
RECORD OF PROCEEDINGS

Minutes of the Special Meeting of the Board of Directors of the Granby Ranch Metropolitan District April 8, 2016

The Special Meeting of the Board of Directors of the Granby Ranch Metropolitan District, Town of Granby, Grand County, Colorado, was held at the Ranch Hall at Granby Ranch, 998 Village Road, Town of Granby, Grand County, Colorado, in accordance with State law.

Attendance The following Directors were present and acting:

- Kyle Harris
- Lance Badger
- Julie Krueger
- Jay Gleason

Also in attendance were:

- Clint Waldron, Esq. White Bear Ankele Tanaka & Waldron
- Eric Weaver, Marchetti & Weaver LLC
- Jim Collins, Esq. Collins Cockrel & Cole PC
- Kathy Lewensten, Marchetti & Weaver LLC (via phone)
- Rusty Thompson, Granby Realty Holdings
- Mary Packer, Granby Realty Holdings
- Dale Floren, Property owner (via phone)
- Terry Walker, Property owner
- Natasha Wall, Property owner (via phone)
- Natascha O'Flaherty, Property owner (via Phone)
- Marise Cipriani, Granby Realty Holdings

Call to Order The Special Meeting of the Board of Directors of the Granby Ranch Metropolitan District was called to order by Director Harris at 1:00 p.m. noting a quorum was present.

**Disclosure of Potential
Conflicts of
Interest**

The Directors reviewed the agenda for the meeting, following which each Director confirmed the contents of any written disclosure previously made, stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Each director 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. Additionally, the Board determined that participation by the directors with potential conflicts of interest was necessary to obtain a quorum or otherwise enable lawful action to occur.

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Consideration of Agenda

No changes were made to the agenda.

Minutes

The Board reviewed the minutes of the meetings held on November 4, 2015 and November 24, 2015. The attendance on November 4th was revised to include Natascha O'Flaherty. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the November 4, 2015 Special Meeting Minutes as revised and the November 24, 2015 Special Meeting minutes as presented.

May 2016 Election Cancellation

It was reported the May 2016 Board election has been cancelled as there were no more candidates than seats available. Director Harris explained he had withdrawn his self nomination form after learning there was property owner interest. He noted it has been anticipated the Board would transition to non developer members and he thought it prudent to save the cost of an election. The three new Board members, Mr. Walker, Mr. Floren and Ms. Wall are able to take their oaths of office and begin their terms after May 3, 2016. Director Harris also expressed thanks to Director Gleason for his service on the Board.

Board Member Orientation

Mr. Waldron presented an overview of the organizational structure, service plan, and major agreements for the District. The District is part of a multiple district structure that constructs, operates, maintains and finances necessary improvements such as roads, water and sewer. The Headwaters Metro District (HWMD) is the service district and provides the construction, maintenance and operations for the improvements. The other districts provide the financing for the service district through property tax revenues generated on their respective assessed valuation. The "Master IGA" further describes the relationships and responsibilities. The number of Districts allows for phasing of the project. The administrative costs for the multiple districts such as accounting, legal, and audits are consolidated and paid through HWMD to benefit from economies of scale.

The District has issued two series of bonds, Series 2006 Limited Tax General Obligation Bonds and Series 2010 Subordinate Limited Tax Bonds to finance its responsibilities under the Master IGA. Through the issuance of these bonds the District has met its obligation for reimbursement of capital improvements but continues to have an

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obligation to fund operations and maintenance. During current discussions related to refinancing the 2006 Series Bonds it has been suggested that since the District no longer has capital responsibilities to HWMD it may be a good time to look at terminating the Master IGA to see if the District would be able to have a simpler operations agreement instead. Future capital improvements will be the responsibility of Granby Ranch MD Nos. 2 through 8 as development warrants. The developer continues to provide advances for capital improvements.

The District mill levy is capped at 50 mills (gallagherized). Prior to the downturn of the economy in 2008 the District was able to provide some property tax revenue to HWMD for services. The developer had also provided funding for services during this time. The economic downturn caused the assessed valuation to drop causing the property tax revenue to drop also. In recent years the property tax revenue generated has not been sufficient to cover the District debt service payments leaving services unfunded. After issuance of the 2010 Subordinate Bonds the developer stepped in to provide contributions to fund the shortfalls in operations costs, to date they have contributed approximately \$875,000 in operations costs. The developer has indicated that their operations contributions will end after 2016. A funding source will need to be found for operations moving forward. One option would be an operations fee, another would be to impose an operations mill levy. The service plan would need to be amended in order for the District to be able to impose an operations mill levy. Mr. Waldron explained the process involved to amend the service plan through the Town of Granby.

Bond Refunding: Mr. Weaver referred to the information included in the packet which provided an overview of the current flow of funds structure; a bond refinance option 1 and a bond refinance option 2. He described the details of current funding through the gallagherized mill levy property taxes and other sources. He explained the expenses that are covered through these funding sources, primarily debt service payments and treasurer fees. Prior to the economic downturn in 2008 the District was able to build a reserve in the bond surplus fund from collected capital facility fees. The District is now drawing down these surplus funds to cover the shortfall between the property tax revenue and the debt service payments. He explained the Board has been reviewing options for refunding of the 2006 bonds over the past few years. The 2006 bonds became callable December 1, 2015. The 2010 bonds are subordinate and are not being considered for refunding. One goal of a refunding would be to carve out a portion of the property taxes for operations expenses as discussed above.

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He presented bond refinance option 1. This option assumes the 2006 bonds are refunded and requires 45 of the 50 mills (gallagherized) to meet the debt service payments, which would leave 5 mills (gallagherized) for operations. Option 2 reflects 50 mills (gallagherized) with the property tax revenue first covering the debt service expenses and then the excess being used for operations. He pointed out that either scenario is only expected to generate roughly \$142,000 for operations compared to the average of \$210,000 the developer has been contributing annually leaving a shortfall for operations funding, additional road maintenance, and building of related reserves. Director Harris pointed out operational sustainability will be scrutinized as part of the due diligence for the refunding making this matter of some importance. As discussed above, the options for covering the shortfall in operations funding are the imposition of an operations fee, which may only be used for expenses related to services provided; an operations mill levy, which can be used for all operations costs, or a combination of both. There is a resolution in place allowing the operations fee. To impose an operations mill levy the District would need to request a service plan amendment as described earlier in the meeting. A concern expressed related to imposing a fee are the costs associated with billing and collections of the fee. An operations mill levy may be tax deductible to the tax payer and would be collected through the County.

After the presentations Director Harris asked the current and newly elected Board members for their input. There was a general consensus the District should continue to move ahead with the bond refunding planning. As part of that process it was agreed an operational mill levy would be worth further review. Mr. Waldron asked if he should start the groundwork with the Town of Granby attorney for a service plan amendment. Discussion followed as to an appropriate mill levy for operations. A request was made for a long term maintenance study to help determine the level of reserves that maybe necessary for the future along with anticipated maintenance costs. Mr. Weaver offered to provide estimated high level information for the next meeting based on costs from similar Districts. On a general scale it was estimated a mill levy between 10 to 20 mills would likely be needed. The Board directed Mr. Waldron to begin drafting documents for a service plan amendment for further discussion at the next meeting.

Mr. Waldron asked for direction related to the “Master IGA” and drafting of a new simpler operations agreement. He explained drafting of the refunding documents presents an opportunity to update these agreements as part of the issuance documents. The parity among the Districts will

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remain equal. The Board directed drafting the agreement as described for consideration at a future meeting.

Executive Session

The Board determined an executive session was not necessary.

Financial Statements

Mr. Weaver reviewed the December 2015 preliminary financial statements. Upon motion duly made and seconded, it was unanimously

RESOLVED to accept the preliminary December 2015 financial statements.

2015 Audit

Mr. Weaver presented the 2015 preliminary audit. He explained the draft included in the packet was substantially in final form. He noted the District will receive an unqualified or “clean” opinion. Upon motion duly made and seconded it was unanimously

RESOLVED to accept the 2015 audit of the Granby Ranch Metropolitan District, subject to final review.

Future Meetings

The Board scheduled a special meeting for Monday, May 16, 2016 at 9:00 a.m. in the same location.

Adjournment

Upon motion duly made and seconded it was unanimously

RESOLVED to adjourn the Special Meeting of the Granby Ranch Metropolitan District held on April 8, 2016.

Respectfully submitted,
/s/ Kathy Lewensten
Secretary for the Meeting