

**RED SKY RANCH ASSOCIATION
Board of Directors Meeting
October 11, 2021
via Videoconference**

A regular meeting of the Red Sky Ranch Association (“the Association”) Board of Directors was held on October 11, 2021, via videoconference. Board members in attendance were Marcella Barry, Bill Simon, and Scott Wylie. Also in attendance were Mike Trueblood, Association Manager; Dana Miller, Senior Financial Analyst; Ken Marchetti with Marchetti & Weaver; Greg Perkins, Legal Counsel for the Association; Gary Chartrand and Eric Kurzweil property owners; and Carol Floyd, Secretary for the Meeting. Scott Wylie called the meeting to order at 4:02p.m. Mike Trueblood confirmed proper meeting notice was provided and a majority of Board member were present to constitute a quorum.

Appointment of Board Member

The Red Sky Board has a vacancy resulting from Board Member Eric Kurzweil selling his property subsequent to the August 23, 2021 Board meeting. Mike Trueblood referenced Article 5.8 of the Association Bylaws stating “*Any vacancy occurring in the position of a Director shall be filled by appointment of a new Director by the remaining directors.*” Before the October 11 meeting, Eric closed on a new property in Red Sky and is thus eligible again to sit on the Red Sky Board. Eric indicated that he was willing to serve on the board if appointed.

Marcella Barry moved to appoint Eric Kurzweil to fill the Director vacancy on the Board for the remaining term ending December 31, 2021. Bill Simon seconded the motion and it was unanimously approved.

Appointment of Officers

Mike Trueblood explained, in accordance with Article 7.2 of the Association Bylaws, the Board may nominate an officer for the remainder of the term because of the resignation and vacancy.

Marcella Barry moved to nominate Eric Kurzweil as President of the Association for the remainder of the term ending December 31, 2021. Bill Simon seconded the motion and it was unanimously approved.

Approval of August 23, 2021 Board of Director Meeting Minutes

Scott Wylie moved to approve the August 23, 2021 Board of Director Meeting Minutes as presented. Marcella Barry seconded the motion and it was unanimously approved.

35 Acre Lot Addition

Greg Perkins briefly explained the Chartrands have a buyer interested in purchasing their 35-acre parcel at end of Arrow Lane which corner abuts to Lots 54 and 62. The buyer is interested in annexing into the Association. Ken Marchetti further explained there is interest in having water service on the 35-acre parcel located outside, but immediately adjacent to, the boundaries of Red Sky Ranch. There are four lots (51-54) with water service on Arrow Lane owned by the Chartrands with one residence constructed. They have requested the transfer of water service from one of those lots to the 35-acre parcel. The Red Sky Ranch Metro District (“RSMD”) Board has indicated this parcel would need to be included in the Holland Creek Metro District (“HCMD”) for water and sewer purposes as well as the Association, and would need to be subject to the same Covenants and Design Guidelines as all properties in Red Sky Ranch. Ken shared one example from the Design Guidelines whereby a property is allowed to put in 5,000 sq. ft. of irrigated turf area. Ken said water attorneys have advised, because water rights were decreed for within Red Sky Ranch boundaries and will involve a legal process through water court to reassign part of those water rights to this 35-acre parcel, the process is estimated to take 7 to 18 months including notice and the opportunity for objections. RSMD has received an agreement from Gary Chartrand and a deposit to cover the due diligence costs associated with the process. As management of RSMD and accounting and administration for HCMD, Ken (through the firm Marchetti and Weaver) will coordinate with Mike Trueblood on behalf of the Association to determine if there is consensus to move forward. Ken has submitted an inquiry to Greg Perkins regarding the process for bringing the 35-acre parcel into the Association. Ken said he believes this would not involve a PUD or zoning revision to the parcel. Mr. Chartrand added the buyers are locals who plan to build a single-family home and understand the requirements of the Association. Scott Wylie shared a map including the lot in question and access was discussed.

Eric Kurzweil moved to enter Executive Session for the purposes of discussing legal matters related to annexation with Association counsel. Scott Wylie seconded the motion and it was unanimously approved. The Board entered Executive Session at 4:35 p.m.

Eric Kurzweil moved to exit Executive Session at 5:09 p.m. Scott Wylie seconded the motion and it was unanimously approved.

The Board directed Mike to work with Greg Perkins and Scott Wylie to submit a list of questions to Mr. Chartrand outlining the RSRA Board priorities and concerns.

Design Review

Mike Trueblood gave an update on construction activity. 1971 Red Sky Ranch Road has received sketch plan approval. Final plans have been approved for 152 East Lakeside Trail and 53 Juniper Trail. There are currently five other remodels, landscape remodels or modifications to approved plans applications. On the October agenda, 270 Juniper Trail will present a sketch plan for review and 208 East Lakeside Trail will present their conceptual plan. Mike spoke about one vacancy on the Design Review Board ("DRB"). He explained the Declarant recommends the selection for the DRB member. There are currently three candidates that have expressed interest in a position. Steve Nusbaum and Ryan Wolffe are currently vetting the candidates and anticipate filling the vacancy soon.

Follow Up Items

Short-term Rental Discussion: Mike Trueblood noted this item was left on the agenda to revisit for the Board's consideration to take further action. After reviewing a template used by the Arrowhead at Vail Association ("AVA") that was included in the last Board package, Bill Simon shared his opinion that implementing such regulation would be solving a problem that does not currently exist. He agreed with holding tenants to the same standard as the homeowner. Eric Kurzweil spoke about a couple of prospective buyers who were considering purchasing property for short-term rental purposes. Mike clarified this policy could be adopted by the Board and would not require a vote of property owners. He further explained such a policy would define the rules and associated fines, process, and would specify the owner's responsibility. Mike talked about an available service to track compliance and collect fees. Enforcement could potentially be overseen by Public Safety and the Association. Ramsey Romanin said he or his Assistant Manager are around the community seven days per week and are aware when there is short-term rental activity. Eric Kurzweil asked Mike to resend the regulation example for the Board to review and to draft a simplified version for the Board's consideration.

Financials

Dana Miller presented the Balance Sheet as of August 31, 2021. The Association had \$1.3M in assets with \$931K invested in checking and Money Market accounts, and \$552K in CDs with First Western Trust, less DRB deposits held. Two CDs will mature in February 2022 and those remaining are staggered through 2023. \$32,000 in Accounts Receivable represents owners who have not paid their annual assessment. Dana noted two owners remain outstanding. Liabilities (deferred revenues make up the dues that are billed in advance and amortized monthly on the financial statements. Equity was \$1.2M including a surplus of \$477K. Scott Wylie asked if the billing process will be changed next year. Dana affirmed she will handle the billing process going forward and assured Scott it will be improved. On the Income Statement, there is \$697K in revenue which is favorable to budget by \$365K with the biggest driver being real estate transfer assessments ("RETA") that have been collected in the amount of \$433K on a budget of \$113K. Dana noted \$621K in RETA has been collected through September. DRB fees are favorable to budget by \$40K. Expense are \$4K favorable to budget. Legal and DRB expenses have exceeded budget. A surplus of \$587K is forecasted. \$17K has been spent on improvements. The year-end forecast for Improvements is in line with the \$33K budgeted amount.

2022 Proposed Budget

Dana Miller noted the budgeted amounts for 2022 are conservative. Annual assessments remain flat. RETA is budgeted at \$90K based on a five-year average from 2015 – 2019, excluding 2020 and 2021 which were extraordinary years. Mike Trueblood added it is prudent to use the lower five-year average when building the operating budget noting any variance could then be considered for capital improvements. The budget for revenue is \$419K. With regard to operating expense, \$24K for fence staining was moved from the 2021 operating budget to 2022. The increase in DRB expense is for one staff member position changing from part-time to full-time status as well as an increase in office rent. This budget shows a surplus of \$7,500 and Improvement and Replacement Reserve funding of \$11,430. Mike Trueblood proposed adding \$3,000 to update the Association's website and provide an electronic property owner directory option. Eric Kurzweil asked if this would be an operating or capital

expense. Mike explained, since the website currently exists, this would be an operating expense. Mike spoke about planned capital improvements for 2022 to include \$62K for gate software touchscreens, \$17K for camera system upgrades, and trail and landscape improvements bringing total improvements to \$87K. He stated, per Section 5.2 in the Gatehouse Agreement, the Board has 30 days to approve the proposed gatehouse budget. Scott Wylie asked for an explanation of the 6% increase from 2021. Mike answered it is primarily labor expense related to the increase in VR minimum wage to \$15 per hour.

Bill Simon moved to approve the Red Sky Ranch Association 2022 Budget as presented subject to confirmation of the management fee reconciliation. Eric Kurzweil seconded the motion and it was unanimously approved.

Eric Kurzweil moved to approve the 2022 Red Sky Ranch Gatehouse Budget. Marcella Barry seconded the motion and it was unanimously approved.

First Western Account Update

As discussed at the last meeting, Dana Miller explained the Investment Policy states all funds should be FDIC insured. She and Marcella Barry are working with First Western Trust to establish insured cash sweep accounts for funds currently not insured. Dana noted not all funds will be insured until the CDs mature at which time they will explore using the CDARS program where CDs are transferred to another institution to be insured.

Dana Miller reported a draft of the 2020 financial audit has been received noting nothing of material concern but that there is a balance at the end of 2020 that is over the FDIC limits. She added this is not noted as a recommendation.

Ranch Manager Update

Ramsey Romanin stated 55 remotes have been sold and 10 remain available at the Welcome Center. A new gate code will be announced this week and valid from November 1st through January 15th. Welcome Center operating hours are 7:00 a.m. to 7:00 p.m., Monday through Friday and 8:00 a.m. to 6:00 p.m. on weekends. The community is currently 50% occupied. Ramsey conducted orientations with the new owners at 91 Wildflower lane and 2215 Red Sky Road. Gate replacement at Lark Sparrow has been moved back to mid-November. The ATV dump trailer was received the last week of September and should be assembled by September 15th. The new ATV was purchased in late August and the current ATV will be sold. The blue book value is approximately \$1,000. Ramsey said the groundskeeper began mitigating dead trees along the trail last week. An audit of the HCMD street signs was completed and a bid to replace all sign posts was received from Top Notch Logworks Company. Jerry Hensel has approved the bid and the project started this week. Ramsey recommended removal of dead standing trees behind the 5th green on the Norman course. He further noted half of the stand of trees reside on Jouflas property and will not be removed. The bid for removal of trees on the Association's side of the fence is \$6,200. Mike Trueblood clarified this expense is not included in the 2021 budget and is proposed for this year. The Board was in support of proceeding with the tree removal as a safety measure. Ramsey announced a new Assistant Ranch Manager has been hired. His name is Marty O'Keefe. He has been in the valley for 20 years and employed with Vail Resorts since 2014 with guest facing and property management experience.

Holland Creek Metro District Update

Mike Trueblood informed the Board that HCMD has a Board meeting scheduled for October 18th to discuss renewal of the supplemental water agreement for one year and approval of the Vail Resorts Operating Agreement.

Other Business

Annual Meeting Date and Record Date:

Carol Floyd recommended November 15, 2021 for the record date to establish property owners' eligibility to vote in the annual election. She suggested December 20, 2021 or December 28, 2021 for holding the Association's Annual Member Meeting and confirmed it will be held virtually.

Eric Kurzweil moved to set a record date of November 15, 2021 and to hold the Red Sky Ranch Association Annual Members Meeting on Monday, December 20, 2021. Bill Simon seconded the motion and it was unanimously approved.

Real Estate Market Update:

Jack Affleck and Lissa Tyler, with Slifer Smith and Frampton Real Estate ("SSF"), joined the meeting to provide a market update. Jack reported the Eagle County stats trail the Denver market by six to nine months. Lissa spoke about the COVID related transition in the market with homeowners now staying longer and doing business from here. In 2019 there were \$1.37M in real estate sales in Red Sky Ranch, and there have been \$31.0M this year. The price per square foot has increased. Inventory is very low. Across all markets, land has been very hot. Lisa noted SSF has held a strong market share in the Red Sky Ranch development. Discussion took place regarding current demand. Eric Kurzweil asked how to keep brokers and buyers interested in Red Sky Ranch going forward. Lissa said that marketing is key. She suggested holding a broker event in the spring and offered to help in any way they can.

There being no further business, the meeting was adjourned at 6:02 p.m.

Respectfully submitted,

Carol Floyd
Secretary for the Meeting

DRAFT