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# RECORD OF PROCEEDINGS

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## Minutes of the Regular Meeting of the Board of Directors of the Holland Creek Metropolitan Districts January 20, 2014

The Regular Meeting of the Board of Directors of the Holland Creek Metropolitan District, Eagle County, Colorado, was held Monday, January 20, 2014, at 8:30 a.m., in the two elk conference room, 137 Benchmark Road, Avon, Eagle County, Colorado.

### Attendance

#### The following Directors were present:

- William Simmons
- Karen Braden-Butz
- Alex Iskenderian
- William Kennedy

#### Also in attendance were:

- Brent Butzin, White, Bear & Ankele, PC
- Ken Marchetti, CPA Robertson & Marchetti, PC
- Kathy Lewensten, RMPC Recording Secretary
- Mike Connell, RSRMD Director
- Fred Hudoff, RSRMD Director
- Ramsey Romanin, RSR Caretaker
- Don Odell, VRDC Operations
- Jason Cowles, ERWSD
- Linn Brooks, ERWSD
- Jeff Townsend, Community Concepts of CO

### Call to Order

The Regular Meeting of the Board of Directors of the Holland Creek Metropolitan District was called to order at 8:30 a.m. by Director Kennedy, noting a quorum was present.

### Potential Conflicts

The Board noted that it has received certain written disclosures of potential conflicts of interest statements from each of the Directors more than seventy-two hours prior to the meeting, indicating the following conflicts: [William M. Kennedy](#) is Director of Land Development for Vail Resorts Development Co., a subsidiary of the Vail Corporation and an indirect operating subsidiary of Vail Resorts, Inc., all of which have significant business interests within the Districts; [William Simmons](#) is Director of Village Operations for Vail Resorts Management Company, an indirect operating subsidiary of Vail Resorts, Inc., which both have significant business interests within the Districts, [Karen Braden-Butz](#) is a Project Accountant for Vail Resorts Development Company a

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subsidiary of Vail Resorts, Inc, which both have significant business interests within the Districts; and [Alex Iskenderian](#) is Sr. Vice President and C.O.O. of Vail Resorts Development Co., a wholly owned subsidiary of the Vail Corporation d/b/a Vail Resorts Management company which all have significant business interests within the Districts.

### **Water Service Agreement**

A working group consisting of representatives from the District (HCMD), ERWSD, VR, RSRPOA, and the developer has been meeting since November to discuss a Water Service Agreement related to interconnection of the District water system for service to the Wolcott Development. A draft of the agreement had been included in the packet for discussion purposes.

Mr. Townsend introduced himself to the Board and presented an overview of the proposed Wolcott project. He reported there is a tentative closing date set for late February for the land. They have received final approval to relocate Highway 6 and to make interchange improvements. They expect to break ground in 2014 with the project construction proceeding in phases. He was attending to get direction from the Board as to whether there is interest in moving forward with an interconnected system.

Ms. Brooks addressed the Board explaining ERW had planned on serving the Wolcott area for the last decade. ERW assisted the Wolcott developer with the 1041 permit process at Eagle County for the Wolcott development. As part of the process they had looked at construction of a new stand alone facility and an interconnected system with the HC water plant. The interconnected system was preferred by Eagle County to avoid duplication within the area for efficiencies.

Mr. Cowles, ERW, provided a power point presentation that reviewed the history and background, the benefits to HCMD, and the terms of the proposed agreement. The benefits presented included an expanded customer base, elimination of operations deficits, and increased demand and efficiency. ERW plans to construct \$1.1 million in improvements to the plant to convert it to a low pressure membrane system in the near term. This would replace aging equipment and add redundancy. They would fund the improvements by issuing developer guaranteed bonds. Ms.

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Brooks and Mr. Cowles stated it is expected the water use rates for RSR customers would not exceed the current rates and may decrease.

Under the agreement the water plant assets would be conveyed to ERW. In return HCMD would no longer be in the water business, would likely benefit from reduced water use rates, have no liability to maintain the plant and would no longer need to cover the annual water operations deficit. The District would keep receiving any future tap and plant investment fees.

In addition to remaining terms to be negotiated the agreement is also subject to several contingencies. They include, the passing of the May Wolcott sub district election, provision of the developer guaranty for the ERW bond, water rights matters, and an agreement with VR related to the raw water pipeline.

Director Kennedy reminded the Board HCMD is in the process of expanding the high pressure skid and discussed whether the expansion project should be suspended during negotiations. He explained if the expansion is suspended and if no agreement is reached it would not be possible to restart completion of the expansion until late fall as in the summer months the plant runs close to capacity.

Director Iskenderian pointed out the draft agreement is open ended in the event the Wolcott development does not move forward this year. He stated he was not comfortable with the agreement extending into future years if the Wolcott development does not move forward this year as it would limit HCMD's ability to look at other alternatives. No objections were raised to limiting the term of the agreement.

The RSRPOA meets next week, Ms. Brooks and Mr. Cowles were invited to attend the meeting to provide an update to the board.

After further discussion, the Board expressed interest in continuing to move forward with drafting agreements related to the interconnected system.

At 9:45 a.m. Ms. Brooks, Mr. Cowles, and Mr. Townsend left the meeting

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The Board continued discussions on the matter. Mr. Marchetti pointed out that on its own HCMD will continue to have difficulty covering operations and capital costs due to the limited number of homes using the water plant. He explained even at build out there will not be sufficient units to keep adequate funding for services without substantially increasing rates. He had provided a memo of an analysis regarding conveyance of the water system to ERW to the Board prior to today's meeting. The Board reviewed the key points. Even with the myriad of concerns at this time it appears to benefit all parties for Wolcott to interconnect to HCMD's water plant.

The quantity and value of water rights will need to be determined. The water rights needs are being analyzed and calculated to determine the quantity necessary. ERW has agreed to accept 100% instead of the usual 120%. VR estimates the value of the water rights will be approximately \$1 to \$1.5 million. Various funding alternatives were briefly discussed. Since the tap fees will be kept by the District this may be one source of funding. The current water lease agreement expires in 2017.

Another matter that needs to be considered would be an agreement related to the raw water pipeline. Such an agreement would be between VR and ERW prior to the water service agreement being put in place. The capacity of the pipeline and how it relates to future build out needs will need to be reviewed. Director Kennedy offered to work on this matter.

After further discussions the Board directed the working committee to continue negotiations on agreements and matters related to an interconnect to the HCMD water plant and to delay any further improvements to the water plant for the time being.

### Minutes

The Board reviewed the minutes of the November 18, 2013 Regular Meeting and the December 13, 2013 Special Meeting. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the minutes of the November 18, 2013 Regular Meeting and the December 13, 2013 Special Meeting as presented.

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### **Extension of AmCoBi Independent Contractor**

**Agreement:** The Board reviewed the Extension of American Conservation Billing Independent Contractor Agreement. The cost of the services will remain the same. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the Extension of American Conservation Billing Independent Contractor Agreement (2014).

### **Annual Administrative Resolution**

Mr. Butzin reviewed the 2014 Annual Administrative Matters Resolution. The meeting date will remain the third Monday of the month. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the 2014 Annual Administrative Matters Resolution.

### **May 2014 Election:**

Mr. Butzin presented the May 6, 2014 Election Resolution noting it is a Board of Directors election. Upon motion duly made and seconded, it was unanimously,

**RESOLVED** to approve the May 6, 2014 Election Resolution.

### **Extension of Operations and Maintenance Agreement:**

The Board reviewed the Extension of Operations and Maintenance Agreement (2014). Services will be provided based on the budget attached as Exhibit "C" to the extension. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the Extension of the Operations and Maintenance Agreement (2014).

### **Rules & Regulations Revision**

The Board considered how to limit the number of bedrooms to five for homes within Tract AA due to the unique limitations of the wastewater system in that section of the District. Mr. Butzin recommended revisions be made to the Rules and Regulations

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where it would be possible to further define community wastewater systems and any related restrictions. He noted it would be beneficial to update the rules and regulations at the same time. The Board directed Mr. Odell to work with Mr. Butzin on the necessary revisions. The DRB will be contacted to encourage them to make similar revisions to their guidelines. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to update and revise the Rules and Regulations including limiting the number of bedrooms to five within Tract AA for any new or remodeled homes due to the unique character of the wastewater system subject to final review by Legal counsel.

### **Financial Statements**

Mr. Marchetti presented the preliminary December 31, 2013 financial statements. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to accept the preliminary December 31, 2013 financial statements.

### **Accounts Payable**

The Board reviewed the accounts payable list included in the packet. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve and ratify the accounts payable listing as presented.

### **Meeting Schedule**

The Board considered the 2014 meeting schedule that was included in the packet. The next regular meeting is scheduled for Monday, February 17, 2014 at the same time and location. There may be a need for a special meeting on Monday, February 3, 2014 to discuss matters related to the Service Agreement revisions discussed above. Upon motion duly made and seconded it was unanimously

**RESOLVED** to accept the 2014 meeting schedule as presented.

### **Construction Status**

Mr. Odell reported Lot 45 has broken ground and there are plans for a home in Tract AA at DRB for review.

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**Adjournment**

Upon motion duly made and seconded, it was unanimously

**RESOLVED** to adjourn the January 20, 2014 Regular Meeting of the Holland Creek Metropolitan District Board of Directors.

Respectfully submitted,  
*/s/ Kathy Lewensten*

Kathy Lewensten  
Recording Secretary