
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts March 21, 2016

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, March 21, 2016, at 9:00 a.m., in the two elk conference room at 137 Benchmark Rd, Avon, Eagle County, Colorado.

Attendance

The following Directors were present:

- Frederick Hudoff
- William Simmons
- Michael Connell

The following Directors were absent and excused:

- Karen Braden-Butz
- William Kennedy

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
- Jim Malernee, RSR Property Owner (via phone)
- Tim Baker, HCMD Director
- Doug Lovell, HCMD Director
- Graham Frank, VR, VP of Real Estate (via phone)
- Mike Miner, RSR Director of Golf Operations
- Don Odell, RSR Operations
- Jennifer Cartmell-Hayes, ERFDP Board Chairman
- Karl Bauer, ERFDP Chief
- Tracy LeClair, ERFDP

Call to Order

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 9:00 a.m. by Director Hudoff 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; and [Karen Braden-Butz](#) is the Financial Analyst for Village

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Operations at Beaver Creek, 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.

Minutes The Board reviewed the minutes of the February 15, 2016 Regular Meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the February 15, 2016 Regular Meeting.

Public Input Director Connell recognized Director Simmons whose term will expire in May. He thanked him for his service to the Board and the association over his tenure and wished him well in the future.

Old Business **Water Rights:** Director Connell reported the water committee has met once to discuss water matters. The option for HCMD to exercise its right to purchase the water rights available under the current lease is under discussion. He reviewed the calculation of cost for the water rights in the current lease and the original intent of the agreement. If the intent was to provide 100% of water rights that are necessary for full build out of the development he suggested there may be a way to determine the value of the necessary water rights based on the current lease. If such a formula were used the necessary water rights value would be in the range of \$65,000 instead of \$1.2 million. He has requested the water rights application related to RSR from Eagle County to see if this matter was addressed in those documents. Mr. Lovell pointed out the lease is between Holland Creek Metro District and VR and noted the terms of a new lease are being drafted by VR for review. If HCMD were to purchase the current water rights being used under the current lease it appears there would be a shortage of approximately 35% for remaining water rights that would be necessary for build out. Director Hudoff mentioned a delivery agreement would need to be drafted for the water rights that are purchased. The matter was tabled.

Promissory Note Interest: Director Connell requested clarification related to the HC Subordinate Promissory Note interest rate of 6%. He reminded the Board they have asked VR for consideration of a reduction of this rate over the past few years and asked if any consideration will be given. Mr. Lovell responded VR was not considering a reduction in the interest rate on the HC subordinate promissory note at this time.

The Board then discussed two options available for repayment of HCMD debt. One option would be to impose a set debt service mill levy with the

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intent of using any excess debt service property tax revenue for an annual repayment towards HCMD debt. This would save the cost of issuance for bonds. Another option would be for the District to issue bonds when the ratio of debt to assessed value exceeds 50% , which will happen this year. As pointed out earlier each bond issuance has cost of issuance that reduces the net bond proceeds. Mr. Lovell reiterated VR's intent is to get the HC debt paid down. Director Connell noted if a water rights purchase price were based on the discussion above at the current lease rate that would allow more of the anticipated net bond proceeds for this year to be used for HC debt repayment.

New Business

Director Connell reported he and Mr. Marchetti had met with the Eagle County Assessor, Mr. Mark Chapin, to discuss the matter of contiguous properties. A state statute allows properties to be re-classified as contiguous if they meet certain criteria. When adjoining properties are re-classified as contiguous it negatively impacts the assessed valuation of the District. Originally the District had 87 lots, 4 or 5 of those lots have been re-classified as contiguous with an adjoining lot lowering the number of lots within the District to 82. This change impacts the assessed valuation, and causes lost revenues from property taxes, usage fees and the 2% real estate transfer assessment that goes to the RSRPOA upon the sale of property.

A new Board member orientation meeting has been scheduled for Friday, March 25th.

Legal

Mr. Ankele stated there was no separate legal report.

Financial Statements

Mr. Marchetti reviewed the preliminary February 2016 financial statements. Upon motion duly made and seconded, it was unanimously

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

Accounts Payable

Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the accounts payable listing as presented.

Meeting Schedule

The April meeting was cancelled. The next regular meeting is scheduled for Monday, May 16, 2016, at the same time. The location will move back to the Red Sky Ranch Sales Center for the summer.

Mr. Marchetti and Mr. Simmons left the meeting at 9:30 a.m.

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Public Input

Building a Safer Tomorrow Committee: Ms. Cartmell- Hayes introduced herself, Chief Bauer and Ms. LeClair to the Boards. She explained they were attending to ask for support for the Eagle River Fire Protection District (ERFPD) Tax Increase Ballot question in the May 3, 2016 election. They explained the tax increase would help fund capital needs such as the relocation of the Avon fire station, the remodel of the Edwards Fire station and the construction of a fire training facility. The Boards asked about plans for a fire station in the Wolcott area. At this time ERFPD is waiting for more development to occur in Wolcott. Director Hudoff stated he would like to see more of an ERFPD presence in RSR outside of responses to fire events. Chief Bauer noted they will be doing wild land fire fuel mitigation this year and have done joint training by the pond in years past. He expects to have personnel available to assist property owners with fuel mitigation matters. The Board agreed to extend their support for the mill levy increase.

Adjourn

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the March 21, 2016 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/Kathy Lewensten
Recording Secretary