

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD SEPTEMBER 16, 2016

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 September, 2016, at 9:00 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:

Cindy Reinhardt
Martin Macaulay
Michael Scully
Lynn Drake
Matthew Ghourdjian

Also In Attendance Were:

Lisa A. Johnson and Scott Lamer (for a portion of the meeting); Special District Management Services, Inc. (via speakerphone)

Jennifer Gruber Tanaka, Esq. and Zachary P. White, Esq.; White Bear Ankele Tanaka & Waldron, (via speakerphone)

JoAnn Slivka; Administrative Services Manager

Justin DeBon; Operations Manager

Marcus J. Lock; Law of the Rockies (for a portion of the meeting);

Brad Simons; TZW Water Engineers, Inc. (via speakerphone for a portion of the meeting)

CALL TO ORDER

See list for other attendees

President Reinhardt called the meeting to order and welcomed the members of staff and guests in attendance. President Reinhardt announced her resignation as Board President effective immediately and made a motion to appoint Director Scully as President. The motion was seconded by Director Ghourdjian and passed 3-1 with Director Macaulay opposing.

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Director Macaulay thanked Director Reinhardt for her hard work thus far as the Board President and wished Mr. Scully good luck as the new president. Mr. Scully also acknowledged Director Reinhardt's accomplishments and commenced to preside over the meeting.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: Attorney White discussed with the Board the requirements pursuant to Colorado law 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 White noted that conflicts were filed for applicable Directors at least 72-hours prior to the meeting. President Scully 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.

ADMINISTRATIVE MATTERS

Approval of Agenda: President Scully reviewed the proposed Agenda for the District's Regular Meeting with the Board.

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

Presentation on the Eastern San Luis Valley Trails Accord: Jason Anderson, member of the Eastern SLV Trails Coalition reported on the efforts of the group to receive grant funding from the Great Outdoors Colorado ("GOCO") to create a non-motorized travel corridor in the area. As part of the grant application, GOCO would like to see support from the District. Mr. Anderson requested approval of the presented Accord.

Following discussion, on motion made by Director Macaulay, seconded by Director Reinhardt and unanimously carried, the board agreed to support the program.

Approval of Special Meeting/Work Session Minutes: President Scully asked for a motion to approve the minutes of the September 7, 2016, Special Meeting/Work Session.

Following discussion about the meeting minutes and information that should be captured in any minutes of work sessions and board meetings, President Scully moved to accept the work session minutes; Directors Drake and Ghourdjian accepted; Directors Reinhardt and Macaulay abstain from voting, the motion carried 3 to 0 to accept the Work Session minutes.

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The Board discussed and acknowledged the following actions:

- Acknowledge Notice of Termination of Services from Special District Management Services, Inc.

- Acknowledge Notice of Resignation as Legal Counsel from White, Bear, Ankele, Tanaka & Waldron, Attorneys at Law.

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the August 19, 2016 Regular Meeting
- Review and accept unaudited Financial Statements and Schedule of Cash Position for the period ending August 31, 2016

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

Board and Staff Reports: The Board reviewed and discussed the staff reports which are attached hereto and incorporated herein by this reference.

COMMITTEE REPORTS

Negotiations with the Town of Crestone Related to an Amended and Restated Intergovernmental Agreement: Director Ghourdjian gave an update on the status of committee discussions; he has reviewed the rate/study model used by the National Association of Water Districts and shared the information with Mr. Scully. Director Ghourdjian has questions and would like to meet with Brad Simons to understand his methods and processes used to arrive at the numbers he did. A meeting will be scheduled between Directors Ghourdjian and Scully with Brad Simons upon Mr. Simons visit to the valley in the near future.

FINANCIAL MATTERS

September 16, 2016 Check Register: The Board considered the approval of the check register through the period ending September 16, 2016, as follows:

General Fund	\$	11,477.30
Debt Service Fund	\$	-0-
Capital Projects Fund	\$	11,532.80
Enterprise Fund	\$	<u>31,551.48</u>
Total Claims:	\$	54,561.58

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Following discussion, upon motion duly made by Director Macaulay, seconded by Director Drake and, upon vote, unanimously carried, the Board approved the check register for the period ending September 16, 2016.

2017 Budget Committee: The District has received the Preliminary AV Report from the Saguache County Assessor's Office. The Budget Committee has not met yet, they will have its first 2017 Budget Planning meeting on October 6 at 2:00 p.m. at the District office.

OFFICE ADMINISTRATION

Sandra "Sam" Trenka: Director Reinhardt read aloud the letter she received from her friend, absentee property owner, Sandra Trenka regarding issues with her August billing statement and disappointment regarding the handling of AOS fees. Ms. Slivka responded with a report regarding issues experienced with both the mailing service and Bill Pay banking services.

2016 Audit: The Board acknowledged receipt of the audit summary from Wager Barnes & Griggs just received the morning of September 16, 2016.

OPERATIONS

Tank Cleaning Inspections: Mr. DeBon reported on the tank cleaning inspections; he feels that the South Crestone tank is the first priority. Mr. DeBon will gather quotes and set a full prioritization schedule for all future work that needs to be completed for the tanks.

Golf Course Water Supply: Mr. Brad Simons joined the meeting via speakerphone to discuss the water supply for the golf course and the ability and the right to pump water for the golf course.

PUBLIC COMMENT

Public Comment: There was no public comment.

CAPITAL IMPROVEMENTS

Capital Funding Sources and Uses Report: The report was distributed for the Board's review. Ms. Johnson reported slight activity this month for the Flow Equalization Project. She suggested the Board may want to consider cutting back on this monthly report in the future, explaining that the information presented on the Capital Sources and Uses report is the same information contained in the monthly financial statement just presented in a different way, helping to keep the future projects in front of us.

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LEGAL MATTERS

The Board agreed to defer discussion regarding the review and approval of the following:

- A Resolution Adopting a Policy Regarding Refunds for District Availability of Service Fees.
- A Resolution Adopting a Policy Regarding the Administration of Reduction in Water Fees due to Water Leak.

The Board agreed to defer discussion about the following topics until the October meeting:

- The potential amendment to the Rules and Regulations regarding use of water from lot owner to lot owner that does not have water service.
- The request to sell water to contractors outside the boundaries of the District until the October meeting.

Arbitration: Ms. Slivka reported on the events leading up to the 811 arbitration memo received by Mr. Daniel Gray. Ms. Johnson shared her concern about the accuracy of the location conducted by Baca staff and that the claim could be justified if the location was incorrect. Mr. White explained the arbitration process to the Board of Directors. The Board of Directors agreed to defer further discussion until we receive a formal arbitration claim.

OTHER BUSINESS

Concerns about the timing of the resignations of SDMS & WBA and the Transition of Services were discussed.

- SDMS: Ms. Johnson offered to coach and train staff to draft minutes and the agenda. It was determined that on-site training will not be needed.
 - She has directed her staff to start gathering specific account information for banking, CDPHE, etc. to provide a list to the District for consideration of updated contact information.
- Director Concerns:
 - Statutory Compliance: What are the negative impacts of not being met? WBA can help with this until we get a substitute.
 - Budget Preparation: SDMS could help by preparing the basic budget planning report. The Mill levy and fees stay the same, it would be up to us to determine the expenditures as well as how to build a reserve. Currently there is not a plan to budget for

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reserves. Ms. Johnson is concerned that the District has deferred maintenance needs without a plan for operations and maintenance; she further cautioned that grants are not usually available for O&M.

- Staff Supervision: Discussion regarding how to handle staff supervision during this time of transition. Director Reinhardt would like to retain SDMS as a resource to play a more active role in the transition but clarified SDMS did not want to oversee staff during the transition.
- The Board will decide how to cover the following:
 - Legal counsel
 - Management side
 - Accounting side
 - Ms. Johnson needs clarification in writing from the Board of Directors regarding an extension of services including the timeline.

EXECUTIVE SESSION

Executive Session: Pursuant to Sections 24-6-402(4) (b) and (f), C.R.S., upon motion duly made by Director Drake, 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 12:26 p.m. for the purpose of discussing personnel matters, as authorized by Sections 24-6-402(4) (b) and (f), C.R.S.

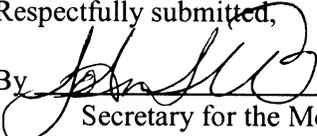
The Board reconvened in regular session at 12:56 p.m.

Following discussion, the Board approved the Motion duly made by Director Macaulay, seconded by Director Drake and, upon vote, unanimously carried, to hire Alison McClure for the part-time position in the Administrative Department.

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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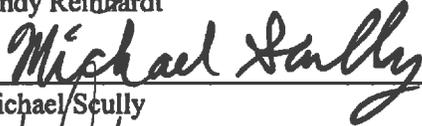
THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 19, 2016
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



Martin Macaulay

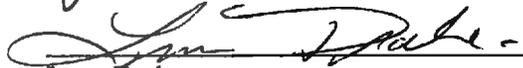


Cindy Reinhardt



Michael Scully


Matthew Gourdjian

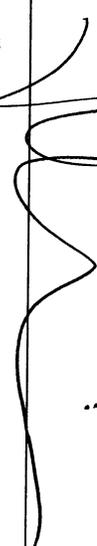

Lynn Drake



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

September 16, 2016

Board of Directors Sign-in

Lynn Drake	
Matthew Ghourdjian	
Martin Macaulay	
Cindy Reinhardt	
Michael Scully	



Baca Grande
Water And Sanitation
District

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

September 16, 2016

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 to speak?	Issues to be addressed
Sill Strathairn	3616 Splendid Terrace	920-454-2844	No	None
MALATHY DREW	42 N. Crestone Crestone	719-256-4013	?	None
Kessie Donziger	709 Indian Hill	510-421-2882	No	—
Munster	Eagle Creek Park	970-641-1903	Yes	None
Vivian Lawson	1609 New Meadows Real	480-9384-cel	No	None