

## **Board Meeting Minutes**

Steamboat Grand Resort Hotel Condominium Association, Inc

November 7<sup>th</sup>, 2011

1:00 PM at the General Manager's Office

### **Board Members**

*Present:* Joe Fogliano, Mike Lomas; Walter Frank

Greg Magee, Ron Belin, and Steve Traudt via teleconference

*Others Present:* Kevin Gilman of AAAA; Stacy Huffman of SSRC, David Nagel of FNA

### **Proceedings**

The meeting was called to order at 1:00 by the President.

A quorum was established.

Notice of meeting was provided by email on November 3<sup>rd</sup>, 2011.

Meeting Minutes from the October 6<sup>th</sup>, 2011 Board meeting were reviewed.

***Motion:*** Greg moved to approve the minutes.

Walter seconded.

Motion carried.

David Nagel reviewed the status of the management contract renewal. Regarding the 4% fund transparency, Mike said SSRC will provide a copy of the quarterly Local Marketing District tax return, which shows gross lodging revenue. Insurance and indemnification issues are still being resolved between the attorneys. Mike said SSRC will agree to a fixed monthly fee for security services, and the Board agreed that it should include the same CPI clause that increases other expenses to keep up with inflation. Joe asked about the dispute over the CPI clause in the Owners Club License agreement, and David said, based on discussions with John Maas, he felt SSRC has decided to leave that issue alone.

The consensus was that the management contract renewal is very close to being ready to sign. Joe said that he had contact with two other management companies. He felt that the transition to a different management company would be difficult.

Kevin raised a question about the seasonal cutbacks for bell and shuttle services anticipated in the management agreement, and the fairness to owners who own the off season weeks that would be impacted. This will be addressed as part of the budget.

David reported that the foreclosure auction date for unit 326 I B is December 1<sup>st</sup>. Unit 227 III A made a payment, and the deadline to respond to the complaint was postponed for 60 days until November 1<sup>st</sup>. That deadline has come and gone. Kevin reported that he put in an offer to buy the unit on November 3<sup>rd</sup>, but has not gotten a response. If the sale does not happen, David will move forward with getting a default judgment and continue the foreclosure process. Unit 640 II B has not responded to repeated requests for payment, and a complaint will now be filed. Unit 338 I has made a substantial payment, and if they agree to a payment plan the complaint will be dismissed. Unit 527 IV has requested a payment plan and that is being negotiated at this time.

David brought up the problem with owners recording a deed with a 50% interest in a quarter share estate, apparently trying to create an alternating quarter share estate, which is a violation of the Declaration. There have been multiple deeds filed on a single unit, making intent hard to establish.

Bank of the West evicted the former tenants of units C5, C6, C7A and C7B, placing all the contents on the sidewalk in front of the Grand, violating the Association's documents. The Bank will be charged for all costs associated with the clean up.

*(Ron joined the meeting at 1:35)*

David presented a letter to Performance Building Services, asking that they either accept our offer to settle or cease billing for the disputed services. The Wine & Spirits modification to the common area was discussed, as it relates to guest safety.

An owner of all shares of a unit, who is not in the rental program, have requested a key to the unit so they don't have to check in at the desk. Mike expressed a concern about safety and security in the event of a fire or other problem. The need for a rule to assure that there is a record of guests who are in the hotel. David confirmed that the Board has the authority to regulate usage of the units.

**Motion:** Steve moved to approve the new rule that all owners, guests and invitees must register at the front desk for each use period for safety, security and maintenance of all unit owners and the Association.

Ron seconded.

Motion carried.

*(2:00 PM)*

Kevin began the budget presentation by explaining that beginning in 2012 the Association will received all parking revenue, which is budgeted at \$55,000. This new revenue offsets the cost increases associated with the changes to the management contract in the Common Operating Fund. Other increase such as utilities and the fitness Center are offset by savings on snow removal. In the Residential Operating Fund, the biggest expense increase is for the Owners Club rent, followed by utilities. If funding for the Replacement Reserve Funds remains unchanged the Residential dues would need to increase by 2.5%. When the prior year's budget was prepared, it was assumed that the parking revenue would be used to increase funding for the Common Replacement Reserve Fund, and that the amount would be \$120,000 per year. If funding for the Replacement Reserve Funds remains unchanged, those funds will be depleted in fifteen years. Based on assumptions about replacement cost, interest rates and inflation, both the Common and Residential Replacement Reserve Funds would need to be increased by \$100,000 in 2012 and thereafter in order to keep both funds positive. That would equate to a 7.5% dues increase.

There was a discussion about inflation and interest rate assumptions, rental income potential, the garage mortgage balloon payment of \$1.5 million in 2020, and SSRC's option to purchase the Knoll Parcel, which would extinguish the balance of the garage mortgage, which expires in 2018. Options for increasing the funding for the Replacement Reserve Funds over a couple of years were discussed. Ideas for increasing miscellaneous revenues were also discussed.

The Board asked Kevin to develop scenarios that have a dues increase of between 4 and 4.5% for residential owners, providing as much funding as possible for future replacements. Ideas for increasing miscellaneous revenue will be discussed at the Annual Meeting. The budget will need to be finalized by November 17<sup>th</sup> and mailed by the 18<sup>th</sup>.

Changes to the TV channel lineup were discussed. The CW channel is not available in our market. Bravo is a premium channel, so to avoid increasing cost, another premium channel would have to be swapped for it. The Board decided to not change the lineup.

*(David Nagel left the meeting at 2:52)*

The 4% fund, also known as the preventative maintenance fund in the rental management agreement, was discussed. Mike presented a report showing historic funding and spending, and how much more funding is needed to meet current needs. The big items are the spring and fall deep cleaning, carpet cleaning, exterior window washing and electronic door locks. Moving some of these expenses into the Association's budget would require a greater dues increase. Another option is a surcharge for non-rental occupancy, since only rental occupancy contributes to the fund. This could be limited to only owners who rent on their own, all the way to any owner usage. Various formulas were discussed, but no decision was made.

Nicki Parks, SSRC's Manager of the Spa and Fitness Center, joined the meeting and made a presentation on updating the fitness center. To replace all the exercise equipment with state of the art equipment, including cardiovascular monitors and individual TV screens, and replacing the flooring with rubber flooring, would cost \$121,000. A more middle of the road option would cost about \$85,000. The request for a pull up bar cannot be accommodated because the ceiling is too low.

The Audit Engagement Letter was tabled until the December meeting.

Mike reported that the roof project will be completed on November 14. The work will be evaluated throughout the winter, and next spring additional work will be considered based on concerns about snow falling off the roof in critical areas. The roof snow removal contract was renewed for the upcoming winter at similar prices to last season. New furniture for the penthouses will arrive this month. The remaining wicker chairs will also be replaced before ski season. As for rental lodging, December through February are pacing ahead of last season, but March is behind.

Most of the Financial Report was discussed at various points during the meeting, but Kevin presented a brief recap. The increase in electricity cost was discussed. Option to provide enhanced wireless broadband access, for a fee, was discussed. The transition from short term investments to one year investments is in process, and will be presented at the Annual Meeting.

Mike reported that the Owners Club carpeting is being replaced, and the interior is being painted. He will look into adding an additional boot rack, and will report back.

Stacy reported that the Après Ski program has been cut back to only Friday nights.

The Board approved a request from an owner of all shares of a unit to park a vehicle year round.

The next Board meeting was scheduled for December 2<sup>nd</sup>, 2011 at 1:00 P.M. in Mike Lomas' office, prior to the Owner Reception cocktail party. The Annual Meeting will be held on Saturday at 1:00 on December 3<sup>rd</sup> and a rental meeting will be held in the owners lounge at 10:00.

***Motion:*** Greg moved to adjourn the meeting.

Steve seconded.

Motion carried.

The meeting was adjourned at 4:04.