
RECORD OF PROCEEDINGS

**Minutes of the Regular Meeting
of the Board of Directors of
Bachelor Gulch Metropolitan District
September 23, 2020**

A Regular Meeting of the Board of Directors of Bachelor Gulch Metropolitan District, Eagle County, Colorado, was held Wednesday, September 23, 2020 at 2:00 pm. MST, via Zoom video.

Attendance The following Directors were present and acting:

- Paul Jardis (via video)
- Dale (Dutch) Stortz (via video)
- Constance Irons-Malernee (via video)
- Blair Hayes (via video)
- Russ Coburn (via video)

Also in attendance were:

- Casey Brunner, Property Owner (via video)
- Maureen Crofton, Public Safety (via video)
- Sean Sprague, Bachelor Gulch Metro, Ops Asst Manager (via video)
- Dave Berg, Bachelor Gulch Metro District, Manager (via video)
- Ken Marchetti, Marchetti & Weaver, LLC (via video)
- Debbie Braucht, Marchetti & Weaver, LLC, Secretary for the Meeting (via video)

Call to Order The Meeting of the Board of Directors of Bachelor Gulch Metropolitan District was called to order by Chairman Jardis, noting a quorum was present.

Minutes Upon review and by motion duly made and seconded it was unanimously

RESOLVED to approve the August 26, 2020 meeting minutes as amended.

Public Safety Report

There was a question on whether the vehicles going to Strawberry Park are being counted as they come in and are they being tracked.

Prater Sidewalk Project

Director Jardis stated in 2006 an agreement with Beaver Creek

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Metropolitan District (BCMD) was drafted for the maintenance of Prater and Village Roads. After negotiation the agreement divided up the responsibilities for each District and shared the easements and costs of maintenance. Per that agreement Bachelor Gulch Metro District is responsible for the surface of the roadway from the Prater round-a-bout to Highway 6. In 2019 while re-paving Prater Road it was decided to add curb and gutter for safety reasons and aesthetics. When the curb and gutter was added they saw there was an option to add a sidewalk. They theorized it was a good project for the people walking up and down Prater partaking in winter activities. When the District's Manager talked to the Beaver Creek Operations Manager he agreed it was a life safety issue and should have been done years ago. The idea was also discussed Jerry Hensel of Village Operations and the Beaver Creek Resort Company (BCRC). These conversations were after the budget process in 2019 year so after the last meeting Director Jardis contacted BCRC & BCMD again. They declined to participate. BCMD said there is a trail from the Little Bear lot to Beaver Creek so the project was not of any benefit to their constituents. The District needs to decide if they want to move forward with the four-hundred thousand dollar project (\$400,000) next year. There was discussion of whether this is the best use of District funds when it is of little to no benefit to the residents of Bachelor Gulch and without the participation of any other entities. Likely some of the people walking up and down Prater are from the Tarnes but you don't know for sure because most are carrying snowboards and skis. Likely BCRC is benefiting from the sales. After discussion, Director Irons-Malernee stated at this point it should be dropped due to no interest and lack of funds. The Board directed staff to remove the Prater Sidewalk project from the 2021 Preliminary Budget.

Tennis Center

Director Jardis stated in 1998-1999 Bachelor Gulch Metro District through Smith Creek Metro District built the tennis center. Because it was built with the District's public funds the District owns it. At that time Vail Resorts controlled both Metropolitan Districts and the Bachelor Gulch Village Association (BGVA). Because they were in control of all they set it up the way they wanted it which was BGVA would manage and operate the Tennis Center. In the past, Jerry Hensel with Village Operations would contact Bachelor Gulch Metro Operations anytime something needed to be fixed and the District's Operations would take care of it then bill BGVA. With the Tennis Center Lease Agreement last year that changed and BGVA took on the maintenance responsibility however; they are paying no attention to it.

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BGVA was in charge of the Pro Shop remodel, which was started then just stopped after it was torn apart. Out of frustration over the situation and the general neglect of the Tennis Center, Mr. Mossman a former District Board member, contacted Director Jardis. Prompted by Mr. Mossman's request, Director Jardis asked Mr. Berg and Mr. Sprague to put a together a list of the maintenance projects that need to be done at the Tennis Center. The total items on the list comes to one-hundred thousand dollars (\$100,000). Director Irons-Malernee has reviewed the list and approves of it. Director Jardis stated that is because the District did those projects. Director Irons-Malernee stated the Tennis Center is an asset to the community and the Ritz but right now it's more of a liability. Director Jardis added the Tennis Center cost the taxpayers a million dollars so it needs to be maintained and it is not up to par for this community. Per the Tennis Center Lease Agreement, the District has the ability, that if BGVA is not maintaining to standards, to contract out those services or repairs and BGVA must pay within 15 days. If the District went that route it would need to follow the process outlined in the agreement by first notifying BGVA's attorney. He asked Mr. Trueblood if he really wanted to go that route. Director Hayes asked what is the feedback he is getting from Mr. Trueblood and has there been any from the Ritz? Director Hayes stated he would prefer not to just notify them through attorneys but go to them with a proposal. Director Jardis stated Mr. Trueblood said if the District wanted to go ahead and do the repairs BGVA would pay for it but that is not the District's responsibility it's BGVA's responsibility. In Director Jardis' opinion, the responsible parties have too much to do already and not enough time. Mr. Mossman and a group of others have come up with a plan to complete the Pro Shop project and because any work at the Tennis Center must be approved by the District first, which did not happen, he would like to propose approving the Pro Shop remodel project subject to review and approval by Director Irons-Malernee and Mr. Mossman. Additionally, he will follow up with Mr. Trueblood on the maintenance and repair list. If he gets no response then they will have no choice than to have the District's attorney send a letter to BGVA's attorney per the Tennis Center Lease Agreement. Director Coburn asked if anything can be done now or does it have to wait until next spring? He added the Tennis Center is an embarrassment to the Ritz and the people of the District and something needs to be done. There was discussion of the Bachelor Gulch Resident's Association, tennis center committee's involvement, responsibility and lack of action on these matters. Upon motion Duly made and seconded it was unanimously

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RESOLVED to approve the Tennis Center Pro Shop remodel project subject to review and approval of the plans by Director Irons-Malernee and Mr. Mossman.

Ski School Lockers and Public Restroom Lease

Director Jardis stated the tunnel was constructed to transport people from the gondola to the village core. The gondola was never constructed and as part of the turnover of the tunnel from Smith Creek Metro District a lease agreement with Vail Resorts was put in place for the public restroom and ski school lockers. The lease has expired and a one-year lease was drawn up that will now expire in October. During the term of the old lease the District paid all costs for utilities, insurance and repairs and maintenance then billed Beaver Creek Mountain Operations. Vail Resorts has recently changed to a purchase order system that has made that billing time consuming and cumbersome for the District. Director Jardis will propose the new lease be the same as the Gatehouse and the Tennis Center and the lessee pays all costs directly.

Operations Report

Mr. Berg reviewed the Operations Report that was included in the meeting packet.

Director Jardis asked why there are two seasonal employees and not just one full-time year-round employee? Mr. Sprague stated it would be difficult to find one employee with the skill level and experience the two individuals have. One has extensive woodworking abilities and is a crane operator while the winter employee has eleven years of experience with the District and no accidents. Director Stortz asked if one quit would they consider hiring one person to replace them both and has the winter employee been offered a full-time position. Mr. Berg state he has but he has his own trucking business in the summer so is not interested.

Mr. Brunner left the meeting.

Equity Share Program

Director Jardis stated he had done some research into a down payment assistance program but there appeared to be no interest so the topic was dropped. Recently however Mr. Berg was contacted by an employee who was looking to purchase a house. Director Jardis updated the previous proposed program to provide for an interest free loan to assist with a down payment to full-time year-round employees. The District

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would get a pro-rata share of the appreciation but the loan is secondary to the first mortgage so there is some risk. Director Hayes asked if this is considered a recruiting tool or a retention tool and how do we assess the value as opposed to the risk. He stated there is little recourse if the employee is terminated or if there is a loss in value of the property. Director Jardis stated foreclosure is optional recourse but the loss of value is a risk. Director Stortz stated this issue was brought up initially as a recruiting tool but it will work as a retention tool also by keeping and attracting employees. The Directors discussed the loan to value calculation. Director Hayes offered that maybe it should only be offered to employees with greater than five-years employment but he would be good with a six-month employment requirement because you'll know if they are going to stay in that time. Upon discussion and by motion duly made and seconded it was

RESOLVED to approve the Equity Share Mortgage Program with discussed changes with a vote of four in favor and one abstaining.

Audit Engagement Letter

Upon review and by motion duly made and seconded it was unanimously

RESOLVED to approve the 2020 Audit Engagement Letter with Chadwick Steinkirchner Davis and Associates LLP.

Financial Statements & Prelim 2021 Budget

Director Jardis stated today has been published as the public hearing on the 2021 budget and opened the public hearing to public comment. As directed earlier in the meeting four-hundred thousand dollars will be taken out of the 2021 preliminary budget for the Prater Road sidewalk. There are some unknowns for 2021 because of COVID 19 but the Board will have a better idea on sales tax revenues before the October 28th adoption of the budget. Director Hayes wanted to comment on the big picture if you take COVID 19 off the table. He stated that the Consumer Price Index (CPI) in Colorado from 2012 through 2019 was approximately 19%. During that period the District's sales tax collections were up 175%, property tax revenue was down 30%, resulting in a total revenue increase of 33%. Total expenditures net of debt service have increased 187% (heavily skewed by repair and maintenance expense timing). We currently have a fund balance of over 4.7 Million dollars, a future road and equipment replacement reserve of 3.4 Million dollars and an operating reserve of 1 million

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dollars. Within five years, based on the District's current budget, the projected fund balance would be 11 million dollars, in his opinion. Director Hayes stated his overall point in communicating these numbers is that post the effect of the virus on revenues, the District will be in incredibly good shape so when do we discuss reducing the sales tax and or rebates in taxes as well as getting our revenues and expenditures more in line with inflation. Director Jardis stated the sale tax was implemented to pay for operations and reduce the property tax burden. The sales tax now equates to about 20 mills of property tax but when the Supreme Court handed down the Wayfair decision it greatly affected sales tax collections. Director Irons-Malernee stated as the community gets older it does need more attention and more attention costs more money. Director Hayes stated he would assume those were the best decisions at the time but there remains low hanging fruit that could be trimmed and can be trimmed in the future. In his opinion, a reduction in sales tax would makes short-term rentals in the District more competitive as an example of the impact of our current rate. In his opinion, the amount of sales tax makes short-term rentals in the District less competitive compared to the competition therefore he would like to look more at the budget. Director Jardis stated they would be interested in and encourage any look at the budget that would save money and maintain quality. Director Stortz stated this is Director Hayes opinion but being new to the budget process it would be best if he came up with some specific solutions so the Board can continue to evaluate.

Accounts Payable

After discussion and by motion duly made and seconded it was unanimously

RESOLVED to approve and ratify the accounts payable list as presented.

Adjournment

There being no further business to come before the Board, upon motion duly made and seconded it was unanimously

RESOLVED to adjourn the meeting of the Bachelor Gulch Metropolitan District Board of Directors held September 23, 2020

Respectfully Submitted,

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Debbi Beaudry

Secretary to the Meeting