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# RECORD OF PROCEEDINGS

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## Minutes of the Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts September 1, 2016

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Thursday, September 1, 2016, at 10:00 a.m., in the front conference room at 137 Benchmark Road, Avon, Eagle County, Colorado.

### Attendance

#### The following Directors were present:

- Michael Connell
- Beth McGregor
- Graham Frank

#### The following Directors were absent and excused:

- Jim Malernee
- Frederick Hudoff

#### Also in attendance were:

- Bill Ankele, Esq White Bear Ankele Tanaka and Waldron
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Tim Baker, VR Sr. Director of Village Operations

### Call to Order

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 10:00 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 August 9, 2016 Special Meeting. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the minutes of the August 9, 2016 Special Meeting.

### Public Input

No public input was offered.

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### Old Business

Director Connell began discussion concerning outstanding matters including water rights, debt management and forgiveness of the HCMD promissory note stating the District had requested a response from VR by today as described in the August 9, 2016 minutes.

Mr. Baker noted he was attending the meeting as a representative of VR. He stated the District's request had been brought to VR's executive committee and that they were viewing these matters from a business perspective. He reported he had met with Director Connell prior to today's meeting to brief him on the initial response from VR. VR's position is that each component has value, determining what that value is will be a substantial part of negotiations. The executive committee stated VR would be better able to respond once sufficient consideration was given by the District. Mr. Baker stated the HC subordinate promissory note debt would not be forgiven. Director McGregor and Director Frank both stated it was in VR's, the District and the RSR property owner's interests to negotiate a win/win solution which settles these matters in a mutually beneficial way. It was agreed by both parties that litigation would not be a preferred option and would not be beneficial to either side. Mr. Ankele suggested a negotiating committee could be appointed to continue discussions and negotiations on the District's behalf. It was determined a committee of two District representatives and one RSR Property Owner's Association representative would be in the best interests of the constituents. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to appoint Directors Connell and McGregor to the negotiating committee authorizing the committee to enter into discussions and to negotiate on matters discussed above or any additional related matters on the District's behalf, and

**FURTHER RESOLVED** that at the discretion of the negotiating committee they may include a representative from RSRPOA on the committee.

Mr. Ankele began discussion on water rights matters, particularly what the shortfall is between the water rights under the current lease and the "adequate" water rights required for build out. Mr. Marchetti explained Mr. Williamson had done this calculation several years ago when ERWSD was reviewing a development in the Wolcott area and considered inclusion of RSR into ERWSD. Director Frank noted VR is confident it can provide sufficient water rights for build out.

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Director Connell stated he had requested several HC bond debt repayment options from Mr. Marchetti. Three options were provided in a hand out for discussion purposes. All three options reflect the 2001 HCMD bonds being repaid in 2033. Mr. Marchetti stated the residential assessment percentage is expected to drop in 2017 which will result in an anticipated decrease in the residential assessed valuation; this has been allowed for in the hand out. It was pointed out small bond issuances are not cost effective. If small bonds were not issued in subsequent years the District could save approximately \$700,000 in cost of issuance expense. Option two reflects a bond issuance in 2016, providing approximately \$1.7 million in net funds, then beginning in 2017 the District would set the debt service mill levy at 40 mills using the excess debt service funds for HC bond debt repayment. This option appears to be the best compromise as it meets the 50% debt to assessed value ratio requirement in the Master IGA for the 2017 budget and saves future cost of bond issuance in subsequent years. Mr. Ankele asked about the potential for payoff of the subordinate HC promissory note. The terms of the note were discussed. The maturity date is 2032, if the note matures without repayment the interest rate increases to 18%. The repayment of this debt had not been included in the hand out. It was agreed the goal of negotiations is to clarify the financial position of the District for the betterment of the community and to provide long term stability.

Mr. Marchetti pointed out if the District expects to issue bonds in 2016 the deadline for getting started is closing. The Board directed Mr. Marchetti to proceed with engaging the necessary bond professionals in anticipation of issuing bonds in 2016.

### **Financial Statements**

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

**RESOLVED** to approve the preliminary July 2016 financial statements as presented.

### **Accounts Payable**

There were no accounts payable.

### **Legal**

Mr. Ankele stated there were no other legal matters requiring action today.

### **Future Meetings**

The September 19<sup>th</sup> meeting was cancelled. The next regular meeting is scheduled for Monday, October 17, 2016 at 9:00 a.m. in the two elk conference room.

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**Adjourn**

Upon motion duly made and seconded, it was unanimously

**RESOLVED** to adjourn the September 1, 2016 Special Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,  
*/s/ Kathy Lewensten*  
Recording Secretary