
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts September 16, 2013

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, September 16, 2013, at 8:00 a.m., in the Red Sky Ranch Sales Center conference room, 0376 Red Sky Road, Wolcott, Eagle County, Colorado.

Attendance

The following Directors were present:

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

The following Director was absent and excused:

- William Kennedy

Also in attendance were:

- George Rowley, Esq White, Bear and Ankele PC (via phone)
- Ken Marchetti, CPA Robertson & Marchetti, PC
- Kathy Lewensten, RMPC Recording Secretary
- Mike Miner, RSR Director of Golf Maintenance
- Ramsey Romanin, RSR Caretaker
- Sam Sharp, DA Davidson (via phone)

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 Simmons 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 operating subsidiary of Vail

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Resorts, Inc., which both have significant business interests within the Districts.

Minutes

The Board reviewed the minutes of the August 5, 2013 Special Meeting and the August 20, 2013 Continued Meeting. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the August 5, 2013 Special Meeting and the August 20, 2013 Continued Meeting as presented.

Public Input

No public input was offered.

Legal

It was reported during the due diligence related to the bond refunding a concern had been raised regarding the parity of debt related to the District Facilities Construction and Service Agreement (Master IGA) between RSRMD and HCMD and the refunded bonds. With the debt on parity with the refunded bonds outside interest in purchasing the bonds will be limited at best. The preference would be for the Master IGA debt to be subordinate. Since Vail Resorts carries the credit enhancements on the HCMD bonds they have been included in discussions regarding HCMD potentially subordinating the debt.

The Master IGA allows HC to require RSR to issue additional debt subject to the guidelines and the debt to assessed ratio noted which would cause an increase in the mill levy above and beyond what would be necessary to pay the debt service on the refunded bonds alone. If requested such an increase could cause the mill levy to become excessively high. As of today, per the agreement, the current debt to assessed ratio is below the threshold therefore HC does not currently have the ability to require RSR to issue any additional debt or increase the mill levy at this time. The concern becomes if and when the debt to assessed ratio exceeds the threshold.

Directors Hudoff and Connell expressed frustration with this news stating they had been asking for clarification about existing debt for over a year. They pointed out the Districts had requested and paid for legal counsel's review of existing obligations, had requested that it be provided to VR for review and comment and it

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appears the Board still did not have good information prior to beginning the refunding process.

Mr. Iskenderian stated VR was contacted when this matter became apparent during due diligence. He explained VR carries the amounts related to the credit enhancement of the HCMD bonds on their books so VR needs to look at how subordination of the HC debt would affect it. He noted Mr. Ankele and Mr. Marchetti have provided some information to support the change but that more information was needed.

One option offered for consideration was amending the Master IGA in that it may not currently reflect the original intent of how and why RSR would be required to issue debt to pay down the HCMD bonds. It is hard to determine if the intent from so long ago. was accurately captured in the agreement. It may be prudent to amend the agreement to clarify any soft or gray areas. Determining the revisions and the effects of the revisions will need to be fully understood before any amendments can be drafted. Director Connell summarized the discussion noting it was clear that VR wants RSRMD to remain viable. Mr. Iskenderian agreed.

This matter has halted the bond refunding process for now. Mr. Sharp pointed out it was valuable to spend time now analyzing the agreement as to what the intent was and what makes sense. He noted the bonds are not callable until December 1 which allows some time to review the matter. Mr. Marchetti pointed out the bonds can be refunded anytime after December 1 as well.

Bond Refunding

As discussed above the bond refunding has been put on hold. Mr. Sharp explained the effect of waiting to refund the bonds noting interest rates continue to climb. The intent of the refunding was to keep the mill levy steady at 65 mills. If the refunding is not accomplished before the deadline for certification of the mill levy for the 2014 budget it is anticipated the mill levy will be higher. It was pointed out that since assessed valuations have dropped the amount of property taxes paid for an individual home will go down even with a mill levy increase.

Mr. Iskenderian asked if the intent of the refunding was only to ensure a constant mill levy noting the refunding would extend the debt out an additional 10 years. Directors Connell and Hudoff

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explained they had presented the pros and cons of the refunding to the POA and the majority felt having a constant mill levy was worth the additional time. Mr. Sharp agreed that with interest rates where they are the refunding would provide management of the mill levy. He noted interest rates would need to decrease in order for there to be any savings.

The matter was tabled to allow time for review of matters related to the amending of the Master IGA.

Financial Statements

Mr. Marchetti presented the preliminary August 2013 financial statements for the District. He pointed out the preliminary 2014 budget had been provided with a refunding option and a no refunding option. He noted the mill levy would need to increase to approximately 72 mills if the refunding was not done in 2013. He referred to the worksheet included in the packet which reflected the impact on property taxes for a residential property. It showed the amount of property tax owed would still slightly drop using 72 mills. There are some assessed valuation protests working their way through the process still, Mr. Marchetti expects to have a listing of the properties at the next meeting to see if they may have any further impact on the assessed valuation of the District. As the Board considers the 2014 budget in the coming meetings more information will be provided as available. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary August 2013 financial statement as presented.

Meeting Schedule

The next regular meeting is scheduled for Monday, October 21, 2013 at the same time. Beginning in October the meeting will relocate back to the two elk conference room at the VRDC offices in the Season's building in Avon.

Adjournment

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the September 16, 2013 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

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Respectfully submitted,
/s/ Kathy Lewensten

Kathy Lewensten
Recording Secretary