beckman explained to the Board that Ms. Ross was unable to attend the meeting and that the cash flow projections and check register summary are not available for review at this time.

Mr. Beckman then 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, 2013.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending August 31, 2013.

Automatic Payment Applications for The Pepsi Beverages Company (“PBC”) and the United Parcel Service General Services, Co. (“UPS”): Mr. Beckman explained that the ability to automatically pay the above referenced vendors will prevent the incurrence of late fees.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Reinhardt and, upon vote, unanimously carried, the Board approved the automatic payment applications for PBC and UPS.

2014 Budget Workshop: Mr. Beckman discussed the 2014 Budget Workshop with the Board. The Board determined to hold a Budget Workshop on September 27, 2013. Attorney Tanaka noted that the regular business has historically been handled during the Board meeting immediately prior to the Budget Workshop.

LEGAL MATTERS

Independent Contactor Agreement for Emergency Well Pump Service between the District and Center Pump Company (the “Emergency Well Pump Service Agreement”): The Board reviewed the Emergency Well Service Agreement.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Grote and, upon vote, unanimously carried, the Board approved the Emergency Well Service Agreement.

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EXECUTIVE SESSION

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 Johnson and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:47 a.m. for the purpose of for receiving legal advice from the District's attorney, to discuss negotiations with third parties and to discuss personnel matters, all 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 11:56 a.m.

OTHER BUSINESS

2013 Special District Association ("SDA") of Colorado's Annual Business Meeting: Mr. Beckman discussed with the Board the SDA's Annual Business Meeting and explained that each SDA member is entitled to one vote per district for the nomination and vote for SDA directors. The vote can be made one of two ways – either by having an official representative at the meeting or by filing an official proxy designation.

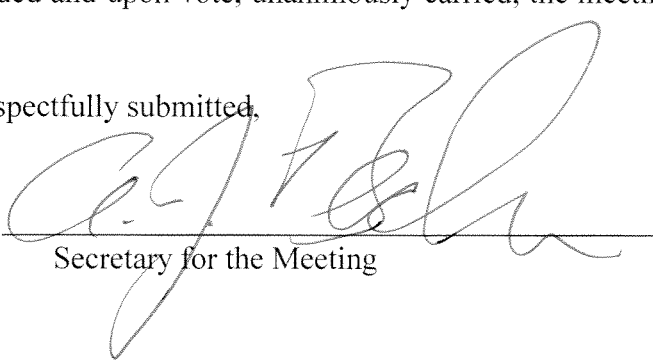
Following discussion, upon motion duly made by Director Reinhardt, seconded by Director Johnson and, upon vote, unanimously carried, the Board designated Karen J. Steggs, as the proxy for the District, to vote on the District's behalf at the meeting.

ADJOURNMENT

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

Respectfully submitted,

By



Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 16, 2013 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



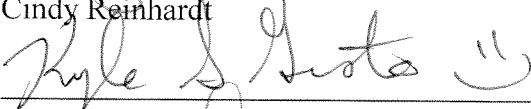
Vicki Matthews



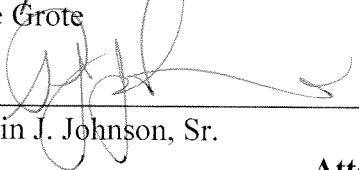
Martin Macaulay



Cindy Reinhardt




Kyle Grote



Parvin J. Johnson, Sr.

**Attorney Statement
Regarding Privileged Attorney-Client Communication**

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Baca Grande Water and Sanitation District, I attended the executive session convened at 10:47 a.m. on August 16, 2013 for the sole purpose of receiving legal advice regarding matters subject to negotiation with third parties and regarding personnel matters, as authorized by §§24-6-402(4)(b), (e) and (f), C.R.S. I further attest that it is my opinion that a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required by be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.



Jennifer Gruber Tanaka, Esq.
General Counsel
Baca Grande Water and Sanitation District