

BUCKHORN VALLEY METROPOLITAN DISTRICT NO 2

Special Board Meeting Minutes

Meeting Date: Wednesday December 08, 2021

Meeting Time: 6:06pm to 8:34pm

Meeting Location: The meeting was held online at the following location:

<https://www.gotomeet.me/Wolfersberger>

I. Roll call (6:06pm)

A special meeting of the Board of Directors of the Buckhorn Valley Metropolitan District No. 2 (District) was called and held as shown above and in accordance with the statutes of the State of Colorado. The following Directors were in attendance:

Directors	Office	Attendance
Nickolas Viau	President	Present
David Fiore		Present
Brandon McGlamrey		Present
Kristine Rossier	Treasurer	Present
Eliana Walker	Secretary	Present (Arrived at 6:39pm)

Also, in attendance was Charles Wolfersberger (District Manager), with Wolfersberger, LLC; Paul Rufien (District's general counsel) with Paul Rufien, PC; David McConaughy (general counsel for Buckhorn Valley Metro District No 1) with Garfield Hecht; Sue Blair (District Manager Buckhorn Valley Metro District No 1) and Marcos Pacheco with Community Resource Services of Colorado, LLC; and the five directors for the Buckhorn Valley Metro District No 1 (District 1) board - Nicholas Richards, Maxine Hepfer, Anna Maria Ray, David Garton and John V. Hill. No homeowners attended the meeting.

II. Call to order

The meeting was called to order by Mr. Wolfersberger. Mr. Wolfersberger noted that a quorum of the Board was present, the Directors confirmed their qualification to serve and, therefore, called the special meeting of the Board of Directors of the District to order.

III. Present disclosures of potential conflicts of interest

The Board reviewed the agenda for the meeting, following which all directors disclosed no conflicts of interest with the business to be discussed and conducted at the meeting.

After reviewing the agenda, four of the five directors serving on the Buckhorn Valley Metro District No 1 board noted they have no conflicts of interest regarding the business listed on the agenda. Director Hill reported he has a conflict of interest regarding the business listed on the agenda and he filed a conflict-of-interest disclosure regarding this meeting with the Colorado Secretary of State.

IV. Approval of the meeting agenda

The Board reviewed the meeting agenda presented by the District Manager. The District 1 board requested the public budget hearings be moved to the top of the meeting agenda. Director Viau motioned to approve the agenda as amended. Director McGlamrey seconded the motion and the Board voted 4-0 to approve the agenda.

V. Public comments – none

VI. Financial matters – District 2

1. Review of the District's proposed 2022 budget: The Board noted the public hearing for the District's 2022 proposed budget was held on November 16th but none of the directors from District 1 attended that meeting. The purpose of today's hearing is to review the District's 2022 proposed budget with the District 1 board and to address any questions or comments from the District 1 board. Director Viau motioned to open the hearing at 6:15pm. Director McGlamrey seconded the motion and the Board voted 4-0 to approve the motion. The District Manager presented and reviewed the proposed 2022 budget. Highlights from the review included the following:

- Total property tax revenue for 2022 is budgeted at \$849,000 – an increase of \$83,700 (or 10.9%) over property taxes assessed on homeowners in 2021. Assessed valuations of homes within the District increased 10.9% for 2022 compared to 2021. Approximately 54% of the total increase in taxable property values was due to new construction. The remaining 46% of the valuation increase was related to increases in values of existing homes.
- Operating expenses are projected to be \$30,700 in 2022 compared to \$85,000 for 2021. The \$54,300 decrease in operating costs reflects the District board's decision to directly manage and control the costs related to operating the District starting in 2022. In 2021, the District directly paid \$2,500 in operating costs and transferred \$82,500 to District 1 and allowed District 1 to manage the costs of operating District 2.
- The District Manager noted that District 1 and its auditors notified the board this summer that cumulative cash transfers to District 1 (from District 2) through December 31, 2020 has exceeded costs to manage District 2 by \$211,964.
- The 2022 budget reflects no funds transferred to District 1 or to the District's debt fund
- The balance in the General Fund is projected to increase from \$0 at the end of 2021 to \$30,000 at the end of 2022.
- For the 2022 year, the District will classify 67% of all costs accumulated in the general and administrative cost category as indirect collection costs related to managing the District's debt fund. If the District does not provide any irrigation services to its residents in 2022, the District Manager indicated that the Board should consider increasing the

allocation to 100% because all costs incurred by the District would then be related solely to managing the District's debt.

- The District will continue the multi-year trend of not generating sufficient property tax revenue under the capped debt mill levy to fund the approximate \$1,295,000 in interest incurred in 2022 on the 2003, 2008 and 2010 bonds. Budgeted interest payments on the 2003 and 2010 bonds total \$705,200 (54% of total interest incurred) in 2022. No amount is budgeted in 2022 towards principal payments on any of the bonds.
- The 2022 budget reflects the District assuming the operation and maintenance of the public irrigation system located throughout District 2. The irrigation system is currently operated and maintained by District 1. Revenue from water service fees assessed on all lot owners is budgeted at \$370,300. Costs to operate and maintain the irrigation system is budgeted at \$161,000 for 2022. Contributions to the District's capital project fund in 2022 for the purpose of funding long-term repairs and replacements of the irrigation system is budgeted at \$179,300.

Director Walker arrived at the meeting at 6:39pm.

Director Fiore noted that he would like a water study to be conducted to determine whether adequate water resources exist to support current and future irrigation needs within the District's boundaries. Director Fiore noted there were water shortages affecting the amount of irrigation water available this summer and further noted that only approximately half of the District is built out (meaning the irrigation water demand will double upon full build out of the District).

Mr. McConaughy indicated that the District 1 board would file a complaint in district court against the District for breach of the 2003 First Amended and Restated District Facilities Construction and Service Agreement IGA if the Board approved the proposed 2022 budget as presented. Specifically, the District 1 board's position is the 2022 budget as presented breaches the IGA by not reflecting a transfer of all property tax revenue collected by the District under the general mill levy to District 1.

Director Fiore noted the 2022 proposed budget does not reflect a refinancing of the District's bonds. He believes refinancing of the District's bonds may be beneficial for both the District and the bondholders. However, he would first like a review to be performed regarding the use of the bond proceeds to better understand how the bond proceeds were used considering (1) only half of the District is developed – including public infrastructure – and (2) the tax revenue generated from the developed land within the District is insufficient to support the bonds that funded the construction of public infrastructure supporting the developed half of the District.

Director Viau motioned to close the public 2022 budget hearing at 6:51pm. Director McGlamrey seconded the motion and the Board voted 5-0 to approve the motion.

2. Consider resolution to adopt 2022 budget, appropriate funds, set mill levies: The District Manager presented the resolution to adopt the 2022 budget, set mill levies and appropriate

funds. The Board discussed whether it should only approve the proposed mill levies and consider adopting a 2022 budget subsequent to December 15th to reflect potential adjustments to the budget to address concerns raised by the District 1 board.

The District Manager noted that neither the directors for District 1 nor the directors for District 2 have noted objections to the proposed 2022 general mill levy and proposed debt mill levy for the District. The District Manager also noted that the District's 2022 mill levies must be ratified by the Board and submitted to the County Commissioners and Treasurer by December 15th. Finally, the District Manager noted that the Board can amend the 2022 budget at any time (subject to notice requirements) in the future to adjust budgeted expenditures and fund transfers but the Board cannot amend the budget in the future to change mill levies.

Ms. Blair pointed out that Colorado statutes require special districts to adopt a budget before they can certify a mill levy to the County.

Director Fiore motioned to approve the resolution as presented. Director Walker seconded the motion and the Board voted 5-0 to approve the motion.

Action Item #1: District Manager will file the 2022 board-approved budget with the State of Colorado and the mill levy certification with the County Treasurer.

Director Richards commented that the directors on the District 2 board should "stop the rhetoric" against the District 1 board if the District 2 board wants to cooperate with the District 1 board.

VII. Financial matters – District 1

1. Review of the District 1's proposed 2022 budget: Director Hill motioned to open the public hearing on District 1's 2022 proposed budget. Director Garton seconded the motion and the Board voted 5-0 to approve the motion. Ms. Blair presented and reviewed the proposed 2022 budget. Highlights from the review included the following:
 - Expected cash transfers from District 2 to fund District 1's General Fund are budgeted at \$90,668 for 2022.
 - The 2022 budget reflects District 1's water enterprise fund continuing to manage and provide irrigations services to all landowners within District 2. Total costs to manage the water enterprise fund in 2022 is budgeted at \$426,000 (which is \$85,700 or 25% higher than District 2's budget to manage the irrigation system in 2022)
 - The 2022 budget reflects District 1 continuing to operate the storage lot owned by District 2.
 - The 2022 budget reflects transferring \$20,000 from District 1's water enterprise fund to the District 1's General Fund to fund the general operations of District 1.

- No revenue or expenditures are budgeted for 2022 in the Abrams Creek Fund and the Fund will continue to remain at a negative balance of \$61,394.
- The year-end balance in the Capital Project Fund is projected to remain at \$0.

Director Fiore noted the costs reflected in District 1's proposed budget to operate the irrigation system are substantially higher than the costs reflected in District 2's proposed budget to operate the irrigation system.

The District Manager asked if District 1's proposed 2022 budget reflected the \$211,964 credit from District 2. Ms. Blair indicated she is still receiving accounting records from the prior management company for District 1 and she was unable to provide further insight into this credit at tonight's meeting.

Director Richards motioned to close the public 2022 budget hearing for District 1. Director Hill seconded the motion and the District 1 Board voted 5-0 to approve the motion.

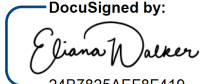
2. Consider resolution to adopt 2022 budget, appropriate funds, set mill levies: Director Hill motioned to defer to a subsequent board meeting consideration of adopting the proposed 2022 budget for District 1. Director Garton seconded the motion and the Board voted 5-0 to approve the motion.

VIII. Contractual Matters

Director Fiore motioned to defer to a later date discussion with the District 1 board regarding (1) 2003 First Amended & Restated District Facilities Construction & Service Agreement and (2) July 24, 2015 Resolution Regarding the Adoption of Certain District Fees and Charges and Rules and Regulations Pertaining to the Collection and Enforcement of Fees and Charges agenda items. Director Rossier seconded the motion and the Board voted 5-0 to approve the motion.

IX. Adjournment (6:34pm)

There being no further business to come before the Board, and upon motion duly made by Director Fiore, seconded by Director Rossier, and unanimously carried, the meeting was adjourned.

<p>DocuSigned by:  24B7825AEF8F419...</p>	<p>1/26/2022</p>
<p>Secretary</p>	<p>Date</p>