

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD JUNE 20, 2014

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 20th day of June, 2014, 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:

Cindy Reinhardt
Michael Scully
Vicki Matthews
Kyle Grote (via speakerphone for a portion of the meeting)

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

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

George Turtle (via speakerphone - for a portion of the meeting); Special District Management Services, Inc.

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

Steven Harrell; District General Manager

JoAnn Slivka; Administrative Manager

Brad Simons; TST Inc. of Denver (via speakerphone - for a portion of the meeting)

DISCLOSURE OF POTENTIAL

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

RECORD OF PROCEEDINGS

CONFLICTS OF INTEREST

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 Reinhardt 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: Director Reinhardt reviewed the proposed Agenda for the District's regular meeting with the Board.

Following discussion, upon motion duly made by Director Scully, seconded by Director Matthews and, upon vote, unanimously carried, the Agenda was approved.

Consent Agenda: The Board considered the following actions:

- Approve Minutes from the May 16, 2014 regular meeting.
- Engineer's Report.
- Operations Report.
- Administrative Report.
- District Manager's Report.
- Ratify approval of Independent Contractor Agreement (Pump Repair Services) between the District and DEMRS, Inc. d/b/a Denver Electric Motor.
- Ratify hiring Benjamin Potter as temporary employee for seasonal collections system cleaning.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Scully and, upon vote, unanimously carried, the Board reviewed, approved and accepted the Consent Agenda items. It was noted that the May 16, 2014 Minutes were approved as amended.

Resignation of Director and Appointment of Director: Following discussion, upon motion duly made by Director Reinhardt, seconded by Director Scully and, upon vote, unanimously carried, the Board acknowledged the resignation of Director Matthews to be effective following the adjournment of the meeting.

The Board expressed its sincere gratitude for Director Matthews' years of dedicated service to the District and the community.

RECORD OF PROCEEDINGS

Appointment of Secretary: The Board discussed the need to fill the position of Secretary, due to the resignation of Director Matthews.

Following discussion, upon motion duly made by Director Scully, seconded by Director Matthews and, upon vote, unanimously carried, the Board appointed Director Grote as Secretary.

Appointment of Eligible Elector to Fill Board Vacancy: Director Reinhardt inquired as to the requirements for making appointments and asked Mr. Beckman to explain. Mr. Beckman reported that the only legal requirement for interested persons to serve on the Board is that they qualify as a Director. This requires that they be registered to vote in the State of Colorado and reside in the District, or own taxable property within the boundaries of the District, or be the spouse or civil union partner of a taxable property owner within the District. Attorney Tanaka confirmed that these are the only the legal requirements that must be met, and no additional selection criteria are required; however, the Board may wish to interview candidates, and then make a decision.

Director Reinhardt discussed efforts to solicit interest from members of the community including publication of a notice of vacancy in the Crestone Eagle. Director Reinhardt then discussed concerns previously voiced by Director Macaulay regarding a potential concern by members of the public if the Board were to appoint somebody other than a candidate in the May 2014 Directors Election. Director Reinhardt then discussed calling Mr. Smilack and Mr. Lloyd to let them know the vacancy exists. Director Reinhardt requested that each member of the Board contact selected residents that may be interested in serving on the Board, and request that they provide a resume or bio by July 10, which is approximately one week prior to the July 18, 2014 Board Meeting.

Director Scully inquired as to the length of time a Director's seat may remain unfilled. Attorney Tanaka explained that there is no time constraint; however, if an eligible elector is interested but not appointed for 60 days, the elector could request appointment to the Board by the County. The Board determined to publish notice in the Crestone Eagle in time to allow interested individuals to attend the July meeting. Director Reinhardt expressed her confidence in the District's Board of Directors and Staff and noted that having somebody on the Board with a unique perspective would, in her opinion, be healthy for the District.

Director Reinhardt volunteered to submit an article to the Crestone Eagle soliciting interest for the Board vacancy in time to allow residents to express interest at the July 18, 2014 Board meeting. It was noted that the article will need

RECORD OF PROCEEDINGS

to be submitted by the end of the day today. It was also noted that members of the Board will contact members of the public individually.

Director Grote joined the meeting by speakerphone at this time.

Mr. Harrell recommended also posting the solicitation for potential Board members to the website. Director Reinhardt requested that the Board members consider two or three questions to pose to members of the community. She discussed with the Board what questions they would like to ask.

Director Grote noted that he would like to know from each interested individual why they have an interest in serving on the Board and a bit about each person's background and relevant experience. Director Reinhardt recommended posting the solicitation to the website requesting that interested residents submit a brief biography to the District by July 10, 2014 for consideration by the Board at the July 18, 2014 Board Meeting. Director Reinhardt discussed including the questions; *why do you want to serve*, and *what is your greatest strength?* Director Scully noted that he would like to know if interested individuals are committed to fulfilling the remainder of the two-year term. The Board directed Ms. Slivka to post the solicitation to the website as discussed.

Director Grote excused himself from the meeting at this time and reported that he would call in again later.

PUBLIC COMMENTS

Public Comments: It was noted that no members of the public were in attendance.

OFFICE ADMINISTRATION

Administrative Report and Discuss Administrative Follow-ups: Director Reinhardt recognized and thanked Ms. Slivka for the format and clarity of the Administrative Report. Director Matthews asked about the status of customer payment plans and if the ability by staff to set them up is helpful. Ms. Slivka reported that it is very helpful and noted that Ms. Skibinski has been instrumental in executing the process. Also, the reports provided by the District for real estate closings are now much more clear and consistent. Ms. Slivka also noted that water and sewer hookups are happening more frequently this year than in past years, with five new services recently being requested. She then reported that the District's Annual Consumer Confidence Report has been forwarded to Freedom Mailing Service for inclusion in the monthly billing, and will go out to customers in the next day or so.

RECORD OF PROCEEDINGS

Billing Corrections for Dharma Ocean Foundation: Ms. Slivka discussed recent revisions to the draft letter to the Dharma Ocean Foundation including clarification of the tap size serving each facility. Mr. Harrell explained that the incorrect meter assignments were discovered by Chad Tate, who has been assigned to meter reading for the past several months. Ms. Slivka reported that the discovery unveiled several issues. She explained that when the newest building was constructed by the Dharma Ocean Foundation, it was not recorded correctly in the billing system. The Dharma Ocean Foundation was showing in the billing system as being two accounts, and should have been three. Mr. Harrell noted issues going back several years caused by data input errors and explained that efforts to clean up the data have been ongoing for several years.

Director Matthews asked about communication with the Dharma Ocean Foundation. Mr. Harrell reported that he has discussed the total due with Kathy Grant, the Operations Manager for the Dharma Ocean Foundation. She is aware of the magnitude of the underpayment. Director Matthews asked if a payment plan would be implemented. Mr. Beckman stated that in his opinion a payment plan would be reasonable and should be implemented if requested by the Dharma Ocean Foundation.

Ms. Slivka reported that, in her research, she discovered that sewer rates for commercial properties throughout the District had not been updated since 2012. She reported that, at the request of Mr. Beckman, she quantified the total lost revenue resulting from the oversight, and estimates the amount at approximately \$3,800. Mr. Beckman recommended that the Board not pursue collection of the improperly billed sewer accounts, but correct the amount to be billed going forward. Director Reinhardt requested that the account holders be notified that the rate increase was implemented in 2012 and to explain that they will not be charged to make up for past under-billings. The Board directed staff to proceed with the notice and billing corrections to all commercial sewer customers, and further directed staff to bill the Dharma Ocean Foundation at the same rate for past amounts as was actually billed to other commercial sewer accounts.

Ms. Slivka noted that going forward that Special District Managements Services, Inc. and the District office staff will review rate increase resolutions together to make sure all parts of the District's rate tables have been updated.

Ms. Slivka then discussed the office hours explaining that she would prefer to close the office over the lunch hour in order to maximize the periods of double coverage. Mr. Beckman noted that he is in support of the idea. Mr. Harrell noted that the posted hours of operation will need to be updated.

RECORD OF PROCEEDINGS

The Board directed Ms. Slivka to update the posted office hours signage and to include a note in the monthly billing and on the website. Director Scully recommended including a message about the office hours in the article being prepared by Director Reinhardt to run in this month's edition of the Crestone Eagle as well. Director Reinhardt will include the information in the article.

Mr. Harrell reported that Mr. DeBon will be out of town from June 24, 2014 through July 7, 2014, and Ms. Skibinski will be out for approximately two weeks in August. Director Reinhardt requested that going forward staff vacations not be brought to the Board, and be approved at the management level. Attorney Tanaka asked if the two-week vacation request was consistent with the District's vacation policy. Mr. Harrell will review the Employee Handbook and verify that employees can take two consecutive weeks of vacation.

OPERATIONS

Operations Report and Operational Follow-ups: Mr. Harrell reviewed the June 19, 2014 Operational Follow Ups Memorandum with the Board.

Annual Fire Hydrant Maintenance: Mr. Harrell reported that the program has gone well. All 274 fire hydrants have been serviced, checked for pressure, and are in proper operation. The Operations Staff is now painting the fire hydrants. Mr. Harrell expects to paint 75 to 80 hydrants which will be color coded in accordance with Fire Protection Standards. Director Matthews asked if Mr. Harrell has communicated the color coding with the Fire Department. Mr. Harrell confirmed that this has been communicated. Director Reinhardt asked if all hydrants will be painted, even those from last year. Mr. Harrell reported that only the nut at the top of the hydrant will be painted, but all that were painted last year will be painted this year. Director Scully asked about the status of hydrants in terms of operational quality and what has been observed year to year. Mr. Harrell reported that approximately 1 percent per year require significant maintenance.

Well 18 Booster Pump: Mr. Harrell reported on the status of the Well 18 Project, rather than the Well 18 Booster Pump. He reported that on May 23, 2014 Ecodynamics performed a final video inspection. A new pump and column pipe has been installed. The new equipment has been tested, and disinfected. Well 18 was put back in operation on June 10, 2014. Mr. Harrell reported that the pumping rate exceeds the expected 250 gallons per minute and is pumping at 260 gallons per minute. Both pumps are operational and in service.

Compliance Advisory: Mr. Harrell acknowledged his error in reporting chlorine residual and E. coli and reported that the reports have been corrected. He further reported that the contact information for the Operator in Responsible Charge ("ORC") has been updated to list him as the ORC.

RECORD OF PROCEEDINGS

Mr. Harrell then discussed the current processing rate at the Aspen Wastewater Treatment Facility as being at capacity. He reported that the increased inflow was due to infiltration of ground water and a water line break. Mr. Harrell noted that the water system leak has been corrected, and the ground water infiltration has dissipated. Director Scully asked about potentially exceeding the capacity of the plant. Mr. Harrell reported that he has been in contact with Mr. Simons about the reporting requirements for the Colorado Department of Public Health and Environment ("CDPHE") and will monitor the flow and report to the CDPHE at the end of the month. Mr. Harrell estimates the water system infiltration was approximately 20,000 gallons per day from the water distribution system leak and approximately 50,000 gallons per day from the ground water infiltration. He noted that the ground water has not yet begun to subside.

Consumer Confidence Report: Mr. Harrell reported that the report was reviewed by Attorney Tanaka, Mr. Beckman and Mr. Simons as well as the CDPHE prior to finalization. Mr. Harrell noted that the new template provided by the CDPHE was helpful.

2014 Biosolids Land Application Project: Mr. Simons joined the meeting via speakerphone at this time. He noted that he received two bids for the project. Director Reinhardt asked about receipt of bids by May 27, 2014 and noted a deadline of May 23, 2014. Attorney Tanaka noted that the District is able to waive bidding requirements as long as all bidders were notified.

Engineer's Recommendation of Award for the Contract: Director Reinhardt asked Mr. Simons about the timeliness of the response provided to the CDPHE regarding the Dharma Ocean lift station submittal. Mr. Simons reported that he has been working with Mr. Harrell to gather the data necessary to prepare the response which had to be concluded before he could provide the response to the CDPHE.

Brad explained that RMS Utilities Inc. ("RMS") is the less expensive contractor of the two considered over the long term. Director Scully asked if there were any concerns about RMS's ability to comply with all relevant regulations. Mr. Simons explained that RMS is contractually obligated to comply with all regulations. He also noted that he has increased confidence in RMS's capabilities based on recent discussions with them. Director Reinhardt asked about oversight of the disposal and land application process. Mr. Simons noted that representatives of TST Inc. of Denver ("TST") would oversee the process to verify and record all aspects of the disposal processes for the first few occurrences and eventually turn the responsibility over to the Operations Staff.

RECORD OF PROCEEDINGS

Independent Contractor Agreement for 2014 Biosolids Land Application Project between the District and RMS Utilities, Inc.: Mr. Beckman discussed budgetary constraints and noted that there is no specific line item in the 2014 budget to fund the project. He recommended capitalizing the Cassele Accounting Software purchase made earlier this year in order to increase available fund balance in the District's Enterprise Fund to pay for the project. He explained that he has discussed this with Lindsay Ross, the District's Accountant, who is in agreement with the strategy and has confirmed that the District has capitalized software purchases in prior years.

Following discussion, upon motion duly made by Director Scully, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement for 2014 Biosolids Land Application Project between the District and RMS Utilities, Inc. with direction to the District's Accountant to capitalize the Cassele Accounting Software purchase and add a line item to the unaudited financials for the project.

Intergovernmental Agreement for Vector Truck Operation Training between the District and Center Sanitation District: Mr. Harrell reported that Center Sanitation District ("Center") previously requested training on operation of their recently purchased Vector Truck. Mr. Harrell advised Center that the District would not be able to provide a trainer in the near future due to Mr. DeBon's vacation, and referred them to another potential trainer in Fort Collins. He has not heard back from Center and sees no need to proceed with the agreement at this time. No action was taken.

Independent Contractor Agreement for Safety Training and Consulting Services between the District and Rio Grande Health and Safety: Mr. Harrell reported that Rio Grande Health and Safety is the District's safety training consultant, which performs monthly trainings throughout the year. Mr. Harrell noted that he highly recommends the service. Director Reinhardt asked about the budget and available funds for this effort. Mr. Beckman reported that he has confirmed that the District has budgeted for this expense and noted that the contract includes an annual maximum of \$1,800.

Following discussion, upon motion duly made by Director Reinhardt, seconded by Director Scully and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement for Safety Training and Consulting Services between the District and Rio Grande Health and Safety.

RECORD OF PROCEEDINGS

CAPITAL IMPROVEMENTS

Capital Funding Sources and Uses: Mr. Beckman reviewed with the Board. He noted that the ending balance is \$92,847.55 as compared to last month's ending balance of \$14,071.62. He explained that he discussed this with Ms. Ross, the District's Accountant who explained that the change is due to the liability of \$103,653.50 for a fine payable to the CDPHE being paid from the Enterprise Fund rather than the Capital Fund. Mr. Beckman reported that Ms. Ross would follow up with the Board with a more detailed explanation via email prior to the next meeting.

Director Reinhardt then asked about the 2014 Water Distribution System Improvements Project. It was determined that this is currently noted on the Capital Funding Sources and Uses Report as the Pressure Reduction Project. Mr. Beckman noted that the name of the project will be updated on the report as "2014 Water Distribution System Improvements Project".

Mr. Beckman then discussed the need to fund the Water Leak Detection and Repair Project. He explained that the scope of the project will likely exceed the budgeted amount of \$62,835.10 and reported that he has been in contact with the Colorado Water Conservation Board ("CWBC") regarding grant funding. He explained that in order to request grant funding the District will need to prepare and file a water conservation plan; the details of which are still being researched. Attorney Tanaka discussed the need to consider budgeting for the repairs on an ongoing basis. The Board directed Mr. Beckman to add a discussion item to the annual Board Retreat and Planning Meeting to discuss funding the leak detection and repair project.

2014 Water Distribution System Improvements Project: Mr. Simons reported that he published a notice to bidders in the Valley Courier today and will receive bids on July 15, 2014. The pre-bid meeting is scheduled for July 8, 2014. Mr. Simons reported that he has been in contact with prospective contractors today.

Well 18 Rehabilitation Project: It was noted that Mr. Harrell reported on the status of the Well 18 Project under the operational follow-ups section.

Alpine Over Look Sewer Main Replacement Project: Mr. Simons confirmed that the engineering and materials specifications for the project have been confirmed. Mr. Harrell expects to start the project in August 2014. Director Scully asked if the conditions causing the sewer backups were addressed in the new design. Mr. Harrell confirmed that the conditions causing the back-up have been corrected, and the project is expected to be completed within budget. The work will include four sewer taps for services existing customers and one future services stub-out.

RECORD OF PROCEEDINGS

FINANCIAL MATTERS

Mr. Turtle joined the meeting via speaker phone at this time. Mr. Beckman reviewed with the check register with the Board.

Claims: The Board considered approval of the payment of claims through the period ending June 20, 2014, as follows:

General Fund	\$	31,337.61
Debt Service Fund	\$	-0-
Capital Projects Fund	\$	20,819.72
Enterprise Fund	\$	81,311.49
Total Claims:	\$	133,468.82

Director Reinhardt reported that she has expressed concern over the cost of the preparation of minutes. She noted that she and Director Scully signed checks yesterday but would have reservations about signing any future checks if the cost of preparation of minutes is not reduced. She has been in contact with Mr. Beckman and Attorney Tanaka to request a proposed solution. Mr. Beckman reported that he met with Ms. McCoy and Attorney Tanaka on this matter, and Ms. McCoy committed to charging only for the first draft of the minutes. Director Reinhardt noted that the Board will monitor the process going forward.

Following review and discussion, upon motion duly made by Director Reinhardt, seconded by Director Scully and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending June 20, 2014, as presented.

Financial Statements: Director Reinhardt asked about the budget for utility maintenance tools. Mr. Harrell noted that he sees no issue with keeping the line item within budget as a large equipment purchase was made from the account; however, the purchases will be closely monitored going forward.

Attorney Tanaka asked about Availability of Service revenue being booked in the Enterprise Fund. Mr. Turtle reported that he will have Ms. Ross move to the Debt Service Fund.

Mr. Turtle noted that property tax collections year to date reflect only what was collected by the County through April. He then noted Accounts Receivable amounts in the Enterprise and Debt Funds for revenues receivable from Local Governments. He is unsure of the revenue source and will have Ms. Ross address.

Director Grote re-joined the meeting via speakerphone at this time.

RECORD OF PROCEEDINGS

Mr. Turtle then reviewed the cash flow statement with the Board noting the projected ending balance in December 2014 of \$419,962. Director Scully noted that the Management costs are at 75 percent of budget for the year. Director Reinhardt requested that the Board discuss the status of Management expenses at the next Board Meeting and discuss actions necessary to keep within budget for the year.

Directors Reinhardt and Scully acknowledged that the charts included with the financial reports provide a good visual representation of the overall expenditures. Mr. Turtle noted that pie charts showing the distribution of specific costs over the entire budget would be helpful for budget preparation.

Following review and discussion, upon motion duly made by Director Scully, seconded by Director Matthews and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending May 31, 2014, and the current schedule of cash position and cash flow projection through February of 2015.

2013 Budget Amendment Hearing: Director Reinhardt opened the public hearing to consider the Resolution to Amend the 2013 Budget and discuss related issues.

It was noted that publication of Notice stating that the Board would consider adoption of a Resolution to Amend the 2013 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to this public hearing. No public comments were received and the public hearing was closed.

Director Grote asked about reasons for the need to amend the budget. Mr. Beckman explained that the overage in the Enterprise Fund was driven primarily by water meter parts, lift station repairs and water system main line repairs.

Following review and discussion, Director Matthews moved to adopt the Resolution to Amend 2013 Budget. Director Reinhardt seconded the motion and, upon vote, unanimously carried, the Board adopted the Resolution to Amend the 2013 Budget. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

Payroll Withholding Issues: Mr. Beckman reported that a letter with instructions to all affected employees and prior employees was prepared and sent to Ms. Slivka for distribution. Ms. Slivka reported that she has not distributed yet and wanted to confirm that Mr. Beckman has reviewed the letter. Mr. Beckman

RECORD OF PROCEEDINGS

confirmed that he has reviewed and has approved the letter. Ms. Slivka will distribute in the next few days.

LEGAL MATTERS

Attorney Tanaka noted that there was nothing new to report.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (c), C.R.S., upon motion duly made by Director Reinhardt, seconded by Director Scully and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 10:52 a.m. for the purpose of discussing negotiations with third parties and receiving legal advice, as authorized by Sections 24-6-402(4)(b) and (c), C.R.S.

The Board reconvened in regular session at 11:35 a.m.

OTHER BUSINESS

Director Orientation: The Board deferred discussion.

Use of Committees: Director Reinhardt discussed the need to find a replacement for Director Matthews on the Communications Committee.

Director Reinhardt requested that Director Matthews revise the effective date of her resignation to June 30, 2014. Director Matthews confirmed that she will remain on the Board and her resignation will become effective June 30, 2014. Attorney Tanaka requested that Director Matthews provide a revised letter specifying the effective date of her resignation. Director Matthews confirmed that she will provide the revised letter.

Attorney Tanaka expressed her sincere gratitude and thanked Director Matthews for her friendship, leadership, dedication, and professionalism over the years. Members of the Board and Staff concurred with this sentiment.

ADJOURNMENT

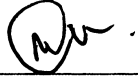
There being no further business to come before the Board at this time, upon motion duly made, seconded and upon vote, unanimously carried the meeting was adjourned.

Respectfully submitted,

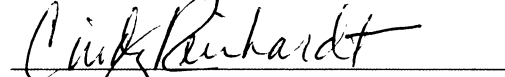
By _____
Secretary for the Meeting

RECORD OF PROCEEDINGS

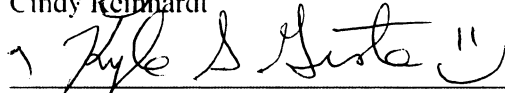
THESE MINUTES ARE APPROVED AS THE OFFICIAL JUNE 20, 2014
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



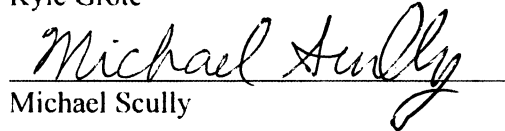
Martin Macaulay



Cindy Reinhardt



Kyle Grote



Michael Scully