

NOTICE
OF

1. CANCELLATION OF REGULAR MEETING
2. CHANGE IN REGULAR MEETING DATE
3. WORK SESSION

NOTICE IS HEREBY GIVEN that the Regular Meeting of the Board of Directors of the Pagosa Area Water and Sanitation District scheduled for Tuesday, June 8, 2010, has been cancelled. The Meeting has been rescheduled for Tuesday, June 15, 2010, at 6:30 p.m. Further Notice is provided that a Work Session is scheduled to begin at 5:30 p.m. The Work Session and Regular Meeting will be held at the District's administrative office located at 100 Lyn Avenue, Pagosa Springs, Colorado. The proposed Agenda is as follows:

1. Call to Order
2. Approval of Consent Agenda
 - Minutes – 05/11/10 Regular Meeting and 05/24/10 Special Meeting
 - Staff Report
 - Projects Update
 - Services Agreement – Pagosa Rooter, Inc.
3. Public Comment
4. 2009 Compilation Financial Statements – Karla Clark, Clark White & Associates
5. Water Conservation Report – Mat deGraff
6. Consideration of District-provided Meals
7. Consideration of District Bylaws
8. Discussion of Service Plan and Resolution
9. Consideration of (ARRA) Second Amendment to Loan Agreements
10. Consideration of Records Retention Policy
11. Discussion of District General Counsel
12. Public Outreach
13. Any Other Business Brought Before the Board Will Be Duly Considered.

PAGOSA AREA WATER AND SANITATION DISTRICT

By /s/ Carrie S. Weiss
For the Board of Directors

SEAL

RECORD OF PROCEEDINGS
PAGOSA AREA WATER AND SANITATION DISTRICT
JUNE 15, 2010 REGULAR MEETING

Attendance

The following Directors were present: Steve Hartvigsen, Windsor Chacey, Bob Huff, Allan Bunch and Roy Vega. Also in attendance were: Carrie Weiss, Gene Tautges, Sheila Berger, Art Holloman, Michelle Peterson, Mat deGraaf, Karla Clark, Chuck McGuire, Bill Hudson, Jodie Blankenship, Steve Van Horn, John Ranson, Chalyn Fitzgerald, Medray Carpenter, Pat Alley, Lee Vorhies, Janet Santopietro, Susan Junta, Phyl Daleske, Cynda Green and Glenn Walsh.

Disclosure of Potential Conflicts of Interest

Carrie Weiss had previously reported that she had filed a Disclosure of Conflict of Interest regarding her position on the San Juan Water Conservancy District Board of Directors and receiving compensation for services as Manager for the Pagosa Area Water and Sanitation District. Windsor Chacey had previously submitted a Disclosure as a Board of Director for the District and as member of the Board of Directors of the San Juan Water Conservancy District. The Board noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts.

Call to Order

The Regular Meeting of the Pagosa Area Water and Sanitation District was called to order by Chairman Steve Hartvigsen at 6:33 p.m. on June 15, 2010.

Approval of Consent Agenda

The Directors considered the Consent Agenda. Director Vega requested minutes be constrained to the business and actions of the Board rather than a transcription of the discussions for each agenda item. Chairman Hartvigsen supported that the minutes be presented in a more concise form. Carrie Weiss confirmed that the meeting was being recorded. Director Bunch noted a change to the regular meeting minutes of May 11. A motion was made by Director Chacey and seconded by Director Huff to approve the consent agenda with the change to the regular meeting minutes as noted. The motion passed unanimously.

Public Comment

Comments were heard from Steve Van Horn, Chuck McGuire and Glenn Walsh.

2009 Compilation of Financial Statements

Karla Clark of Clark, White and Associates presented the 2009 Compilation Financial Statements, explaining that the compilation was done to facilitate the 2009 Audit. Ms. Clark disclosed that she is not considered "independent" by the District's auditor and that her role is to provide Wall Smith Bateman and Associates, Inc., the financial statements according to the Government Accounting Standards Board (GASB) format. Ms. Clark went through significant pages of the Compilation Financial Statements with the Directors. Some of the points of discussion were:

- Explanation of the difference between the in-house debt schedule document and the Compilation Financial Statements
- Inadvertent use of the term "interest" to indicate \$700,000 in ARRA loan funds that were not drawn as projected in 2009 and noting that it should be correctly recorded under 'Other Financing Sources' in the Audited Financial Statements

- The use of an audit committee and its role in subsequent audits
- Ms. Clark opined that the District had done a good job budgeting in 2009 considering that amendments that had been made had been in response to issues that could not have been reasonable forecast in the original budgeting process
- Ms. Clark commented that based on her long-term experience working with special districts, the PAWSD has done a good job of taking advantage of low-interest loan and grant funding opportunities in order to stay on top of infrastructure needs and in order to implement latest technologies. She stated that other districts not as successful in obtaining reasonable financing would have few resources other than and increase in service fees in order to manage required improvements to their facilities

After the presentation and discussion, the Directors adjourned for a five-minute break in order to reprioritize the agenda.

Water Conservation Report

Water Conservation Coordinator Mat deGraaf provided the Directors with a status report on water conservation program activities. He reported on water use within the community, leak detection activities, public education and outreach efforts, the Smart Water Audit retrofit program, statewide recognition of PAWSD's program and his goals for the program. Carrie Weiss reminded the Directors that Mr. deGraaf will be providing them with quarterly updates.

Discussion of Service Plan and Resolution

Director Vega read a resolution he had drafted regarding the District Service Plan and the collection of system development fees for the Dry Gulch Project. After reading, a motion was made by Director Vega and seconded by Director Bunch to adopt the resolution as read into the record. The motion and resolution were discussed, including substantial public comment. The motion was withdrawn. A second motion was made by Director Vega and seconded by Director Bunch to adopt Therefore Specifications 1 and 2 of the resolution, in their entirety. After ensuing discussion, this motion was amended to remove the prefatory "Whereases" such that only Specifications 1 and 2 in their entirety be adopted. The motion failed 3-2 with Directors Huff, Chacey and Hartvigsen opposed. A motion was made by Director Huff and seconded by Director Bunch to declare a moratorium on the Water Resource Fee effective today [June 15, 2010] until six months hence [December 15, 2010] and if in six months the Board has not taken any action relative to this issue then the Water Resource Fee will be reinstated. Michelle Peterson asked for clarification if Amortization Agreements in place would remain in effect, to which Directors concurred that they would. The motion passed 4-1 with Director Vega opposed.

Due to the late hour, Chairman Hartvigsen asked the Board and audience to consider tabling the remaining items on the agenda until the July 13 meeting. All but the following two items were tabled.

Discussion of District General Counsel

Director Vega listed his concerns with District General Counsel Jim Collins of Collins, Cockrel and Cole, stating he felt this firm should be put on six-month probation and the District should consider seeking independent counsel. A motion was made by Director Vega and seconded by Director Bunch to notify Collins, Cockrel and Cole that the PAWSD is placing them on probation for the next six months. The motion failed 3-2 with Directors Vega and Bunch in favor.

Consideration of (ARRA) Second Amendment to Loan Agreements

Shellie Peterson explained the reason for the amendment. A motion was made by Chairman Hartvigsen and seconded by Director Bunch to approve the second amendment to the American Recovery and

Reinvestment Act loan agreement and authorize the execution of this amended agreement. The motion passed unanimously.

Other Business

There being no further business to come before the Board, the meeting was adjourned at 10:45 p.m.

Respectfully submitted,

Windsor Chacey
Secretary/Treasurer