

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
JANUARY 21, 2011

A special meeting of the Board of Directors of the Baca Grande Water and Sanitation District (referred to hereafter as "Board") was held on Friday, the 21st day of January, 2011, at 8:00 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
Parvin J. Johnson, Sr., Assistant Secretary

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

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

Brad Simons; Olsson Associates

Steven Harrell; District General Manager

Nanda Zipp; Dharma Ocean Foundation

Mia Filapeck; Member of the public

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 disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No further conflicts were disclosed.

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ADMINISTRATIVE MATTERS

Agenda: Mr. Beckman reviewed the proposed agenda for the District's Special 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 December 17, 2010 regular meeting.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the minutes of the December 17, 2010 regular meeting.

PUBLIC COMMENT

Ms. Filapeck addressed the Board regarding water quality. She reported that she has experienced certain pains and rash-like conditions over the past few years. She explained that the District tested her water and found high levels of phosphates. She alleged that the filtration system actually concentrated phosphates in her water. She asked why only certain areas of the system are subjected to certain phosphates. Mr. Harrell explained that the District maintains the chemical treatment as dictated by the Colorado Department of Public Health and Environment, under the supervision of the District's Operator in Responsible Charge. Mr. Harrell reported that the water servicing Ms. Filapeck's home was tested in locations before the filtration system and after the filtration system. The water tested prior to the filtration system did not have high levels of phosphates; however, the water tested after the filtration system had elevated phosphates. Discussion ensued regarding maintenance of home filtration systems and the potential for elements to build up and discharge when not properly serviced.

WATER MATTERS

Outstanding Water Matters with Water Counsel: Attorney Lock reported that he received a draft consumptive use report from HRS Water Consultants, Inc. ("HRS"). It was noted that HRS is currently finalizing the report. Attorney Lock reported that the HRS report will take into account the potential expansion of the District's boundaries and estimated full build out. Once the report is finalized, Attorney Lock will circulate to the Board for review.

OPERATIONS

Mobile Home Estates Wastewater Treatment Facility: Mr. Harrell reported that the facility was within permit limits for December and January.

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Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility was within permit limits for December and January. He further reported that this is the first month that the District self-performed all of the lab tests. He credited the training from Mr. Sack at Salida Sanitation for providing exceptional training. Mr. Harrell would like to have two additional training sessions from Mr. Sack. Attorney Tanaka will extend the service contract with Mr. Sack to include additional trainings.

Corrosion Control Study and Compliance Requirements: Mr. Harrell reported that the requirements have been met for 2010 and the program has been initiated for 2011. In 2011 the District will need to collect 20 samples from January through June.

Correspondence to Resident in Response to Letter from Property Owners Association and Policy Regarding Shut Off: Mr. Harrell discussed the current water shut off policy.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board determined to waive the shut off policy for certain residents when an economic hardship has been identified by an independent third party deemed reliable by the Board of Directors. It was noted that all past due accounts will continue to be certified by the District regardless of such conditions.

Labor Rates for Saguache County: Mr. Harrell discussed labor charges for work provided to the County at cost rather than at the standard labor charge.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board determined that the District will charge the county a rate of \$20 per hour.

Fallen Tree Transfer Station: Mr. Harrell discussed the current lack of redundancy and the risk of outages if the system should fail. Mr. Harrell reported that modifications for redundancy were reviewed by Olsson Associates. Mr. Harrell estimates the cost at \$15,000.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved modifications for redundancy by Olsson Associates for an amount not to exceed \$15,000.

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Trench-Box: Mr. Harrell requested authorization to purchase a twelve-foot trench box for employee safety while work takes place within trenches.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board authorized Mr. Harrell to purchase a trench-box in an amount not to exceed \$5,500.

Vactor Truck: Mr. Harrell reported that the vactor truck is available for delivery.

Following discussion, upon motion duly made by Director Matthews, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized Mr. Harrell to issue the purchase order and to accept the vactor truck when delivered, subject to acceptable inspection results prior to taking delivery.

Jetting Machine: Mr. Harrell reported that the POA has a Sewer Line Jetting Machine that they will make available to the District until the vactor truck is available. The machine would be operated by a POA employee and the District would be expected to pay for the labor associated with the operation of the machine.

EXECUTIVE SESSION

Personnel Matters: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (f), C.R.S. of the Colorado Revised Statutes, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:49 a.m. for the purpose of discussions relating to personnel matters as authorized by Section 24-6-402(4)(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 10:44 a.m.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Matthews and, upon vote, unanimously carried, the Board adopted an On-Call Premium Policy which states that exempt employees would receive \$1 per hour as a weekend on-call premium in the event that an on-call employee fails to respond.

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FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending January 21, 2011 as follows:

General Fund	\$	16,624.20
Capital Projects Fund		37,252.49
Enterprise Fund		<u>89,571.62</u>
Total Claims:	\$	<u>143,448.31</u>

Following review and discussion, upon motion duly made by Director Matthews, seconded by Director Macaulay and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending January 21, 2011.

Financial Statements: Discussion was deferred.

Cash Flow Analysis: Discussion was deferred.

LEGAL MATTERS

Board of County Commissioners and Current Valuations: Attorney Tanaka discussed the status regarding the assessment of properties within the District. Mr. Harrell reported that he has requested documents from a valuation report conducted several years ago. He reported that the District's staff is keeping a spreadsheet detailing valuations for the properties within the District. It was noted that Board members will follow up with the Commissioners

Dharma Ocean Sewer Tap Fee: Mr. Zipp addressed the Board and requested that the Board consider limiting the increase in EQR billed to Dharma Ocean to three. He advised the Board that Dharma Ocean believes that the water service line to the second facility may be restricted to an inch-and-a-half.

CAPITAL IMPROVEMENTS

Status of Capital Projects: Mr. Simons reported that approximately one-half of the Mobile Home Estates Force Main has been tested and the second half will be tested today. The contractor will work for the next ten consecutive days and will therefore work through the weekend. He further reported that the Well 18 sub-grade piping has been installed and that the insulation that was being installed in the equipment room was not completely filling the voids. Mr. Harrell researched a solution for a better insulation option. The change will result in an increase of approximately \$2,000.

Ultra Violet Disinfection at Aspen Wastewater Treatment Facility: Mr. Simmons reported that the work on this item will be addressed as part of the proposed Engineering Services Support Agreement.

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Contract Change Orders: Mr. Simons reviewed the proposed contract change orders with the Board.

Change Order No. 14 to the Contract with Farner Enterprises, Inc. for the Well 18 Project. The Board considered approval of Change Order No. 14 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$15,280.84 for additional work required at the Wagon Wheel Lift Station.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Change Order No. 14 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$15,280.84 for additional work required at the Wagon Wheel Lift Station.

Change Order No. 15 to the Contract with Farner Enterprises, Inc. for the Well 18 Project. The Board considered approval of Change Order No. 15 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$2,972.30 for additional work required at the Casita Park Life Station.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved Change Order No. 15 with Farner Enterprises, Inc. for an increase to the contract value in the amount of \$2,972.30 for additional work required at the Casita Park Lift Station.

Application for Payment No. 6 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: The Board discussed Application for Payment for No. 6 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project in the amount of \$187,000.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved Application for Payment for No. 6 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvement Project in the amount of \$187,000.

Meter Replacement: Mr. Harrell reported that he has received a quote in the amount of \$37,000 for replacement of the MXU units and the remote reading device.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board authorized the

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purchase of MXU units and the remote reading device in an amount not to exceed \$37,000.

WATER MATTERS

Water Matters: 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 Macaulay, seconded by Director Madonna and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 11:22 a.m. for the purpose of receiving legal advice from the Board's attorney as authorized by Section 24-6-402(4)(b), C.R.S. and to discuss matters that may be subject to negotiations as authorized by 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 12:30 p.m.

OTHER MATTERS

Crestone Eagle Article for February Publication: Mr. Beckman reviewed the draft financial matters article with the Board.

ADJOURNMENT

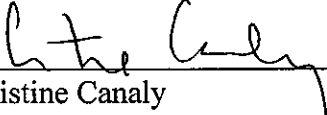
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned. The Board reconvened at the Baca Townhomes for a planning retreat. No action was taken.

Respectfully submitted,

By _____
Secretary for the Meeting

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THESE MINUTES ARE APPROVED AS THE OFFICIAL JANUARY 21, 2011
MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT
BY THE BOARD OF DIRECTORS SIGNING BELOW:



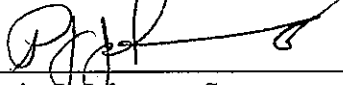
Christine Canaly



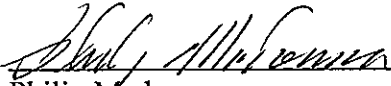
Vicki Matthews



Martin Macaulay



Parvin J. Johnson, Sr.



Philip Madonna