

# Steamboat Grand Resort Hotel Condominium Association

## **PRELIMINARY DRAFT**

### Minutes of the Annual Meeting

Saturday 12/11/2010

At 1:00 PM In the Grand

#### **Call to Order**

The meeting was called to order at 1:00. Notice of the meeting was mailed to all members on November 26, 2010. It was confirmed that a quorum was present. Board Members in attendance were: Joe Fogliano, President, Greg Magee, Treasurer, Mike Lomas, Laurie Good and Steve Traudt. David Zedeck, Secretary, arrived at 1:30.

Joe began by explaining that the meeting was moved to December in hopes of better attendance, since the ski mountain is open. Today the skiing is so good that it is providing competition with the meeting attendance. He announced that the items on the agenda will be rearranged to provide a better flow of information.

#### **Review and Approval of the combined Annual Meeting and Budget Ratification Meeting Minutes from 12/05/09**

There was a motion from the floor to approve the minutes as presented. The motion was seconded. The motion passed.

Joe then introduced the members of the Board that were present, and Sherri Sweers the Association's attorney.

#### **Election of Directors**

Because the terms of the Board Members are staggered, two positions are open this year. One is for a commercial member and the other for a residential member. There is only one candidate, Laurie Good, for the commercial member seat. Since she is running unopposed, Joe called for a show of hands vote, and Laurie was re-elected for a three year term.

There are two candidates for the one residential member seat. Greg Magee, an incumbent Residential Board Member and current Treasurer, is standing for reelection. Bud Romberg, who has owned his unit since the opening, is standing for election.

Greg addressed the group, followed by Bud.

Joe explained that written ballots will be used, and each ballot will be assigned a point value based on the size and number of units owned by each voter. Stacy and Sherri will count the ballots and report back as soon as possible. A short break ensued to allow for voting.

*(18:00 into recording)*

### **Financial Presentation**

Kevin Gilman, with Association Accounting and Administrative Assistance (“AAA”), began the presentation with a review of the health of the Association. Two graphs were presented showing trends in collections of dues. As of 11/30/2010 balances owed to the Association are down to \$49,649 compared to \$52,818 a year ago. Balances over 90 days old are \$4,082 which is about one tenth of one percent of the total annual billings. The second graph showed month by month late fees for the past several years. Late charges are running very close to what occurred in 2008 and 2009, again indicating no sign of deterioration. Given the overall economy, this is a very good story.

Another indicator of the health of the Association is real estate sales. Two graphs were presented showing trends in unit sales compared to prior years. Although there was four month period with no sales this summer, 2010 is on pace to exceed 2009 in units sales. The average price per square foot is comparable to prior years, and 2010 was actually the most stable in terms of pricing.

The annual audit was briefly discussed. Copies are available either on paper or electronically to any owner who requests one. The auditor expressed an opinion that the books are in order. They confirmed that all funds assessed for future replacement have either been spent on replacement projects, or are still available in the bank. These funds have not been used for general operations. The audit also includes a standard audit note that as of 12/31/2009 an official replacement reserve study had not been completed.

In 2010 we hired a consultant to perform a replacement reserve study. It considers a list of items, their expected useful life, remaining useful life, along with low cost and high cost estimates for each item. By factoring in inflation and investment returns over the next thirty years we can project our cash flow needs. A five year history of replacement funding and expenditures was reviewed, and it showed that the common replacement fund had a balance of \$605,000 and the residential replacement fund had a deficit of \$21,000 as of 12/31/09. Increasing the funding for both these funds was the primary objective when we developed the 2011 budget.

The auditors determined that we had a taxable profit in 2009. This was a result of converting to a calendar year, so the fiscal year ran from May through December, thereby cutting off the four most expensive months of the year. The low cost of natural gas also contributed to the surplus, and accrual accounting items such as the difference between principle payments (cash, non-deductible) and depreciation (non-cash, deductible) contributed to the tax liability.

The following 2009 Tax Resolution was presented:

- Refund excess dues collected from 5/1/09 through 12/31/09 of \$46,843.08 from the Common Operating Fund, and ratify a special assessment of \$46,843.08 to fund the Common Replacement Reserve Fund.

- Refund excess dues collected from 5/1/09 through 12/31/09 of \$168,813.84 from the Residential Operating Fund, and ratify a special assessment of \$168,813.84 to fund the Residential Replacement Reserve Fund.

There was a motion from the floor to approve the resolution. The motion was seconded. The resolution was approved by a voice vote of the general membership.

At the Executive Board meeting the prior day the Board passed a resolution to convert \$710,111.00 from working capital to the Residential Replacement Fund. The developer gave the Association three month of dues from each sale, and called it working capital, but what those funds should be used for was never spelled out. This resolution clarifies that these funds will be used for future residential replacements, since only residential owners paid into the fund. This was followed by a discussion of the Association's cash needs, investment policies and the balloon payment on the garage mortgage.

**Election Results** Joe Fogliano announced that Greg Magee was reelected to the Board in a close vote.

### **Budget Presentation**

*(59 minutes into the meeting)*

Kevin Gilman began the budget presentation with an overview. The information has been reorganized to better facilitate comparing the dues at the Grand with other properties. Conventional condominium dues are expenses that are comparable to a basic residential condominium where they have to shovel snow off the roof. Funding for common replacement items is standard at other properties, but may not be comparable without researching the adequacy of the funding. Because the Grand is a resort, we have additional expenses for amenities such as the front desk, fitness center and owners club. Because the residential units are fractionally owned, the residential dues include funds for replacing all of the unit furnishings. Like the resort amenities, these expenses are not comparable to a basic residential condominium. Again, because this is a fractionally owned property, the costs of utilities are included in the dues, whereas at other properties the owners would pay the suppliers directly. The mortgage on the underground parking is also not comparable. A chart was presented showing the trends in these categories over the last 6 budgets.

### **Common Facilities Budget**

The Common Facilities Budget is funded by both residential and commercial unit owners, since items contained in the budget benefit both groups. The most significant item is that assessments will increase by 1%. The portion set aside for future replacements has increased 18%. Savings in snow removal, lobby cleaning and natural gas helped fund this increase. More money will be allocated toward the fitness center. There were no questions regarding the Common Facilities Budget.

**Motion:** There was a motion from the floor to approve the Common Facilities Budget as presented. It was seconded.

Motion carried.

## **Residential Unit Budget**

The Residential Unit Budget is funded only by residential unit owners since items contained in this budget only benefit the residential units. The most significant item is that dues assessments will increase by 1%. More money will be allocated toward future replacements and less toward operations. Funds being set aside for future replacements are budgeted to increase by 18%. Other revenues are down slightly, primarily because of an expected drop in owner reservation fees.

Management fees, accounting fees, legal fees, administration and bad debt are expenses that would be found in the dues of other associations, and they are all budgeted lower for 2011.

Credit card fees are running 20% over the 2010 budget, because the credit card companies have done a really good job marketing their rewards programs, and more and more owner are using card to pay their dues. Whether it's points, or cash back or airline miles, the cost of those rewards are being passed on to the merchants, and our average fee is now over 3%. We are now introducing our own rewards program where you will receive a 1% discount for paying by electronic funds ACH transfer. We are also going to begin charging a 2% surcharge for using a credit card to pay dues and taxes. The convenience of using a credit card will still be available, but there will be fee for this service. This change will save an estimated \$37,000, which will be used to fund future replacements, in lieu of raising the dues even more.

Ron Belin, who has been on the Executive Board since 2002, came on via telephone to explain a different view on the use of credit cards. He feels that a change like this should be phased in with more advanced notice. The credit card program also facilitates prompt payment while accommodating individual owners' cash flow situations. Ron also believes in giving the owners the best experience possible, including the convenience of using credit cards.

Joe referred the issue to the owners in attendance for discussion. The 2% surcharge was described as a pay-to-play fee, and was widely supported by those in attendance. An option of a 1% discount for owners who pay the entire year in advance by check was discussed, to match the 1% discount available to those who pay by ACH.

Joe called for a motion to approve the residential budget with the addition of a 1% discount for owners who pay by check a year in advance.

**Motion:** There was a motion from the floor as described. It was seconded.

Motion carried.

*(1:36 into the meeting)*

## **Facilities Report**

Mike Lomas began his presentation with a review of the engineering report on the roof. A consultant out of Denver that specializes in roof design was hired to inspect and report on the roof. They deconstructed a sample area of the roof and found the roof to be in excellent shape, with no moisture within the layers. They recommended increasing the height of the snow retention fencing to reduce the amount of snow shoveling required. The Grand has 6 inch fences and comparable, more modern properties have 18-24" fencing. Next summer, the fencing will be replaced with higher fencing in critical areas, and added in the valleys. Based on the results next winter, additional fencing may be installed thereafter. There were several questions from the floor regarding the roof.

Mike then reported on replacement reserve spending in 2010. The first floor carpet was replaced in the spring. Approximately 122 TV stands with drawers have been installed to replace the TV armoires, to complete the conversion to flat screen TVs. The original wicker chairs have been replaced with upholstered chairs. The daybeds have been replaced with new mattresses that are upholstered to match the other furnishings. Operating funds were used to convert the swimming pool to a saline purification system, and to continue replacing windows as they fog. In 2011 Mike will be looking at new window treatments, including blackout drapes, stucco repair on the exterior, fitness center upgrades and pool furniture. He would also like the Board to consider upgrades to the backyard, including fire pits and expansion of the pool area.

Responding to a question, Mike explained that the old daybeds are being given to a non-profit to be shipped to Africa. Contributions for the old armoires will be collected and given to the non-profit to help with shipping expenses.

*(2:00 into the meeting)*

## **Old Business**

Joe discussed the various committees, and encouraged participation. There is a Management Committee, a Communications Committee, a Parking Committee and the Amenities Committee.

Stacy Huffman gave a report from the Amenities Committee. Après Ski will now be Sunday and Friday 3:30 – 5:00 in the Owners Lounge. The hotel F&B department will be catering the events this year. The First Tracks program was changed by Ski Corp. It will be cheaper and unguided this year, but it will be limited to the Priest Creek area. In-house, you can book 14 days in advance, and for locals it is 72 hours in advance.

There was a question from the floor regarding parking passes. Stacy said the policy is working smoothly and she doesn't anticipate changes. Various aspects of the policy were debated, and Joe encouraged more participation at the committee level.

**New Business**

Joe introduced two new committees, the first being a long Strategic Planning Committee. This would tie in with the long range planning that is part of the replacement, and would try to identify opportunities and challenges further in advance. The second committee was an Investment Committee that would review and update the investment policy.

Joe informed the meeting that the Colorado legislature has created the HOA Information and Resource Center as a clearing house for complaints against HOAs. Exactly how it will function has yet to be determined.

Steve Traudt, of the Executive Board, asked those present to support street front retail shops.

Another owner brought up a concern regarding the behavior of children in the owners lounge and fitness center. She asked that owners do a better job of overseeing their children. Joe referred the issue to the Amenities Committee to look into. He also mentioned that Stacy & Kevin are working on compiling and recommending revisions to Associations rules and regulations.

**Adjournment**

At 3:33 there was a motion from the floor to adjourn and it was seconded. Motion passed.