

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD AUGUST 19, 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 19th day of August, 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
Martin Macaulay, Secretary/Treasurer
Philip Madonna, Assistant Secretary
Parvin Johnson, Sr., Assistant Secretary

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

Also In Attendance Were:

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

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

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

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

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

Gordon Whittaker; Colorado Department of Public Health and Environment –
Via Speakerphone

See attached Sign-In Sheet of Additional Attendees

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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. 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 Regular Board meeting.

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

Minutes: The Board reviewed the Minutes of the July 15, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the minutes of the July 15, 2011 Regular Meeting.

PUBLIC COMMENT

Public Comment: Mr. Beckman introduced Gordon Whittaker with the Colorado Department of Public Health and Environment ("CDPHE") and initiated a discussion among the Board members and members of the public regarding the District's use of AquaSmart SeaQuest Ortho Polyphosphate ("OPP"). Mr. Whittaker discussed the chemistry of the product. It was noted that there are no known negative health effects associated with use of OPP in drinking water systems. The Board discussed options for its current corrosion control program. Mr. Beckman reported that he and Brad Simons, the District's Engineer, will be meeting with the CDPHE on Monday, August 22nd to discuss options available to the District. Dennis Neumaus inquired as to the use of other methods such as pH adjustment. It was noted that all options available to the District should be considered and based on necessary capital improvements associated with the product, safe handling and ease of application, as well as any known risk of adverse health effects, and overall cost effectiveness.

Presentation by Crestone Telecom, LLC for Broadband Services: Ralph Abrams addressed the Board regarding a broadband services proposal. He discussed the potential use of specific District facilities as potential sites for telecommunications equipment that could serve the community.

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WATER MATTERS

Outstanding Water Matters with Water Counsel: Attorney Lock joined the meeting by speakerphone at this time.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S. of the Colorado Revised Statutes, upon motion duly made by Director Madonna, 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 10:37 a.m. for the purpose of receiving legal advice from the Board's attorney 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 10:55 a.m.

OPERATIONS

Aspen Wastewater Treatment Facility: Mr. Harrell reported that there were no effluent violations for July. The influent flow meter has been installed.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that the January through June samples have been taken and there are no exceedences. Samples are currently being taken at the mobile home estates for the water system serving the area.

GIS Mapping Project: Mr. Harrell reported that all of the field work has been completed.

Fallen Tree Lift Station Re-Design Work: Mr. Harrell reported that this project has been completed.

Motel Well Water Tank Liner: There is no additional information at this time.

Stables Lift Station Relocation and Pond Project: Mr. Harrell reported that the Pond Project and final grading are complete. The fencing will be completed by the end of July.

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CAPITAL IMPROVEMENTS

Capital Projects: Mr. Simons reviewed the status of the current projects.

Construction Matters:

Change Order No. 19 to the Contract with Farner Enterprises, Inc. for the Well 18 Project: Mr. Harrell discussed the design changes to the well housing structure necessitating the change order. The Board considered approval of Change Order No. 19 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$6,182.67.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved Change Order No. 19 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$6,182.67.

Application for Payment No. 13 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board reviewed Application for Payment No. 13 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$21,280.15.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved Application for Payment No. 13 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project in the amount of \$21,280.15, subject to payment made jointly to Farner Enterprises and Electrical Power and Process, Inc. with the condition that payment will be released under the condition that Farner Enterprises will pay all but 5% retainage.

Improvements to Well 18: Mr. Simons reported that tubing has been replaced at the chemical feed pumps for Well 18 and that he has drafted a punch list and is reviewing items left to do with the Contractor. He noted that the major component of the Well 18 project and the close out of the Farner contract is the Telemetry. Mr. Harrell reported that the electrical contractor is unhappy with the General Contractor and would prefer to work directly with the District to close out the project. The Board discussed authorizing a release of 5% of the subcontractor's retainage.

Improvements to the Aspen Wastewater Treatment Facility: Mr. Harrell reported that an influent flow meter has been installed, however the telemetry associated with the improvement has not been installed.

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Ultraviolet Light Disinfection System: Mr. Harrell reported that he recently met with a representative of Olsson Associates to look at an ultraviolet light disinfection system. He reported that the cost of the improvement \$30,000.

Following discussion upon motion duly made by Director Macaulay, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the purchase of the ultraviolet light disinfection system for an amount not to exceed \$30,000.

Effluent Flow Meter: Mr. Harrell reported that he would solicit three bids for installation of an effluent flow meter.

Decommissioning Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that no additional work has been done to date.

Proposals for Contaminated Soils and Liner Disposal: Mr. Harrell reported that he has not researched the hauling and disposal costs for the pond liner.

Access Road for the Spiritual Life Institute: Mr. Harrell reported that he has discussed the possibility of installing a maintenance road over the Spiritual Life Institute property that would allow the District to access its manholes. The Board requested that Mr. Harrell obtain a proposal for a survey.

Second Addendum to Motel Well Agreement with Electric Power and Process, Inc. ("EPPI") for Installation of Variable Frequency Drive and Overload Protection: Mr. Harrell reported that the Variable Frequency Drive from Well 18 can be used at the Motel. The Board considered approval of the Second Addendum to the Motel Well Agreement with EPPI for Installation of a Variable Frequency Drive and Overload Protection.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried the Board approved the Second Addendum to the Motel Well Agreement with EPPI for Installation of a Variable Frequency Drive and Overload Protection.

FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending August 19, 2011 as follows:

General Fund	\$33,183.76
Capital Projects Fund	\$46,035.84
Enterprise Fund	\$81,478.58
Total Claims:	<u>\$160,698.18</u>

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Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending August 19, 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 July 31, 2011.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending July 31, 2011.

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

First Bank: Mr. Lallier reported that all transactions are now being handled through First Bank.

Budget Workshop: The Board determined to set aside time at the October meeting to review the 2012 draft budget.

Availability of Service ("AoS"): The Board discussed the recent complaints regarding the AoS fee. Following discussion, the Board directed staff to respond to the complaint letters.

LEGAL MATTERS

Board of County Commissioners and Current Valuations: Attorney Tanaka reported that the County has hired additional employees to assist with the current re-valuation process. The County has sent notices of valuation to properties previously believed by the District to be undervalued. An updated valuation for the District's tax base will be sent within the next week.

Payment Due from White Jewell Mountain Regarding to District Pursuant to September 12, 2008 Cost Sharing Agreement: Attorney Tanaka discussed the terms of the original agreement with White Jewell Mountain and reviewed the letter with the Board. She reported that staff reviewed all of the costs associated with the property and has made adjustments. She noted that payment under the agreement was due by the end of July but noted the proposal from White Jewell Mountain seeking additional terms for the payment.

Mr. Abrams addressed the Board and requested that the Board consider deferring the amount due until such time as White Jewell Mountain has the funds available

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to pay the amount due. The Board determined to table this matter until the next meeting.

Well 18 Waterline Easements Needed from Hanne Strong: Attorney Tanaka reported that Mr. Harrell is researching the location of a two-acre parcel that is the subject of a prior verbal agreement between the Manitou Foundation and the District. The Manitou Foundation has requested that the agreement be incorporated into the Well 18 water line easement being requested by the District.

Memorandum of Understanding with US Forest Service for Cottonwood Creek Plant Traffic Monitoring Efforts: Attorney Tanaka reported that she has received a draft version of the Memorandum of Understanding. She noted that she will review and return the document with comments by the end of the month.

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. of the Colorado Revised Statutes, 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 2:06 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 3:14 p.m.

OTHER BUSINESS

Crestone Eagle Article for October Publication: The Board requested that Mr. Beckman follow up with Mr. Whittaker with Colorado Department of Public Health and Environment to inquire if he would consider an interview for the October article regarding the use of Ortho Polyphosphate in the District's water system as a corrosion inhibitor.

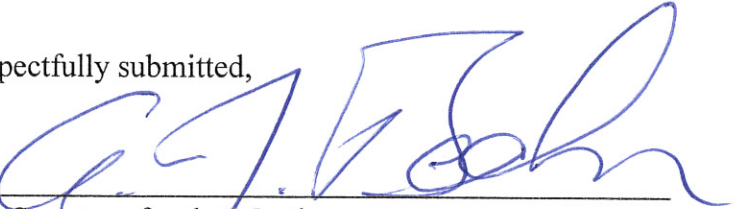
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ADJOURNMENT

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

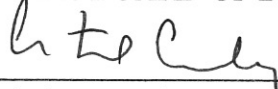
Respectfully submitted,

By

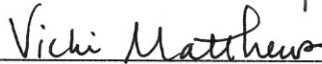


Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL AUGUST 19, 2011 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:



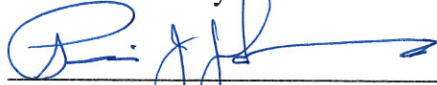
Christine Canaly



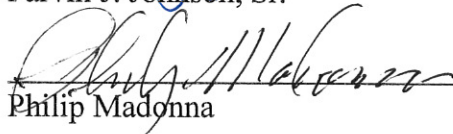
Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.



Philip Madonna



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

August 19, 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 to speak?	Issues to be addressed
MICHAEL SULLY	PO Box 952 C CO 81131	256-5728	—	
DOH SPILLANE	PO Box 519 81131	315. 0888	—	
Selvya Bulekian	Box 235	256 5356		
Robert Orman	Box 702	256-4373		
DENNIS NEUMANS	Box 293	256-4110		