
RECORD OF PROCEEDINGS

Minutes of the Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts November 28, 2016

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, November 28, 2016, at 9:00 a.m., in the two elk conference room at 137 Benchmark Road, Avon, Eagle County, Colorado.

Attendance

The following Directors were present:

- Michael Connell
- Beth McGregor
- Jim Malernee
- Frederick Hudoff

The following Director was absent and excused:

- Graham Frank

Also in attendance were:

- Bill Ankele, Esq White Bear Ankele Tanaka and Waldron (via phone)
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Tim Baker, HCMD Director
- Sam Sharp, D.A. Davidson (via phone)
- Mike Sullivan, D.A. Davidson (via phone)

Call to Order

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 9:00 a.m. by Director Connell noting a quorum was present.

Potential Conflicts

The Board reviewed the agenda for the meeting, following which each Director confirmed the contents of any written disclosure previously made. The Board also confirmed that nothing appeared on the agenda for which disclosure certificates had not been filed. 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.

Minutes

The Board reviewed the minutes of the October 17, 2016 Regular Meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the October 17, 2016 Regular Meeting.

Public Input

No public comment was offered.

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2016 Bond Issuance

Mr. Sharp and Mr. Sullivan reported on responses to the RFP for issuance of \$1.825 million in a private placement loan that had been sent to several banks. Two banks had responded, they were Alpine Bank and Guaranty Bank & Trust Co. The term sheets had been provided to the Board via email prior to the meeting. He reviewed the two term sheets. Both loans reflect being fully amortized with similar issuance costs. The estimated closing date would be sometime in January 2017. The primary differences were in the interest rate and term; Alpine Bank offered 4.125% for 25 years, while Guaranty offered 3.15% for 20 years. The annual debt service payment was similar for either option. Guaranty Bank offered rate lock options and two prepayment options for consideration. The Board discussed the pros and cons of each response. A concern was raised over the prepayment option, with a desire expressed to line the new issuance up with the current prepayment option in the 2015 bonds. Mr. Sharp will follow up with the banks to negotiate details as discussed. The Board generally agreed that Guaranty's proposal was the most appealing at this time. It was agreed utilizing the 30 + day rate lock option would be in the best interest of the District. They appointed a committee of Directors Connell and Malernee to work with Mr. Sharp to finalize a decision. Upon motion duly made and seconded, it was unanimously

RESOLVED to authorize Directors Connell and Malernee to select and execute a term sheet for a private placement loan in the amount of \$1,825 million in consultation with Mr. Sharp and Mr. Marchetti as discussed, and

FURTHER RESOLVED to authorize engagement of consultants as necessary to facilitate a January 2017 closing.

Old Business

Director Connell provided a brief update on outstanding matters. The District needs to move forward with the issuance of additional debt as discussed above to comply with requirements in the Master IGA regarding the threshold of 50% debt to assessed valuation. Director Connell asked if it would be possible to use some of the net proceeds from the new issuance of debt, approximately \$1.7 million, to pay down the HC Promissory note instead of the HC 2001 bonds. Mr. Ankele replied he would need to review the documents and check with Mr. McGinnis to answer that question.

Mr. Marchetti began discussions on the debt service mill levy and the purposes and uses for any excess property taxes raised by the different debt service mill levy rates.

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One option would be to reduce the debt service mill levy down to a rate that just covers the RSRMD debt service payments. Another option would be to leave it at 32 mills which covers the expected debt service payments and generates a slight surplus. Mr. Baker expressed disappointment that the Board was not considering raising the debt service mill levy to 40 mills as had been mentioned as an option during negotiations and in prior board meetings. The Board responded that there were no compelling reasons at this time to increase the debt service mill levy just to generate additional funding. Mr. Baker reminded the Board that VR had offered to forgive the interest on the HC promissory note, and that water rights matters are still under negotiation. Director Connell stated although VR offered to forgive the interest on the HC promissory note, they in turn requested RSRMD pay a portion of the letter of credit fees and interest on the 2001 HC bonds. He explained the Board will be reporting to the property owners on District matters and the Directors are expected to be able to clearly explain the reasoning behind the property tax mill levy. He noted at 32 mills for debt service there will still be excess tax revenues generated that can be considered for use as capital reserves or for purchase of water rights depending on where negotiations lead. It was agreed these matters would not be settled by December 15th which is the deadline for certification of the mill levy. He reiterated that the Board and committee are interested in continuing negotiations to come to resolution on these matters.

Legal

Capital Improvement Fee Promissory Note Renewal: Mr. Ankele requested consideration of renewal of the Capital Improvement Fee Promissory Note. The note relates to the capital improvement fee advances made by VR to the District to cover payments related to the outstanding principal on the Holland Creek 2001 Bonds. All terms will remain the same. The Board requested a copy of the original agreement for review. Upon motion duly made and seconded it was unanimously

RESOLVED to authorize Director Connell to execute the extension of the maturity date of the Red Sky Ranch Metropolitan District Promissory Note to December 31, 2017 with all other terms remaining unchanged subject to review of the agreement by the Board.

Financial Statements

Mr. Marchetti reviewed the preliminary October 2016 financial statements which included the 2017 preliminary budget. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary October 2016 financial statements as presented.

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2017 Budget

The continued public hearing for the 2017 budget was opened. Mr. Marchetti noted two options for the mill levy were presented. The 2017 budget will be updated to reflect the issuance of \$1.825 million in new debt with the net bond proceeds being transferred to HCMD as discussed earlier in the meeting. The Board directed the mill levy be set at 64 mills. The public hearing was closed. Upon motion duly made and seconded, it was unanimously

RESOLVED to adopt the Red Sky Ranch Metropolitan District 2017 budget, and

FURTHER RESOLVED to appropriate the sums of money for 2017, and

FURTHER RESOLVED to certify the mill levy at 64.000 mills.

Accounts Payable

Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the accounts payable listing as presented.

Future Meetings

The Board requested a special meeting be scheduled for Thursday, December 22, 2016 at noon as a placeholder if a meeting becomes necessary related to the issuance of debt. Otherwise the next regular meeting is scheduled for Monday, January 16, 2017 at the same time and location.

Adjourn

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the November 28, 2016 Special Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/ Kathy Lewensten
Recording Secretary