

**SKI AND RACQUET CLUB, LTD.
BOARD OF DIRECTORS MEETING**

May 5, 2009

via teleconference

I. CALL TO ORDER

The meeting was called to order at 6:00 p.m.

Board Members Participating Were:

Tony Karahalios, President, CP6	Norm Stein, Vice President/Treasurer, A101
Jan Bowman, Secretary, B103	Tom O’Lear, Director, A204
Margie Wood, Director, BG2	Earl Haworth, Director, BP3

Owners Paul Davis (A203) and Debbie and Bruce Linster (A205) also participated.

Representing Basic Property Management were Dan Ulmer, Candy Ramage, Gary Nicholds and Ann Evison. Erika Krainz of Summit Management Resources transcribed the minutes from tape.

II. BUDGET DISCUSSION

Tony Karahalios reviewed his recommendations:

1. Management Fee – The original proposal included a 3% increase. He is recommending no increase for a savings of \$2,280. The other Board members supported this recommendation.
2. Balcony Project – He recommended budgeting \$10,000 for five balconies. All Board members except Margie Wood agreed. She felt this expense should be excluded from the budget and addressed through an assessment.
3. Budget Recommendation - He recommended presenting a budget with no dues increase. If the two recommendations above are implemented, there would be a \$6,000 surplus, which he recommended transferring to the Reserves. Margie Wood said she would prefer a dues reduction.

Dan Ulmer met with the Alpine Bank Vice President. He was told they would not have a problem refinancing the loan, but it would be a floating rate.

Tom O’Lear reviewed his recommendations:

1. Telephone – He proposed disconnecting the Clubhouse phone. The Association is also paying for the landline, cell phone and internet for the Resident Manager. He proposed providing only a cell phone for the Manager as well as high speed internet access. Jan Bowman thought the Clubhouse phone was supposed to have been removed over a year ago. There was discussion about the emergency phone in the pool. Ann Evison said there had to be at least one outgoing line to call the alarm company. Margie Wood said a phone system could be set up to allow for 911, local and 800 calls only. The reduction in cost would be \$1,997/year for a

total cost of \$2,503/year. The Verizon plan would also need to be changed. All Board members agreed with this proposal. Earl Haworth said the \$1,997 savings should be applied to the Reserves. The Earthlink expense under Office Expenses should be reduced by \$264.

2. Insurance Deductible - \$2,500. Tom asked if it was necessary to include this amount. Dan Ulmer recommended keeping it in the budget and rolling it forward to the next year if not used.

Margie Wood reviewed her recommendations:

1. Miscellaneous Income – She requested that \$1,100 be included based on past actuals. Tony Karahalios and Earl Haworth did not feel this was prudent as it is not guaranteed income.
2. Insurance – She recommended reducing the budget from \$18,055 to \$17,695 to keep the increase at 5%. The Board agreed to this change.
3. Miscellaneous G&A – The budget includes \$300 for the Manager’s Christmas bonus. She recommended reducing this to \$100 as the Manager will be new and will not have been at the property for an entire year. Earl Haworth said he would like to have the option of a higher bonus if the Manager is very good. Jan Bowman and Tom O’Lear agreed with Earl.
4. Utilities – She recommended reducing the budget from \$89,000 to \$86,000 to be in line with last year. Tony Karahalios said he thought the rates might increase. Jan Bowman suggested increasing the budget to \$90,000. After further discussion, the majority of the Board agreed to leave the budget at \$89,000.
5. Building Repair and Maintenance – There is \$10,000 budgeted. Margie pointed out that this year’s actual was \$9,571 but \$2,000 of that amount was the architectural fee so the total was actually \$7,500. It was noted that this year’s actual was relatively low compared to other years. Paul Davis was concerned that if there were excess funds in the account there would be a tendency to spend them. Tony Karahalios said that was not the case. The majority of the Board agreed to leave the budget at \$10,000.
6. Grounds Maintenance – Last year’s actual expense was \$2,172. She recommended reducing the budget from \$3,000 to \$2,200. Jan Bowman felt the budget should be left at \$3,000 in case there are trees that need to be removed. The majority of the Board agreed to leave the budget at \$3,000.
7. Pool/Hot Tub Maintenance – Last year’s actual expense was \$3,459. She proposed reducing the budget from \$4,000 to \$3,500. The majority of the Board agreed to leave the budget at \$4,000 due to the aging of the equipment and increased maintenance.

Debbie Linster said she would be presenting a proposal to basically keep the monthly outlay per owner the same while actually reducing dues by moving some expenses to assessments, which owners would have to finance individually. She reviewed Option A:

1. Dues – She took the current dues structure and multiplied it by the number of units to come up with total dues revenue of \$458,292. She would increase the Miscellaneous Income by \$4,700. She felt the Manager’s bonus should be paid

- by the management company. She would propose somewhere between \$0 – 100 for that line item.
2. Utilities – She proposed budgeting \$86,000.
 3. Grounds Maintenance – She proposed reducing the budget from \$3,000 to \$2,300.
 4. Net Income – \$45,369 based on the three changes listed above. She proposed refunding \$40,000 to the owners, equating to the amount presented to the owners last year for painting Building C, which has now been painted. This would leave \$5,369 to transfer to Reserves in addition to the \$5,000 regular annual contribution.
 5. Capital Improvements - She pulled all capital improvements out of the budget because she believes all such improvements should be financed by Special Assessments. In order to address the projects, the total assessment would be \$70,000, or about \$1,000/unit. Based on financing 100% of that amount at 5% interest for ten years, the additional payment for a one bedroom would be \$9/month, and \$11/month for two and three bedrooms.
 6. Dues - The dues structure under her proposal would be \$381 for a one bedroom, \$509 for a two bedroom and \$529/532 for three bedrooms.

Tony Karahalios commented that the only problem he saw was that capital expenses are ongoing and reoccurring, not a one time deal. Earl Haworth pointed out that with the \$40,000 refund and \$70,000 assessment, the net annual increase would actually be \$500/owner. Jan Bowman said she would need to review the proposal more carefully. Margie Wood thought it was a great idea but said it was not her favorite option. Tom O’Lear felt a couple of Debbie’s options should be presented along with the zero increase budget discussed by the Board. Tony said he would encourage Debbie to present her proposal at the Annual Meeting, although he would not make it a recommendation from the Board. Bruce Linster clarified that the goal of this proposal was to reduce the monthly dues because owners are having trouble selling their units based on the level of dues. Jan Bowman commented that she was more inclined to pay \$39/month extra in dues than to go out and get a loan.

Debbie Linster reviewed Option B:

1. This option includes the dues refund and the \$70,000 assessment from Option A but also adds the outstanding loan balance to the assessment for a total assessment of about \$640,000.
2. The dues would decrease to \$254 for a one bedroom, \$357 for a two bedroom and \$372 for a three bedroom with a one time assessment of \$8,500 – 10,000 per unit. A home equity loan to finance the assessment would cost about \$91/month.

Debbie Linster reviewed Option C:

1. Incorporates Options A and B along with the facelift.
2. The total assessment would be \$2,182,366. The assessments would be \$26,239 for a one bedroom, \$31,466 for a two bedroom and \$32,440/32,322 for three bedrooms. If financed for ten years, the payments would be \$111/month for a one bedroom, \$133/month for a two bedroom and \$137 for three bedrooms. A fifteen year loan would decrease the monthly payments to \$208 for one bedrooms,

\$248 for two bedrooms and \$255 for three bedrooms. The extra outlay could be as low as \$41/month for a one bedroom, dues would remain the same and all the improvements would be made. Several other complexes in town have done this.

Debbie Linster reviewed Option D:

1. Incorporates Options A – C and cuts the management fee in half. If that was possible, the monthly cash outlay would be just about the same as it is now.

Tony Karahalios said he would put her on the agenda to present her proposals. He asked her to send a copy of her presentation to the Board so copies can be made for the Annual Meeting. The Board thanked her for her analysis.

Paul Davis made the following comments:

1. The management fee has increased over the years and he feels that many of the budget items that should be reduced should be addressed by the management company, such as the telephone expense and elevator contract.
2. There should not be a management fee increase. He felt that management should only get a raise if they are able to realize savings in the budget.
3. He felt Basic Property Management should have enough expertise to provide a solution and estimated cost for the Clubhouse roof issue. Dan Ulmer said it was not a common problem and required the services of a structural engineer. Basic provided three bids as requested by the Board.

Margie Wood noted that there had been discussion in the past about allocating \$10,000 for structural repairs to the Clubhouse, \$6,000 for painting and \$3,500 for roof repairs. Four estimates were received to fix the Clubhouse, ranging from \$38,000 – 131,000. She wanted to be sure that the Board is clear about what needs to be done to the Clubhouse. Earl Haworth said he had reviewed the estimates. He said it would not be possible to add a shed roof by the ping pong roof as it would encroach on the setback. Tom O’Lear and Jan Bowman felt there was further research needed. Jan said something should be put in place to direct the snow away from the supports.

Bruce Linster said that per the Declarations, the Board cannot enter into contractual agreements for longer than a one year term. There was discussion about the management contract and if it fell under that guideline. Dan Ulmer said the last management contract was signed by the Board with the approval of the owners after the Annual Meeting. Bruce said he did not find any reference to this issue in the last Annual Meeting minutes. Tony Karahalios suggested that he bring this issue up for discussion at the next Annual Meeting.

Candy Ramage provided a summary of the Reserve status. She said a budget with no increase would provide for an annual contribution of about \$35,000. Projected expenses are \$26,500, leaving a net of \$13,400. If the capital projects are kept at \$26,500 and the contribution is only enough to cover them, dues would be reduced by 1.84% overall.

Earl Haworth made a motion to approve the 2009/2010 Operating Budget with no increase on the Operating side but with an increase to the Reserve contribution. Tom O’Lear seconded. The motion carried with Margie Wood abstaining.

III. SIDING PROJECT

Margie Wood said there were two options for the siding. Option A includes a “facelift” for Buildings A, B and C at a total cost of \$1,321,650. This would equate to an assessment of \$15,890 for one bedrooms, \$19,056 for two bedrooms and \$19,646/19,575 for three bedroom/penthouse units. She said if the owners approve the “facelift”, it may be prudent to include the Clubhouse as well.

Earl Haworth provided the following comments:

1. He compared this \$1.1 million project with a 20 year lifespan to what is being done currently with painting. He included a 3% inflation rate and added a 10% contingency. At the end of 20 years, the siding project would be \$750,000 short of breaking even.

Jan provided the following comments:

1. The Board asked the Committee to look at siding and nothing else. The proposal has some additional unnecessary items. The existing balconies are reasonably storm resistant and functional.
2. The proposal includes redoing the shed roofs over the one bedroom units. She felt they were still functional and to code and did not need to be replaced.
3. Windows should have been included in the proposal, not left up to individual owners.
4. Solar panels would void the roof warranty and would not produce sufficient quantities for significant credits.

Tom O’Lear provided the following comments:

1. He would like to see a recommendation to the group and have a discussion on the pros and cons.

Margie Wood made a motion to approve the recommendation from the Siding Committee regarding the work and assessments as discussed. The motion failed for lack of a second. The Siding Committee can make a presentation at the Annual Meeting without a recommendation from the Board. Tom O’Lear made a motion to include the financial information for this proposal with the Annual Meeting packet with the Board taking a “neutral” position. Margie Wood seconded but the motion did not carry.

Debbie Linster provided the following comments:

1. Earl Haworth’s analysis did not include any costs for the end caps. Last time the estimate was about \$400,000. She had three contractors look at them and there is a concern that they are leaking.
2. The architect would attend all meetings with the Association to get the project through the town approval process. He is willing to meet with the Committee and any interested Board members the night before the Annual Meeting.

3. There are a variety of owner needs and the Board must take fiduciary responsibility and watch out for the best interests of all owners.

IV. DECLARATIONS CHANGES

Resolutions were made in 2003 to amend both the Bylaws and Declarations. The Board can change the Bylaws at any time but amendments to the Declarations require a favorable vote of the majority of owners. Two of the changes discussed were:

1. Changed Board from three to seven members.
2. A failure to respond will be constituted as a vote in favor. Margie Wood felt a non-response should be counted as a vote in opposition. Dan Ulmer said it was written as a favorable vote based on the recommendation of the bank's attorney. Earl Haworth said he would like a recommendation from the Association's attorney in addition to the bank's attorney to ensure they are in compliance with state law.

Bruce Linster said he served on another Board and failure to receive a response was not constituted as a vote in favor. He thought the Board was creating a liability by counting a non-response as a favorable vote. Tony Karahalios asked Dan Ulmer to contact the Association's attorney for clarification on this issue.

V. OTHER BUSINESS

A. Window Issues

An owner sent a letter to the Board requesting permission to keep his non-compliant white windows. Earl Haworth felt it would be permissible to allow this particular variance, but not to grant a variance to any other owners who installed the windows at a later date. Jan Bowman said the frames could be prepared in such a way as to hold paint. She was concerned about setting a precedent by allowing the owner to leave the windows white. Tony Karahalios suggested sending a response to the owner from the Board informing him that under the circumstances there are no penalties. He will be required to come into compliance within sixty days; painting is an option and the Board is willing to help him come into compliance.

Paul Davis noted his objection to the \$1,000 fine that was levied on the homeowner. Dan Ulmer said it was levied per the Board's direction. Tony Karahalios said the Board had the authority to levy the fine and enforce compliance but was willing to be lenient given the circumstances.

B. Unit BG4 Window Addition Request

The owner sent a letter to the Board requesting permission to add a window on the outside wall. There was discussion about the fact that the Board allowed another owner to add a window in the past; this owner was given permission to add two windows but actually installed three. Jan Bowman made a motion to allow the owner to install one window (approximately 18" x 36") as long as it is similar to that which was installed on the other unit. Ann Evison noted that Unit

BG4 was one of the units with non-conforming white windows, so it should be made clear to the owner that any new windows must conform. Earl Haworth said the owner should be required to send a drawing for Board approval before the installation. Dan Ulmer was asked to draft a letter to the owner incorporating these comments and the exact size of the window. The motion was seconded and carried. Dan Ulmer suggested developing a policy for adding windows for one bedroom units so it can be posted on the website. Jan Bowman did not think it should be advertised on the website. Margie Wood said it should be made clear that any work and costs related to the addition of the window are the owner's responsibility. Jan Bowman also felt the owners who had received permission to add two windows but actually added three should be fined for non-compliance.

C. Dog Waste Issue

Paul Davis said the owner who had been fined for dog waste on the deck told him he had not received any information about the reason for the fine or any proof. He recommended that Dan Ulmer contact the unit owner to provide the necessary information. Tony Karahalios said the Board tried to meet with the owner when he was last in town but the owner chose not to take the time. There are sworn statements regarding the violation as well as photographs.

D. C102 Excessive Occupancy

Ann Evison said this issue had been resolved.

E. Insurance

An amendment was made to the Declarations to clarify that if an owner turns the heat down in their unit and the pipes freeze, the Association is not liable. Dan Ulmer said the Rules and Regulations indicate that owners must keep the heat on at some minimal level. Jan Bowman felt there should be some enforcement and penalty if owners do not comply. Jan recommended rewriting the Rules and Regulations. Dan will send her a copy of the Dillon Valley East document that she can use as a template.

F. Asphalt

Jan Bowman said the asphalt was in bad condition. It will need to be added to the budget in the near future. Dan Ulmer said right now asphalt is \$68/ton versus \$128/ton last year, but there are no funds budgeted this year.

VI. ADJOURNMENT

The meeting was adjourned at 8:30 p.m.

Approved By: _____ Date: _____
Board Member Signature