

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
TALLYN'S REACH AUTHORITY
HELD
NOVEMBER 15, 2022

A regular meeting of the Board of Directors of the Tallyn's Reach Authority, (referred to hereafter as the "Board") was convened on Tuesday, November 15, 2022, at 6:00 p.m. This regular meeting was held at the Tallyn's Reach Clubhouse, 24900 E. Park Crescent Drive, Aurora, Colorado 80016 and via Microsoft Teams. The meeting was open to the public.

ATTENDANCE

Directors in Attendance for the Authority:

David Patterson, President
BJ Pell, Vice-President/Assistant Secretary, attending in person
Harry Yosten, Treasurer, attending in person
Mike Dell'Orfano, Assistant Secretary, attending in person
Brian Crandall, Assistant Secretary

Also in Attendance Were:

Blair Dickhoner, Esq.; White Bear Ankele Tanaka & Waldron ("WBA")
Celeste Terrell, Nic Carlson, and Terri Boroviak; CliftonLarsonAllen LLP ("CLA")
Bill Barcus; Resident and Board Member of Tallyn's Reach MD 2
Julie Huygen; Resident and Board Member of Tallyn's Reach MD 3
Taylor Goertz; IMEG Corp.
Isabell Rodau and Kimberly Armitage; YMCA
Revekka Balancier and Angela Cassias; Axiom of Purpose

Public in Attendance Were:

Cindy F., Doug Rodgers, Kelly Smith, Lisa Kveitok, Scott Steckler, Amber Golden, Collin Westerfield, Jim Velasco, Susan Marenva, Wendy Hahn, and Renee Lewis.

ADMINISTRATIVE MATTERS

Call to Order: The meeting was called to order at 6:12 p.m.

Agenda: Following review and discussion, upon a motion duly made by Director Yosten, seconded by Director Crandall and, upon vote, unanimously carried, the Board approved the Agenda, as amended, to move Axiom and IMEG to Items 5.C. and D. on the Agenda.

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Disclosures of Potential Conflicts of Interest: Attorney Dickhoner advised the Board that, pursuant to Colorado law, certain disclosures might be required prior to taking official action at the meeting. Attorney Dickhoner reported that disclosures for those directors that provided WBA with notice of potential or existing conflicts of interest were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Attorney Dickhoner inquired into whether members of the Board had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. The participation of the members present was necessary to obtain quorum or to otherwise enable the Board to act.

Quorum: A quorum was confirmed for the meeting.

EXECUTIVE SESSION

Executive Session of the Board of Directors for the Purpose of Receiving Legal Advice Pursuant to Section 24-6-402(4)(b), Colorado Revised Statutes as it Relates to a Letter Received from TREA SH Tallyn's Reach, LLC (Sanctuary) on October 28, 2022 Regarding the Operations Fee: Pursuant to Sections 24-6-402(4)(b), C.R.S., upon motion duly made by Director Yosten, seconded by Director Crandall and, upon vote, unanimously carried, the Board convened in Executive Session at 6:17 p.m. for the purpose of receiving legal advice related to a letter received from TREA SH Tallyn's Reach, LLC (Sanctuary) on October 28, 2022 regarding the Operations Fee.

The Board reconvened in public session at 6:41 p.m.

PUBLIC COMMENT

Amber Golden – shared concerns regarding proposed oil and gas lease and asked the Board to consider declining.

Collin Westerfield – Expressed concerns regarding proposed oil and gas lease and proposed allowing the oil and gas lease to be put to a community vote.

Jim Velasco – Expressed concern regarding oil and gas lease and proposed the Authority conduct a community survey to gauge support.

Susan Marenya – Expressed concern regarding oil and gas lease and asked the Board to consider declining the lease and proposed conducting a survey.

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Wendy Hahn – Expressed concern regarding oil and gas lease and implored Board to consider declining the lease.

Renee Lewis – Shared her experience living near other fracking sites and expressed concerns regarding the oil and gas lease. Ms. Lewis asked the Board to consider declining the lease.

CONSENT AGENDA

Ms. Terrell reviewed the Consent Agenda with the Board and noted that any item may be removed from the Consent Agenda to the regular Agenda upon the request of any Director. Upon a motion duly made by Director Yosten, seconded by Director Crandall and, upon vote, unanimously carried, the following items on the Consent Agenda were approved, ratified and/or adopted, as appropriate.

- A. Approval of Minutes of the Regular Meeting on September 20, 2022.
- B. Ratify approval of Independent Contractor Agreement with Brightview Landscape Services, Inc. for native test site seeding and cottonwood pruning in the amount of \$23,545.93.
- C. Ratify approval of Independent Contractor Agreement with Brightview Landscape Services, Inc. for 2022-2023 snow removal services.
- D. Ratify approval of Independent Contractor Agreement with SavATree, LLC for 2022 holiday décor.
- E. Adoption of Resolution No. 2022-11-01, Annual Administrative Matters for 2023.

LOCAL CRIME REPORT

Aurora District 3 Police Department: Officer Ludkin presented crime statistics noting that crime is low in Tallyn's Reach compared to surrounding communities. No murders or sex assaults reported in last two years, 8 aggravated assaults were noted in the past year, no robberies were noted, 6 burglaries this year, 8 motor vehicle thefts were noted this year. Crime in District 3 was notably higher in all accounts.

Status of Security Services: Director Dell'Orfano updated the Board noting that himself and Director Crandall propose tabling Flock cameras for the time being. Directors Dell'Orfano and Crandall, along with Mr. Carlson will continue to look at proposals for security services. Following discussion, the Board directed CLA staff and Directors Dell'Orfano and Crandall to continue looking into options and report back in 2023.

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Consolidated Election and Next Steps: Ms. Balancier and Ms. Casias of Axiom of Purpose reviewed the summary of ballot measures with the Board and reflections for future projects.

IMEG Update: Mr. Goetz updated the Board on the following items:

- Evaluation of and recommendations for 2023 street improvements. The Board directed Mr. Taylor to return at the next meeting in the Spring with a proposal for their recommended balance approach.
- Buchanan Court project is on hold while IMEG works on drainage calculations. IMEG plans to submit next application in the coming weeks.
- Retaining wall project is on hold while IMEG works through grading details with the City of Aurora.

LEGAL MATTERS

Oil and Gas Lease with Axis Exploration LLC (“Axis”): The Board received a report from special counsel on the lease offer for TR's mineral interests received in July 2022. At that point in time the Board was not aware it owned any mineral interests in its common grounds but has now discovered it owns over 70 surface acres with 40 mineral acres containing oil and gas deposits over a mile and a half below the surface. The Board had retained special counsel to advise it on mineral interest ownership and to negotiate terms of a potential lease.

Special counsel advised that the permitting of oil and gas drilling in Colorado lies exclusively with the Colorado Oil and Gas Commission. Signing a lease is not determinative of whether drilling can occur. Colorado has a pooling law which allows drilling to occur even if not all owners of mineral interests have signed leases. In effect, signing a lease is only a choice as to how to get paid: by the terms of the lease or by the terms of the pooling laws if and only if COOGC approves drilling.

More information is needed by the Board before an informed opinion can be made on the proper way to proceed for the mineral interests which are owned by the Authority. At the September Board meeting the Board had already arranged to host a meeting where mineral interest owners and other residents of Tallyn's Reach could receive information from the Oil and Gas developer if the COOGC approves drilling. All residents are encouraged to bring any concerns to COOGC.

The Board entered into an extended discussion. Upon a motion duly made by Director Crandall, seconded by Director Pell and, upon vote,

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unanimously carried, the Board directed staff to investigate data on acreage owned by the Authority, the total acreage of the proposed drilling and spacing unit, additional information on lessor/lessee liability issues, and to coordinate a special meeting to be held once information is available.

If COOGC approves drilling, the Board discussed posting any oil and gas revenues to be received, whether by terms of a lease or by terms of the pooling laws, 90% to the Capital Account and 10% to the General Account.

Agreement with Cherry Creek School District (“CCSD”): Attorney Dickhoner noted that there is nothing to report at this time as CCSD has not responded as of yet.

Consolidated Election and Next Steps: This matter was discussed earlier in the meeting.

Third Amendment to Amended and Restated Resolution No. 2022-11-02 Concerning the Imposition of Authority Fees: The Authority fees were discussed in depth during the 2023 Budget discussion and approved as described in that portion of these Minutes.

FINANCIAL MATTERS

Claims: Ms. Terrell provided an overview of the claims. Following review and discussion, upon a motion duly made by Director Yosten, seconded by Director Dell’Orfano and, upon vote, unanimously carried, the Board approved the claims as presented.

Unaudited Financial Statements and Schedule of Cash Position: Ms. Boroviak reviewed the unaudited financial statements as of September 30, 2022 and the schedule of cash position updated as of October 27, 2022. Following review and discussion, upon a motion duly made by Director Yosten, seconded by Director Dell’Orfano and, upon vote, unanimously carried, the Board approved the unaudited financial statements as of September 30, 2022 and the schedule of cash position updated as of October 27, 2022, as presented.

Public Hearing on Amendment to 2022 Budget: It was noted that no amendment was needed on the 2022 Budget.

Public Hearing on 2023 Budget and Resolution No. 2022-11-03 to Adopt the 2023 Budget: The public hearing to consider the proposed 2022 Budget was opened at 9:12 p.m.

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It was noted that Notice stating that the Board would consider adoption of the 2023 Budget and the date, time and place of the public hearing was published pursuant to statute. No written objections were received prior to the public hearing.

No public comments were received, and the public hearing was closed at 9:12 p.m.

Ms. Boroviak presented the 2023 Budget to the Board.

The proposed 2023 budget was discussed. The budget has two funds. The Capital Fund which is used to pay for long term expenses arising from the ownership of assets including the clubhouse, the pool, the tennis courts and playground, 25 private streets, 12 retention and detention ponds with a dam and flood control infrastructure, over 100 acres of native grasses and over 40 acres of irrigated turf and shrub beds. The Capital Fund also is used to pay for long term updates to the irrigation system including 32 smart controllers. The General Fund is used to pay for ordinary maintenance expenses for all Authority assets. The Authority receives funding for the two Funds in two ways, an annual tax revenue transfer to the Authority from District No. 2 and District No. 3 in the amount of \$250,000 apiece, and quarterly fees assessed to all residences.

The budget as presented proposed a new category of fees, dedicated to the Capital Fund with an initial \$15 per quarter for 1854 homes and around \$13.50 for 510 apartments. The proposed budget included no 2023 General Fund fee increase. The board deferred creating the new category at this time. The Board discussed a methodology for assessing fees to the 510 apartments. Apartment residents enjoy almost all of the community amenities which single-family home residents (owners and renters) enjoy, except the apartment residents do not have access to the community pool. The Board elected to assess the apartment residents a discount rate from single-family home rates, due to the lack of access to the community pool. The discounted rate should be established by a reduction reflecting the percentage of the overall budget that is devoted to community pool expenses.

The 2023 proposed budgeted expenses were discussed in detail. Many costs are rising due to inflation and increased desirable services. Inflation adjustments alone are in a range of 4% to 10%. New services in 2023 include more pool guards, and an increase in converting non-functional bluegrass turf to native grasses. The Board reduced

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proposed budgeted Capital Fund items by \$300,000 and reduced proposed budgeted General Fund items by \$137,000. Total reductions in spending equaled about 12% of the original proposed 2023 budget. Both Funds reduced some pool expenses. The Board also reduced the General Fund transfer to the Capital Fund from \$500,000 in 2022 to \$300,000 in 2023. Further discussions on Capital Fund needs, and how to create additional income to address Capital needs, will occur in 2023 after the current Reserve Study can be updated. An owner opinion survey is expected to be circulated in 2023 with Capital Reserves (the Capital Fund) as a topic of inquiry.

Following review and discussion, upon a motion duly made by Director Crandall, seconded by Director Dell'Orfano and, upon vote of 4 to 1 with Director Patterson voting nay, the Board approved to raise General Fund fees by \$15 per quarter to \$235 per quarter per single-family home, and for apartment units by the discount percentage established by the community pool budgeted expenses calculation. When the budget reductions as discussed are implemented, the apartment unit fees are expected to be \$213 per quarter. This would be an approximate discount of 9.3% from single-family home fees.

Following further discussion, upon a motion duly made by Director Crandall, seconded by Director Pell and, upon vote, unanimously carried, the Board approved the 2023 Budget, subject to revisions of cuts as discussed, and adopted Resolution No. 2022-11-03.

Engagement Letter with Wipfli LLP to Prepare the 2022 Audit:

Following review, upon a motion duly made by Director Crandall, seconded by Director Pell and, upon vote, unanimously carried, the Board approved the engagement letter with Wipfli LLP to prepare the 2022 Audit for an amount of \$5,400.

Preparation of 2024 Budget: Following discussion, the Board appointed the District Accountant to prepare the 2024 Budget.

MANAGER MATTERS **Pool Updates:** Ms. Rodau provided updates to the Board.

YMCA Budget/Staffing for 2023 – Following discussion, upon a motion duly made by Director Crandall, seconded by Director Pell and, upon vote, unanimously carried, the Board approved the hiring of 5 lifeguards for the 2023 season.

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IMEG Update: This matter was discussed earlier in the meeting.

Independent Contractor Agreement with IMEG Corp. for Storm Pond Assessment: Following discussion, upon a motion duly made by Director Pell, seconded by Director Crandall and, upon vote, unanimously carried, the Board approved the Independent Contractor Agreement with IMEG Corp. for storm pond assessment.

Open Space Management Proposal for Weed and Native Plant Management Program 2023 with Ark Ecological Services, LLC: Following discussion, upon a motion duly made by Director Pell, seconded by Director Crandall and, upon vote, unanimously carried, the Board approved the Open Space Management Proposal for Weed and Native Plant Program 2023 with Ark Ecological Services, LLC, but reduced the cost to \$100,000.

2023 Insurance Renewal and Documents Needed to Obtain or Maintain Insurance Coverage Through the Colorado Special Districts Property and Liability Pool or TCW Risk Management and Authorize Membership in the Special District Association: Following review, upon a motion duly made by Director Pell, seconded by Director Crandall and, upon vote, unanimously carried, the Boards approved of the 2023 insurance renewal and the documents needed to obtain or maintain insurance coverage through the Colorado Special Districts Property and Liability Pool or TCW Risk Management and authorized membership in the Special District Association.

Proposal for 2023 Irrigation Management with ET Irrigation Management Specialist LLC: Following review, upon a motion duly made by Director Dell'Orfano, seconded by Director Crandall and, upon vote, unanimously carried, the Board approved the proposal for 2023 Irrigation Management with ET Irrigation Management Specialist LLC.

Non-Resident Clubhouse Rentals: Following discussion, upon a motion duly made by Director Pell, seconded by Director Crandall and, upon vote, unanimously carried, the Board approved to set non-residential rates at \$140 per hour with a 3-hour minimum for clubhouse rental, and directed YMCA staff to coordinate resident reservation system.

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Statements of Work with CliftonLarsonAllen LLP for 2023 Accounting and Management Services: Mr. Carlson reviewed with the Board. Following review and discussion, upon a motion duly made by Director Pell, seconded by Director Dell'Orfano and, upon vote, unanimously carried, the Board approved the Statements of Work with CliftonLarsonAllen LLP for 2023 accounting and management services.

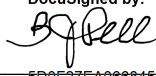
OTHER MATTERS

Authority – Quorum for Next Regular Board Meeting on March 21, 2023 at 6:00 p.m.: The Board confirmed an anticipated quorum and reported that the meeting will be held in person and virtually.

ADJOURNMENT

There being no further business to come before the Board, the Board adjourned the meeting at 11:10 p.m.

The foregoing constitutes a true and correct copy of the minutes of the above-referenced meeting.

DocuSigned by:


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Secretary for the Meeting – Tallyn's Reach Authority