
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts July 21, 2014

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, July 21, 2014, at 8:00 a.m., in the conference room at the Red Sky Ranch Sales Center, 0376 Red Sky Road, Wolcott, Eagle County, Colorado.

Attendance

The following Directors were present:

- William Simmons
- Karen Braden-Butz
- William Kennedy
- Michael Connell
- Frederick Hudoff

Also in attendance were:

- Bill Ankele, White, Bear and Ankele PC (via phone)
- Ken Marchetti, CPA Robertson & Marchetti, PC
- Kathy Lewensten, RMPC Recording Secretary
- Sam Sharp, DA Davidson (via phone)
- Peter Mason, RSR property owner
- Michael Miner, RSR Director of Golf Maintenance
- Don Odell, VR Operations
- Alex Iskenderian, HCMD Director
- Cody O'Kelly, HCMD Director

Call to Order

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 8:00 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; [Karen Braden-Butz](#) is the Project Accountant 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 [William Simmons](#) is Director of Village Operations for Vail Resorts Management Company, an indirect

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operating subsidiary of Vail Resorts, Inc., which both have significant business interests within the Districts.

Minutes

The Board reviewed the minutes of the June 16, 2014 Regular Meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the June 16, 2014 Regular Meeting as presented.

Public Input

No public input was offered.

Legal

Mr. Ankele reviewed the public records policy that had been included in the packet. He explained due to legislative changes WBA had updated the public records policy related to CORA requests. The policy presented meets current state statutes. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the Public Records Request Policy as presented.

Bond Refinancing

The Board began with a general discussion of the proposed bond and debt restructuring including background information for the benefit of Mr. Mason. Currently under discussion is new bond issue of approximately \$10 million.

Mr. Marchetti referred to the memo that had been included in the packet which presented the current restructuring proposal. If the District were to issue \$10 million it would refinance the \$6.4 million in RSR GO Bond debt and provide \$3.5 million towards repayment of the HC bond principal. The memo included a schedule of future anticipated payments to HC using surplus funds generated by the debt service mill levy up to the cap of 42 mills. When applied towards the remaining \$4.5 million HC principal it shows the surplus payments are expected to fully retire the HC debt in 2040.

It was pointed out per the IGA HCMD can compel RSR to impose a higher debt service mill levy if the RSR debt to assessed ratio is below 50%. There is currently no cap on the mill levy increase. It is anticipated the assessed valuation will increase in the next re-valuation year which would impact the 2016 budget. Mr. Marchetti provided a hand out showing the calculation based on the current assessed valuation to current debt. The calculation reflected a potential increase in the RSR mill levy of 33 mills to cover the excess of \$440,000 that would be available for additional debt. This increase would cause the overall mill levy to be 102 mills including the service mill levy. The State threshold for a mill levy is 100 mills. It was noted it would

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not be in the best interests of the Districts to exceed the state threshold. It is anticipated the assessed valuation will increase in the next re-valuation year.

As part of the proposed refinancing it is being recommended the IGA be amended or restated to limit the debt service mill levy to a maximum of 42 mills. The current debt service mill levy is 37 mills making any potential future debt service increase a maximum of 5 mills. The subordination of the remaining HC debt would also need to be included. The \$3.5 million payment towards the \$8 million HCMD debt provides a better argument for subordination of that debt.

As part of the discussion Mr. Marchetti pointed out two additional issues. In addition to the RSR & HC bond principal discussed above, there is a promissory note for roughly \$4 million that has accrued \$2.5 million in interest to date and water rights.

Mr. Iskenderian addressed the water rights matter. There are two options, the water lease could be extended or the water rights could be purchased. He noted the value of the necessary water rights had been determined earlier this year when the District had been approached by ERW concerning the Wolcott development. The value was determined to be \$1.1 million for adequate rights for the full build out of the District. It was reported ERW may still be interested in water operations within the District, without waiting for the Wolcott development. The ERW board will be discussing the matter at their meeting later this week. It would be preferable to turn over the water system and related costs to ERW as opposed to having them only operate the system. If the system were turned over to ERW sufficient water rights would need to be transferred to ERW at that time.

Mr. Mason agreed the market was attractive for restructuring of the debt. He stated he was interested in the long term stability and viability of the District based on a reasonable mill levy. He stated he would like to see the water rights included as part of the overall discussion. He expressed the opinion it would be preferable for RSRMD to own the rights as opposed to HCMD.

The Board generally agreed this restructuring proposal appears to go in the right direction. It directed the working group to continue moving forward. Mr. Iskenderian will present the matter to VR to obtain a proposal for the water rights and the approval for subordination of the HC debt as discussed.

Mr. Sharp left the meeting at 9:35 a.m.

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Financial Statements

Mr. Marchetti presented the preliminary June 2014 financial statements. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary June 2014 financial statement as presented.

Accounts Payable

There were no accounts payable invoices for consideration.

Meeting Schedule

The Board continued the meeting to Tuesday, August 5th at 3:30 p.m. in the same location. The next regular meeting is scheduled for August 18, 2014 at 8:00 a.m. in the same location.

Continuation

Upon motion duly made and seconded, it was unanimously

RESOLVED to continue the July 21, 2014 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors to Monday, August 5, 2014 at 3:30 p.m.

Respectfully submitted,
/s/ Kathy Lewensten

Kathy Lewensten
Recording Secretary