

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
BACA GRANDE WATER AND SANITATION DISTRICT
HELD
SEPTEMBER 26, 2008

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 26th day of September, 2008, 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, Chairman
Philip Madonna, Vice Chairman
Lisa Cyriacks, Assistant Secretary
Parvin J. Johnson, Sr., Assistant Secretary

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

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

George Turtle and Meric Lallier; Special District Management Services, Inc. - via speakerphone

Jennifer Gruber Tanaka, Esq.; White, Bear and Ankele Professional Corporation

Steve Rogers; District Operator in Responsible Charge

Steven Harrell; District General Manager

See attached list of Residents in attendance.

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. Ms. Tanaka noted that conflicts were filed for applicable directors at least 72 hours

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prior to the meeting. Chairman 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.

ADMINISTRATIVE MATTERS

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

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

Minutes: Members of the Board reviewed the minutes of the August 15, 2008 regular meeting.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnson and, upon vote, unanimously carried, the minutes of the August 15, 2008 regular meeting were approved, as amended.

Appointment of President of the Board: The Board discussed the need to fill the position of President.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Board appointed Director Canaly as President.

Rescheduling October 17, 2008 regular meeting: The Board rescheduled the October 17, 2008 regular meeting to October 24, 2008 at 9:00 a.m. at the regular meeting place.

FINANCIAL MATTERS

Claims: The Board considered the approval of the payment of claims through the period ending September 26, 2008, totaling \$102,977.89. It was noted that Check No. 11440 was issued to an incorrect vendor. The check will be voided and registered.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnson and, upon vote, unanimously carried, the Board approved the payment of claims for the period ending September 26, 2008, as revised.

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Financial Statements: Mr. Beckman reviewed the unaudited financial statements for the period ending August 31, 2008. George Turtle and Meric Lallier with Special District Management Services, Inc. Finance Department joined the meeting via speakerphone at this time. Mr. Gasseling and Mr. Brown inquired as to a possible mill levy increase for the 2009 budget year and addressed the Board regarding fee increases versus the increases as a means to raise additional revenue. Members of the Board discussed both alternatives and the benefit of higher debt and revenue limits being sought through voter authorization. Mr. Beckman outlined a plan to pursue the consolidation of existing debt following the approval of the 2007 Audit and to pursue a bond issuance if vote authorization to increase debt limitations is successful. No action was taken.

Status of 2007 Audit: Mr. Beckman reported that Dan Cudahy, with McMahan and Associates, LLC, will be presenting a 2007 Draft Audit to the Board within the next two weeks.

Debt Consolidation and Line of Credit: Mr. Beckman discussed the terms of the consolidation and line of credit previously offered by Wells Fargo Bank and reiterated that finalization is subject to the completion of the Audit and Wells Fargo Credit Committee review and approval.

ACH Payment Collections: Mr. Beckman distributed a draft letter and explained that ACH Payments have not been processed for the past few months due to administrative error. Mr. Beckman noted that the letter would be sent via mail to all customers notifying them of their payment options once the problems with processing the payments are resolved.

Department of Local Affairs ("DOLA") Grants: Mr. Beckman reported that the DOLA contracts are being amended to include loans to the District for the matching funds that the District would be required to provide. Attorney Tanaka reported that she has had recent conversations with Barry Cress at DOLA regarding existing debt authorization. Members of the Board discussed pursuing additional grant funding in the future. Mr. Beckman discussed the requirement for

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the District to have an easement over the Well 18 property and explained that the currently proposed easement covers both the old and new Well 18 property. Members of the Board directed Attorney Tanaka to discuss with Attorney Schwiesow the process for acquiring necessary rights to utilize the old Well 18 and to pursue the easement with the current legal description which includes access to both wells. The Board of Directors further directed Mr. Beckman to discuss consideration for the easement with Attorney Schwiesow and requested that Attorney Schwiesow attend the next meeting to discuss the process for the District to obtain the rights to utilize old Well 18.

2008 Preliminary Assessed Valuation and 2009 Budget: The Board reviewed the 2008 Preliminary Assessed Valuation. The Board then discussed the 2009 budget and the need to pursue possible revenue through payment in lieu of taxes for certain properties. The Board determined to schedule the public hearing to consider adoption of the 2009 Budget on Friday, December 5, 2008 at 9:00 a.m. at the regular meeting place.

LEGAL MATTERS

Cost Sharing Agreement (Sewer Main Line Extension): Attorney Tanaka reported that the Cost Sharing Agreement with Dharma Ocean Foundation and White Jewell Mountain has been executed. Mr. Harrell reported that the work on the project has begun.

November 2008 Election: Election and Timeline of Events. Attorney Tanaka discussed the status of the November 4, 2008 Election and the details of the Ballot questions and issues.

Report by Attorney Schwiesow: Acquisition of land at Well 18. Mr. Beckman reported that he had recently spoken with Attorney Schwiesow regarding this matter and that in order to *ensure* the proposed easement, the District will need to negotiate with the land owner. The Board directed Attorney Tanaka to discuss the matter with Attorney Schwiesow to ensure the easement can be obtained.

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Everhart Suit. Mr. Beckman reported that there have been no new developments on this matter.

Lot 728. Mr. Beckman reported that Attorney Schwiesow has responded to the lot owner's request for a settlement.

On-Call, Emergency and Overtime Payment Policy: Mr. Harrell discussed implementing a policy for payment of employees who are on-call, responding to emergencies and working overtime.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnson and, upon vote, unanimously carried the Board approved paying at one and one half times the hourly rate of the employee for on-call, emergency and authorized overtime work. The Board directed Mr. Harrell to draft a policy regarding on-call, emergency, and overtime payment for review by the Board.

Authorization of Overtime Payment: The Board considered authorizing overtime payment for Stephen Wade and Justin Debon incurred in August, including time spent by Mr. Debon for conducting a weekend tour of the District.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnson and, upon vote, unanimously carried, the Board authorized overtime payment for Stephen Wade and Justin Debon incurred in August, including time spent by Mr. Debon for conducting a weekend tour of the District.

Darla Tiernan Case: Attorney Tanaka reviewed the update from Attorney Fisher with the Board.

Policy regarding Sale of Potable Water: The Board discussed the policy regarding the sale of potable water to customers that are not attached to the distribution system. The Board directed Mr. Harrell to further investigate the true cost of providing such a service.

Master Service Agreement between the District and Brown and Caldwell: The Board discussed the Master Service Agreement between the District and Brown and

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Caldwell.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Johnsons and, upon vote, unanimously carried, the Board approved the Master Service Agreement between the District and Brown and Caldwell, subject to final review by Counsel.

Independent Contactor Agreement with Brown and Caldwell for Operations Services: The Board considered ratifying approval of the Independent Contractor Agreement with Brown and Caldwell for Operations Services.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Madonna and, upon vote, unanimously carried, the Board ratified the Independent Contractor Agreement with Brown and Caldwell for Operations Services.

OPERATIONS

Operations Manager Report: See attached Report on Operations from Steven Harrell dated September 25, 2008.

Website Administrator: The Board discussed the engagement of a website administrator.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Cyriacks and, upon vote, unanimously carried, the Board approved the engagement of a website administrator for an amount not to exceed \$1,000.00.

Status of Staffing: The Board considered approving the employment of Glenn Jones for part-time work not to exceed 30 hours a week.

Following discussion, upon motion duly made by Director Cyriacks, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the employment of Glenn Jones for part-time work not to exceed 30 hours a week, upon successful procurement of loan revenue.

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The Board then discussed ratifying the hiring of all current employees.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Johnson and, upon vote, unanimously carried, the Board ratified the hiring of all current employees.

Mobile Home Estates Lagoon System: Mr. Rogers discussed the status of Mobile Homes Estates Lagoon System with the Board. He reported that he is currently putting together cost estimates for rehabilitating the Lagoon System and recommends ultimately combining with the Aspen Treatment Plant.

Well 18 Project: Mr. Rogers reported that a Chlorination device was recently installed. The board discussed the possibility of adding chlorination at the booster stations.

Compliance of Aspen Plant: Mr. Rogers reported that the corrections to the aeration levels are underway.

East Dream Way Project: The Board discussed the project and directed Mr. Beckman to confirm with the Department of Local Affairs the requirements for selecting an Engineer.

Dharma Ocean Line Extension Project: Mr. Harrell reported to the Board that work on the project is in progress.

OTHER BUSINESS

Management billing and Work Performed to Date: Mr. Beckman discussed the following with the Board of Directors:

- Creation of a public records archive system
- The recreation of the 2007 and 2008 financials
- The pursuit of DOLA Projects
- Work related to November General Election
- Work related to the pursuit of the proposed bond issuance and debt consolidation.

It was noted that Olga Coello, the District's office administrator, will travel to the offices of Special District Management Services, Inc. ("SDMSI") in Denver

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to be trained by Kendra Christenson, Billing Specialist for SDMSI on the Casselle Software for required knowledge on District billing procedures.

Town Annexation Task Force: Director Cyriacks reported that the town has engaged a consultant to work with the task force to detail costs of annexation. It was noted a reported is expected to be given at the November meeting.

Customer Assistance Programs: Director Cyriacks discussed anticipated energy cost increases and the District's current policy regarding water shut offs. Director Madonna discussed including the dissemination of information for assistance programs. Members of the Board discussed publishing information in the Crestone Eagle and offering deferred payment programs for customers qualifying for assistance. No action was taken.

Board Retreat: The Board discussed having a retreat on November 15th which would include the Board of Directors and Mr. Harrell, District General Manager.

Manitou Foundation: Director Cyriacks reported that Manitou Foundation is posting a 'No Trespassing' sign on District Property. The Board directed Attorney Tanaka to send a letter to Manitou requesting that the sign be removed by a date certain and, if not, advising Manitou that the District would, in turn, remove the sign at Manitou's expense. It was noted that Directors Madonna and Canaly expressed the intention to maintain a positive relationship with the Manitou Foundation.

EXECUTIVE SESSION

Personnel Issues: September 25, 2008 Letter from Steven P. McDowell: EXECUTIVE SESSION: Pursuant to Section 24-6-402(4) of the Colorado Revised Statutes, upon motion duly made by Director Madonna, seconded by Director Cyriacks and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 4:10 p.m. for the sole purpose of discussing personnel matters and matters subject to negotiation as authorized by Sections 24-6-402(4) (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

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of the Board'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 4:42 p.m.

Following discussion, upon motion duly made by Director Johnson, seconded by Director Madonna and, upon vote, unanimously carried, the Board authorized three weeks of severance pay for former District employee Steve McDowell.

ADJOURNMENT

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

Respectfully submitted,

By Vicki Matthews
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL SEPTEMBER 26, 2008 MINUTES OF THE BACA GRANDE WATER AND SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

Christine Canaly
Christine Canaly

Philip Madonna
Philip Madonna

Vicki Matthews
Vicki Matthews

Lisa Cyriacks
Lisa Cyriacks

Parvin J. Johnson, Sr.
Parvin J. Johnson, Sr.

BACA GRANDE WATER AND SANITATION DISTRICT

September 26, 2008

Please **print** your name, address and phone number and the issue(s) you are interested in addressing at this meeting.

NAME	ADDRESS	TELEPHONE/EMAIL	ISSUE(S) TO BE ADDRESSED
DEE BROWN	131 Skyview Way	256-4575	MIL LEVY
CLEM CASSELLING	1492 BRADGER RD	256-4281	MIL LEVY
Stephen Wade	2776 N. Carefree	256-5597	General Interest
Steve Rogers			
Gilga Coello			
Bill Folk	637 Pandora	256 5798	owner
M. Stanton	865 Pine Ave	256-5490	owner
Chuck Grant	"	"	"



BACA GRANDE WATER AND SANITATION DISTRICT

DATE: September 25, 2008
TO: Board of Director BGWASD
FROM: Steven Harrell General Manager
SUBJECT: Report on operations

REPORT TOPICS



- 1. OPERATIONS:**
- 2. CUSTOMERS SERVICE INTERUPTION:**
- 3. SYSTEMS UPDATE:**
- 4. PREPERATIONS FOR MILL LEVI PESENTATION:**



OPERATIONS STAFFING:

Update on our team for the last 30 days.

- We have assembled our team with our core office staff and our core operations crew.
- Office staff is experiencing some delays as it interfaces with Caselle software and the support they are getting from SDMS.
- Is it the BGWASD intention to purchase Caselle software or lease the product?
- Overall once the transition is complete the office staff thinks they will be able to handle the work load. Olga full time, Heaven at 30 hours per week will be a 40 hour increase from the projected 80 hours per month for Heavens part time position.
- The office staff will need part time help with accounting and I have a recommendation for that position once we have decided the direction the BGWASD will be heading.
- The core field crew of Justin Debon, Stephen Wade and Steven Harrell are functioning well together and growing a great team (crew) integrity. I think we will need three full time operations and maintenance personnel plus me as the supervisor/operator/manager.
- For our operations crew to keep up with customer service calls, maintenance, preventative maintenance, standardized programs of operations and compliance



issues we will easily keep 3 crew members plus me with more than we can accomplish in a 40 hour work week. This will give our team the opportunity to work on our efficiency and operations strategies to produce maximum equity for our customers.

- One cost saving measure for the operations crew. Could be a 4 day work week for an operator who has been on call the previous weekend. This could cycle through our on call schedule taking four production days per month off our labor burden.
- To retain our full time personnel I believe we will need to provide what we can afford in benefits health insurance and retirement plans.
- The new candidate for operations had a driving infraction in 2005. I don't think it should disqualify him from our employment opportunity although we may want to require him to carry an SR-22 insurance rider.
- After Glenn Jones 30 day trial period is complete. If we decide he will fit in with our crew. He wants \$20 per hour and some compensation for gasoline.

Our team has accomplished in the last 30 days.

- The gas and diesel pumps have new locks and the fuel use is being logged.
- We have made adjustments to the SBR. We are not in compliance yet.
- All of locks have been re-keyed.
- We are treating all of our water at the well 18 well head with chlorine.
- Both of our service vehicles have been checked out. We can plan on 4-6 years of more service from these trucks if the trucks are properly maintained.

- We will need one more service truck. I would recommend light duty 4x4 Toyota. This type of truck is all I will need and the light duty truck will be better for meter reading route.

CUSTOMER SERVICE:

- Rachael Fleck. Plumbing bill from Watersphere. I suggest paying this bill because of the waterline break and system drain she had unfortunate experience.
- Low street pressure customers. Katharine Alyuanus. John & Eileen Donald and Michael Bernstein. These customers are dealing low street pressure and the solution they received from the prior staff. In the last 30 days they each have experienced a loss of service and they are the last customers to have there service restored. The solution of the prior staff was to supply these customers with a booster pump and pressure tank. When the reservoirs are less then full the potential for service interruptions are greatly increased and they are the firs customers to call with loss of service complaints.
- Stephen Rogers and Stephen wade have come with a solution for low pressure. I will get cost estimates for the upgrade.

SYSTEM UPDATE:

- Low volume of water being pumped from well 18. (205-212g/m)
- 2nd source of water and larger pumps at well 18.
- Analysis of surface water permit and filtering facility for 2nd source of water for the BGWASD.
- How much resource should we put into upgrading well 18 before the well 18 project gets started?
- Selling water to non district customers in small volume does not seem to be cost effective.
- Meters not getting read because of faulty parts is costing the District revenue. If we do not hire Glenn Jones we may consider sub-contracting the upgrade and maintenance of our meters.
- Customers with unwritten agreements with prior staff. Example Dennis claims Steve McDowell said he could stop paying his monthly service charge on his bare lot. Then when he built his house he could pay a re-hook up fee. Dennis said if he didn't get what he wanted he would be calling his Attorney.

THREATS TO OUR SYSTEM AND SUCCESS:

- Fire hydrants. Maintenance repair and flushing program.
- Well pumps and single source of water at well 18. Are a serious threat to our system in the event of failure of one or both of our pumps.
- Funding for the staffing and benefits.
- Man power to respond to the water system needs.

WEBMASTER:

- Best price and best service will be produced from Josephine Slivka and she is offering a 2 hour free consultation.

QUESTIONS ABOUT PROCEEDERS

- EQR on bill for Hanna Strong Moonlight Overlook 44

PREPERATIONS FOR MILL LEVY

- Prepare power point presentation for public at the Co. Collage on Oct 10th.
- Use Stephen Wades system model in the power point presentation
- Develop mission, vision and purpose of BGWASD.

Electric solar panels for powering well 18?