
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts October 17, 2016

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, October 17, 2016, at 9:00 a.m., in the two elk conference room at 137 Benchmark Road, Avon, Eagle County, Colorado.

Attendance

The following Directors were present:

- Michael Connell
- Beth McGregor
- Graham Frank
- Jim Malernee

The following Director was absent and excused:

- Frederick Hudoff

Also in attendance were:

- Bill Ankele, Esq White Bear Ankele Tanaka and Waldron (via phone)
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Tim Baker, HCMD Director
- Doug Lovell, HCMD Director
- Jerry Hensel, VR operations
- Mike Miner, RSR Director of Golf Operations
- John Volk, Water Quality Control Professionals LLC
- Sam Sharp, D.A. Davidson

Call to Order

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 9:00 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 September 1, 2016 Special Meeting. Upon motion duly made and seconded, it was unanimously

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RESOLVED to approve the minutes of the September 1, 2016 Special Meeting.

Public Input

Mr. Baker introduced Mr. Hensel to the Board. He explained Mr. Hensel, VR, will be overseeing operational matters such as roadway maintenance and street lights. He then introduced Mr. John Volk of Water Quality Control Professionals LLC stating he will be handling water and wastewater matters with assistance from Mr. Chris Burns, VR, and staff.

2016 Bond Issuance

Director Connell delayed discussion of the potential issuance of bonds until the arrival of Mr. Sam Sharp.

Old Business

Director Connell provided a brief update on outstanding matters including water rights, debt management and the HCMD promissory note and interest. At the June 27th board meeting the District had provided, through a resolution, their position on the above matters for consideration by VR and requested a response. At the September 1 meeting a negotiating committee had been appointed to continue discussions and negotiations related to the initial responses from VR.

Director Connell began a discussion on water rights. As stated under the current lease the District can purchase water rights based on the highest level of usage to date for approximately \$55,000. Director Connell stated that Vail Resorts intended to have the development built out by 2017, and if that were the case the total cost of water rights under the option to purchase in the current water lease would have been \$93,000 (\$55,000 plus \$38,000). One concern is the availability and cost of the adequate water rights necessary for build out. Mr. Baker explained VR has adequate water rights that will be made available through a new water lease until such time as it may become necessary to convey them to ERWSD if and when the District is included into ERWSD. He expressed optimism that this may happen in the near future. He stated it would be simpler to only convey the water rights once instead of into the District then a short time later into ERWSD. This would also save on legal fees related to the conveyance. Mr. Baker pointed out that after water rights are conveyed to the District there would still be a need for an agreement between the District and VR to cover the delivery costs. The delivery costs are anticipated to be similar to the current water lease costs. Director Connell expressed concern that the value/cost of the additional water rights will continue to escalate in the future making it more attractive for the District to obtain them now.

The Board continued discussion of the various negotiation matters in general terms. Director Connell stated the HCMD promissory note came about due to infrastructure

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costs that exceeded the original \$12 million HC bond and related LOC. He pointed out it is likely these costs would have been included in the original HC bond had they been known. If the costs had been included the District would not be incurring 6% interest expense on the HC note. Director Malernee shared the perspective of home owners who are expressing frustration. He explained when they purchased their lots/homes it was assumed infrastructure costs were part of the home/lot price, but they now find they are being asked to increase the amount of property taxes on their home/lot to cover the cost of debt for the infrastructure costs. Director Connell stated it is necessary for the Directors to be able to clearly explain the reasoning behind an increase in the property tax mill levy if a win/win solution to these matters is achieved. He noted the negotiating committee understands VR's response but as a next step the committee will need to meet with VR to continue negotiations to make further progress.

Legal

Annual Administrative Resolution: Mr. Ankele reviewed the 2017 Annual Administrative Matters Resolution. The meeting date will remain the third Monday of the month. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the 2017 Annual Administrative Matters Resolution.

Financial Statements

Mr. Marchetti reviewed the preliminary September 2016 financial statements which included the 2017 preliminary budget. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary September 2016 financial statements as presented.

2017 Budget

Mr. Marchetti referred to the 2017 budget which was presented as part of the September preliminary financial statements. The public hearing for the 2017 budget was opened. The Board tabled the 2017 budget discussion to the next meeting. The public hearing was continued to the next meeting.

2016 Audit

Mr. Marchetti referred to the 2016 Audit Engagement Letter from McMahan and Associates which had been included in the packet. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the 2016 Audit Engagement Letter with McMahan and Associates

Accounts Payable

Upon motion duly made and seconded, it was unanimously

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RESOLVED to approve the accounts payable listing as presented.

Executive Session Upon motion duly made and seconded, it was unanimously

RESOLVED to enter into executive session citing §24-6-402(4)(b) C.R.S. for the purpose of receiving legal advice and §24-6-402(4)(e) for determining positions subject to negotiations related to water rights and debt management; Furthermore, pursuant to Section 24-6-402(2(d.5)(II)(B), C.R.S., no record or electronic recording will be kept of those portions of the executive session that, in the opinion of the Board's attorney, constitute privileged attorney-client communication pursuant to Section 24-6-401(4)(b), C.R.S. The Board entered into executive session at 9:50 a.m. and adjourned the executive session at 10:15 a.m.

**2016 Bond
Issuance**

Mr. Sam Sharp discussed debt options with the Board for consideration. One option would be the issuance of General Obligation Bonds which require disclosure documents along with the cost of issuance. Another option would be to consider a direct placement bond or loan, which does not require disclosure documents and has a lower cost of issuance. Direct placements are for shorter terms such as a 20 year amortization or 20 years with a balloon payment due at the end of the term. The Board directed Mr. Sharp to work with Mr. Marchetti to provide two scenarios to the Board for consideration, one assuming a mill levy at 40 mills with \$600K transferred for pay down on HC debt from excess funds available and the second assuming issuance of a private placement bond/loan that is fully amortized over 20 years.

Future Meetings The next regular meeting is scheduled for Monday, November 21, 2016 at the same time and location.

Adjourn Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the October 17, 2016 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/ Kathy Lewensten
Recording Secretary