
RECORD OF PROCEEDINGS

**Minutes of the Special Meeting
of the Board of Directors of the
Red Sky Ranch Metropolitan Districts
May 1, 2017**

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, May 1, 2017, at 4:00 p.m., in the conference room at 1099 Red Sky Road, Wolcott, Eagle County, Colorado.

Attendance **The following Directors were present:**

- Michael Connell
- Beth McGregor
- Frederick Hudoff

The following Director was absent and excused:

- Jim Malernee

Also in attendance were:

- Trisha Harris, Esq White Bear Ankele Tanaka and Waldron (via phone)
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Tim Baker, HCMD Director
- Steve Stroker, RSR property owner

Call to Order The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 4:00 p.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 January 16, 2017 Regular Meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the January 16, 2017 Regular Meeting.

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Public Input

Mr. Baker stated he was attending today's meeting as a representative of Vail Resorts. He said RSR is important to VR noting VR holdings are approximately 25% of the assessed valuation. He assured the Board that he will continue to work through the challenges that face the Districts to find the best solutions.

Old Business

Water Rights: Director Connell informed the Board that Holland Creek Metro District (HCMD) had exercised the option under the current water lease to purchase the water rights in use. HCMD's letter to exercise the option to purchase was provided to VR prior to the deadline of April 30. This purchase provides adequate water rights for the current properties at a price of approximately \$60,000. Mr. Baker pointed out the current water lease expires on June 30 and that there will need to be a new agreement between VR and HCMD for the delivery of the water. The delivery had been included as part of the water lease payment in the past.

Mr. Baker began discussion on matters related to the supplemental water needs. The original calculations had assumed a water consumptive rate of 80%. Several years ago it was determined the District was 100% consumptive, which changed the calculation resulting in an increase of necessary water right quantities required for build out. He explained VR's point of view that the additional water rights now needed were not included in the original water lease. He suggested HCMD may consider a new water lease for the supplemental rights until such time that ERWSD may be interested in taking over service.

Director Connell pointed out the acre feet of water that will be purchased under the current water lease covers approximately 60% of the needs at build out. He noted the premise of the water lease was that build out would have occurred by now with the highest usage being available for purchase through the lease which would have provided adequate water rights at build out for a reasonable cost of approximately \$90,000. Due to many reasons build out has not occurred leaving a shortfall in water rights after the purchase under the current lease. Director Connell questioned what the value of the additional water rights should be and how that might be calculated. He reminded the Board that in the past a market rate cost of approximately \$850,000 had been provided by VR to HCMD. He stated the supplemental water rights should be valued at the same price as those being purchased under the water lease assuming the intent of the lease was to provide adequate water rights at build out. This would reduce the price of the additional water rights considerably. Mr. Baker stated VR does expect some compensation for the supplemental water rights pointing out the rights being purchased under the current lease are substantially below market value.

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Debt Management: Mr. Baker reiterated that he continues to meet with VR decision makers regarding District matters. He stated the debt repayment requirements related to the 2001 HCMD bonds are covered through the Master IGA. The HCMD promissory note and related interest are covered under a separate agreement. He explained VR had an expectation last fall that the RSRMD mill levy would be set at 40 mills for the 2017 budget to create excess funds that would be applied towards debt repayment; however it had been set at 32 mills which was disappointing to VR. Director Connell explained that at the time the mill levy was set there was not a compelling reason to raise it. Further discussion followed on perspectives of the District and VR.

Operations: Mr. Baker reported HCMD staff will be working on the guardrails, crack sealing and striping in the coming weeks. A long range plan for overlays and capital needs will be undertaken as part of this year's budget planning process. This will allow HCMD to better understand reserve needs for the future.

Mr. Baker left the meeting at 5:00 p.m.

Owner Focus Groups

It was reported there will be an emphasis on including property owners in ongoing conversations related to District matters to obtain input for consideration. This may be accomplished by creating owner focus groups.

Sales Tax Options

The Board turned its attention to the possibility of implementing a sales tax as another revenue source to help fund allowable expenses. General information had been included in the Board Packet. A sales tax must be approved through an election. A preliminary estimate of sales tax revenue that may be generated was between \$30,000 to \$60,000 depending on the sales tax rate chosen. The matter was tabled for further discussion at the next meeting.

Legal

Ms. Harris briefly reviewed the memo regarding bankruptcy which had been provided to the Board prior to the meeting. This was for educational purposes only.

Director Attendance by Phone: Director Connell stated he was aware of other metropolitan district boards that allow meeting attendance by phone to constitute a quorum noting how difficult it can be to coordinate attendance in person at times. He stated it was his understanding that White Bear Ankele (WBA) as a firm did not allow this. Ms. Harris explained there is division among various legal firms regarding this matter due to it being a gray area. Statute allows a quorum by phone specifically for debt issuance. WBA has chosen to take a

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conservative position which does not allow a quorum by phone for general meetings. She suggested one alternative that may be considered for an exception if an in person quorum is not available, but a phone quorum is, would be for any action that is agreed upon to then be ratified at the next meeting when an in person quorum is in attendance. The Board agreed to treat this matter as discussed expressing their position that this would at least allow some flexibility.

Financial Statements

Mr. Marchetti reviewed the preliminary March 2017 financial statements. He reported the residential assessment percentage is expected to decrease from 7.96% to 7.2% which will have an impact on the Districts assessed valuation and property taxes. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary March 2017 financial statements as presented.

2016 Audit

Mr. Marchetti presented the 2016 audit. No issues or concerns were noted. He stated the District will receive a “clean opinion”. Upon motion duly made and seconded, it was unanimously

RESOLVED to accept the 2016 Audit.

Accounts Payable

Upon motion duly made and seconded, it was unanimously

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

Resignation/Appointment Of Directors

Director Connell reported Mr. Graham Frank had resigned from the Board prior to today’s meeting. The Board had received a letter of interest from Mr. Steve Stroker who was in attendance. The Board appointed Mr. Stroker to fill the vacancy. The normal term of this seat would be through 2020. As required, the appointed seat will be up for election in May 2018 for the remaining two years of the term. Upon motion duly made and seconded, it was unanimously

RESOLVED to appoint Mr. Stroker to fill the vacancy, that has a normal term through 2020.

Mr. Stroker took his oath of office.

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Director Connell then offered his resignation which was accepted by the Board. A letter of interest had been received from Mr. James Benedict. The Board appointed Mr. Benedict to fill the vacancy through the normal term of May 2018. Upon motion duly made and seconded, it was unanimously

RESOLVED to appoint Mr. Benedict to fill the vacancy that has a normal term through 2018.

Mr. Benedict was not in attendance, the oath of office will be provided to him for his execution prior to his taking office.

Election of Officers Director McGregor was appointed acting chairman. The election of officers was tabled until the next meeting.

Other business Mr. Connell indicated a desire to remain involved in District business offering his historical knowledge. He requested authorization to continue working with VR, WBA and MWLLC as necessary. The Board welcomed Mr. Connell's involvement and authorized his continued relationship with District staff and professionals.

Future Meetings The Board discussed the meetings for 2017. The May 15th meeting was cancelled. A special meeting was scheduled for Thursday, June 15th at 4:00 p.m. in the same location.

Adjourn Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the May 1, 2017 Special Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/ Kathy Lewensten
Recording Secretary