

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE BACA GRANDE WATER AND SANITATION DISTRICT HELD DECEMBER 16 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 16th day of December, 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
Vicki Matthews, Vice President
Martin Macaulay; Secretary
Philip Madonna, Assistant Secretary

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

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc.

George Turtle and Lindsay Ross; 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

Brad Simons; Olsson Associates

Michael Edelstein; AquaSmart Inc. – Via speakerphone

Kevin Cox and Blake Stark; National Sanitation Foundation – 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 Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Agenda was approved, as amended.

Minutes: The Board reviewed the Minutes of the November 18, 2011 Regular Meeting.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the minutes of the November 18, 2011 Regular Meeting.

PUBLIC COMMENT

Public Comment: Approximately thirty members of the public attended the meeting to discuss water quality concerns. It was noted that flyers were previously posted in the Town of Crestone and the surrounding area encouraging residents to "occupy the District" and protest the use of Ortho Polyphosphate ("OPP") which is used by the District as part of its approved Corrosion Control Plan. The public comment portion of the meeting was opened by President Canaly at approximately 9:15 a.m. and concluded at approximately noon. Michael Edelstein with AquaSmart and Kevin Cox, Supervising Toxicologist with the National Sanitation Foundation and Blake Stark, Business Unit Manager with the National Sanitation Foundation joined the meeting at 9:15 a.m. A recapitulation of the major points of the discussion is as follows:

A question was raised regarding any connection between AquaSmart, the manufacturer of SeaQuest brand Ortho Polyphosphate and Monsanto. Mr. Edelstein reported that AquaSmart is privately owned company with no connection to Monsanto whatsoever and has no parent company. A question was raised regarding the proprietary nature of the product. Mr. Edelstein reported that that the constituents of the product are eight different food grade phosphates. The proprietary nature of the product is due to the blend of the eight phosphates. A

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question was then raised regarding the safety of long term consumption of SeaQuest by humans. Mr. Cox reported that the NSF 60 rating is derived from the review of existing toxicology data as well as laboratory testing to ensure the purity of the product. The NSF has determined SeaQuest to be safe in its liquid form at a concentration of 28 mg/L. It was noted that the District introduces the product at a concentration of 0.5 mg/L which is approximately 56 times less concentrated than the established safe limit.

Mr. Karlstrom addressed the Board stating that in 2008, when Special District Management Services (“SDMS”) began managing the District SeaQuest was subsequently introduced. Mr. Beckman corrected Mr. Karlstrom and noted for the record that the introduction of SeaQuest began prior to SDMS’s engagement for management services and was at that time already part of the CDPHE’s approved water treatment plan. He further explained that water quality treatment decisions must be made by the Operator in Responsible Charge. SDMS never served in this capacity. Brown and Caldwell was engaged to serve as the Operator in Responsible Charge shortly after the engagement of SDMS.

A question was raised as to whether vegetables watered with District containing SeaQuest would still be considered organic. Mr. Edelstein reported that they would indeed still be considered organic. Dean Lloyd inquired as to whether the breakdown of the product through the metabolic process in humans would require the expenditure of excessive energy and if it might be difficult or impossible for some humans to metabolize OPP. Mr. Cox explained that the breakdown of the phosphate would naturally occur in the stomach and then by enzymatic activity in the body, and that he was unaware of a condition that would prevent this process. He also noted that the amount of phosphate in 0.5 mg/L of water is quite low compared to the daily nutritional requirement of the human body for phosphate.

Ms. Coyote reported that she had seen a letter from Marcia Husted’s Attorney to the Colorado Department of Public Health and Environment (“CDPHE”) in which several incidents of non-compliance by the CDPHE and the District relating to Article Eight of the Environmental Protection Agency’s (EPA’s) Lead and Copper Rule. Mr. Beckman explained that the District works with the CDPHE which is the local water quality monitoring and enforcement agency, and must operate in accordance with the guidelines and enforcement practices set forth by the CDPHE. Any response to the allegations in the letter would be addressed by the CDPHE. President Canaly expressed her concern that one of the recommendations made by Husted’s Attorney is the imposition of monetary fines which, if actually imposed would ultimately be paid by the members of the community.

Mr. Beckman explained that in August of 2010 the District reached out to the CDPHE and sought guidance as to the process for researching alternatives to the

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currently approved water treatment plan which includes OPP. At that time he invited concerned citizens and representatives of the CDPHE to engage in discussion about the current process and potential alternatives. Unfortunately his invitation was not accepted by Mr. Lloyd and other concerned citizens. He further reported that District has voluntarily engaged an independent third-party consultant to conduct a thorough corrosion control study to research all available methods. Mr. Beckman acknowledged that the District is in existence to serve its customers and to the best of its ability it must balance the water quality expectations of the community with the guidelines set forth by the CDPHE.

Several residents discussed the different perceptions they have of the water quality; while some are of the opinion there is too much treatment others are quite satisfied with the quality. Mr. Harrell discussed the current Chlorine concentration and clarified that the MINIMUM concentration at the point of introduction must be at least 0.2 mg/L and cannot drop below this level for more than 72 hours. He explained that with the system configuration and size the District must adequately chlorinate in order to ensure that there is chlorine residual at the furthest points from the point of introduction.

OPERATIONS

Aspen Wastewater Treatment Facility: Mr. Harrell reported that the facility was in compliance for all of 2011.

Corrosion Control Plan Analysis by McLaughlin Water Engineers, Inc.: Mr. Harrell reported that McLaughlin Engineering, Inc. is working on the Corrosion Control Plan Analysis as expected.

Engineering Requirements and Process Regarding Hydro-Electric Study: Discuss was deferred.

Cease and Desist Orders for Aspen Wastewater Treatment Plant and Mobile Home Estates Lagoon: Mr. Beckman reported that the process for closing out the Cease and Desist Orders in process. The Colorado Department of Public and Health and Environment is now in the process of calculating monetary fines for prior violations.

Contract Renewal with North Line GIS, LLC: It was noted that the contract will automatically renew. No action was taken.

Canon Plotter Lease Options: The Board reviewed and discussed the Canon Plotter lease options.

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Following review and discussion, upon motion duly made by Director Matthews, seconded by Director Madonna, and upon vote, unanimously carried, the Board approved prepayment of the principal balance for the lease of the Canon Plotter, in the amount of \$2,166.50, contingent upon adequate funds.

Complaint by Mr. Tafoya: Mr. Harrell discussed the status of Mr. Tafoya's property. He explained that Mr. Tafoya is often the subject of outages and interruptions in service. Mr. Harrell reported that for the time being the District has made arrangements for the customer to store water for interruptions. The District is looking into options for changes to the system to improve the reliability to his residence.

CAPITAL IMPROVEMENTS

Improvements to Well 18: Mr. Harrell reported that there are outstanding punch list items that are currently being addressed by Farner Enterprises.

Booster Pump for Well 18: Mr. Harrell reported that the pump has been purchased but not yet installed.

Independent Contractor Agreement with Timberline Electric & Control Corporation for the Aspen Wastewater Treatment Facility Effluent Flow Meter Integration Project: Discussion was deferred.

Independent Contractor Agreement between the District and TZA Water Engineers, Inc. for Well 17 Relocation Design and Construction Oversight Services: The Board considered ratifying the Independent Contractor Agreement between the District and TZA Water Engineers, Inc. for Well 17 Relocation Design and Construction Oversight Services.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Macaulay and, upon vote, unanimously carried, the Board ratified the Independent Contractor Agreement between the District and TZA Water Engineers, Inc. for Well 17 Relocation Design and Construction Oversight Services.

Independent Contractor Agreement between the District and Layne Christensen Company for Drilling Well 17 Test Well Drilling Project.: The Board considered ratifying the Independent Contractor Agreement between the District and Layne Christensen Company for Drilling Well 17 Test Well Drilling Project.

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

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Independent Contractor Agreement between the District and Layne Christensen Company for Drilling Well 17 Test Well Drilling Project.

East Dream Way Improvements, Design and Construction: Discussion was deferred.

Application for Payment No. 17 to the contract with Farner Enterprises, Inc. for the Water and Wastewater System Improvements Project: Discussion was deferred.

WATER MATTERS

Outstanding Water Matters with Water Counsel: Attorney Locke discussed the status of re-drilling well 17 and well 18. He reported that the relocation of well 17 is underway and moving forward according to plan.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b) and (e), C.R.S., 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 12:35 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) and (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 1:07 p.m.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board authorized an additional \$5,000 for HRS Consulting, Inc. to continue with engineering services related to negotiations with the U.S. Fish and Wildlife Service.

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FINANCIAL MATTERS

Claims: Mr. Beckman reviewed the payment of claims with the Board through the period ending December 16, 2011 as follows:

General Fund	\$ 19,737.45
Capital Projects Fund	\$ 122,626.54
Enterprise Fund	\$ 77,204.74
Total Claims:	\$ <u>219,568.73</u>

Following review and discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board approved the payment of the claims for the period ending December 16, 2011.

Mr. Turtle and Ms. Ross joined the meeting at this point.

Financial Statements: Mr. Turtle and Ms. Ross 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 November 30, 2011.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Matthews and, upon vote, unanimously carried, the Board accepted the financial statements for the period ending November 30, 2011.

Cash Flow Analysis: The Board reviewed the cash flow analysis.

LEGAL MATTERS

Assessment of Properties within the District by Saguache County Assessor: Attorney Tanaka reported that she sent a letter to the State Board of Equalization (“BOE”) noting the issues encountered with the valuation of properties within the District. Ms. Tanaka noted that the BOE conducted a hearing on the valuation of all properties within Saguache County the previous day and she will inquire into the outcome of that hearing. In the meantime, Attorney Tanaka is still waiting on additional information and documentation requested from Ms. Stephens on the assessments.

First Amendment to Intergovernmental Agreement with the Town of Crestone for Sewer Service to Address Facility Location Services: Attorney Tanaka reviewed and discussed the amendment with the Board and noted that this obligates the Town to provide locate information and repairs for the portion of the sewer line located within the County but not located within the District or the Town.

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

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First Amendment to the Intergovernmental Agreement with the Town of Crestone for Sewer Service to Address Facility Location Services.

Crestone Telecom Lease Amendment: Attorney Tanaka presented the Board with a separate lease agreement which provides security to the San Luis Development Council for financing the improvements which are planned to be installed by the Crestone Telecom, LLC and which were previously approved by the Board under a separate lease agreement.

Following discussion, upon motion duly made by Director Macaulay, seconded by Director Madonna and, upon vote, unanimously carried, the Board approved the Lease Agreement with the San Luis Development Council for the Crestone Telecom improvements.

EXECUTIVE SESSION

Personnel Matters, Farner Enterprises' Construction Matters, Brown and Caldwell Design Matters and Inclusion of the Town of Crestone: EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4) (b), (e) and (f), C.R.S., 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 2:40 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 3:42 p.m.

Following discussion, upon motion duly made by Director Madonna, seconded by Director Matthews and, upon vote, unanimously carried, the Board Directed Mr. Beckman to distribute annual employee evaluation information to the Board by email for review and approved Director Canaly to approve the 2012 wage and salary information.

OTHER BUSINESS

Crestone Eagle Article for February Publication: The Board determined not to prepare an article for the February publication.

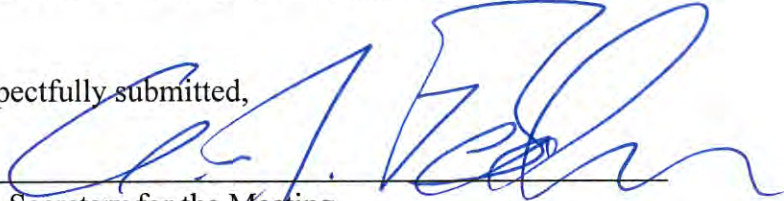
2012 Board Member Retreat (January 20, 2012): The Board determined to start the January 20, 2012 meeting at 8:00 a.m. and to conduct the retreat at 12:00 p.m.

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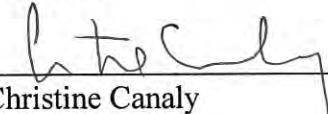
ADJOURNMENT

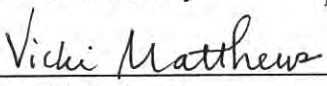
Upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

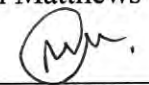
Respectfully submitted,

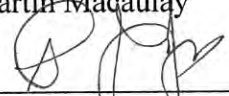
By 
Secretary for the Meeting

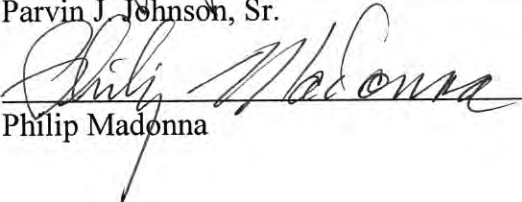
THESE MINUTES ARE APPROVED AS THE OFFICIAL
DECEMBER 16, 2011 MINUTES OF THE BACA GRANDE WATER AND
SANITATION DISTRICT BY THE BOARD OF DIRECTORS SIGNING
BELOW:


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

December 16, 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
S. Belgrade		4302	NO	
Paita Decoral	PO Box 414	4302	NO	
James Bone	PO Box 551	5310	YES	
M. ORECURRER				
DAN SPICER				
Woodruff E.	Rt 489	588-8377	YES!	WATER QUALITY
Don Allen	POB 1131	256-5305	YES!	
MICHAEL SCULLY	POB 952	256-5728		

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
K. Royce	3732 Cordial Way	256-4522 kmarroyce@yahoo.com	Yes	OPP use in the water supply
Wm Howell	PO Box 332	256-4420	—	—
Peter Royce	PO Box 492	petarroyce@gmail.com	Yes	OPP & Chlorine & PH Levels -
Jesse Winkler	Box 750		YES	OPP in H ₂ O
Arlaine B Satterland	Box 96	256-4809	?	Chlorine
Rebecca Winters	POB 231 Tnada co 50001	3/319 0139	YES	Additives / water quality
Dean Lloyd	P.O. Box 449	81143		
KIDZON Labs	BOX 101	256 4954		
Bob ELLington	P.O. 464	256-4200	NO	
Venturel Merz	P.O. box 345	256-4200 937-8121	Svr	OPP & Chlorine in H ₂ O

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Sarah Travis	579 Seaboard OL Box 472	719 256 4523	Maybe	Chemicals in water Cops Fall; water health
William Wright	986 Persful Way	508 237 8915	"	"
Allison Wenderlund	"	"	"	"
Jampa Stewart	2162 Indian Hill	256-4759	"	"
Eric Kirkham	971 Pencil Way	356-4814	yes	"
Wolfe	1482 Badger		NO	
JEFF YAKS				
MICHAEL BERTIN	P.O. Box 867	256 4854	MAYBE	
BJA		480 2727	?	
Charma	Box 654	2202	?	

Name	Address	Telephone/Email	Would you like to speak?	Issues to be addressed
Oliver Miles	3866 Jubilat	816 208 0862 <small>o.w.kress@legislature.ca.gov</small>	sure	One Company, One Planet, One Product, One Planet. ??
Sangeh Spaulo	3866 Jubilat	303 720 9306	sure	How to afford water filtration for those feeling most affected.
Mateo Balle Jabrik	POB 346 630 Upper Overland	719-256-4252	maybe	
Leigh Ann Phillips	1283 Deer Trail	719-256-5510	no	
Robert Mendick	1283 Deer Trail	719-256-5510	no	