Keystone Town Council
Work Session Agenda

The Keystone Town Council will have a Work Session on November 11, 2025, at 4:00 p.m. at 1628 Sts. John Rd, Keystone, CO 80435.

The Town of Keystone conducts hybrid meetings. This meeting will be held in person at Keystone Town Hall and will also be broadcast live over Teams. Join the live broadcast available by computer here. If you will need special assistance in order to attend any of the Town's public meetings, please notify the Town Clerk's Office at (970) 450-3500x1 via phone, or clerk@keystoneco.gov via e-mail, at least 72 hours in advance of the meeting.

I. **CALL TO ORDER, ROLL CALL**

II. **PUBLIC COMMENT PERIOD**

III. **DISCUSSION OF BUILDING PURCHASE**

IV. **DISCUSSION OF POLICE BUDGET**

V. **DISCUSSION OF NICOTINE FUNDS**

VI. **DISCUSSION OF GRAYWATER LEGISLATION**

VII. **DISCUSSION OF MANAGER/COUNCIL ISSUES**

VIII. **ADJOURNMENT**

TOWN OF KEYSTONE, COLORADO

STAFF REPORT

TO:	Mayor & Town Councilmembers
FROM:	John Crone, Town Manager Jennifer Madsen, Town Attorney
DATE:	November 11, 2025 – Work Session
SUBJECT:	[Work Session] [FIRST READING] Ordinance 2025-O-20, Approving a Lease and Purchase Agreement for 1628 Sts. John Road, Keystone, Colorado

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Executive Summary:

This item is on the evening's agenda for first reading. Town Council will be provided with an opportunity to preliminarily review and discuss the item during Work Session.

The purpose of this item is to present Ordinance 2025-O-20 on first reading for Town Approving a Lease and Purchase Agreement for That Certain Real Property Known as 1628 Sts John Road, Keystone, Colorado between the Town of Keystone ("Town") and The Keystone Center ("Owner") for the property located at 1628 Sts. John Road, to serve as the permanent Town Hall.

Background:

The Town of Keystone is currently leasing the same facility under an existing Office Lease that began February 1, 2024. This property has successfully housed the administrative offices and Council chambers during the Town's initial organization and startup phase.
As part of the Town's long-term planning for stable and efficient municipal operations, staff has negotiated a new Lease and Purchase Agreement with the Owner. The agreement will allow the Town to continue leasing the property beginning February 1, 2026, and provides a defined structure and pathway for the future acquisition of the property by the Town.

Acquiring this site will establish a permanent Town Hall and create a civic anchor for community identity, transparency, and accessibility to public services. The property's configuration also provides opportunities for future municipal expansion consistent with Keystone's adopted community vision and long-range infrastructure goals.

Summary of Key Terms

Term	Detail
Parties	Town of Keystone ("Tenant") and The Keystone Center ("Owner")
Property	1628 Sts. John Road, Tenderfoot Subdivision Filing No. 2, Summit County, Colorado
Lease Term	February 1, 2026 – December 31, 2031 (unless earlier terminated or purchased)
Base Rent	$4,900 per month, payable in advance on the first business day of each month
Security Deposit	Existing $4,900 deposit maintained; Town replenishes if used
Additional Rent	Town is responsible for utilities, insurance, maintenance, cleaning, and any applicable taxes or assessments
Purchase Price	The purchase price for the building and land is $4,100,000. This amount is paid over six years.
Maintenance	Town responsible for non-routine repairs and capital improvements; improvements remain with Owner unless purchased
Appropriation Clause	All payment obligations are year-to-year and subject to annual appropriation; no multi-year debt is created
Purchase Provision	Agreement includes the framework and terms under which the Town may purchase the property, subject to available funds and Council action

Legal and Fiscal Considerations

Pursuant to Section 14.3 of the Town Charter, the purchase of real property must be approved by ordinance. The proposed ordinance satisfies this requirement and confirms that the Town's financial obligations under the Lease and Purchase Agreement are limited to annual appropriations, ensuring compliance with Article X, Section 20 of the Colorado Constitution (TABOR) and C.R.S. § 31-15-801.

The Town's obligation to pay rent and any purchase installments constitutes a current fiscal year expense only, creating no multiple-fiscal-year debt.

Funding for the initial lease period and related costs will be incorporated into the 2026 budget. Any future purchase payments would be subject to separate appropriation and Council approval.

Community Impact

Establishing permanent ownership of the Town Hall property will provide long-term benefits for the community and for the effective operation of local government. The acquisition will:

- Create a stable and visible civic headquarters that serves as the center of Town operations and public meetings;
- Improve accessibility for residents, businesses, and visitors seeking Town services;
- Support efficient municipal operations by providing adequate space and facilities for staff and community functions; and
- Ensure long-term fiscal and operational stability by securing a permanent facility rather than continuing short-term leases

Alternatives:

Town Council may propose alternative directions for the lease and building purchase.

Financial Considerations:

There are no financial considerations applicable to this ordinance.

Next Steps:

If adopted on first reading, the ordinance will be scheduled for second reading and public hearing at the next regular Council meeting.

Suggested Motions:

APPROVE: I move to approve Ordinance 2025-O-20, Approving a Lease and Purchase Agreement for 1628 Sts. John Road, Keystone, Colorado, on first reading.

DENIAL: I move to deny Ordinance 2025-O-20, Approving a Lease and Purchase Agreement for 1628 Sts. John Road, Keystone, Colorado.

Attachment:

- Ordinance 2025-O-20, Approving a Lease and Purchase Agreement for 1628 Sts. John Road, Keystone, Colorado

TOWN OF KEYSTONE
ORDINANCE NO. 2025-O-20

AN ORDINANCE OF TOWN COUNCIL OF THE TOWN OF KEYSTONE, COLORADO, APPROVING A LEASE AND PURCHASE AGREEMENT FOR THAT CERTAIN REAL PROPERTY KNOWN AS 1628 STS JOHN ROAD, KEYSTONE, COLORADO

WHEREAS, the Town of Keystone ("Town" or "Keystone") is a newly incorporated home rule municipal corporation, created pursuant to Title 31 of the Colorado Revised Statutes and Article XX of the Colorado Constitution, and now exercises all powers of local self-government granted thereby; and

WHEREAS, as part of its new incorporation, the Town seeks to establish a permanent civic presence and governmental center that will serve as the seat of local government and support the efficient delivery of municipal services to its residents, businesses, and visitors; and

WHEREAS, the Town is authorized by Section 31-15-101(1)(d), Colorado Revised Statutes ("C.R.S."), to lease, hold and acquire real or personal property, together with any facilities thereon, and is authorized by Section 31-15-801, C.R.S., to enter into leasehold agreements, which agreements may include a right to purchase and acquire title to the leased property; and

WHEREAS, The Keystone Center ("Owner") is the owner of property described as Tenderfoot Subdivision Filing No. 2, Summit County, Colorado, except for Sts. John Road; and

WHEREAS, the Town and the Owner are parties to an existing Office Lease, effective February 1, 2024, for the lease of the same real property proposed to be leased and purchased under this agreement; and

WHEREAS, the Town is authorized by Section 14.3 of its Home Rule Charter to purchase, sell or exchange any fee interest in real property by ordinance; and

WHEREAS, the acquisition of the property will provide the Town with a permanent building suitable for use as the Town Hall and will establish a civic anchor that supports community identity and accessibility to Town services; and

WHEREAS, ownership of this property will also provide the Town with additional land for future development opportunities consistent with Keystone's community vision, strategic objectives, and long-term land use and infrastructure planning goals; and

WHEREAS, the obligation of the Town to pay base rent and additional rent and purchase price shall be from year to year only; shall constitute currently budgeted expenditures of the Town; shall not constitute a mandatory charge or requirement in any ensuing budget year; and shall not constitute a general obligation or a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the Town within the meaning of any constitutional or statutory limitation or requirement concerning the creation of indebtedness, nor a mandatory payment obligation of the Town in any ensuing fiscal year beyond any fiscal year during which this Lease shall be in effect; and

WHEREAS, the Town Council has carefully reviewed and considered the terms of the proposed lease and purchase of the property and has determined that proceeding with such acquisition is in the best interest of the community to establish a permanent Town Hall facility and to provide a foundation for future municipal and community development opportunities.

THE TOWN COUNCIL OF THE TOWN OF KEYSTONE, COLORADO, ORDAINS:

Section 1. The foregoing recitals are hereby affirmed and incorporated herein by this reference as findings of the Town Council.

Section 2. The form of the Lease and Purchase Agreement attached hereto between the Town and The Keystone Center is hereby approved. The Mayor is authorized to execute the Lease and Purchase Agreement, together with any and all other documents necessary or desirable to effectuate the intent and performance of the Town thereunder. The Mayor, in consultation with the Town Manager and the Town Attorney, is further authorized to make such non-substantive revisions or corrections to the Lease and Purchase Agreement and related documents as may be necessary to carry out the purposes of this Ordinance.

Section 3. Severability. If any section, paragraph, sentence, clause, or phrase of this ordinance is held to be unconstitutional or invalid for any reason, such decision shall not affect the validity or constitutionality of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each part or parts hereof irrespective of the fact that any one part or parts be declared unconstitutional or invalid.

Section 4. Safety Clause. The Town Council hereby finds, determines, and declares that this ordinance is promulgated under the general police power of the Town, that it is promulgated for the health, safety, and/or welfare of the public, that this ordinance is necessary for the preservation of health and safety or for the protection of public convenience and welfare, and that this ordinance bears a rational relation to the proper legislative object sought to be attained.

Section 5. Repeal. All other ordinances or portions thereof inconsistent or conflicting with this Ordinance or any portion hereof are hereby repealed to the extent of such inconsistency or conflict.

Section 6. Effective Date. Section 2 of this ordinance shall take effect 30 days after publication.

INTRODUCED, READ AND PASSED AS AN ORDINANCE, ON FIRST READING, AT A REGULAR MEETING OF THE TOWN COUNCIL OF THE TOWN OF KEYSTONE, COLORADO, THIS

_______ DAY OF __________, 2025.

READ, PASSED AND ADOPTED AS AN ORDINANCE ON BY A ROLL CALL VOTE OF ____ IN FAVOR AND ____ OPPOSED ON SECOND READING, AT A REGULAR MEETING OF THE TOWN COUNCIL OF THE TOWN OF KEYSTONE, COLORADO, THIS

_______ DAY OF _________, 2025.

____
Kenneth D. Riley, Mayor

ATTEST:

____
Town Clerk

APPROVED AS TO FORM:

____
Town Attorney

LEASE AND PURCHASE AGREEMENT
KEYSTONE TOWN HALL

THIS LEASE AND PURCHASE AGREEMENT, dated as of _______________, 2026 ("***Lease***"), is between The Keystone Center, a Colorado non-profit corporation d/b/a Keystone Policy Center ("***Owner***"), as lessor, and the Town of Keystone, Colorado (the "***Town***"), a Colorado home rule municipality, as lessee.

WHEREAS, the Town is a duly and regularly created, organized and existing home rule municipality of the State, existing as such under and by virtue of the constitution and statutes of the State of Colorado: and

WHEREAS, the Town is authorized by Section 31-15-101(1)(d), Colorado Revised Statutes ("***C.R.S***."), to lease, hold and acquire real or personal property, together with any facilities thereon, and is authorized by Section 31-15-801, C.R.S., to enter into leasehold agreements, which agreements may include a right to purchase and acquire title to the Leased Property; and

WHEREAS, Owner and the Town are parties to an existing Office Lease with an effective lease term of February 1, 2024 for the lease of the same real property as the property to be leased under this Lease ("***Original Office Lease***"); and

WHEREAS, the Town is authorized by Section 14.3 of its Home Rule Charter to purchase, sell or exchange any fee interest in real property by ordinance; and

WHEREAS, the purchase of the property will allow the Town to own a building suitable for use as the Town Hall and provide additional land for potential future development consistent with the Town's vision, goals, and long-term planning objectives; and

WHEREAS, the obligation of the Town to pay Base Rent and Additional Rent (both as hereinafter defined) hereunder shall be from year to year only; shall constitute currently budgeted expenditures of the Town; shall not constitute a mandatory charge or requirement in any ensuing budget year; and shall not constitute a general obligation or a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the Town within the meaning of any constitutional or statutory limitation or requirement concerning the creation of indebtedness, nor a mandatory payment obligation of the Town in any ensuing fiscal year beyond any fiscal year during which this Lease shall be in effect; and

WHEREAS, the execution, performance and delivery of this Lease and Purchase Agreement have been authorized, approved and directed by the Town Council by an ordinance finally passed and adopted by the Town Council.

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

Terms not otherwise defined within the text of this Lease shall have the following assigned definitions:

"Additional Rent" means the payments payable by the Town during the Lease Term pursuant to Section 6.02 of this Lease, which include cost of all (a) actual expenses and fees of Owner related to the performance of the provisions of this Lease related to the Leased Property, or otherwise incurred at the request of the Town (b) insurance premiums, utility charges, tax, routine maintenance and upkeep such as cleaning and trash in respect of the Leased Property, and (c) all other charges and costs as specifically set forth herein which the Town assumes or agrees to pay hereunder. Additional Rent does not include Base Rent.

"Base Rent" means the payments payable by the Town during the Lease Term pursuant to Section 6.02 of this Lease and as set forth in Exhibit B, as it may be amended hereunder from time to time, which constitutes the payments payable by the Town for and in consideration of the right to use the Leased Property during the Lease Term.

"Business Day" means any day other than a Saturday, a Sunday or a day on which banks in Denver, Colorado are authorized by law to remain closed.

"Closing" means the completion of the transactions contemplated in Article XII, including without limitation, the payment by the Town of any remaining balance of the Purchase Price and the conveyance of the Purchase Real Property by deed and the Purchase Personal Property by bill of sale or similar, if so requested by the Town.

"Common Facilities" shall mean all of the Purchase Real Property except (a) the Leased Property, (b) any other premises in any structure or building leased or held for lease to other tenants, and (c) any areas reserved by Owner, to include the parking area designated for the parking of motor vehicles on a first come first serve basis, any walks and driveways, and any other interior and exterior areas designated by Owner from time to time for common use of the Town and other users of space in the Purchase Real Property.

"Event of Default" means one or more events of default as defined in Section 14.01 of this Lease.

"Event of Nonappropriation" means a termination of this Lease by the Town, determined by the Town's failure, for any reason, to duly enact by the last day of each Fiscal Year an appropriation resolution for the ensuing Fiscal Year which includes (a) by specific line item reference amounts authorized and directed to be used to pay the Base Rent due that year, (b) sufficient amounts to pay such Additional Rent as are estimated to become due, as provided in Section 6.03 of this Lease, and (c) by specific line item reference amounts authorized and directed to be used to pay the Purchase Price Downpayment or Purchase Price due that year. The term also means notice under Section 4.01 of this Lease of the Town's intention to terminate and an event described in Section 6.03 of this Lease relating to the failure by the Town to appropriate amounts due as Additional Rent in excess of the amounts estimated to become due.

"Fiscal Year" means the fiscal or budget year of the Town ending on December 31st of each year.

"Lease Remedy" or *"Lease Remedies"* means any or all remedial steps provided in Section 14.02 of this Lease whenever an Event of Default hereunder has happened and is continuing.

"Lease Term" means the time during which the Town is the lessee of the Leased Property under this Lease and commences on February 1, 2026 and terminates on December 31, 2031 or sooner if the Town sooner exercises the Purchase as provided in Section 12.01, 12.02(a) and (b) of this Lease, with certain provisions of this Lease surviving termination of the Lease, as provided in Section 4.02 of this Lease.

"Leased Property" means the space to be leased and occupied by the Town and its employees and the public, in space as permitted by the Town, as such space is described in Exhibit A based on office numbers and common area designations designated by Owner. The address of the Leased Area is the address set forth in Exhibit A, along with the non-exclusive right to use, in common with others, the Common Facilities.

"Net Proceeds" when used with respect to any performance or payment bond proceeds, or proceeds of insurance, including self-insurance, required by this Lease, or proceeds from any condemnation award, or any proceeds resulting from default or breaches of warranty under any contract relating to the Leased Property or proceeds from any Lease Remedy, means the amount remaining after deducting from such proceeds (a) all expenses (including, without limitation, attorneys' fees and costs) incurred in the collection of such proceeds or award; and (b) all other fees, expenses and payments due to Owner.

"Permitted Encumbrances" means: (a) liens for taxes and assessments not then delinquent, taxes unpaid by the Town, or liens which may remain unpaid pending contest pursuant to the provisions of Article VII of this Lease; (b) this

Lease; (c) utility, access and other easements and rights of way of record as of the date of this Lease; (d) encumbrance(s) related to the actions of the Town, and (e) matters of record as of the date of this Lease.

"Purchase Price" means the aggregate amount payable and to be paid, by the Town, for the purpose of acquiring in fee simple the Purchase Real Property and the Purchase Personal Property pursuant to Article XII of this Lease, which amount shall be the amount identified in Exhibit C hereto as the Purchase Price.

"Purchase Price Downpayment" means the *monthly* due and payable installment payments of the Purchase Price as set forth in the column labeled "Monthly Purchase Price Downpayment Amount" credited against the Purchase Price in the amounts actually paid as of the date of exercise of the purchase.

"Purchase Real Property" means the property described as Purchase Real Property in Exhibit A attached hereto, and which includes the Leased Property.

"Purchase Personal Property" means the personal property described as Purchase Personal Property in Exhibit A attached hereto.

"Reserved Area" means the roof, the demising floors, walls and ceilings, and the exterior walls of the Purchase Real Property, to include any buildings thereon, and all telecommunications and utilities chases, ducts or other passageways located within the Purchase Real Property.

ARTICLE II. REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the Town.

The Town represents, covenants and warrants as follows:

a. The Town is a home rule municipality and political subdivision of the State, duly organized and existing under the constitution and laws of the State. The Town is authorized to enter into the transactions contemplated by this Lease and to carry out its obligations under this Lease. The Town has duly authorized and approved the execution and delivery of this Lease.

b. Neither the execution and delivery of this Lease, nor the fulfillment of or compliance with the terms and conditions of this Lease, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Town is now a party or by which the Town or its property is bound, or violates any statute, regulation, rule, order of any court having jurisdiction, judgment or administrative order applicable to the Town, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Town.

c. There is no litigation or proceeding pending or threatened against the Town or any other person affecting the right of the Town to execute this Lease or the ability of the Town to make the payments required hereunder or to otherwise comply with the obligations contained herein.

Section 2.02. Representations, Covenants and Warranties of Owner.

Owner represents, covenants and warrants as follows:

a. Owner has all requisite power to convey legal interests in the Leased Property and to execute, deliver, enter into and perform all the transactions contemplated by this Lease and to carry out its obligations under this Lease, and has duly executed and delivered this Lease and all other documents related to this Lease.

b. Except as specifically provided in this Lease, Owner will not pledge or assign its right, title and interest in and to any of its rights under this Lease or assign, pledge, mortgage, encumber or grant a security interest in its right, title and interest in to and under this Lease or the Leased Property or Purchase Real Property.

c. Neither the execution and delivery of this Lease nor the fulfillment of or compliance with the terms and conditions hereof nor the consummation of the transactions contemplated hereby conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which Owner is now a party or by which Owner is bound, or constitutes a default under any of the foregoing.

d. Except as specifically provided in this Lease, Owner will not assign its duties and obligations under this Lease to any other person, firm or owner, so as to impair or violate the representations, covenants and warranties contained in this Section 2.02.

e. There is no litigation or proceeding pending or threatened against Owner or any other person affecting the right of Owner to execute this Lease and to perform its obligations hereunder.

f. Owner acknowledges that the obligations of the Town under this Lease are not and shall not constitute or give rise to a general obligation or multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the Town within the meaning of any constitutional, charter or statutory provision or limitation nor a mandatory charge or requirement against the Town in any ensuing Fiscal Year beyond any Fiscal Year during which this Lease shall be in effect. Owner further acknowledges that the Town may elect not to continue this Lease during the Lease Term by failure to budget and appropriate funds sufficient to meet its next Fiscal Year's Base Rent and Additional Rent, and that the acts of budgeting and appropriating funds are legislative acts and, as such, are solely within the discretion of the Town Council.

g. To the best knowledge of Owner, after due inquiry, other than as disclosed in the Phase I Environmental Site Assessment obtain by Owner dated [20xx] (i) no dangerous, toxic or hazardous pollutants, contaminants, chemicals, waste, materials or substances, as defined in or governed by the provisions of any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating thereto (collectively, "Environmental Regulations"), and also including urea-formaldehyde, polychlorinated biphenyls, asbestos, asbestos containing materials, nuclear fuel or waste, radioactive materials, explosives, carcinogens and petroleum products, or any other waste, material, substance, pollutant or contaminant which would subject the owner of the Leased Property to any damages, penalties or liabilities under any applicable Environmental Regulation (collectively, "Hazardous Substances") are now or have been stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited or disposed of in, upon, under, over or from the Leased Property in violation of any Environmental Regulation; (ii) no threat exists of a discharge, release or emission of a Hazardous Substance upon or from the Leased Property into the environment; (iii) the Leased Property has not been used as or for a mine, landfill, a dump or other disposal facility, industrial or manufacturing facility, or a gasoline service station; (iv) no underground storage tank is located at the Leased Property or has previously been located therein but has been removed therefrom; (v) no violation of any Environmental Regulation now exists relating to the Leased Property, no notice of any such violation or any alleged violation thereof has been issued or given by any governmental entity or agency, and there is not now any investigation or report involving the Leased Property by any governmental entity or agency which in any way relates to Hazardous Substances; (vi) no person, party or private or governmental agency or entity has given any notice of or asserted any claim, cause of action, penalty, cost or demand for payment or compensation, whether or not involving any injury or threatened injury to human health. the environment or natural resources, resulting or allegedly resulting from any activity or event described in (i) above; (vii) there are not now any actions, suits, proceedings or damage settlements relating in any way to Hazardous Substances, in, upon, under, over or from the Leased Property; (viii) the Leased Property is not listed in the United States Environmental Protection Agency's National Priorities List of Hazardous Waste Sites or any other list of Hazardous Substance sites maintained by any federal, state or local governmental agency; and (ix) the Leased Property is not subject to any lien or claim for lien or threat of a lien in favor of any governmental entity or agency as a result of any release or threatened release of any Hazardous Substance.

ARTICLE III. LEASE OF LEASED PROPERTY

Owner demises and leases the Leased Property to the Town, and the Town leases the Leased Property from Owner, in accordance with the provisions of this Lease, for the Lease Term.

ARTICLE IV DURATION AND TERMINATION LEASE TERM

This Lease shall be in effect for the Lease Term. The Lease Term shall terminate upon the earliest of any of the following events:

a. The last day of any Fiscal Year during which there has occurred an Event of Nonappropriation pursuant to Section 6.03 and Article VI of this Lease; or

b. The Town's purchase and the conveyance of all of the Purchase Real Property to the Town upon payment of the Purchase Price as provided in Section 12.01, 12.02(a) and (b) of this Lease; or an Event of Default and termination of this Lease under Article XIV of this Lease.

c. December 31, 2031.

The conclusion of the Lease Term shall terminate all unaccrued obligations of the Town under this Lease, and shall terminate the Town's rights of possession under this Lease at the end of the last day of the Fiscal Year for which this Lease shall be in effect (except for any conveyance pursuant to Article XII of this Lease). Except for an event described in subparagraph (b) above, upon termination of this Lease, the Town agrees to peaceful delivery of the Leased Property to Owner or its assigns and to assign to Owner any leases related to Leased Premises.

ARTICLE V. QUIET ENJOYMENT OF LEASED PROPERTY

Owner hereby covenants that the Town shall during the Lease Term peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from Owner, except as expressly required or permitted by this Lease. Owner shall, at the request of the Town and at the cost of the Town, join and cooperate fully in any legal action in which the Town asserts its right to such possession and enjoyment, or which involves the imposition of any taxes or other governmental charges on or in connection with the Leased Property. In addition, the Town may at its own expense join in any legal action affecting its possession and enjoyment of the Leased Property and shall be joined in any action affecting its liabilities hereunder.

ARTICLE VI. REGULAR PAYMENTS BY THE TOWN

Section 6.01. Payments to Be Paid from Currently Budgeted Expenditures of the Town. The Town and Owner acknowledge and agree that the Base Rent and Additional Rent hereunder during the Lease Term shall be paid from then currently budgeted expenditures of the Town, using any legally available funds of the Town. The Town's obligations to pay Base Rent, Additional Rent or any other payments provided for under this Lease during the Lease Term shall not constitute a mandatory charge, requirement or liability in any ensuing Fiscal Year beyond the then current Fiscal Year. No provision of this Lease shall be construed or interpreted as a delegation of governmental powers or as creating indebtedness or a multiple- fiscal year direct or indirect debt or other financial obligation whatsoever of the Town within the meaning of any constitutional or statutory debt limitation, including without limitation, Article XI, Sections 1, 2 and 6, and Article X, Section 20, of the Colorado Constitution. This Lease shall not directly or indirectly obligate the Town to make any payments of Base Rent or Additional Rent beyond the funds legally available to the Town for its then current Fiscal Year. The Town shall be under no obligation whatsoever to purchase the Leased Property. No provision of this Lease shall be construed to pledge or to create a lien on any class or source of Town moneys.

Section 6.02. Security Deposit, Monthly Base Rent, Additional Rent, and Purchase Price Downpayment Payments.

a. <u>Security Deposit.</u> The Town has, under the Original Lease, deposited with Owner a security deposit in the amount of $4,900.00, which security deposit shall be transferred in full and accounted for by Owner as a security deposit under this Lease ("Security Deposit") The Security Deposit shall be retained by Owner and may be applied by Owner, to the extent necessary, to pay and cover any loss, cost, damage or expense, including attorneys' fees sustained by Owner by reason of the failure of the Town to comply with any provision, covenant or agreement of the Town contained in this Lease. To the extent not necessary to cover such loss, cost, damage or expense, the Security Deposit shall be returned to the Town after the expiration of the Lease Term in accordance with applicable law. The Town shall, from time to time, within five (5) days of Owner's demand, deposit with Owner such amounts as may be necessary to replenish the Security Deposit to its original amount.

   The Security Deposit is not an advance payment of Base Rent or Additional Rent or a measure of Tenant's liability for damages. Owner shall be obligated to pay interest to the Town on account of the Security Deposit only as and if required by law to do so.

b. Base Rent. During the Lease Term the Town shall monthly pay all Total Monthly Base Rent as set forth in Exhibit B, as it may be amended from time to time hereunder, in advance, without notice, directly to Owner at the address set forth in Section 15.02, no later than the first Business Day of the month for which the Base Rent is being applied. If applicable, Total Monthly Base Rent payment for any fractional calendar month at the commencement or end of the Lease Term shall be prorated based on a thirty (30) day month.

c. Additional Rent. The Town shall pay Additional Rent during the Lease Term as herein provided. Prior to the commencement of each Fiscal Year, the Owner shall prepare and deliver to the Town a good-faith estimate of the Additional Rent for the ensuing Fiscal Year, which shall include the Town's proportionate share equal to thirty-two percent (32%) of the total costs and expenses designated as Additional Rent under this Lease. The Town's proportionate share shall be determined based on the ratio that the square footage of the Premises occupied by the Town bears to the total rentable square footage of the Property.

The Town shall pay the estimated Additional Rent in equal monthly installments together with the monthly payments of Base Rent. All such estimated Additional Rent shall be paid by the Town on a timely basis directly to the person or entity to whom such amounts are owed or as otherwise directed by the Owner.

Within a reasonable period before the close of each Fiscal Year, the Owner shall determine the actual Additional Rent for such Fiscal Year and provide the Town with a written reconciliation statement. If the Town's total payments of estimated Additional Rent for that Fiscal Year exceed its actual share, the excess shall be credited against the next payments due; if such payments are less than the actual Additional Rent due, the Town shall pay the deficiency within thirty (30) days after receipt of the reconciliation statement.

d. Purchase Price Downpayments. As soon as practicable upon the effective date of the ordinance of the Town Council approving this Lease, the Town shall make a one-time initial Purchase Price Downpayment in the amount of $500,000 as set forth in Exhibit C. Thereafter during the Lease Term, the Town shall also pay in advance monthly directly to Owner, at the same time and manner as making Base Rent payment, the then applicable monthly Purchase Price Downpayment related to the Purchase Real Property (without proration for any Base Rent) as set forth in Exhibit C for the purpose of terminating this Lease and purchasing the Purchase Real Property shown on Exhibit A, as further provided in Article XII of this Lease.

Aggregate Purchase Price Downpayment amounts shall be credited against the Purchase Price at the time of exercise of the Purchase .

Section 6.03. Event of Nonappropriation. In the event the Town Council shall not specifically budget and appropriate, on or before the last day of each Fiscal Year, moneys to pay all Base Rent, the reasonably estimated Additional Rent, and/or Purchase Price Downpayment or Purchase Price coming due for the next ensuing Fiscal Year, an Event of Nonappropriation shall be deemed to have occurred.

ARTICLE VII. LIMITATIONS ON ENCUMBRANCES ON LEASED PROPERTY

Except as may be permitted by this Lease, the Town shall not permit any mechanic's or other lien to remain against the Leased Property; provided that, if the Town shall first notify Owner of the intention of the Town to do so, the Town may in good faith contest any mechanic's or other lien filed or established against the Leased Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless Owner shall notify the Town that by nonpayment of any such items Owner's title to or interest in the Leased Property will be materially endangered, or the Leased Property or any part thereof will be subject to loss or forfeiture, in which event the Town shall promptly pay and cause to be satisfied and discharged all such unpaid items (provided, however. that such payment shall not constitute a waiver of the right to continue to contest such items). Owner will cooperate fully with the Town in any such contest, upon the request and at the expense of the Town. The Town acknowledges that Owner has obtained a line of credit secured by a lien on the Property, and the existence of such lien is hereby expressly permitted; provided, however, that Owner shall cause such lien to be released and discharged at or prior to Closing in connection with the Town's purchase of the Property. Except as may be expressly permitted by this Lease, neither Owner nor the Town shall, directly or indirectly, create, incur, assume, or suffer to exist any mortgage, deed of trust, pledge, lien, charge, encumbrance, or claim on or with respect to the Leased Property, except for Permitted Encumbrances. Each of the Town and the Owner shall promptly, at its own expense, take such action as may be necessary to duly discharge any such mortgage, deed of trust, pledge, lien, charge, encumbrance, or claim not excepted above that it has created, incurred, or permitted to exist.

ARTICLE VIII. TERMINATION OF EXISTING OFFICE LEASE

The Original Office Lease between Owner and the Town is hereby terminated and replaced with this Lease.

ARTICLE IX. MAINTENANCE AND CAPITAL REPAIRS; TAXES; INSURANCE AND OTHER CHARGES

Section 9.01. Routine Maintenance of the Leased Property by Owner. At all times during the Lease Term, Owner, at its sole cost, will maintain, preserve and keep all portions of the Leased Property and surrounding grounds and common areas used by the Town, or cause the Leased Property and surrounding grounds and common areas used by the Town to be, maintained, preserved and kept, in good repair, working order and condition. Landlord reserves the right to use the Reserved Area to meet these obligations.

Section 9.02. Non-routine Maintenance, Capital Repairs and Improvements of the Leased Property by the Town. The Town agrees that at all times during the Lease Term the Town, at its sole cost, will from time to time make or cause to be made all necessary and proper non-routine repairs to the Leased Property, except as otherwise provided in this Section and Section 10.02 of this Lease. Owner shall not have any responsibility for any non-routine repairs or for the making of any additions, modifications or replacements to the Leased Property.

Section 9.03. Maintenance of the Purchase Real Property. At all times during the Lease Term, Owner, at its sole cost, will maintain, preserve and keep all portions of the Purchase Real Property, not to include the Leased Property, or cause such Purchase Real Property be, maintained, preserved and kept, in good repair, working order and substantially similar condition as the condition on the Lease term commencement. The Town shall have no obligations for any maintenance repairs, improvements, or any other costs related to the Purchase Real Property that does not include the Leased Property.

Section 9.04. Modifications.

a. <u>Leased Property</u>. With advance written notice to Owner, the Town shall have the privilege of making substitutions, additions and modifications to the Leased Property, including the demolition and removal of any existing improvements thereon, at its own cost and expense. At the termination of the Lease, except if the termination is due to the Town’s purchase, Owner shall be the owner of all such improvements, and the Town shall execute such documents to transfer such ownership as may be reasonably requested by and prepared by Owner. The installation of any telecommunications, data, utility or other wires, cables or other equipment or facilities in the Reserved Area by the Town or for use by the Town shall be subject to prior notice to Owner.

b. <u>Purchase Real Property</u>. Only with advance written approval by the Town, which approval shall not be unreasonably withheld, Owner may make any substantial substitutions, additions and modifications to the Purchase Real Property that does not include the Leased Property, including the demolition and removal of any existing improvements thereon, at its own cost and expense. If the Town exercises the Purchase , the Town shall be the owner of all such improvements upon Closing.

Section 9.05. Taxes, Other Governmental Charges and Utility Charges. The Town is a tax-exempt Colorado governmental entity and political subdivision of the State. Nonetheless, in the event that the Leased Property or any portion thereof shall, for any reason, be deemed subject to taxation, assessments or charges lawfully made by any governmental body, the Town shall pay the amount of all such taxes, assessments and governmental charges when due, as Additional Rent. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the Town shall be obligated to provide for Additional Rent only for such installments as are required to be paid during the upcoming Fiscal Year. Except for Permitted Encumbrances, the Town shall not allow any liens for taxes, assessments or governmental charges to exist with respect to the Leased Property or any portion thereof (including, without limitation, any taxes levied upon the Leased Property or any portion thereof which, if not paid, will become a charge on the rentals and receipts from the Leased Property or any portion thereof, or any interest therein, including the interest of Owner). The Town shall also pay as Additional Rent, as the same respectively become due, all utility and other charges incurred in the maintenance and upkeep of the Leased Property.

Section 9.06. Provisions Regarding Liability, Property and Worker's Compensation Insurance. Owner shall, at its sole cost and expense, carry and maintain casualty and property insurance covering the entire building and all improvements comprising the Property, in amounts and against risks customarily insured under “all-risk” or “special form” property insurance for similar commercial properties. The Town shall have no obligation to insure the structure, building systems, or other portions of the Property outside the Premises. The Town shall, at its own expense, carry and maintain (i) insurance covering its personal property, trade fixtures, equipment, and any leasehold improvements or alterations made by the Town within the interior of the Premises, in such amounts as the Town deems appropriate, and (ii) commercial general liability insurance and public officials’ errors and omissions coverage with respect to the Town’s occupancy and use of the Premises, in amounts not less than the limits of liability per occurrence established under the Colorado Governmental Immunity Act, as amended from time to time. The Town may satisfy these requirements through participation in a pooled self-insurance program or under blanket policies that cover multiple properties or risks. All liability insurance policies required to be carried by the Town shall name Owner as an Additional Insured. Upon written request of Owner, the Town shall provide documentation of such coverage. Owner shall list the Town as an Additional Insured and/or Loss Payee, as applicable, on its property insurance policy.

Section 9.07. Storage of Personal Property by the Town. The Town may, at its sole cost and expense, place, install, or store personal property, including but not limited to sheds, storage containers, or other equipment or materials used in connection with its operations, on the Leased Property. All such personal property shall remain the sole property of the Town and shall not be deemed fixtures or part of the real property. The Town shall ensure that any such property is placed in a manner that complies with applicable laws and regulations and does not materially interfere with the Owner's maintenance, access, or use of the Property. Upon the expiration or earlier termination of this Lease, the Town shall, at its sole cost and expense, remove all such personal property from the Leased Property and shall repair any damage to the Property caused by such removal, restoring the affected area to substantially the same condition as existed prior to such placement, reasonable wear and tear excepted. Any personal property not removed by the Town within thirty (30) days following termination shall be deemed abandoned and may be removed or disposed of by the Owner without liability to the Town.

ARTICLE X DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 10.01. Leased Property.

a. Damage, Destruction and Condemnation. If, during the Lease Term (a) the Leased Property or any portion thereof shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of the Leased Property or any portion thereof, or the estate of the Town or Owner in the Leased Property or any portion thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; then the Town shall be obligated to continue to pay the amounts specified in Section 6.02(b)(c) and (d) of this Lease (subject to Section 6.01 and 6.03 hereof).

b. Obligation to Repair and Replace the Leased Property**.** The Town and, to the extent such Net Proceeds are within their control, Owner, shall cause the Net Proceeds of any insurance policies, performance bonds or condemnation awards to be applied to the prompt repair, restoration, modification, improvement or replacement of the Leased Property by the Town.

c. Insufficiency of Net Proceeds. If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) shall be insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Leased Property required under Section 10.01(b) of this Lease, the Town may elect to:

(a) complete the work and pay as Additional Rentals, to the extent amounts for Additional Rentals which have been specifically appropriated by the Town are available for payment of such cost, any cost in excess of the amount of the Net Proceeds, and the Town agrees that, if by reason of any such insufficiency of the Net Proceeds, the Town shall make any payments pursuant to the provisions of this Section 10.01(c), the Town shall not be entitled to any reimbursement therefor from Owner, nor shall the Town be entitled to any diminution of the Base Rentals and Additional Rentals payable under Section 6.02 of this Lease; or (b) apply the Net Proceeds to the payment of the Purchase Price in accordance with Article XII of this Lease; or (c) if the Town does not timely budget and appropriate sufficient funds to proceed under either (a) or (b) above, an Event of Nonappropriation will be deemed to have occurred and, subject to the Town's right to cure, Owner may pursue remedies available to it following an Event of Nonappropriation. The above referenced election shall be made by the Town within 60 days of the occurrence of an event specified in Section 10.01(a) of this Lease.

d. Cooperation of Owner. At the expense of the Town, Owner shall cooperate fully with the Town in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 10.01(a) of this Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Leased Property or any portion thereof and in the enforcement of all warranties relating to the Leased. In no event shall Owner voluntarily settle, or consent to the settlement of any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any portion thereof without the written consent of the Town which shall not be unreasonably conditioned or refused.

Section 10.02. Purchase Real Property.

a. Damage, Destruction and Condemnation. If, during the Lease Term (a) the Purchase Real Property or any portion thereof not including the Leased Property shall be destroyed (in whole or in part), or damaged by fire or other casualty; or (b) title to, or the temporary or permanent use of the Purchase Real Property or any portion thereof, or the estate of Owner in the Purchase Real Property or any portion thereof not including the Leased Property, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; then Owner shall be obligated to cause the Net Proceeds of any insurance policies, performance bonds or condemnation awards to be applied to the prompt repair, restoration, modification, improvement or replacement of the Purchase Real Property by Owner.

b. Insufficiency of Net Proceeds. If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) shall be insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement required under Section 10.02(a) of this Lease, Owner may elect to: (a) incur the additional costs beyond Net Proceeds and complete the work; or (b) reduce the total Purchase Price The above referenced election shall be made by Owner within 60 days of the occurrence of an event specified in Section 10.02(a) of this Lease.

c. Cooperation of the Town. At the expense of Owner, the Town shall cooperate fully with Owner in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 10.02(a) of this Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Purchase Real Property or any portion thereof other than the Leased Property, and in the enforcement of all warranties relating to the Leased. In no event shall Owner voluntarily settle, or consent to the settlement of any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding, or any portion thereof without the written consent of the Town which shall not be unreasonably conditioned or refused.

ARTICLE XI. DISCLAIMER OF WARRANTIES; OTHER COVENANTS

Section 11.01. Disclaimer of Warranties on Leased Property. The Leased Property is being leased in as-is condition. Owner does not make any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for a particular purpose or fitness for use of the Leased Property, the Purchase Real Property or Purchase Personal Property or any other representation or warranty with respect to the Leased Property, the Purchase Real Property or Purchase Personal Property. The Town hereby acknowledges and declares that the Town is solely responsible for the use, construction, improvement, equipping, maintenance and operation of the Leased Property, and that Owner does not have any responsibility therefor. For the purpose of enabling the Town to discharge such responsibility, Owner constitutes and appoints the Town as its attorney in fact for the purpose of constructing, improving, equipping, maintaining and operating the Leased Property in accordance with this Lease, and asserting and enforcing, at the sole cost and expense of the Town, all constructor's or manufacturer's warranties and guaranties, express or implied with respect to the Leased Property, as well as any claims or rights Owner may have in respect of the Leased Property against any manufacturer, supplier, contractor or other person. In no event shall Owner be liable for any direct or indirect, incidental, special or consequential damage in connection with or arising out of this Lease or the existence, furnishing, functioning or use by the Town of any item, product or service provided for herein.

Section 11.02. No Waste or Nuisance.

a. Leased Property. The Town covenants and agrees that (a) nothing shall be done or kept on the Leased Property which impairs the value of the Leased Property or constitutes waste; (b) nothing shall be done or kept on the Leased Property which impairs the structural soundness of any structure or building or results in an overload of electrical lines serving any structure or building; (c) no noxious or offensive activity shall be carried on upon the Leased Property nor shall anything be done or kept on the Leased Property which is a public or private nuisance or which causes disturbance or annoyance to others in any structure or building or on adjacent or nearby property; and (d) no refuse, scrap, debris, garbage, trash, bulk materials or waste shall be kept, stored or allowed to accumulate on the Leased Property except as may be securely enclosed within the Leased Property.

b. Purchase Real Property. Owner covenants and agrees that (a) nothing shall be done or kept on any portion of the Purchase Real Property that is not also the Leased Property which impairs the value of the such property or constitutes waste; (b) nothing shall be done or kept on the Purchase Real Property that is not also the Leased Property which impairs the structural soundness of any structure or building or results in an overload of electrical lines serving any structure or building; (c) no noxious or offensive activity shall be carried on upon the Purchase Real Property that is not also the Leased Property nor shall anything be done or kept on the such property which is a public or private nuisance or which causes disturbance or annoyance to others in any structure or building or on adjacent or nearby property; and (d) no refuse, scrap, debris, garbage, trash, bulk materials or waste shall be kept, stored or allowed to accumulate on the Purchase Real Property that is not also the Leased Property except as may be securely enclosed within such property.

Section 11.03. Further Assurances and Corrective Instruments.

a. Owner and the Town agree that they will from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property hereby leased or intended so to be, or for otherwise carrying out the intention hereof.

b. Commencing immediately after the start of the Lease Term, Owner agrees to cooperate and work with the Town to obtain an effective release of (or appropriate modification of) the use restrictions on the Purchase Real Property as set forth in the Warranty Deed recorded August 22, 1996, at 52195 in the records of the Summit County, Colorado.

Section 11.04. Compliance with Requirements. During the Lease Term, the Town and Owner shall observe and comply promptly with all current and future orders of all courts having jurisdiction over the Leased Property or any portion thereof, provided that the Town or Owner may contest or appeal such orders so long as they are in compliance with such orders during the contest or appeal period, and all current and future requirements of all insurance companies that have written policies covering the Leased Property or any portion thereof.

Section 11.05. Access to Leased Property. The Town agrees that Owner, and any authorized representative of Owner, shall have the right at all reasonable times to examine and inspect the Leased Property. The Town further agrees that the Owner, and any such representative, shall have such rights of access to the Leased Property as may be reasonably necessary to cause the proper maintenance of the Leased Property in the event of failure by the Town to perform its obligations under this Lease.

Section 11.06. Common Area Rules. Town shall: (i) keep any Common Facilities it uses neat and clean, (ii) pick up trash that originated from the Town after each use, and (iii) control the activities of Town's employees, agents, visitors, contractors, and invitees in the Common Facilities so that they do not create a nuisance.

Section 11.07. Bilateral Environmental Covenant.

a. <u>Leased Property</u>. The Town shall not store, locate, generate, produce. process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Leased Property in violation of any Environmental Regulation, shall not permit any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulation, shall cause all Hazardous Substances to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder in violation of any

Environmental Regulation and shall comply with all other Environmental Regulations which are applicable to the Leased Property subject to the limitations of Section 6,01 hereof, in the event any Hazardous Substance is found upon. under, over or from the Leased Property in violation of any Environmental Regulation or if any lien or claim for lien in favor of any governmental entity or agency as a result of any release of any Hazardous Substance is threatened, the Town, at its sole cost and expense, shall, within ten days of such finding, deliver written notice thereof to Owner and shall promptly remove such Hazardous Substances and prevent the imposition of any liens against the Leased Property for the cleanup of any Hazardous Materials. Such removal shall be conducted and completed in compliance with all applicable federal, state and local laws, regulations, rules, ordinances and policies in accordance with the orders and directives of all federal, state and local governmental authorities.

b. Purchase Real Property. Owner shall not store, locate, generate, produce. process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Purchase Real Property in violation of any Environmental Regulation, shall not permit any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulation, shall cause all Hazardous Substances to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder in violation of any Environmental Regulation and shall comply with all other Environmental Regulations which are applicable to the Purchase Real Property. In the event any Hazardous Substance is found upon. under, over or from the Purchase Real Property in violation of any Environmental Regulation or if any lien or claim for lien in favor of any governmental entity or agency as a result of any release of any Hazardous Substance is threatened, Owner, at its sole cost and expense, shall, within ten days of such finding, deliver written notice thereof to the Town and shall promptly remove such Hazardous Substances and prevent the imposition of any liens against the Purchase Real Property for the cleanup of any Hazardous Materials. Such removal shall be conducted and completed in compliance with all applicable federal, state and local laws, regulations, rules, ordinances and policies in accordance with the orders and directives of all federal, state and local governmental authorities.

ARTICLE XII. PURCHASE AND CONVEYANCE OF THE PURCHASE REAL PROPERTY

Section 12.01. Purchase. The Town shall purchase the Purchase Real Property and Purchase Personal Property and terminate this Lease, but only if the Town is not then in default under this Lease.

a. Subject to the timing for required notice as set forth herein, the Town may exercise the purchase on any date during the Lease Term by performing as set forth in this Article XII.

b. The Town shall give Owner notice of its intention to purchase not less than one hundred and twenty (120) days in advance of the anticipated date of Closing.

    (1) The notice must be in writing and delivered to Owner by Certified Mail with proof of delivery.

c. If the Town fails to purchase by providing the required notice at least ninety days prior to December 31, 2031, then the right to purchase the Purchase Real Property and Purchase Personal Property shall terminate and this Lease shall terminate as of December 31, 2031.

Section 12.02. Termination of Other Lease(s) of Purchase Real Property. Unless the Town instructs Owner otherwise, either due to agreement to assume any landlord obligations in existing leases or for any other reason, Owner shall terminate any and all third party leases for any part of the Purchase Real Property as of Closing and ensure that the Town can take full possession of the Purchase Real Property as of such Closing date.

Section 12.03. Condition of Purchase Real Property and Purchase Personal Property to Materially Remain the Same as of Lease Term Commencement. The Purchase Real Property and Purchase Personal Property are being sold in "AS IS" condition with no Owner representations or warranties. As such, as of the Lease Term commencement, the Town has had opportunity to inspect the Purchase Real Property, the title commitment and the Phase 1 Environmental Assessment for the Purchase Real Property and is reasonably satisfied with all conditions of the Purchase Real Property as currently exist.

a. Owner agrees that it shall take no action to cause or allow any material cloud on or deficiency to the title to the Purchase Real Property be placed between the period of Lease Term commencement and the Closing.

Section 12.04. Conveyance of the Purchase Real Property and Purchase Personal Property. Upon exercise of the Purchase as contemplated hereunder, at Closing, Owner shall transfer and convey the Purchase Real Property and Purchase Personal Property to the Town in the manner provided for in Section 12.06 of this Lease; provided, however, that the Town shall have paid any outstanding balance of the Purchase Price (determined as the Purchase Price minus the aggregate sum of all Purchase Price Downpayments made to date of Closing).

Section 12.05. Manner of Conveyance of Purchase Real Property.

a. At the Closing, Owner shall execute and deliver to the Town a Special Warranty Deed transferring and conveying good and marketable title to the Purchase Real Property, subject only to the following: (a) Permitted Encumbrances, other than this Lease; and (b) any lien or encumbrance created by action of the Town.

b. All revenues, taxes, rents, and other expenses related to the Purchase Real Property will be prorated at Closing between the Town and Seller as of 11:59 P.M. on the Closing date.

c. Each party shall bear its own legal expenses in connection with this Lease and in connection with the Closing.

d. Owner shall pay costs for an owner's title insurance policy for the Town to be delivered at Closing although the Town shall pay for deletion of the standard exceptions if it chooses to obtain such coverage and for all endorsements it requests from the title company.

e. The parties shall equally share all closing costs and transfer fees related to the transfer of the Purchase Real Property except that the Town shall pay the cost of recording fees to record the instruments transferring title.

Section 12.06. Manner of Conveyance of Purchase Personal Property. The Purchase Personal Property shall be sold in its as-is condition as of the Closing. At Closing, Owner shall execute such bill(s) of sale or other documents of conveyance as may be reasonably requested by the Town to evidence transfer of ownership of the Purchase Personal Property.

ARTICLE XIII ASSIGNMENT AND SUBLEASING

Section 13.01. Assignment and Subleasing by Town. This Lease may not be assigned or the Leased Property sublet by the Town for any reason.

Section 13.02. Assignment by Owner. This Lease may not be assigned by Owner for any reason other than to a successor by operation of law.

ARTICLE XIV. EVENTS OF DEFAULT AND REMEDIES

Section 14.01. Events of Default Defined. For purposes of this Lease, the following terms shall have the meanings set forth below.

a. Town Default. "Town Default" means the occurrence of any one or more of the following events, each of which constitutes an Event of Default by the Town under this Lease:

    i. Failure by the Town to pay any Base Rent or Additional Rent during the Lease Term within five (5) days after the same becomes due.

    ii. Failure by the Town to vacate or tender possession of the Leased Property by the tenth Business Day of the Fiscal Year in respect of which an Event of Nonappropriation has occurred.

    iii. Failure by the Town to observe or perform any other covenant, condition, or agreement on its part to be observed or performed under this Lease, which failure continues for a period of fifteen (15) days after written notice is given by the non-defaulting party specifying such failure and requesting that it be remedied; provided, however, that if the failure stated in the notice cannot reasonably be corrected within such fifteen (15) day period, Owner shall consent to a reasonable extension of time if corrective action is instituted by the Town within such fifteen (15) day period and is diligently pursued until the default is corrected. Such consent by Owner shall not be unreasonably withheld.

    iv. The Town (A) files a petition or application seeking reorganization, arrangement, or other debtor relief under federal bankruptcy law or under the laws of the State of Colorado, or (B) becomes the subject of such a petition or application which is not contested by the Town, or is not dismissed or discharged within thirty (30) days.

    v. The occurrence of an Event of Nonappropriation.

Any of the foregoing shall constitute a Town Default.

b. Owner Default. "Owner Default" means the occurrence of any one or more of the following events, each of which constitutes an Event of Default by Owner under this Lease:

i. Failure by Owner to observe or perform any covenant, condition, or agreement on its part to be observed or performed under this Lease—including, without limitation, (A) the obligation to provide quiet enjoyment of the Leased Property as required by Article V, (B) the obligation to maintain insurance and perform maintenance as required by Article IX, and (C) the obligation to convey the Purchase Real Property and Purchase Personal Property in accordance with Article XII upon the Town's valid exercise of the Purchase —which failure continues for a period of fifteen (15) days after written notice is given by the non-defaulting party specifying such failure and requesting that it be remedied; provided, however, that if the failure stated in the notice cannot reasonably be corrected within such fifteen (15) day period, the Town shall consent to a reasonable extension of time if corrective action is instituted by Owner within such fifteen (15) day period and is diligently pursued until the default is corrected. Such consent by the Town shall not be unreasonably withheld.

ii. Failure or refusal by Owner, after the Town has properly exercised its Purchase in accordance with Article XII, to convey good and marketable title to the Purchase Real Property and the Purchase Personal Property as required under this Lease, free and clear of all encumbrances other than Permitted Encumbrances and liens created by the Town.

iii. Owner (A) files a petition or application seeking reorganization, arrangement, or other debtor relief under federal bankruptcy law or under the laws of the State of Colorado, or (B) becomes the subject of such a petition or application which is not contested by Owner, or is not dismissed or discharged within thirty (30) days.

iv. Any of the foregoing shall constitute an Owner Default.

c. Event of Default. The term "Event of Default," as used elsewhere in this Lease (including Article XIV), means either a Town Default or an Owner Default, as applicable.

Section 14.02. Remedies on Default. Whenever any Event of Default referred to in Section 14.01 of this Lease shall have happened and be continuing, one or more of the following remedial steps may be taken:

a. The non-defaulting party may terminate the Lease, and the Town will vacate and surrender possession of the Leased Property within ten Business Days of the delivery or receipt of such notice.

b. In the event of a Town Default, Owner may proceed to foreclose through the courts on or otherwise sell, trade-in, repossess or liquidate the Town's interest in the Leased Property, or any part thereof in any lawful manner; provided, however, that Owner may not recover from the Town any deficiency which may exist following the liquidation of the Town's interest in the Leased Property in excess of Base Rent and Additional Rent for the then current Fiscal Year and in excess of amounts payable under subparagraph (c) of this Section 14.02.

c. Owner may recover from the Town: (i) the portion of Base Rent and Additional Rent which would otherwise have been payable hereunder, during any period in which the Town continues to occupy, use or possess the Leased Property; and (ii) Base Rent and Additional Rent which would otherwise have been payable by the Town hereunder during the remainder, after the Town vacates and surrenders possession of the Leased Property, of the Fiscal Year in which such Event of Default occurs.

d. The non-defaulting party may take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Leased Property under this Lease.

e. Town Remedies Upon Owner Default—Return of Purchase Payments. Upon any Owner Default, the Town shall be entitled to the prompt return of all amounts paid toward the Purchase Price, including without limitation the Purchase Price Downpayment and any Monthly Purchase Price Downpayment Amounts, together with any interest accrued thereon, if any, without prejudice to any other rights and remedies available at law or in equity.

f. Any termination of the Lease resulting from a Town Default or Event of Nonappropriation shall also terminate the Town’s right to purchase the Purchase Real Property and Purchase Personal Property and the Town shall forfeit any Purchase Price Downpayment paid or owed to date of such termination of the Lease. If the Lease is terminated due to an Owner Default or other breach by the Owner, the Town shall be entitled to the prompt return of all amounts paid toward the Purchase Price, including without limitation the Purchase Downpayment and any Monthly Purchase Price Down Payment Amounts, together with any interest accrued thereon, if any, as provided in Section 14.02(e).

Section 14.03. Limitations on Remedies. A judgment requiring a payment of money may be entered against the Town by reason of an Event of Default, only as to the Town's liabilities described in paragraph (c) of Section

14.02 of this Lease. A judgment requiring a payment of money may be entered against the Town by reason of an Event of Nonappropriation only to the extent that the Town fails to vacate and surrender possession of the Leased Property as required by Section 14.01 of this Lease, and only as to the liabilities described in paragraph (c)(i) of Section 14.02 of this Lease. The remedy described in paragraph (c)(ii) of Section 14.02 of this Lease is not available for an Event of Default consisting of failure by the Town to vacate and surrender possession of the Leased Property within ten Business Days following notice of an Event of Nonappropriation.

Section 14.04. No Remedy Exclusive. Subject to Section 14.03 of this Lease, no remedy herein conferred upon or reserved to Owner is intended to be exclusive, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle Owner to exercise any remedy reserved in this Article XIV, it shall not be necessary to give any notice, other than such notice as may be required in this Article XIV.

Section 14.05. Waivers. Either Party may waive any Event of Default under this Lease and its consequences. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall apply only to the particular breach so waived.

Section 14.06. **Agreement to Pay Attorneys' Fees and Expenses.** To the extent permitted by law and subject to the provisions of Section 6.03 hereof, in the event that either party hereto shall default under any of the provisions hereof and the non-defaulting party shall employ attorneys or incur other expenses for the collection of Base Rent or Additional Rent, or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it shall on demand therefor pay to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party, to the extent that such attorneys' fees and expenses are determined to be reasonable by a court of competent jurisdiction.

ARTICLE XV. MISCELLANEOUS

Section 15.01. Sovereign Powers of Town. Nothing in this Lease shall be construed as diminishing, delegating, or otherwise restricting any of the sovereign powers of the Town. Nothing in this Lease shall be construed to require the Town to occupy and operate the Leased Property other than as lessee, or to require the Town to exercise its right to purchase the Purchase Real Property or Purchase Personal Property.

Section 15.02. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified or registered mail, postage prepaid, addressed as follows:

If to the Town:

Town of Keystone
Attn: Town Manager
1628 Sts John Rd
Keystone, CO 80435

With a copy to:
Jennifer Madsen
Widner Juran, LLP
13133 East Arapahoe Road, Suite 100
Centennial CO 80112

If to Owner:

Keystone Policy Center
1628 Sts John Rd
Keystone, CO 80435

With a copy to:

The Town or Owner may, by written notice, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 15.03. Binding Effect. This Lease shall inure to the benefit of and shall be binding upon Owner and the Town and their respective successors and assigns, subject however, to the limitations contained in Article XIII of this Lease.

Section 15.04. Amendments, Changes and Modifications. Except as otherwise provided in this Lease, the Lease may not be effectively amended, changed, modified or altered without the written agreement of the parties hereto.

Section 15.05. Lease. This Lease shall be deemed and construed to be a "triple net lease," and the Town shall, subject to Article V hereof, pay absolutely net during the Lease Term, the Base Rent, Additional Rent and all other payments required hereunder, free of any deductions, and without abatement, deduction or setoff (other than credits against Base Rent expressly provided for in this Lease).

Section 15.06. Payments Due on Holidays. If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Lease shall be a day other than a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided for in this Lease.

Section 15.07. Severability. In the event that any provision of this Lease, other than the requirement of the Town to pay Base Rent in accordance with Section 6.02, and the requirement of Owner to provide quiet enjoyment of the Leased Property and to convey the Purchase Real Property and Purchase Personal Property to the Town under the conditions set forth in Article XII of this Lease, and the requirement that the obligation of the Town to pay Base Rent, Additional Rent and other amounts under this Lease are subject to the limitations of Section 6.03 hereof, shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 15.08. Execution in Counterparts. This Lease may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15.09. Applicable Law. This Lease shall be governed by and in accordance with the laws of the State of Colorado, without regard to conflict of laws principles.

Section 15.10. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Lease.

Section 15.11. No Brokers. The parties represent each to the other that they have had no conversation or negotiations with any broker concerning the leasing of the Leased Property or sale of the Purchase Real Property. Each of Town and Owner agrees to protect, indemnify, save and keep harmless the other, against and from all liabilities, claims, losses, costs, damages and expenses, including attorneys' fees, arising out of, resulting from or in connection with their breach of the foregoing warranty and representation.

Section 15.12. Waiver of Jury Trial. The parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way related to this Lease, the relationship of Owner and the Town, the Town's use or occupancy of the Leased Property, and/or any claim of injury, loss or damage.

Section 15.13. TABOR. The Parties understand and agree that the Town is subject to Article X, Section 20 of the Colorado Constitution ("TABOR"). The parties do not intend to violate the terms of TABOR by the execution of this Lease. It is understood and agreed that this Lease does not create a multi-fiscal year direct or indirect debt or obligation within the meaning of TABOR.

Section 15.14. No Governmental Immunity Waiver. Nothing in this Agreement is intended to waive any protection afforded to the Town by the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101 et seq., or any other applicable law providing immunity to the Tenant, its officials, and employees.

Section 15.15. Counterparts/Electronic Signatures. This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute the binding and enforceable agreement of the parties hereto. This Lease may be executed and delivered by a party by facsimile or email transmission, which transmission copy shall be considered an original and shall be binding and enforceable against such party. Owner and the Town acknowledge and agree that electronic signatures used for the execution of this Lease and/or amendments hereto (if any) shall be valid, binding and enforceable against such party.

SIGNATURE PAGE FOLLOWS

WITNESS the due execution hereof as of the day and the year first mentioned above.

TOWN OF KEYSTONE, COLORADO

____
Ken Riley, Mayor

ATTEST:

____
Town Clerk

OWNER:

The Keystone Center, a Colorado nonprofit corporation

By: ______________________________________
Name: Christine Scanlon
Title: President and CEO

State of Colorado)
) ss.
County of ___)

The foregoing instrument was acknowledged before me this __ day of ____, 2025, by Christine Scanlon.

Notary Public

My commission expires:

EXHIBIT A
DESCRIPTONS OF PROPERTIES LEASED/SUBJECT TO PURCHASE

Leased Property: All of which is located within the structure addressed as 1628 Sts. John Rd, Keystone, Colorado 80435

(a) Approximate Total Floor Area:

Two Small Offices - approximately 100 square feet per office
Four Medium Offices - approximately 130 square feet per office
One Large Office - approximately 180 square feet
Two Corner Offices – approximately XXX square feet
Community room - approximately 1748 square feet
Downey Library - approximately 380 square feet
Common Space - approximately 340 square feet

(b) Address: Offices 101, 102, 103, 104, 105, 106, 107, 109, and 111 of the building in addition to the Downey Memorial Library and the east end common space and use of surrounding property and parking.

Owner and the Town may agree in writing to modify or expand the Leased Property, and to a corresponding change to the Base Rent based on the rates set in the Exhibit B, Base Rent Schedule. On behalf of the Town the Town Manager may approve such agreement in writing as long as the change Base Rent (and Additional Rent) remains within appropriated and budgeted amounts for the current year.

Purchase Real Property:

That certain real property, and all improvements and fixtures situated thereon, known as

> Tenderfoot Subdivision Filing No. 2, Summit County, Colorado, except for Sts. John Road

which generally consists of one (1) permanent building structure and +/- 5.75 acres of land

Purchase Personal Property All the following equipment, furniture, amenities, and other personal property located on the Purchase Real Property owned by Owner, except the following personal property specifically excluded,

Need list of inclusions/exclusions

EXHIBT B
BASE RENT SCHEDULE

Office Number	Size	Monthly Rent
107	Small	$350
109	Small	$350
111	Large	$600
Community Rm		$600
103	Medium	$400
104	Medium	$400
105	Medium	$400
106	Medium	$400
101	Corner	$400
102	Corner	$400
Downey Library		$350
Common Space		$350
TOTAL MONTHLY BASE RENT		**$4900**

In the event Owner and the Town agree to modify, decrease or expand the Leased Property, Base Rent shall be correspondingly modified based on the rates set above.

EXHIBIT C
PURCHASE PRICE

The total purchase price for the Property shall be Four Million One Hundred Thousand Dollars ($4,100,000) (the "**Purchase Price**"), which shall be paid over the Term as set forth in the table below, with all payments being nonrefundable and monthly payments made in accordance with Section XXXX of the Lease.

Lease Term Year	Monthly Purchase Option Price Downpayment Amount	Annualized Payment (aggregate of monthly payments)	Running Balance on Purchase Price at Conclusion of Lease Term Year Period
Within 30 days of effective date of ordinance approving Lease		$500,000 one-time	$3,600,000
Year 1	$47,272.73 Monthly	$520,000 (aggregate of monthly payments)	$3,080.000
Year 2	$43,333.33 Monthly	$520,000 (aggregate of monthly payments)	$2,560,000
Year 3	$43,333.33 Monthly	$520,000 (aggregate of monthly payments)	$2,040,000
Year 4	$43,333.33 Monthly	$520,000 (aggregate of monthly payments)	$1,520,000
Year 5	$43,333.33 Monthly	$520,000 (aggregate of monthly payments)	$1,000,000
Year 6	$43,333.33 Monthly	$520,000 (aggregate of monthly payments)	$480,000
Balloon at Closing		$480,000 one-time	$0

TOWN OF KEYSTONE, COLORADO

STAFF REPORT

TO: Mayor & Town Councilmembers

THROUGH:

FROM: John Crone, Town Manager

DATE: November 11, 2025

SUBJECT: Workshop Discussion of Police Budget

Executive Summary:

This workshop discussion will address the 2026 Dillon-Keystone Police Budget.

Background:

Police Chief Cale Osborn will discuss the proposed 2026 budget. The attached only shows the expenditures designated to the Town of Keystone. The Keystone portion represents 1/3 of the entire PD budget.

Keystone Police Dept
2026 Budget

Revenues	2025 Budget	2025 Estimates	2026 Budget	$ Diff	% Diff
KEYSTONE COST REIMBURSEMENT	$ 1,062,388	$ 1,062,388	$ 1,412,976	$ 350,588	33%
Total Keystone PD Revenue	$ 1,062,388	$ 1,062,388	$ 1,412,976	$ 350,588	33%

Expenditures	2025 Budget	2025 Estimates	2026 Budget	$ Diff	% Diff
Hazardous Materials	$ 4,554	$ -	$ -	$ (4,554)	-100.00%
Detox	$ 2,500	$ 2,500	$ -	$ (2,500)	-100.00%
TREETOP	$ -	$ 38,123	$ -	$ -	0.00%
IMT/MAC EVAC STUDY	$ 500	$ 40,623	$ -	$ (500)	-100.00%
Supplies	$ 1,500	$ 2,980	$ 1,995	$ 495	33.00%
Equipment	$ 5,000	$ -	$ 37,228	$ 32,228	644.56%
Uniforms	$ 5,000	$ 6,600	$ 13,200	$ 8,200	164.00%
Cleaning	$ -	$ 5,720	$ 2,080	$ 2,080	0.00%
Bike Patrol	$ 1,500	$ 2,000	$ 1,500	$ -	0.00%
Mert	$ 5,000	$ -	$ 17,412	$ 12,412	248.24%
Canine (NEW)	$ -	$ -	$ 11,039	$ 11,039	0.00%
SWAT	$ -	$ -	$ -	$ -	0.00%
Range	$ 2,500	$ 20,000	$ 2,500	$ -	0.00%
Ambulance Service	$ -	$ -	$ -	$ -	0.00%
Overhead Allocation	$ 388,899	$ 388,899	$ 865,925	$ 477,026	122.66%
K9 Overhead Allocation	$ -	$ -	$ -	$ -	0.00%
Supplies (CSO)	$ -	$ -	$ 2,000	$ 2,000	0.00%
Equipment (CSO)	$ -	$ -	$ 2,000	$ 2,000	0.00%
Uniforms (CSO)	$ -	$ -	$ 1,500	$ 1,500	0.00%
Overhead Allocation	$ -	$ -	$ 96,214	$ 96,214	0.00%
Patrol	$ 416,953	$ 507,445	$ 1,054,593	$ 637,640	152.93%

Investigation	$	3,500	$	-	$	4,655	$	1,155	33.00%
Special Investigations	$	-	$	-	$	-	$	-	0.00%
Overhead Allocation	$	-	$	-	$	-	$	-	0.00%
Investigations	$	3,500	$	-	$	4,655	$	1,155	33.00%
Telecommunications	$	3,900	$	9,826	$	11,768	$	7,868	201.74%
Communication Center Operating	$	23,602	$	-	$	-	$	(23,602)	-100.00%
CMS 360	$	9,358	$	-	$	-	$	(9,358)	-100.00%
Radio Repair/Maint	$	-	$	-	$	-	$	-	0.00%
Communications	$	36,860	$	9,826	$	11,768	$	(25,092)	-68.07%
COURT FEES	$	20,000	$	-	$	20,000	$	-	0.00%
Court Fees	$	20,000	$	-	$	20,000	$	-	0.00%
Training-Patrol	$	4,500	$	-	$	5,985	$	1,485	33.00%
Training- Code Enforcement	$	-	$	-	$	2,000	$	2,000	0.00%
Training Admin	$	1,500	$	-	$	1,500	$	-	0.00%
Training	$	6,000	$	-	$	9,485	$	3,485	58.08%
Supplies	$	-	$	-	$	3,500	$	3,500	0.00%
Postage	$	500	$	-	$	500	$	-	0.00%
Printing	$	200	$	-	$	1,000	$	800	400.00%
Association Dues	$	500	$	-	$	500	$	-	0.00%
Legal	$	500	$	-	$	665	$	165	33.00%
Meeting Expense	$	-	$	-	$	500	$	500	0.00%
Publications	$	-	$	-	$	-	$	-	0.00%
Advertising	$	1,000	$	-	$	1,000	$	-	0.00%
Vehicles	$	12,143	$	-	$	24,000	$	11,857	97.64%
Licenses	$	-	$	-	$	14,033	$	14,033	0.00%
Animal Control	$	3,923	$	2,478	$	4,315	$	392	10.00%
Equipment Repair/Maint	$	500	$	-	$	500	$	-	0.00%

Computer Support	$	5,000	$	-	$	14,430	$	9,430	188.60%
Abandon Vehicle Charge	$	-	$	-	$	-	$	-	0.00%
Discretionary	$	-	$	-	$	-	$	-	0.00%
Wellness Program	$	1,000	$	-	$	1,330	$	330	33.00%
Community Outreach	$	1,500	$	-	$	1,500	$	-	0.00%
Jail Fees	$	-	$	-	$	-	$	-	0.00%
Seizure Money	$	-	$	-	$	-	$	-	0.00%
Voucher Program	$	-	$	-	$	-	$	-	0.00%
New Hire Employment Process	$	-	$	-	$	5,600	$	5,600	0.00%
CAPITAL	$	216,215	$	216,215	$	-	$	(216,215)	0.00%
Overhead Allocation	$	57,606	$	57,606	$	223,664	$	166,058	288.27%
General Public Safety Operations	$	300,587	$	276,299	$	297,037	$	(3,550)	-1.18%
Total Keystone PD Expenditures	$	783,900	$	793,570	$	1,397,538	$	613,638	78.28%

TOWN OF KEYSTONE, COLORADO

STAFF REPORT

TO: Mayor & Town Councilmembers

THROUGH:

FROM: John Crone, Town Manager

DATE: November 11, 2025

SUBJECT: A discussion of the Disbursement Plan for the 2026 Nicotine Tax Funds

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Executive Summary:

This workshop item will discuss the plan for distribution of the 2026 Nicotine Funds.

Background:

The Town of Keystone has entered into an IGA with the other jurisdictions in Summit County to collect and disburse the revenue from the Countywide nicotine tax. The attached plan outlines the disbursement plans for 2026. The budgeted funds will be distributed according to the ballot language by the Summit Foundation. Excess revenue will be returned to the municipalities and the County according to the original IGA.

2026 Summit County Public Health and Education Plan

Purpose: According to Section 8 of the 2025 Amended Intergovernmental Agreement (IGA) for the Nicotine Tax in Summit County, The Special Sales Tax Advisory Board (Board), consisting of the Managers, is supposed to produce Public Health and Education Plan. The Plan does the following according to the IGA:

"The Plan adopted by the Advisory Board shall include a statement of goals that promote the purposes of the Special Sales Tax and program implementation measures for those goals. The Plan may be amended from time to time and shall include provisions for the joint review of the prior year's expenditures and performance of the various programs during the prior calendar years to inform future decision-making by the Parties."

This documented Plan, which could be included as an attachment to the IGA, can be updated whenever necessary.

The Plan:

Goals: The Goal of this plan is to meet the purposes outlined in the ballot language associated with the implementation of a Nicotine Special Sales Tax, to promote the prevention and cessation of nicotine product use with the County's youth and general population, and to promote the health of our county residents.

Programs: There will be two major programs funded under this plan and Nicotine Tax revenue will be allocated to them according to an annually approved schedule; the programs are:

- Summit County Health Department's Tobacco Coalition Programs promoting prevention and cessation of nicotine products, and
- The Health and Human Services Non-profit Grant Program: this will be an invite-only grant program administered by the Summit Foundation and invites will be based on the health and human services needs of the community determined on an annual basis

Allocations of Funding:

- 2026 available revenue will be determined by estimating a 30% cut in projected revenue from 2025 projected collections to provide a projection for 2026 available revenue for distribution. Further year allocations to each part of the program will be determined by revenue experience
    - The projected revenue available for allocation under this plan for 2026 is $2,177,129
- Projected revenue will be split to program expenditures based on the annual allocation:
    - 40% to Prevention and Cessation and
    - 60% to a health and human services non-profit grant program
- The percentage of projected expenditure allocation will be given to programs in actual dollar amount for budgeting purposes
    - If revenues cannot meet the projected budgeted allocations for a certain year, there will be no ability to backfill these amounts through the IGA

- Collections over the projected 2026 revenue will be held by the entities and available for appropriation by the entities
- The health and human services non-profit grant program will be by invitation only and the program will be designed between the Summit Foundation and the Special Sales Tax Advisory Board

Accountability: Each year in September and ready for the monthly meeting of the Managers, which will also be an annual meeting of the Board, a short report and resulting presentation will be provided to the Board with the following objectives:

- Review objectives for the past annual period and measure those objectives against the program accomplishments for that period
- Build advice on the programs and budget guidance for the next annual period

This 2026 Summit County Public Health and Education Plan is executed by the below Parties.

[Remainder of Page Left Intentionally Blank; Signature Page to Follow]

SUMMIT COUNTY, COLORADO

____
David Rossi, County Manager

ATTEST:

____
Taryn Power, County Clerk & Recorder

TOWN OF BLUE RIVER

Signed by:
Steven G. Rabe
8077E77AE5704AB...
Steven G. Rabe, Interim Town Manager

ATTEST:

Signed by:
John DeBee
AB7B8906624F4BB...
John DeBee, Interim Town Clerk

TOWN OF BRECKENRIDGE

DocuSigned by:
Shannon Haynes
C49ACBC8B8A04C5...
Shannon Haynes, Town Manager

ATTEST:

Signed by:
Mae Watson
34BDDCAFFBA04F0...
Mae Watson, Interim Town Clerk

TOWN OF DILLON

DocuSigned by:
Nathan Johnson
450AD91BBD61424...
Nathan Johnson, Town Manager

ATTEST:

DocuSigned by:
Adrienne Stuckey
B547C520A615476...
Adrienne Stuckey, Town Clerk

TOWN OF FRISCO

DocuSigned by:
Thomas C. Fisher
F87AD42D23604B9...
Thomas C. Fisher, Town Manager

ATTEST:

Signed by:
Stacey Campbell
EDCD1C6EB0AB46E...
Stacey Campbell, Town Clerk

TOWN OF KEYSTONE

Signed by:
John Crone
D2A1F147FAB544C...
John Crone, Town Manager

ATTEST:

DocuSigned by:
Madeleine Sielu
04E4BE3F50A1424...
Maddy Sielu, Town Clerk

TOWN OF MONTEZUMA

____

Lesley Davis, Mayor

ATTEST:

____

__________________, __________

TOWN OF SILVERTHORNE

Signed by:
Mark Leidal
8EBE8F55ECF6440...
Mark Leidal, Interim Town Manager

ATTEST:

Signed by:
Joy Rosales
EFFEF976E84240E...
Joy Rosales, Town Clerk

TOWN OF KEYSTONE, COLORADO
STAFF REPORT

TO:	Mayor & Town Councilmembers
THROUGH:	John Crone, Town Manager
FROM:	Jennifer Madsen, Town Attorney
DATE:	November 11, 2025
SUBJECT:	Graywater legislation

Executive Summary:

Effective January 1, 2026, new Colorado legislation (HB 24-1362) will take effect that significantly changes state policy on graywater use. Currently, municipalities must adopt an ordinance or resolution authorizing graywater use before such systems are permitted. The new law authorizes graywater treatment works in new construction statewide by default, unless restricted by local governments.

With this change, local governments retain discretion to:

1. Take no action, allowing graywater under state standards;
2. Adopt a local graywater control program under Regulation 86 (5 CCR 1002-86) to manage permitting and inspections; or
3. Adopt an ordinance or resolution prohibiting graywater use (in whole or in part) and notify the Colorado Department of Public Health and Environment (CDPHE).

Background:

Definition and Scope

For purposes of this legislation, *graywater* means the portion of wastewater collected from bathroom and laundry sinks, bathtubs, showers, and laundry machines for beneficial reuse. It excludes water from toilets, urinals, kitchen sinks, dishwashers, and non-laundry utility sinks.

Graywater must be collected in a manner that minimizes contaminants such as human waste, food matter, or hazardous chemicals, as defined by the Water Quality Control Commission with the Colorado Department of Public Health and Environment (CDPHE).

Summary of the New Legislation

House Bill 24-1362 (enacted May 29, 2024; effective January 1, 2026) establishes a new statewide framework for graywater reuse:

1. General Authorization:
   Individuals may install graywater treatment works and use graywater in accordance with C.R.S. § 25-8-205(1)(g) and Regulation 86. No local approval is required unless the jurisdiction chooses to regulate or prohibit use.
2. Local Government Authority to Opt Out:
   A municipality may adopt an ordinance or resolution prohibiting graywater use—either entirely or for specific categories (e.g., outdoor irrigation or indoor reuse). The municipality must notify CDPHE of any prohibition.
3. Local Regulation (Optional):
   A municipality wishing to issue permits, perform inspections, or otherwise administer graywater locally may adopt a local graywater control program meeting the state's minimum design, operation, and maintenance standards, including potable-water separation and cross-connection control.
4. Reauthorization:
   A municipality that previously prohibited graywater may later authorize its use by new ordinance or resolution and notify CDPHE.
5. Limitations:
   Unless otherwise authorized locally, indoor graywater systems may be installed only in new construction projects.

Applicability to Commercial and Industrial Buildings

Colorado's graywater regulations apply to both residential and non-residential properties. Commercial and institutional buildings — such as hotels, lodges, multifamily developments, offices, and recreation centers — may collect graywater from eligible sources and reuse it for approved purposes.

Examples include:

- Hotels or lodges reusing shower and laundry water for toilet and urinal flushing;
- Offices or schools reusing bathroom sink water for subsurface irrigation; and
- Recreation centers recirculating shower water for internal non-potable uses.

Kitchen, janitorial, and industrial process water are excluded from the definition of graywater and may not be reused under Regulation 86.

Implications for the Town of Keystone

Several Colorado municipalities (e.g., Boulder, Lyons, and Greenwood Village) have opted out by prohibiting graywater use, citing limited staff capacity, potential water-rights implications, and uncertainty about administrative costs versus conservation benefits. At this time, there is no indication that Summit County or municipalities in Summit County have adopted graywater ordinances or local control programs.

Absent any local action by Town Council, graywater use would be allowed by default in new construction within the Town beginning January 1, 2026.

Town staff has not researched findings regarding the technical, fiscal, or environmental implications of graywater use in the Town. This memorandum is intended to outline legal options available under the new statute.

Option	Description	Potential Considerations
1. Take No Action (Allow by Default)	Allow graywater in new construction under state standards.	Simplifies administration; relies on CDPHE's Regulation 86; limited local control or tracking of systems.
2. Adopt Local Graywater Control Program	Enact a local ordinance authorizing and regulating graywater consistent with Regulation 86.	Allows tailored oversight and permitting but requires staff resources, training, and coordination with utilities.
3. Opt Out (Prohibit)	Adopt an ordinance prohibiting all or certain	Maintains current prohibition; avoids potential cross-connection or water-

Option	Description	Potential Considerations
	categories of graywater and notify CDPHE.	rights issues; may be revisited later when more information is available.

CML has prepared a model ordinance prohibiting the use of graywater as municipalities explore how to implement graywater standards. That model ordinance is attached.

Next Steps / Recommended interim action:

Given the 2026 effective date and the absence of local precedent in Summit County, Council may wish to consider a temporary opt-out ordinance—consistent with the Colorado Municipal League's model language (attached)—while staff gathers additional information on:

- Potential public-health and building-code impacts; and
- Community or developer interest in graywater systems.

Conclusion:

House Bill 24-1362 represents a substantial policy shift toward broader statewide authorization of graywater use. Municipalities must now determine whether to prohibit, regulate, or allow by default under the state framework.

At this time, no immediate Council action is required, but consideration of an interim opt-out ordinance may be prudent pending further evaluation.

Attachment:

- CML Model Ordinance

AN ORDINANCE PROHIBITING THE USE OF GRAYWATER AND THE INSTALLATION OF GRAYWATER TREATMENT WORKS WITHIN THE [CITY/TOWN] OF [CITY/TOWN NAME][1]

WHEREAS, "graywater" is the portion of wastewater collected from bathroom and laundry room sinks, bathtubs, showers, and laundry machines (but excluding wastewater from toilets, urinals, kitchen sinks, dishwashers, or nonlaundry utility sinks) in residential, commercial or industrial buildings or institutional facilities before treatment or combination with other wastewater to be put to beneficial uses, as defined by Regulation 86 of the Colorado Water Quality Control Commission, Colorado Department of Public Health and Environment (5 CCR 1002-86, June 30, 2015); and

WHEREAS, in 2013, House Bill 13-1044 authorized the use of graywater systems in municipalities only when authorized locally by ordinance, but pursuant to House Bill 24-1362, effective January 1, 2026, the collection, treatment, and use of graywater is authorized except where prohibited locally;

BE IT ORDAINED BY THE [CITY COUNCIL/BOARD OF TRUSTEES] OF [CITY/TOWN NAME], COLORADO, AS FOLLOWS:

SECTION 1. Findings. This ordinance is found to be supported and authorized by law and in the best interests of and necessary for the protection of the health, safety, and welfare of the public. This ordinance is enacted pursuant to C.R.S. § 31-15-601(1)(m)(I) [if applicable: and the city/town's home rule charter]. The [city manager/town administrator/town clerk] will send notice of this ordinance to the Division of Administration, Department of Public Health and Environment pursuant to C.R.S. § 31-15-601(1)(m)(I)(B)

[1] This model ordinance is intended to assist municipalities with the shift from statewide prohibition to statewide permission of graywater use and treatment established by HB24-1362. Please contact CML for examples of municipal ordinances establishing codes for graywater use and treatment, partial authorization for specific uses, or authorization for the construction of treatment works in existing buildings. **This model ordinance is not legal advice. Consultation with your city or town attorney, water and wastewater providers, and building officials is advised.**

SECTION 2. Prohibition. Except for any systems permitted before the effective date of this ordinance, the installation of graywater treatment works and the use of graywater are prohibited within the [City/Town] of [City/Town Name].

SECTION 3. Repealer. All ordinances and resolutions or portions thereof inconsistent or conflicting with this ordinance or any portion hereof, are hereby repealed to the extent of such inconsistency.

SECTION 4. Effective Date. This ordinance shall be effective December 31, 2025.