
RECORD OF PROCEEDINGS

**Minutes of the Continuation Meeting
of the Board of Directors of the
Red Sky Ranch Metropolitan Districts
May 30, 2013**

The Continuation Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Thursday, May 30, 2013, at 8:30 a.m., at the offices of Robertson & Marchetti, PC, 28 Second Street, Suite 213, Edwards, Eagle County, Colorado.

Attendance

The following Directors were present:

- Michael Connell
- William Simmons
- Karen Braden-Butz
- Frederick Hudoff
- William Kennedy (via telephone)

Also in attendance were:

- Dan Cudahy, McMahan & Associates
- Bill Ankele, Esq. White, Bear and Ankele PC (via phone)
- Ken Marchetti, CPA Robertson & Marchetti, PC (via phone)
- Debbie Braucht, RMPC Recording Secretary
- Don Odell, VRDC Operations
- Kyle Griffith, HCMD Director
- Mike Gibbs, HCMD Director
- Sam Sharp, DA Davidson (via phone)

Call to Order

The Continuation Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 8:30 a.m. by Director Simmons noting a quorum was present.

**Potential
Conflicts**

Mr. Ankele stated conflicts were filed for the May 20th meeting and since today's meeting was a continuation of that meeting those conflicts were applicable and no new conflict disclosures were required.

2012 Audit

Mr. Cudahy presented the 2012 audited financial statements and offered a clean opinion. There were no issues with the audit, internal controls were good and they experienced no difficulties performing the audit. There were some formatting changes this year because of changes in governmental accounting law but there

RECORD OF PROCEEDINGS

Red Sky Ranch Metropolitan District May 30, 2013 Meeting Minutes

was nothing noteworthy. Director Hudoff asked if there any findings on 2011. Mr. Cudahy stated the trends are the same and he doesn't recall any adjustments. There is good segregation of duties. Director Hudoff asked who they interface with and Mr. Cudahy replied with Robertson & Marchetti, management and then Mr. Simmons. Mr. Marchetti stated with other clients an "audit committee" has been formed to meet with the auditors one-on-one for more in depth analysis. Director Hudoff stated he did not believe this was necessary. Director Hudoff asked Mr. Cudahy how they review the District's debt. Mr. Cudahy responded they review for compliance and administration in accordance with the loan documents and debt schedules. If there was anything specific they could perform a Special Procedures audit but otherwise they focus on the risk. Risk based audit focuses primarily on fraud or errors which also encompasses related parties such as the debt from Vail Associates. Mr. Marchetti stated the notes in the audit get into more detail of the debt obligations and the financial statements list the debt. After discussion and upon motion duly made and seconded it was unanimously

RESOLVED to accept the 2012 audited financial statements.

Mr. Cudahy left the meeting.

District Debt

Director Connell stated in his personal & professional life if he were not capable of assessing obligations then he would hire someone to do so. He asked if there is someone or some way to perform a comprehensive assessment of the District's obligations? He wants to know if anyone at Vail Associates is looking at the debt that would be able to say what can be done about it. The Board has meetings but no one from Vail Associates has attended to discuss the debt. He wants to know one way or the other if anything can be done about the debt. Mr. Marchetti stated he looks at the obligations within the bounds of the agreements but there is nothing in his opinion that says Vail Associates will continue to pay fees on the District's behalf once the agreement expires. Mr. Ankele stated it sounds like there is a lack of confidence regarding the debt so it may be useful to have a summary of obligations. Director Hudoff stated that would be useful. Mr. Marchetti stated a "Cheat Sheet" could do a better job of explaining the various obligations and terms of each which will in turn give the Board

RECORD OF PROCEEDINGS

Red Sky Ranch Metropolitan District May 30, 2013 Meeting Minutes

more confidence to fulfill their fiduciary responsibilities. Director Simmons stated they should take this one step further, Vail Associates can be asked to come in to discuss what they anticipate for the future. Discussing the potential bond issuance has brought to light what the homeowner's concerns are. Director Hudoff agreed and said this brings up the question of whether the District should consider issuing more debt than it currently has. Director Simmons stated he will try to arrange something for the June meeting.

Bond Refunding

Mr. Sharp stated from the last meeting it was clear the Board was looking at a 30 year fixed rate bond so he is moving forward on the refunding of the 2003 bonds. Also brought up at the meeting was clarification on the costs of issuance. Mr. Marchetti described the legal team which is used when bonds are issued. Bond counsel provides an opinion to the bond buyers stating the bonds are a valid tax exempt obligation of the District and when repaid the interest is tax exempt. Underwriters counsel protects the underwriter who sells the bonds on the District's behalf. Disclosure Counsel is required to ensure proper federal securities laws are adhered to and disclosures regarding the bonds are made. In the past Bond Counsel and Disclosure Counsel have been the same firm and charge one price. DA Davidson is now requesting a separate Disclosure Counsel which adds an additional cost to be paid by the District. Mike McGinnis, with Brownstein Hyatt quoted a fee of \$65,000 to act as Bond and Disclosure Counsel for the District. Mr. Sharp stated DA Davidson requests a separate opinion letter which can only be provided by separate counsel. Kutak Rock would provide this at a cost of \$20,000. There was discussion of how best to control the costs of issuance while getting quality representation. The Board agreed that legal counsels should be approached to consider a more favorable price. Upon motion duly made and seconded it was unanimously

RESOLVED to authorize up to \$75,000 for bond, disclosure and underwriter legal counsels related to the bond refunding cost of issuance.

Mike Gibbs joined the meeting.

There was discussion of Disclosure Counsel's process of review and reproducing everything the Board talked about today regarding the debt.

RECORD OF PROCEEDINGS

Red Sky Ranch Metropolitan District May 30, 2013 Meeting Minutes

Mr. Sharp left the meeting.

Assessed Valuation

Mr. Marchetti provided an analysis of the preliminary May 2013 property values in the District. He reduced the assessed value for purposes of the 2014 budget after his analysis showed the Assessor's office greatly increased the value of the golf course. In his opinion, the golf course will protest the value so a more conservative amount of \$11,865,000 should be used for preliminary 2014 budget discussions. There was discussion of the mill levies needed for debt service and the service obligations to Holland Creek. Mr. Marchetti can prepare an analysis of the impact on a typical taxpayer which will assist the Board in discussions regarding the 2014 budget. There was discussion of borrowing additional funds, the Letter of Credit expiration and the impact to the District if it was included in Eagle River Water and Sanitation District. The Board said the answers to two key questions are critical. 1) How will the District pay for water rights? 2) What happens when the VA Letter of Credit related to the Holland Creek variable rate bonds expires? The answers to these questions will play a role in the question of how much the District wants to issue in bonds. They would like a more in depth discussion at the June meeting.

Adjournment

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the May 30, 2013 Continuation Meeting of the Red Sky Ranch Metropolitan District.

Respectfully submitted,
/s/ Debbie Braucht

Debbie Braucht
Recording Secretary